



United States Department of Agriculture

Rural Development

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Indiana

ACEC- September 15, 2016



USDA Rural Development

Committed to helping improve the economy and quality of life in all of rural America

Through our programs and services, rural Americans can benefit from the same services enjoyed by people in suburban and urban areas while retaining the advantages of small town living.



United States Department of Agriculture

USDA Rural Development Community Programs

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USDA Rural Development

- Allocations and obligations – FY16 and history
- Interim financing during construction
- Creative financing
- Revenue bonds without mandatory connection ordinance

USDA Rural Development

Water and Environmental Programs

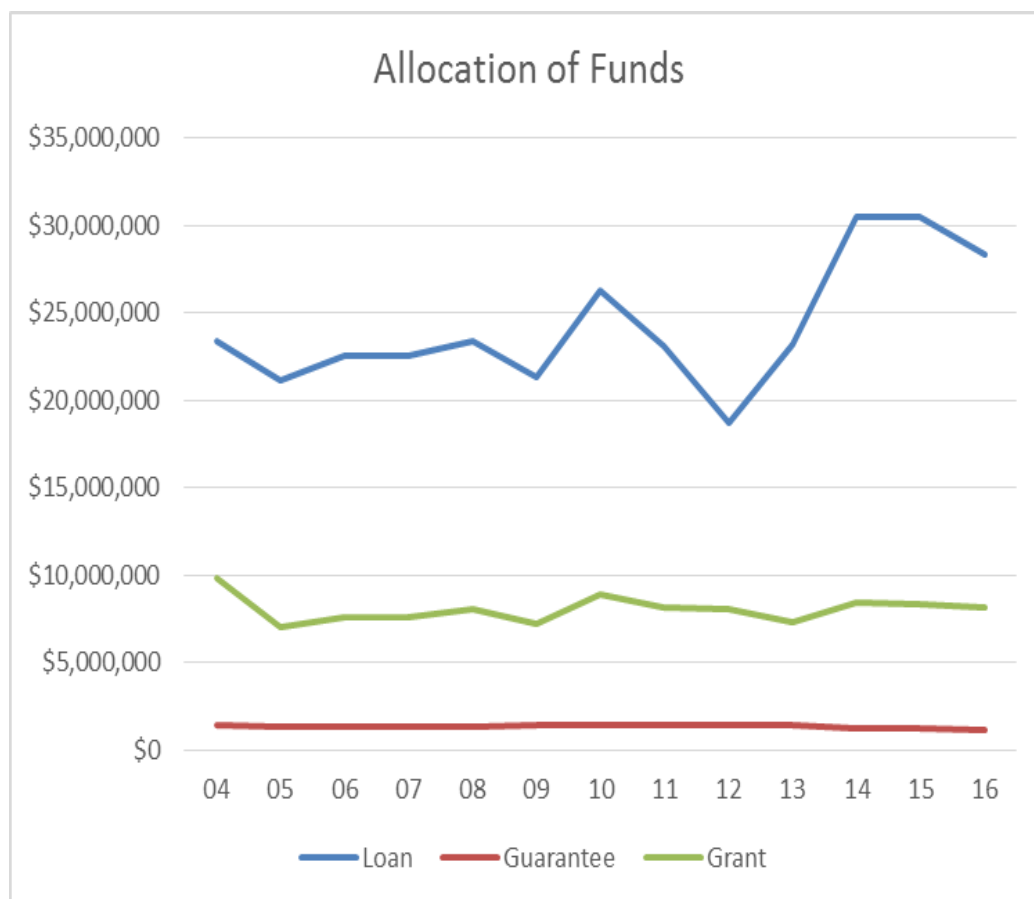
FY 16 Obligations as of Sept 13, 2016

- Total RD dollars FY16 = **\$50,844,100**
- Median total RD dollars FY16 = \$3,552,000
- Average total RD dollars FY16 = \$3,906,615
- Maximum loan RD dollars FY16 = \$12,552,000
- Minimum loan RD dollars FY16 = \$165,000
- Leveraged non-RD \$ FY16 = \$\$6,261,425 or 12.31%
- # of FY16 obligations – 15 (2 of 15 were planning)



Allocation by FY excluding ARRA

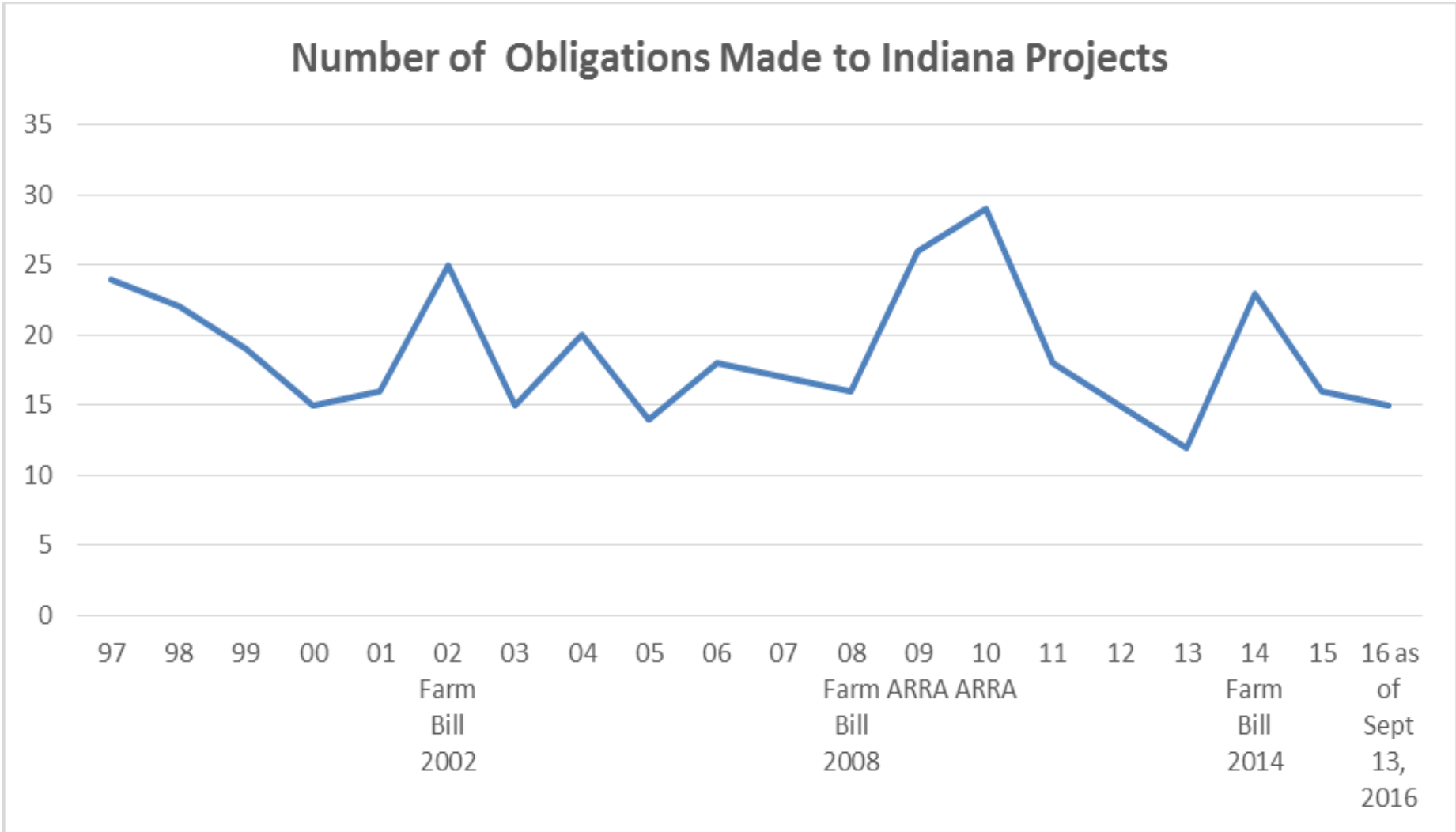
<u>FY</u>	<u>Loan</u>	<u>Guarantee</u>	<u>Grant</u>
04	\$23,378,000	\$1,381,000	\$9,804,000
05	\$21,174,000	\$1,371,000	\$7,036,000
06	\$22,542,000	\$1,371,000	\$7,624,000
07	\$22,542,000	\$1,371,000	\$7,624,000
08	\$23,344,000	\$1,371,000	\$8,018,000
09	\$21,333,000	\$1,433,000	\$7,194,000
10	\$26,275,000	\$1,434,000	\$8,922,000
11	\$23,087,000	\$1,434,000	\$8,114,000
12	\$18,717,000	\$1,423,000	\$8,051,000
13	\$23,179,000	\$1,417,000	\$7,344,000
14	\$30,476,000	\$1,276,000	\$8,430,000
15	\$30,476,000	\$1,276,000	\$8,316,000
16	\$28,371,000	\$1,178,000	\$8,173,000





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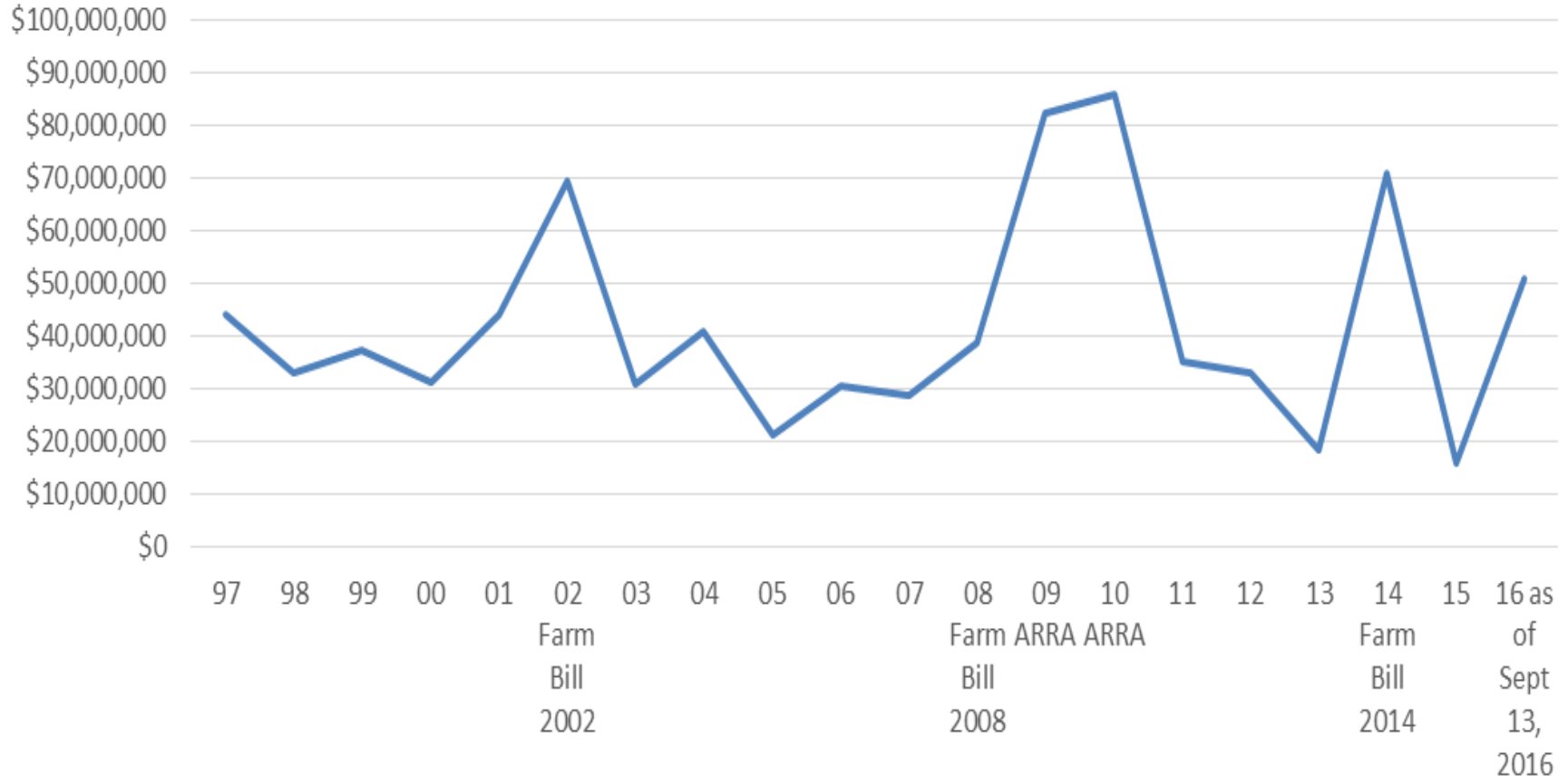
Number of Obligations Made to Indiana Projects





USDA Rural Development

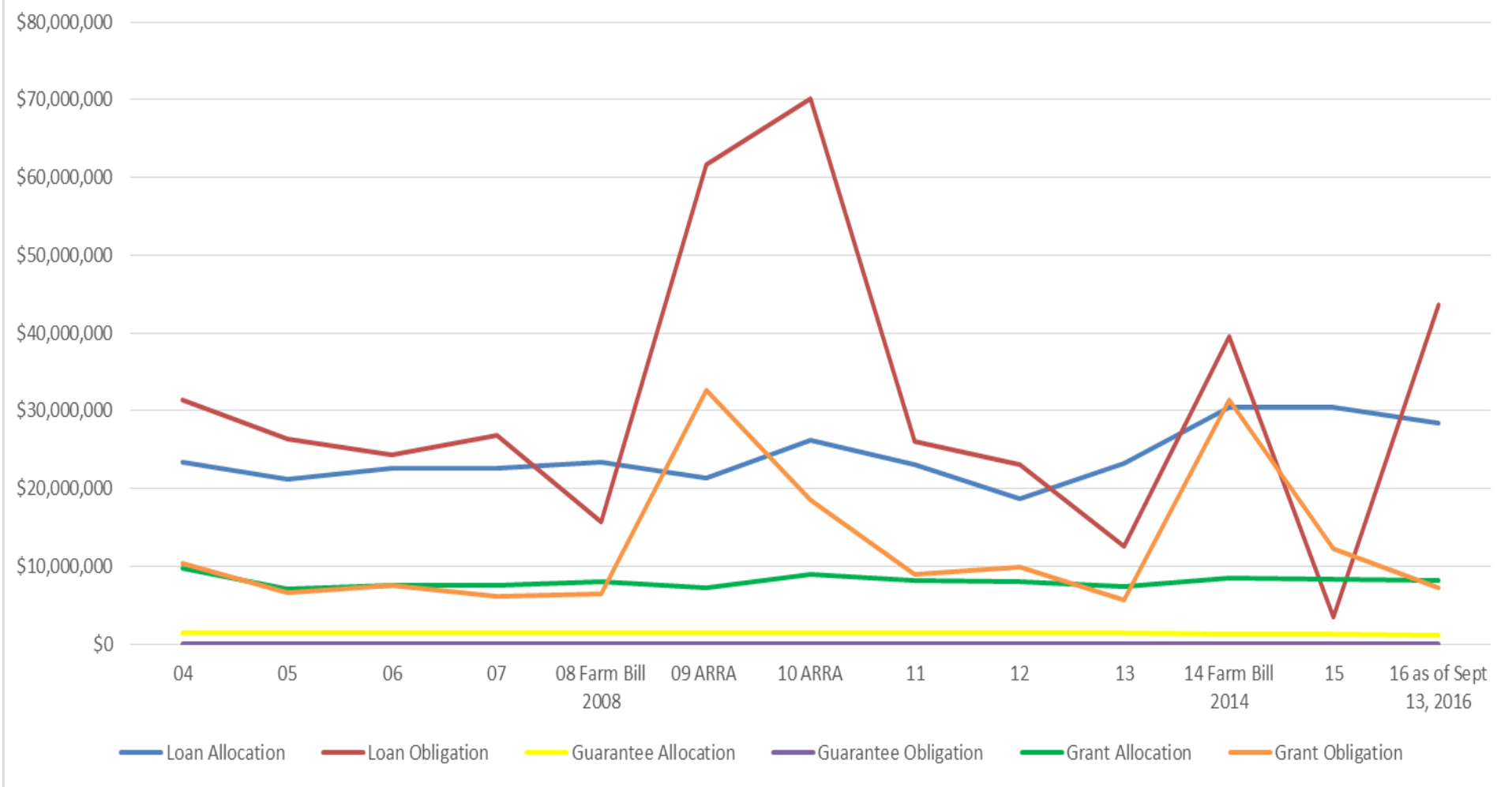
Dollars Expended in Indiana





USDA Rural Development

Indiana's Allocation vs. Obligation





Creative Financing

- Interim financing
- Capital Improvement Plans
- Multiple funding partners
- Septic abandonment
- PER financial information



Water and Waste Disposal Loans & Grants

Objective

- Provide water, waste water and storm water financing in rural areas

Purpose and Uses

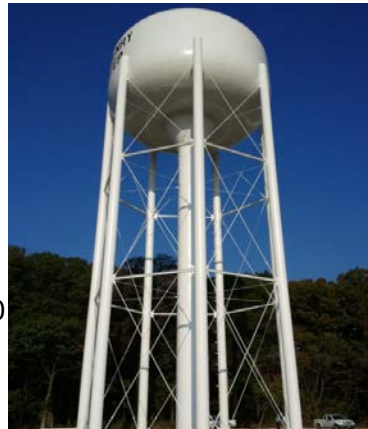
- Build, repair and improve public water systems, and waste collection and treatment systems.
- Other related soft costs (engineering, land, legal, etc.)

Applicant

- Public Entities
- Non-profit Corporations
- Water or Sewer Districts

Financing Types

- Guarantee
- Direct Loan/Grant
- Direct Loan
 - Revenue, GO, or mix of the two



Loan/Grant

- Direct loan and grant
- Service areas with MHI below \$55,784 may be considered for grant assistance

Term & Interest Rates

- Up to 40 Year Term
- Market 2.750% (>\$55,784),
- Intermed 2.250%,
- Poverty 1.625% (<\$44,627)
- Interest rates for July 2016 quarter

Population

Rural areas and towns of less than 10,000 population



Water and Waste Disposal Interim Financing

- Interim loans are made by the Indiana Bond Bank – the USDA Rural Development Interim Loans program
- Interim financing is closed/begins after bids are awarded and when the preconstruction meeting takes place.
- With the bond ordinance, the bond anticipation note ordinance is passed (interim financing is aka a bond anticipation note).
- The BAN ordinance is the debt instrument used to incur debt.
- Interim financing of the total amount of loan funds needed during construction



Water and Waste Disposal Interim Financing

Water and Waste Disposal Interim Financing

- RUS Instruction 1780.39 (d) Interim financing. For all loans exceeding \$500,000, where funds can be borrowed at reasonable interest rates on an interim basis from commercial sources **for the construction period**, such interim financing may be obtained so as to preclude the necessity for multiple advances of RUS loan funds. However, the approval official may make an exception when interim financing is cost prohibitive or **unavailable**. Guidance on informing the private lender of RUS's commitment is available from the Agency. When interim commercial financing is used, the application will be processed, including obtaining construction bids, to the stage where the RUS loan would normally be closed, that is immediately prior to the start of construction. The RUS loan should be closed as soon as possible after the disbursement of all interim funds.



Water and Waste Disposal Interim Financing

- Provided by the Indiana Bond Bank (IBB)
- RD borrower applies to the IBB
 - www.in.gov/tos/bond
 - USDA-RD Interim Loans
- All fees associated are captured within the IBB interim financing interest rate
- Short term debt (typically 12 mo), interest on total
- Receive RD take out letter provided at the interim lenders closing with the 1940-1, LOC and LOI
- Permanent financing (RD loan) may be used for interest incurred
- Lower interest rate
- RD authorizes lender/trustee with each draw
- Deposits are same day
- Permanent financing - close on optimal interest rate



LETTER FOR USE IN INFORMING
OTHER LENDERS OF RURAL UTILITIES SERVICE'S COMMITMENT

TO: _____(NAME AND ADDRESS OF LENDER)_____

SUB: INTERIM FINANCING FOR THE ___(Name of Entity)___

The ___(Name of Entity)___ (the "applicant") proposes to sell ___(type of debt instrument)___ in order to obtain interim financing for the construction of a ___(description of project)___ . The ___(debt instrument)___, in the aggregate principal amount of \$ _____, is being issued pursuant to a certain ___(authorizing document)___ Resolution adopted by the applicant on ___(Date)___, _____. On the same date the applicant adopted a bond resolution pursuant to which it will issue bonds for permanent financing.

This letter is to confirm certain understandings on behalf of the Rural Utilities Service.

Final plans and specifications have been prepared and approved, bids have been taken and the applicant has awarded the construction contract to the qualified low bidders. It has been determined by the applicant and the Rural Utilities Service that the conditions of a permanent loan closing can be met. Presently, Rural Utilities Service has no reason to believe that such conditions will not be met.

Funds have been obligated for the project by the Rural Utilities Service.

It is proposed by the applicant, with the approval of the Rural Utilities Service, that the proceeds from the purchase of the ___(type of debt instrument)___ will be used to provide for interest on the ___(type of debt instrument)___ to maturity and to pay for construction and other authorized and legally eligible expenses incurred by the applicant upon presentation of proper statements or work estimates approved by the applicant, its authorized representatives, and authorized official of the Rural Utilities Service.

We have scheduled disbursement of the permanent loan to the applicant for no later than



CIP Financing – Infrastructure Stability – Communicate

- Create understanding and support from oversight bodies, community, and regulatory bodies:
 - Service levels
 - Rate structures
 - Operating budgets
 - Capital improvement programs
 - Risk management decisions
- Actively engage with the community and customers:
 - Understand needs and interests
 - Promote the value of clean and safe water



CIP Financing – Infrastructure Stability – Communicate

- When you know you're needing a project, save for your destiny (for months is better than not at all)
 - Express **costs** and **condition** for each system component
 - Explain the plan for system component repair and replacement over the long-term at the lowest possible cost
 - Coordinate asset repair, rehabilitation, and replacement within the community to minimize disruptions and other negative consequences
 - Raise rates
- Offer your CIP account as contribution to your project



Multiple Funding Partners

- USDA Rural Development partners with others and now shares the same Preliminary Engineering Report format
- Funding obligation sequence
 - USDA RD 1940-1
 - SRF confirmation letter (comfort)
 - CDBG application/award
- EIWG – meet the partners and the technical assistance
 - 2nd Thursdays, 1pm ET, Indianapolis
 - Intake documents – Jamie Palmer, jlpalmer@iupui.edu

Septic Abandonment

- Septic abandonment is a necessary component to implement a community wide sewer project. The Indiana onsite sewage systems code requires that the septic tank be properly abandoned when it is no longer used after the structure is connected to a community sewerage system.
- Septic abandonment is prescribed by protocol through the Sanitary Engineering department at the Indiana State Department of Health.
- Costs to abandon septics can be evaluated as part of the eligible cost in a community wide sewer project.
- Protocol at <http://www.in.gov/isdh/22962.htm>; Abandonment requirement at 410 IAC 6-8.3-90



PER Financial Information

Project name: _____

<i>Are the following items in the PER?</i>	<i>Yes</i>	<i>No</i>	<i>N/A</i>
<i>Project Planning Area</i>			
<i>Description of Existing Facilities</i>			
<i>Need for Project (justification based on health/sanitation, system O&M, and/or growth)</i>			
<i>Alternatives Considered</i>			
<i> Description of Each</i>			
<i> Cost Estimates for Each (including O&M)</i>			
<i>Selection of an Alternative</i>			
<i> Present Worth Life Cycle Cost Analysis</i>			
<i>Proposed Project (Recommended Alternative)</i>			
<i> Basic Design Information</i>			
<i> Total Project Cost Estimate</i>			
<i> Annual Operating Budget</i>			
<i> Income (Proposed Rate Schedule)</i>			
<i> Equivalent Dwelling Units (EDUs)/Flow Data</i>			
<i> O&M Costs</i>			
<i> Debt Repayments</i>			
<i>Reserves (Debt Service and Short Lived Assets)</i>			
<i>Engineer's Recommendations</i>			



PER Financial Information

- Substantiated EDU count
 - Residential
 - Commercial
- Total Project Cost Estimate
- Annual Operating Budget
 - Income (generated by rates, fees, wholesale, non-operating, etc)
 - Annual O&M (realistic and sound – rehab decrease/increase)
 - Debt Repayments (refinance, short, long, all...)
 - Reserves
 - Debt service reserves
 - Short-lived asset reserve
- See Bulletin 1780-2 Preliminary Engineering Reports for the Water and Waste Disposal Program April 4, 2013

Revenue Bonds without Mandatory Connection Ordinance

- 1) User agreements, 2) new user cash contributions ordinarily in an amount approximating one year's minimum user fee, 3) pledge of local government backing, 4) and/or an affidavit from the local health department acceptable to USDA RD are applicable to not-for-profit utilities as defined IC 8-1-2-125 Sec. 125 (a), Regional Sewer Districts (RSDs) and Certificate of Territorial Authorities (CTAs) making use of Revenue Bonds.



Rural Development Office Locator Site:
<http://www.rurdev.usda.gov/in/offices.htm>

Indiana State Office
5975 Lakeside Boulevard
Indianapolis, IN 46278
(317) 290-3100

Crawfordsville Area Office
2028 Lebanon Road
Crawfordsville, IN 47933
(765) 362-0405 Ext. 4

Bloomfield Area Office
104 CR 70 E Suite C
Bloomfield, IN 47424-8730
812-384-4634 Ext. 4

Jasper Area Office
1484 Executive Boulevard
Jasper, IN 47546-9300
812-482-1171 Ext. 4

Columbia City Area Office
788 W. Connexion Way, Suite E
Columbia City, IN 46725-0699
260-244-6266 Ext. 4

Knox Area Office
1406 South Heaton Street
Knox, IN 46534-2314
(574) 772-3066 Ext. 4

Muncie Area Office
3641 N Briarwood Lane
Muncie, IN 47304
765-747-5531 Ext. 4

North Vernon Area Office
2600 Highway 7 North
North Vernon, IN 47265
812-346-3411 Ext. 4



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