

**Public Water Supply Loan Program (PWSLP)
Financial Information Requirements and**

Financial Information Checklist

Loan Applicant: _____
Loan Number: _____

Please provide detailed answers or submit information as indicated:

1. Please submit a copy of the certified ordinance (the bond ordinance) authorizing the debt to be incurred. If a subordinate lien is proposed, the certified ordinance authorizing debt must have provisions for equivalent accounts and coverage. Loan applicants, or their attorneys, are encouraged to contact Vera Herst at the Illinois EPA, Division of Legal Counsel, at 217/782-5544 or at vera.herst@illinois.gov with questions about this requirement.
2. Please submit a signed legal opinion with respect to the validity and enforceability of the applicant's obligations (the bond ordinance) and the absence of conflicts with other agreements, bonds or ordinances.
3. Please provide a detailed demonstration that the dedicated source of revenue; generally the revenues of the system, will provide adequate revenues to repay the loan in accordance with the terms of the loan agreement. The detailed demonstration should very simply “demonstrate” that the loan applicant is planning for, and budgeting for, the amount of the debt service obligation associated with this loan. Please complete EITHER Section A OR Section B below, as appropriate:
 - A. Water Revenue System – Complete Section A if the dedicated source of revenue for loan repayment is the Water Revenue System (water rates and charges).
 1. Please submit a detailed Operation, Maintenance and Replacement (OM&R) budget, summarizing revenues and expenditures for the system, for the most recent fiscal year of operation.
 2. Is an annual review of the Water Revenue System and other water related service charges being performed?
 3. Is the Water Revenue System producing sufficient revenue to fully accommodate OM&R costs, including the future debt service amount associated with this loan?
 4. Will a rate increase, or other revenue adjustment, be required to fully accommodate OM&R costs, including the future debt service amount associated with this loan?
 5. If the answer to question 4 (above) is “yes”, provide details on the amount of the rate increase or other adjustment required, and a projected schedule for implementation of the change.
 6. Provide the net amount projected to be available on an annual basis for loan repayment, either through current water revenues or a planned rate increase.

- B. Off-System Revenue – Complete Section B if the dedicated source of revenue for loan repayment is something other than the Water Revenue System (water rates and charges).
1. Please provide a statement detailing the source of the proposed repayment funds; i.e. general fund revenue, property tax revenue, etc.
 2. Please submit a detailed budget for the proposed repayment source, summarizing revenues and expenditures for the most recent fiscal year.
 3. Is the proposed repayment source producing sufficient revenue to fully accommodate both the current budget obligations and the future debt service amount associated with this loan?
 4. Will a revenue adjustment be required to fully accommodate the current budget obligations and the future debt service amount associated with this loan?
 5. If the answer to question 4 (above) is “yes”, provide details on the nature and amount of the adjustment required, and a projected schedule for implementation of the change.
 6. Provide the net amount projected to be available on an annual basis for loan repayment, either through current revenue or revenue forecast to be available.
4. Please submit copies of the Water Use and Water Rate ordinances that are currently in place. Alternatively, provide the electronic reference to these documents on-line.
 5. Please submit a copy of your most recently completed Financial and Compliance Audit.
 6. Are other entities substantially benefiting (greater than 5%) from the project?

Yes No

Please submit copies of any applicable service agreement(s) with substantial beneficiaries.

I hereby certify that the above information is, to the best of my knowledge, true and accurate.

(Authorized Representative)

(Date)

Financial Information Requirements

Prior to the issuance of a loan agreement, the loan applicant must provide detailed and sufficient information to allow the Agency to determine that, 1) the applicant is financially capable, 2) has pledged a Dedicated Source of Revenue that is adequate to retire the debt and meet any covenants and requirements in the loan agreement, and 3) has established a Water Use and Water Revenue System, where applicable, that will generate adequate revenues to repay the loan and

accommodate costs for operation, maintenance and replacement of the facilities to be constructed.

These financial information requirements can generally be accomplished by completing the Financial Information Checklist above, which will necessarily involve the enactment of an ordinance or other legal instrument authorizing the debt to be incurred, and the development and enactment of an ordinance or other legal instrument establishing a Water Use System and Water Revenue System, where applicable. If a Water Revenue System has been previously approved by the Agency, evidence will be required to assure that the system has been adequately maintained, is being enforced and will continue to produce adequate revenues.

This brief summary of PWSLP loan rules, Agency review procedures, and information that must be submitted for the Agency's review is being provided along with the Financial Information Checklist above to provide guidance for potential loan recipients.

Financial Capability

The Agency will require the loan applicant to demonstrate that it has the legal, financial, managerial and institutional capability to retire the loan and to construct, operate and maintain the project for the life of the facilities to be constructed. The applicant must also demonstrate the ability to meet any covenants contained in the loan agreement.

The Agency's Financial Capability review will be conducted using items submitted as part of the loan application, including our review of the Dedicated Source of Revenue and the Water Revenue System as detailed below. If the Agency is unable to make a Financial Capability determination based on the loan application, the submission of additional financial data, including audited financial statements, may be required.

Dedicated Source of Revenue

The Agency will require that a specific source(s) of revenue be dedicated and pledged to make the loan repayments. Prior to the Agency's approval of the dedicated source(s) of revenue, the applicant must demonstrate that the pledged revenue source(s) will generate adequate revenues to make loan repayments for the term of the loan. The term of the loan will be specified in the loan agreement, but shall not exceed 20 years from the initiation of operation date contained in the loan agreement. Additional points that must be considered during the development of the dedicated source of revenue are:

- The dedicated source of revenue is usually pledged by the loan applicant in the form of an adopted ordinance that pledges a specific and dedicated source of revenue for repayment of the loan. The adopted ordinance will in most cases pledge a very stable source of revenue, such as revenues of the system, in the form of a revenue bond. General obligation and alternate bond ordinances are also acceptable. The loan applicant will be responsible for meeting all publication requirements, including publication of the Notice of Intent to Borrow Funds and Right to File a Petition, where applicable.

- In the case of revenue bonds, the Agency will require that debt service coverage requirements for the IEPA loan be equal to any outstanding senior debt that is payable from revenues of the system, or from other revenues that are pledged for repayment of the loan. If a Water Revenue System is used, the rate ordinance and the rates must be adopted prior to first disbursement on the loan. State law requires a 1.25 x coverage test for alternate bonds, and parity revenue bonds must also meet the covenants made to outstanding investors.
- The Agency will require the loan applicant to furnish a legal opinion verifying the legality and acceptability of the ordinance and other elements of the debt instrument selected for repayment of the loan. This opinion will necessarily address the validity and enforceability of the loan recipient's obligations and the absence of conflicts with other agreements, bonds or ordinances. Retention of bond counsel is optional.

Water Revenue System

The Agency will require the loan applicant to establish a Water Revenue System, or alternative revenue collection system that will generate adequate revenues to make loan repayments for the term of the loan and to accommodate costs for operation, maintenance and replacement of the facilities to be constructed. The establishment of a Water Revenue System is generally accomplished by the development and enactment of an ordinance establishing a Water Use and Water Revenue Rate System to govern terms and charges for use of the system. If alternative revenue sources (not system revenues) will be dedicated to the project, other appropriate legal instruments will be required to secure a revenue stream and ensure debt service on the loan.

If the applicant has a previously approved Water Revenue System, the Agency will review the system to ascertain that the system was enacted and has been maintained in accordance with the previous approval and that it will continue to produce adequate revenues for the proposed project.