

State Revolving Fund (SRF) – Drinking Water Program Application Instructions for Municipal Borrowers

These instructions have been designed to help you fill out the State Revolving Fund - Drinking Water Program application for Municipal Borrowers. Please carefully read the instructions before completing the application. Also, before completing the application, please contact Roger Crouse, the Drinking Water Coordinator, at the Department of Health & Human Services – 207-287-5684 to determine tentative project eligibility. Once DHHS determines tentative eligibility, the applicant will need to:

- Complete the SRF - Drinking Water Program application **and**
- Mail a copy of the completed application and the blank Project Authorization form to the Department of Health & Human Services, 11 State House Station, Augusta, Maine 04333-0011, Attention: Roger Crouse, – Drinking Water Coordinator **and**
- Mail the original application, along with the required documentation, to the Maine Municipal Bond Bank, 127 Community Drive, P.O. Box 2268, Augusta, Maine 04338-2268, Attention: Karen Asselin, SRF – Drinking Water Program Officer.

The DHHS serves as the project manager for the program. Using Federal Safe Water Act Guidelines and selection criteria DHHS reviews project applications. If the project is determined eligible, DHHS places each project on a priority list, and notifies the Bond Bank that the project is eligible. The Maine Municipal Bond Bank serves as the program administrator and financial manager. The Bond Bank cannot lend any funds until the project is approved by DHHS.

When completing the application, please use black pen or a typewriter. To obtain the most current version of the Drinking Water Application and Application Instructions designed to help you complete the application, please visit our website www.mmbb.com. The application and instructions can be downloaded to your PC by using the Adobe Acrobat Reader. If you need assistance completing the application, please call Karen Asselin at 1-800-821-1113 or 207-622-9386.

If DHHS deems the project ineligible, the applicant may apply for funds through the Bond Bank's General Bond Program. The program offers a lower interest rate, reduced bond issuance fees, and high quality financial and technical expertise.

GENERAL INFORMATION SECTION (Pages 3 and 4 of the application)

Name and Address of Applicant:

The applicant is the entity that owns the system and pipes. Provide the entity's mailing address and physical address of the proposed project.

Type of Unit:

Check Municipality, District or Specify Other.

Chief Administrative Officer:

The person authorized to secure debt on the applicant's behalf. Please provide the name, title, telephone number, fax number, email Address, and mailing address.

Contact Person:

Name, address, telephone number, fax number, email address, and mailing address of the person most knowledgeable about the proposed construction project. This is the person the Bond Bank will be contacting if there are any questions regarding the application.

Project Engineer:

Name, address, telephone number, fax number, email address, and mailing address of the engineer who will design the facility/system expansion or improvements.

Purpose of Borrowing:

Describe the overall project, including improvements that will be paid for with Drinking Water loan proceeds and improvements that will be paid for with other funds.

Project Status:

Provide information regarding the status of the engineer's specifications and the construction bids. Indicate what permits, state and local authorizations are required. DHHS technical staff can help you determine what permits and authorizations are needed. Call Roger Crouse at DHHS – 207-287-5684 with any questions.

Interim (Construction) Financing:

Provide information regarding interim (short-term) financing you have applied for as of the SRF – Drinking Water loan application date, as well as any that you will apply for. (e.g. bond anticipation notes, SRF – Drinking Water interim loan, etc.) If you have not applied for construction financing as of this date, please indicate whether you need interim financing. Please note that the Bond Bank can provide interim financing for costs that will be financed with the SRF - Drinking Water loan, if needed.

Refinance of Existing Debt:

Drinking Water loan proceeds to refinance existing debt are subject to availability. Please contact Karen Asselin, the SRF – Program Officer if you are planning to use the SRF Drinking Water loan proceeds to pay off an existing long-term debt.

Local Authorization:

The form of local authorization depends on the structure of the governmental entity requesting a Drinking Water loan. It is important that applicants select and hire local bond counsel in advance of completing this Application. Bond counsel can advise the applicant of the necessary voter and board approvals, as well as any state or local authorizations necessary to incur debt under the SRF - Drinking Water Program.

Amount Authorized:

State the total of all loans and grants applied for to pay for the project, including the full amount of any RUS loan, CDBG grants, and the SRF Drinking Water loan amount, before any forgiveness, plus the Cost of Issuance and Origination Fee. Voter and/or board approval is needed on the total loan amount requested from all funding sources.

Date of Authorization:

Indicate the date voters and/or the board approved the “amount authorized” in a referendum vote. If voter approval is pending, please indicate the upcoming date voters are expected to approve the proposed SRF - Drinking Water loan debt.

Disadvantaged Community System:

Each year, a percentage of the SRF - Drinking Water program funds are used to help disadvantaged communities, based on the median household income of water system users. Relevant material supporting the disadvantaged status is required (e.g. Median Household Income (MHI) survey). Assistance in preparing these materials is available from a variety of resources. Please contact Roger Crouse at 207-287-5684 for information on what may be required and about available assistance.

If the applicant qualifies as a disadvantaged community, up to 75% of the SRF - Drinking Water Program loan is forgiven. The remainder is repaid at 0% interest. The applicant is eligible to receive an interim (construction) loan at 0% interest and can repay the permanent loan over a 30-year period, rather than 20 years. Additionally, there are no costs of issuance other than local bond counsel and all applicable fees are waived.

Bond Counsel:

Provide the name, address and telephone number of the local bond counsel you have hired to provide a legal opinion. For a current listing of Maine Municipal Bond Bank approved Bond Counsel see the online website at www.mmbb.com under Programs and our listing of Approved Bond Counsel.

SOURCES OF FUNDS/COST BREAKDOWN FOR PROJECT SECTION (Page 4)

□ SOURCE OF FUNDS COLUMN

Amount Requested from Bond Bank (this application):

State the total cost of improvements to be paid for with the SRF - Drinking Water Program loan proceeds. The Amount Requested from the Bond Bank must be approved by DHHS and should be less than or equal to the Total Eligible Costs on the Project Authorization form (see Page 16 of the application).

Applicants that do not qualify as a disadvantaged community usually finance their Cost of Issuance and Origination Fee in the SRF - Drinking Water loan. Unless the applicant will pay the Cost of Issuance and Origination Fee with other funds, these borrowing costs are included in the Amount Requested from the Bond Bank (Line A).

Federal Grant or Loan:

Indicate the amount of RUS or CDBG grant and/or loan applied for, if applicable.

State Grant or Loan:

Indicate the amount of any state grants or loans applied for, if applicable.

Applicant's Share:

Indicate any local lender loan applied for or any cash contribution from the applicant.

Other Funds:

Identify the amount of any funds secured by the applicant to pay for the project, not included above.

Total Source of Funds (Line B):

This is the sum of all grant and loan funds applied for by the applicant to pay for the project costs, including any borrowing costs (Cost of Issuance and Origination Fee) to be financed, and any cash contributions by the applicant.

❑ PROJECT COST BREAKDOWN COLUMN

Land:

Purchase price of land, if applicable.

Design Cost:

Architect plans, etc.

Engineering:

Concept and design costs.

Contractors:

Construction cost for materials and labor

Contingency:

Please consult your engineer and DHHS about an appropriate contingency amount for your project.

Other costs:

Other costs associated with project, not included above (e.g. testing)

Sub-Total Project Costs (Line C):

This is the sum of all project costs associated with the project.

❑ ISSUANCE COSTS AND ORIGINATION FEE COLUMN

Cost of Issuance:

Multiply the SRF-Drinking Water loan amount by 2% and include in the “Amount Requested from the Bond Bank” if the Cost of Issuance fee is being financed in the SRF - Drinking Water loan. Disadvantaged borrowers need not include an amount in this section.

Origination Fee:

Multiply the SRF-Drinking Water loan amount by 1% and include in the “Amount Requested from the Bond Bank” if the Origination Fee is being financed in the SRF - Drinking Water loan.

Reminder: If applicant qualifies as a disadvantaged community, the Origination Fee is waived.

Other:

Examples might include, the borrower’s legal costs, interest on interim loan financing obtained for the project, etc. All borrowers are responsible for their own local bond counsel costs.

Total Issuance Costs and Fees (Line D):

Add together the Cost of Issuance, Origination Fee and Other fees, if applicable.

Total Project and Issuance Costs (Line E):

Add Line C and Line D amounts together and put the total in Line E. The total should equal the Total Source of Funds amount on Line B.

INFORMATION REQUIRED FOR PROPOSED ISSUANCE OF DEBT (Page 5)

Activity since the last Annual Report or Audited Financial Statement:

Please identify any short-term or long-term debt issued or authorized since the applicant's last Audited Financial Statement. *For example – if the applicant's fiscal year ends June 30, 2006, the SRF-Drinking Water loan application should reflect any debt issued or authorized after July 1, 2006.*

If you answer "yes" to having issued or authorized debt, please provide information regarding the type of debt, amount, maturity, interest rate and lender name.

Financial Condition:

Check off any factors that would affect the applicant's financial condition or prevent a first lien mortgage pledge.

Type of Debt Requested:

Municipal applicants will generally check "General Obligation" (G.O.). District applicants will check "Revenue".

Revenue for Repayment:

Indicate the type(s) of revenue the applicant will rely on to repay the bond debt. (e.g. general taxes, user charges, or special assessments)

PLEASE NOTE: Federal regulations mandate that a dedicated source of revenue be in place prior to loan closing (e.g. real estate taxes or user fees).

Long-Term Take Out:

Indicate if you have a long-term loan from USDA Rural Development or other entity.

Interest Capitalization:

Interest that accrues on the permanent loan once construction is complete can be deferred and financed in the SRF – Drinking Water loan. Check "yes" if the applicant wishes to finance any SRF-Drinking Water loan interest costs. Please indicate how many months of interest the applicant wishes to finance. NOTE: A maximum of 12 months interest can be capitalized (financed in the SRF – Drinking Water loan).

Debt Limitations:

Local bond counsel will review the applicant's charter and determine if there are any debt limitations on the applicant's behalf. If there are limitations (e.g. local ordinance, statutory, or regulation) governing the amount of debt the applicant can incur, check "yes" and provide a detailed explanation.

Repayment Term:

Indicate the number of years the applicant wants to repay the SRF-Drinking Water loan and indicate the requested start date for the initial repayment. The maximum SRF – Drinking Water loan term is 20 years, or the life of the asset financed, for communities that do not qualify as disadvantaged. For disadvantaged communities the maximum term can be longer (not to exceed 30 years).

- Maturity Schedule of the Proposed Bond Issue

Please indicate whether the applicant wants a

- 1) A level debt payment (the total principal and interest payment remains the same each year) or
- 2) A level principal payment (the principal portion of the payment stays the same; the total principal and interest payment declines each year) or
- 3) A stepped payment schedule.

Please fill in the desired annual principal payment amount for the term of the loan. Feel free to call the Bond Bank to request debt service estimates and discuss possible repayment structuring with Karen Asselin, the SRF – Drinking Water Program Officer.

ECONOMIC INFORMATION- (Page 6 & 7)

Fiscal Year End:

Refer to most recent Audited Financial Statement or Annual Report and indicate the end date of the applicant's fiscal year.

Charge for Services:

State how often customers are billed for water usage.

Late Payments:

State the interest rate penalty (or late fee amount) if payment is not received by the due date and/or grace period, if any.

Customers:

List all the towns and cities served by the system/facility. For each municipality, provide the number of connections served by the facility/system.

Populations:

Provide the number people in the 2000 Census and the most recent estimate of people.

Significant Users:

State the names of individuals or businesses that use more than 5% of the system, their annual water cost, and approximate usage capacity (maximum amount that can be used at one time), measured in cubic feet.

Facility and rate information:

Provide information regarding the number of customer hook-ups, number of employees currently operating the system and number of employees operating the system in each of the previous 5 years. Provide the current rate schedule (cost per cubic foot) and any planned rate increases in the next 2 years (including any rate increase applied for to pay the SRF-Drinking Water loan being requested in this application). Applicants may document the current and past year's rate schedule by attaching a copy of PUC approved rate schedules.

Taxpayers/Employer Information:

Provide information regarding the 10 largest taxpayers of the municipality and 5 largest employers. A District applicant will need to supply information for each municipality it serves.

DEBT INFORMATION (Page 8)

Debt Statement:

Indicate the date of the most recent Audited Financial Statement.

General Obligation Bonds:

Please identify any General Obligation Bonds the applicant has issued through the Bond Bank and the principal balance on any outstanding bond(s).

Identify any General Obligation Bonds the applicant has issued through another lender (not through the Bond Bank). For any bonds with an outstanding principal balance, provide the lender name and outstanding amount due on each bond (on Page 9 of the application list the principal & interest of the bonds NOT issued through the Bond Bank).

Loan Requests:

State the SRF –Drinking Water loan amount being requested in this application. The amount should be equal to the amount in Line A on Page 4 of the Application.

Loan Amount being requested through other sources, if any. List the loan amount being requested from other lenders, such as Rural Development, local banks, etc.

Total Direct Debt:

Add together the SRF - Drinking Water loan amount being requested and any loan(s) being requested from other sources and place the total beside the space entitled Total Direct Debt.

OUTSTANDING DEBT NOT WITH THE BOND BANK (Page 8)

Combined Debt Service Payment Schedule:

List all current outstanding long-term debt that **is not** with the Maine Municipal Bond Bank. State the future principal payment and interest payments, by year, until maturity, or attach a copy of the amortization schedule for each loan.

Overlapping Debt

Refer to the most recent Audited Financial Statement to identify the governmental units that have overlapping jurisdiction. Fill in the governmental unit name (e.g. school, county, etc), outstanding bonded debt, the % of the debt the applicant is responsible for paying, as well as the dollar amount. Add together the amounts in the last column and put the total beside Total Overlapping Debt.

Total Direct Debt & Total Overlapping Debt:

Add Total Direct Debt and Total Overlapping Debt.

Maine State Retirement System:

Indicate whether the applicant is a member of the Maine State Retirement System and state the amount of unfunded pension liability, if any. This information can generally be found in the applicant's Audited Financial Statements.

MUNICIPAL BORROWER – FINANCIAL INFORMATION (Pages 10, 11 and 12)

If the SRF – Drinking Water loan will be repaid from municipal revenues (real estate taxes and personal property), each municipality being served by the system must provide their financial

information so that the district can complete Page 10, 11 and 12 of the Application. The district will also complete pages 13 and 14. *If the SRF- Drinking Water loan will be repaid from district user charges, the applicant will disregard Pages 10, 11, and 12, turn to, and complete Pages 13 and 14 of the Application.*

Tax Rate and Tax Collections:

Beginning with the most recent year and 4 previous fiscal years, provide information regarding the municipality tax rate, taxes billed, dollar and percent of taxes collected by fiscal year end, as well as dollar and percent of taxes collected after the second year. This information can be found in the municipality's Audited Financial Statement or Annual Report.

Property Valuations:

Using the municipality's most current Audited Financial Statement, obtain the local assessed value by adding together real estate and personal property valuations. If the applicant does not know the State Assessed Value, the Bond Bank will obtain this information from the Maine Municipal Association on the applicant's behalf.

Date of Last RE-evaluation:

Date of Last Re-evaluation.

Composition of Tax Base:

Estimate the percent of residential taxpayers and commercial and industrial taxpayers in each municipality.

Tax Due Dates:

Provide the date(s) real estate taxes are due each year and the penalty for late payment of overdue taxes.

Basis of Accounting:

Check which accounting policy the applicant uses when recognizing revenues and expenditures.

- Summary of Balance Sheet for Last Three Fiscal Years & Two Years Projected – General Fund Only (Page 11)

Using the Audited Financial Statements for each of the three previous years, take the General Fund Balance Sheet and transfer the Asset, Liabilities and Fund Balance figures and transfer them to the appropriate spaces on the Application. Use the current year budget to complete the first Projected Fiscal Year column and the upcoming fiscal year budget to complete the second year Projected Fiscal Year column.

- Assets include cash, investments, taxes receivable, tax liens, due from other funds, allowances for uncollectables.
 - Liabilities include bonds payable, accounts payable, due to other funds, prepaid taxes, deferred revenue, and reserves.
- Summary Statement of Revenue & Expenditures for Last Three Fiscal Years and for Two Years Projected – General Fund Only (Page 12)

Using the Audited Financial Statements for each of the three previous years, take the actual Revenue figures and transfer them to the appropriate spaces on the Application. Add together all the operating expenses for all departments and transfer the total to the space on the Application. Transfer any Debt Service figure. Add together the total operating Expense (for all departments), Debt Service amount, and other expenses, if any, to determine the Total Expenditures.

- Revenues include real and personal property taxes, excise taxes, licenses and permits, federal revenue sharing, state subsidy for schools, municipal revenue sharing, other state assistance, charges for services, interest earned, and unclassified fees.
- Expenditures include all governmental, finance and administrative expenses for all departments, towns services and public safety, public works, health and welfare, community services, planning, conservation, and culture, insurance and employee benefits, education, abatements, county tax.

Transfer the actual amounts in “Operating Transfers from” and “Operating Transfers to” under Other Financing Sources (Uses) and the Beginning Fund Balance and Ending Fund Balance figures to the appropriate spaces on the Application.

DISTRICT BORROWER – FINANCIAL INFORMATION (Pages 13 and 14)

If the SRF – Drinking Water loan will be repaid from user charges only, the applicant will disregard Pages 10, 11, and 12 and complete Pages 13 and 14 only.

- Summary of Balance Sheet for Last Three Fiscal Years and Two Years Projected(Page 13)

Using the Audited Financial Statements for each of the three previous years, take the figures from the General Fund Balance Sheet and transfer the Asset, Liabilities, and Fund Balance figures to the appropriate spaces on the Application.

- Assets include cash, investments, accounts receivables, deferred debits, prepaid insurance, cash for construction and debt, net value of property, plant and equipment.
- Liabilities include bonds payable, notes payable, accounts payable, accrued interest, operating reserves, contributions in aid of construction, deferred credits.
- Fund Equity includes retained earnings

Use the current year Budget to complete the first Projected Fiscal Year column and upcoming fiscal year budget to complete the second Projected Fiscal Year column.

- Summary Statement of Revenue and Expenditures for General Fund and for Two Years Projected(Page 14)

Using the Audited Financial Statements for each of the three previous years, take the actual Revenue figures and transfer them to the appropriate spaces on the Application. Add together all the operating Expenses and transfer the total to the Application. Transfer the depreciation, amortization and other expense figures. Take the actual figures from Net Operating Income, Other Income (non-operating revenues), Income Deductions and Net Income sections from the Audited Financial Statement and transfer them to the Application.

- Revenues include residential and commercial user charges, deferred charges, and contributions, grant revenue (excluding interest earned).

- Expenses include operation and maintenance (repairs, supplies, insurance, legal, audit, taxes) and depreciation.
- Other income includes interest earned.

Statement of Default (Page 15)

When submitting the completed application, a district applicant is required to provide the following documentation:

- Charter, with amendments (if any)
- Last 3 annual Audited Financial Statements and the most recent unaudited financials (e.g. trial balance, balance sheet, statement of revenues and expenditures)
- Current Budget
- If regulated by the PUC, the annual report submitted to PUC
- Current and proposed rate schedules
- Proposed construction draw-down schedule
- Documentation supporting disadvantaged community (if applicable)

A municipal applicant is required to provide the following documentation:

- Last 3 annual Audited Financial Statements and the most recent unaudited financials (e.g. trial balance, balance sheet, statement of revenues and expenditures)
- Current Budget
- If regulated by the PUC, the annual report submitted to PUC
- Current and proposed rate schedules
- Proposed construction draw-down schedule
- Documentation supporting disadvantaged community (if applicable)

The applicant certifies that they are not in default on any outstanding loan. If default has occurred, the applicant will need to provide a detailed explanation of the circumstances, including the lender name, paid to date, amount past due, reason for default, etc.

District applicants are asked to certify whether the system is under a regulatory or court compliance order. If the district is under such order, the applicant must provide a copy of the court order when submitting the application.

For projects that involve the purchase of land, the applicant must provide a copy of the purchase and sales agreement, appraisal and site assessment/environmental survey in addition to the required supporting documentation mentioned above.

The applicant is encouraged to provide on a separate page identifying any additional financial or economic facts, not requested in this application, which will assist the Bond Bank in the evaluation of the loan financing application.

Maine Department of Health & Human Services – Project Authorization (Page 16)

The Project Authorization form must be completed by the State of Maine Department of Health & Human Services (DHHS) certifying that the applicant and the project is eligible for financing through the SRF – Drinking Water Program. The applicant will forward a copy of the completed loan

financing application and blank Project Authorization form to Roger Crouse at the Department of Health & Human Services on the same day as mailing the original application and supporting documentation to the Maine Municipal Bond Bank. The Bond Bank cannot process a Drinking Water Program loan until DHHS completes its review and approves the applicant and proposed project.

Once DHHS approves the project, they will forward the signed Project Authorization form directly to the Bond Bank. Upon receipt of the Authorization, the Bond Bank will begin its review of the financing request.

Because funds are limited, prompt submission of the completed application to DHHS is critical if an applicant wants consideration for current year funding. Delay or failure to submit initial or additional information to DHHS or the Bond Bank could postpone the project to the following year.

Maine Municipal Bond Bank – Approval Process

Completed applications will be reviewed at the next meeting of our Board of Directors, typically each month. If funding is needed more immediately, please contact Karen Asselin, SRF - Drinking Water Program Officer, about additional options.