

## **FRESH WATER REFINANCE LOAN PROGRAM**

### *Program Guidelines*

#### **Section 1 – Program Description**

- 1.1 The Ohio Water Development Authority (OWDA) created the Fresh Water Refinance Loan Program to provide financial assistance for the refinancing of debt for drinking water, wastewater, and storm water projects. Eligible projects include but are not limited to development or acquisition of potable water sources, construction/expansion of water and wastewater treatment facilities, installation or improvement of water distribution and wastewater collection systems, well-head protection planning studies, or storm water management facilities. Loans through the Fresh Water Program, Water Pollution Control Loan Program, and the Drinking Water Assistance Fund Program are not eligible for this program.
- 1.2 Program is funded from OWDA revenue bonds and surplus funds.

#### **Section 2 – Eligible Borrowers**

- 2.1 Eligible borrowers include departments, divisions, or other units of state government, watershed districts, soil and water conservation districts, municipal corporations, counties, townships, and other political subdivisions, special water districts, including county and regional sewer and water districts, conservancy districts, sanitary districts, sewer districts, or any other public corporation or agency having the authority to acquire, construct, or operate waste water or water management facilities.
- 2.2 Borrowers that have enacted local rate legislation to ensure revenues are adequate to make loan repayments.

#### **Section 3 – Eligible Project Costs**

- 3.1 Eligible project costs include: the refinancing of debt, the proceeds of which debt were used to pay the costs of planning, engineering, construction, land and easement acquisition, and legal and inspection fees. All original project costs must have been subject to Ohio prevailing wage.
- 3.2 The Borrower's cost of issuance related to the refinancing is eligible.

#### **Section 4 – Loan Terms**

- 4.1 Application Fee
  - \$250 for loans less than \$200,000
  - \$500 for loans greater than \$200,000 and less than \$1,000,000
  - \$1,500 for loans greater than \$1,000,000

- Due with submission of loan application
- Non-refundable

#### 4.2 Loan Administration Fee

- For loan amounts less than \$100 million the loan fee is equal to 0.35% of the loan amount.
- For loan amounts greater than \$100 million and less than \$150 million the loan fee is equal to \$350,000 plus 0.175% of the loan amount greater than \$100 million.
- For loan amounts greater than \$150 million the loan fee is \$437,500.
- Minimum loan fee is \$400
- Fee can be included in the total loan amount
- Due when the loan agreement is executed

#### 4.3 Term

- Not to exceed 30 years
- The Weighted Average Maturity (WAM) of the Loan cannot substantially exceed the WAM of the refunded portion of the original debt unless a useful life analysis of the project originally financed is proved and/or performed. For the purposes of useful life analysis the “placed in service date” will be the closing date of the original debt.

#### 4.4 Contract Interest Rate for loans less than \$50 million

- Current Refunding
  - The contract interest rate will be determined no less than two weeks but no more than four weeks prior to loan closing
  - For a tax exempt refinancing the contract interest rate will be based on AAA Non-call MMD yield curve plus 0.30% using the weighted average maturity of the loan.
  - For a taxable refinancing the contract interest rate will be based on AAA Taxable MMD yield curve plus 0.30% using the weighted average maturity of the loan.
- Advance Refunding
  - The contract interest rate will be determined no less than two weeks but no more than four weeks prior to loan closing and will be based on AAA Taxable MMD yield curve plus 0.30% using the weighted average maturity of the loan.
- Community Assistance Rate
  - For eligible borrowers under the Fresh Water Loan Program Community Assistance Rate Program Guidelines
  - Calculated six weeks prior to each monthly board meeting, based on previous 8 week average of the 20 Year and 30 Year MMD Aa Index less 2.20% with a maximum interest rate of 1.75% for 20-years and 2.0% for 30-years and a minimum interest rate of 0.50% for 20-years and 0.75% for 30-years
  - Loans with a term of 20 years or less will receive the 20-year loan rate
  - Loans with a term of greater than 20 years will receive the 30-year loan rate
  - Borrower will receive the current Community Assistance rate at the time of loan approval

#### 4.5 Contract Interest Rate for loans greater than \$50 million

- The Borrower and the OWDA will sign a commitment letter to borrow at a not to exceed rate determined by the OWDA based on the structure of the loan.

- The contract interest rate will lock in contemporaneously with the pricing of the linked OWDA bonds plus 0.05%.
- If the pricing of the OWDA bonds exceeds the not to exceed rate in the signed commitment, the Authority will not issue the bonds and the commitment letter shall be extinguished.
- A single weighted average rate will be given to the borrower.

#### 4.6 Repayment

- First payment date will be the second billing date after loan agreement is executed.
- Installment interest begins when loan agreement is executed.
- Principal may amortize consistently with original debt
- Payments due January 1 and July 1 of each year during the repayment period
- Loan repayment Invoices will be mailed approximately May 15 and November 15 to loan recipients
- Borrowers that have both a cumulative outstanding loan value of \$500 million or greater and have a water or sewer revenue bond rating of Aa1 or AA+ or higher from a nationally recognized rating agency at the time of loan award shall have the option of the following repayment terms:
  - April 1 and October 1 (invoice mailed February 15 and August 15)
  - January 1 and July 1 (invoice mailed November 15 and May 15)
  - Written notification to OWDA at the time of the loan or repayment term will default to January 1 and July 1

#### 4.7 Repayment Amortization Methods

- Semi-annual payments through the term of the loan
- Substantially the same as the refunded debt repayments unless a different amortization is requested by the LGA, meets the requirements set forth in Section 4.2 and is agreed upon by OWDA.

#### 4.8 Prepayment of loan

- The Borrower is not able to prepay the loan.
- Payments must be made for the full term of the loan.

#### 4.9 Late Payment Penalty

- Payments received less than 30 days after the payment date: Charged the default rate (interest rate on loan plus 3%) on the default amount from the due date until the date of payment
- Payments received more than 30 days after the payment date: Charged the default rate (interest rate on loan plus 3%) on the default amount from the due date until the date of payment plus a late charge of one percent (1%) on the amount of each default; additional one percent (1%) for each additional 30 days

### Section 5 – Application Process

#### 5.1 For loans less than \$50 million

- Submitted applications will be reviewed and presented to the Board for approval at a regular scheduled meeting.

- Loans will be awarded with a not to exceed loan amount and minimum and maximum interest rate with an anticipated closing date.
- The interest rate will be set no less than two weeks but no more than four weeks prior to loan closing. At the time the interest rate is set, the Borrower is committed to close.
- The interest rate for a Borrower qualifying for the Community Assistance Rate will be set at the time of Board Approval.

5.2 Loans greater than \$50 million

- Submitted applications will be reviewed and presented to the Board for approval at a regular scheduled meeting.
- Loans will be awarded with a not to exceed loan amount and interest rate with an anticipated bond sale date. At the time the interest is set, the Borrower is committed to close.

5.3 Loan application requirements

- Submit a completed loan application to OWDA
- Pass legislation authorizing signing of the loan agreement
- Provide general certificate and legal letter for refinance
- Complete any necessary assessment, tap-in and/or rate legislation
- Prepare a projection schedule that shows user revenues, debt service obligations, and operation and maintenance costs over the contract term of the years of loan repayment to OWDA

5.4 Loan closing requirements for refinancing of notes or bonds

- Defeasance opinion may be required at the option of the Authority
- Procure escrow securities with verification report for advance refunding loans
- Call notice (current refunding) or a defeasance filing (advance refunding) for original debt

**Section 6 – Authorization**

Ohio Revised Code      Section 6121

OWDA Board Action      Motion January 28, 2021