

**RHODE ISLAND CLEAN WATER FINANCE AGENCY**

**LOAN POLICIES AND PROCEDURES**

**Facility Plan Loan Program**

**Revised November, 1999**

AUTHORITY: Policies and Procedures adopted in accordance to Title VI of the Federal Clean Water Act and Chapter 46-12.2 of the General Laws of Rhode Island.

# RHODE ISLAND CLEAN WATER FINANCE AGENCY

## LOAN POLICIES AND PROCEDURES

for the

### FACILITY PLAN LOAN PROGRAM

- I. **PURPOSE:** The within Loan Policies and Procedures of the Rhode Island Clean Water Finance Agency (Agency) have been established to govern the lending activities of the Agency in connection with a Facilities Plan Loan Program under and pursuant to Chapter 46-12.2 of the General Laws of Rhode Island.
- II. **DEFINITIONS:** Except as otherwise defined herein, the words and phrases used within these Loan Policies and Procedures have the same meaning as the words and phrases have in Chapter 46-12.2 of the General Laws of Rhode Island.
- III. **FINANCIAL ASSISTANCE:** The objective of these Loan Policies and Procedures is to provide financial assistance to local governmental units for water pollution abatement project facilities plans in the form of short-term loans, not in excess of \$150,000 per project, with deeply subsidized interest rates and minimum administration expense.
- IV. **LOAN APPLICATION:** Request for financing of a facilities plan loan should be submitted in writing by the chief executive officer of the local governmental unit to the Executive Director of the Agency. No particular form of application shall be required but the written request should generally include:
  - 1) A projection of the total actual costs for preparing the Facility Plan.
  - 2) A description of the dedicated source of loan repayment, i.e. general revenues from property taxes of Cities and Towns, or wastewater system revenues from user fees of Sewer Commissions and Wastewater Management Districts. (The source of repayment will assist the Agency in determining the loan structure.)
  - 3) A description of the overall operations of the local governmental unit with an emphasis on (a) legal structure; (b) management; (c) sources of revenues; (d) operating expenses; (e) operating surpluses or deficits; (f) actual results versus budget; and (g) sources of financial liquidity. The most recent annual report or audited financials may be submitted in satisfaction of all or any part of this item.
  - 4) Legal authority or authorities to borrow for the facilities plan.
  - 5) Such other information as will support a finding by the Agency that meeting the loan will not have an adverse impact on the finances of the Agency.

**V. LOAN APPROVAL PROCESS:** Subject to availability of Agency funds and to prioritization of facility planning projects by the Department of Environmental Management (DEM), loans will be approved by the Executive Director of the Agency for any eligible applicant which has outstanding debt securities, payable from the same source of funds as the loan requested, which debt is rated as investment grade by a nationally recognized municipal credit rating agency. All other loan applications will be approved by action of the Board of Directors after a credit review and report by the Executive Director who will take into consideration:

- 1) sources of revenue and financial liquidity
- 2) historical and projected financial operating results
- 3) present and future debt service requirements
- 4) impact of dedicated user fees and/or general revenues
- 5) cost of the project and completion certificate
- 6) long term capital replacement planning
- 7) socioeconomic conditions and trends
- 8) management qualifications and experience
- 9) effects of legal structure and any regulatory control

All loan approvals are subject to the issuance and terms of a Certificate of Approval by the Department of Environmental Management (DEM) or its successor.

**VI. TERMS AND CONDITIONS:**

- 1) Interest - Loan will bear interest at the rate of one (1.00) percent per annum. Interest is to be calculated on the basis of a 360-day year and twelve thirty day months on the outstanding loan balance, paid semi-annually and at final maturity.
- 2) Loan Fees - The Agency will charge a Service Fee of one half of one (0.50) percent per annum of the outstanding principal of any loan payable semi-annually at each interest payment date. All out of pocket closing costs, i.e., borrowers cost of issuance, borrower counsel fees, Agency counsel fees and other closing costs will be paid by the borrower out of loan proceeds.
- 3) Amortization - Amortization will begin within fifteen months after the loan closing and payments will be made annually thereafter to completely discharge the Loan within thirty-nine months of the loan closing.
- 4) Prepayments - The loan may be prepaid by the borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Agency or any other negative financial impact to the Agency.
- 5) Security - Loans will have a general pledge of (a) general revenues and/or the dedicated wastewater system revenues; and (b) may be secured by any other assets which the Agency deems appropriate to protect the

interest of the other participants in the loan programs of the Agency; bond holders; other creditors of the Agency; or the finances of the Agency.

- 6) Loan Advances - Loan proceeds will be advanced to the borrower in full at closing. All loan proceeds must be disbursed before the first amortization date.
- 7) Record of Disbursement - The borrower will forward to the Agency on a monthly basis, a record of disbursements made to the firm(s) developing the facility plan.

**VII. REPORTING REQUIREMENTS:** Borrowers will be required to provide information to the Agency during the life of the loan. Required information includes:

- 1) A copy of its Annual Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards, annually within 180 days of end of fiscal year.
- 2) Copies of reports submitted to RIDEM, the Environmental Protection Agency (EPA) and any other regulatory agency relating to the facility plans financed by the loan.
- 3) Other information or reports that the Agency deems appropriate.

**VIII. LOAN DOCUMENTS:** The terms and conditions of each loan will be evidenced by a note outlining the specific terms and conditions of the loan and such note will be held in "fully marketable form" accompanied by an opinion of counsel, as required by the Agency enabling act.

**IX. COMPLIANCE WITH STATE AND FEDERAL LAW:** Recipients of loans must comply with all applicable state laws and regulations.

**X. MODIFICATIONS:** Where deemed appropriate by the Agency, waiver or variation of any provisions herein may be made or additional requirements may be added.

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Anthony B. Simeone, Executive Director

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