

WATER POLLUTION CONTROL LOAN FUND (WPCLF) INFLATION REDUCTION ACT LOAN PROGRAM

Program Guidelines

Section 1 – Program Description

- 1.1 To allow eligible WPCLF Borrowers to take advantage of the credits offered to tax-exempt entities through the Inflation Reduction Act (IRA), the OWDA is establishing a taxable lending program.
- 1.2 Program is funded with surplus funds within the WPCLF Program along with taxable revenue bond issuances, as needed, dependent upon available funds.
- 1.3 The program is administered by the Ohio Water Development Authority (OWDA) and the Ohio Environmental Protection Agency (OEPA).

Section 2 – Eligible Borrowers

- 2.1 Eligible borrowers include cities, villages, counties, and sewer districts that are on the WPCLF priority list, fundable status according to the current WPCLF Program Management Plan, and permit-to-install obtained from OEPA.
- 2.2 Eligible borrowers must 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: planning, engineering, construction, legal and inspection fees for projects for wastewater and stormwater systems deemed eligible by OEPA, and eligible for receipt of tax credits pursuant to the IRA.

Section 4 – Loan Terms

- 4.1 Loan Amount: No minimum or maximum limit
- 4.2 Term
 - Planning Loans
 - Maximum of 5 years
 - Construction Loans
 - Minimum 5 years
 - Maximum of 45 years
- 4.3 Application Fee
 - No application fee

- 4.4 Loan Administration Fee
- 0.35% of the loan amount for loans up to \$100 million
 - 0.175% of the total loan amount for loans between \$100 million to \$150 million; maximum fee is \$437,500 (which is based on a loan of \$150 million)
 - Minimum loan fee is \$400
 - Fee cannot be included in the total loan amount
 - Due within 30 days of the loan agreement being executed
- 4.5 Contract Interest Rate
- Calculated six weeks prior to each monthly Board meeting, based on previous 8-week average of the 20-Year and 30-Year Taxable MMD AAA Index less 0.95% for 20-year loans, less 1.0% for 30-year loans. 45-year loans available using the 30-Year Taxable MMD AAA Index less 0.85%
 - Borrowers may qualify for discounts to the contract interest rate as determined by OEPA.
- 4.6 Capitalized Interest Rate
- Same rate as the contract interest rate
 - Accrues on portion of loan disbursed until 6 months prior to the first repayment date
- 4.7 Repayment
- Payments are due January 1 and July 1 of each year during the repayment period
 - Planning Loans
 - First payment will be due no earlier than 12 months after loan award
 - Loan is due the earlier of 5 years or at the time construction begins
 - Loan may be rolled into subsequent construction loan
 - Construction Loans
 - First payment date must occur within 12 months after substantial completion
 - First payment begins maximum of 29 months from loan agreement date or 6 months after final completion date.
 - LGAs that have both a cumulative outstanding loan value of \$500 million or greater and 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
 - January 1 and July 1
 - Written notification must be provided to OWDA at the time of loan application or repayment term will default to January 1 and July 1
- 4.8 Repayment Amortization Methods
- Planning Loans
 - Equal semi-annual payments through the term of the loan
 - Loan balance is due in full the earlier of 5 years or at the time construction begins
 - Construction Loans
 - Loan can have a prepayment option* on the portion of the loan that is equal to the amount of the tax credit anticipated to be received from the US Treasury (the “Credit”) as reviewed by OWDA and its legal counsel
 - Loan interest will accrue on the portion of the loan anticipated to be prepaid until the date of prepayment

- If the prepayment option is chosen, the prepayment is mandatory and is due within 90 days of receipt by the borrower of the Credit
- Remaining balance of the loan will amortize using equal semi-annual payments through the term of the loan as specified in the loan agreement

*Prepayment option must be a part of loan amortization that results in pledged revenues in cash flows presented to investors in OWDA's offering documents. If the borrower does not receive the credit, it will repay the entire loan as an equal payment installment loan for the term in the loan agreement.

4.9 Prepayment of loan

- IRA loans may have a prepayment option on the portion of the loan that is equal to the Credit. Loan interest will accrue until payment is made.
- Remainder of loan will be made over full term of the loan and is not prepayable.

4.10 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 Loan application and supporting documentation is due to OEPA per the requirements of the WPCLF Program Management Plan

5.2 Planning and Design Loan application requirements

- Pass legislation authorizing signing of the loan agreement
- 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
- Copy of engineering agreements

5.3 Construction Loan application requirements

- Receive bids and tentatively approve contract awards
- Certified Engineer's Estimate for project costs if application is being submitted prior to bid date. Bid tabs are required to be submitted prior to project approval
- Detailed estimate for Equipment and Force Account, if applicable
- Plan approval by OEPA and obtained Permit to Install
- Pass legislation authorizing signing of the loan agreement
- 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
- Provide any and all documentation related to the proposed Credit

Section 6 – Authorization

Ohio Revised Code Section 6111.036

OWDA Board Action Motion May 30, 2024