



New York Drinking Water State Revolving Fund SHORT-TERM FINANCING POLICY

Effective October 1, 2015

Purpose:

This document is intended to provide applicants with information and guidance regarding the Drinking Water State Revolving Fund (DWSRF) Short-Term Financing (STF) Program. It summarizes, in general terms, policies and requirements governing the program.

Description:

The DWSRF STF Program includes two options for eligible publicly and privately owned water system projects. The DWSRF Short-Term Interest-Free Financing (STIFF) Program provides interest-free financing. The Short-Term Market-Rate Financing (SMRF) Program provides low-interest financing. These programs complement the DWSRF Subsidized-Interest Long-Term Financing Program and Long-Term Market-Rate Program by providing interim financing for projects that have completed planning, but are not ready for long-term financing.

Note: Third-party loan sources, such as USDA Rural Development loans, which may be refinanced through the DWSRF program, may be pre-financed with either of the SRF Short-Term Programs. Awarded grants may be pre-financed only with the SMRF Program.

Definitions:

Start of Construction shall be defined as:

- i. the date on which the contractor is directed to commence construction as specified in the notice to proceed issued by the Recipient following execution of the contract between the Recipient and such contractor for the erection, building, acquisition, alteration, reconstruction, improvement, enlargement or extension of the project, or
- ii. in the event that the project will be built by municipal/system employees (technical work force) in lieu of a contractor, the first day that a work crew occupies the project, or
- iii. in the event that the project is a contract to purchase supplies, material or equipment, the date that a binding purchase agreement is executed between the contracting parties.

Construction Completion shall be defined as:

- i. (a) the completion date of the last major construction contract as indicated in the notice to proceed issued by the recipient to the contractor, or (b) if one is not given, the date calculated by adding the contract completion time as specified in the executed contract between the Recipient and contractor to the notice to proceed date, or (c) the date construction was actually completed, if prior to (a) and (b) above. The completion date may be extended by the Recipient by executing a change order, which has been determined to be DWSRF eligible, to the contract which formally extends the contract completion date or by written notice which provides justification for a time extension, or

- ii. in the event that the project was built by municipal/system employees (technical work force) in lieu of a contractor, the last day that a work crew occupied the project, or
- iii. in the event that the project is a contract to purchase supplies, material or equipment, the date on which the supplies, material or equipment is delivered to the recipient and the warranty period, if any, begins.

Construction Costs are defined as all costs associated with competitively bid contracts for publicly-owned systems or authorized contracts for privately-owned systems, technical work force costs and/or contracts for the purchase of supplies, material or equipment.

Major Construction Contracts mean the contracts for a project which make up approximately 85% of the total aggregate construction costs.

Financial Hardship means a municipality or a privately-owned eligible water system regulated by the Public Service Commission has qualified for a DWSRF hardship grant and/or a reduced interest rate or interest-free long-term direct financing in accordance with the current DWSRF Hardship Policy and has been notified of such in writing by EFC.

Technical Work Force means municipal/system employees performing engineering and construction tasks, and the associated equipment and material costs used for planning, design and/or construction of the project.

Land Acquisition includes outright or fee simple purchase or purchase of conservation easements.

Limitations and Restrictions:

- DWSRF STIFF is limited to an amount not to exceed one-third of the project's Annual PPL IUP amount (the long-term reserve allocation for projects above the subsidy funding line) or one-third of the DWSRF eligible amount as identified in the project's approved engineering report or latest documented costs, whichever is less.
- Projects on the Final IUP Annual PPL with scores below the published Final IUP subsidy line may receive STIFF if they can be reached for subsidized financing through project by-pass.
- The STIFF Program will not be available for projects that, in the opinion of the DOH, have started construction on all major construction contracts and which are more than 50% complete. These projects should proceed with long-term financing, or consider the SMRF Program, if appropriate.
- SMRF Financing is available for municipal and privately-owned system projects listed on the Final IUP Annual PPL:
 - Above the Annual List subsidy line that need short-term financing in excess of the amount available under the STIFF Program;
 - Below the subsidy line that have applied for Long-Term Market-Rate financing; or
 - Above and below the subsidy line to pre-finance third-party grants.
- Recipients that have received a DWSRF hardship confirmation letter (projects determined to be a financial hardship) may receive up to 100% of the current IUP amount as set forth in the final IUP Annual PPL or 100% of the DWSRF eligible amount as identified in the project's approved engineering report or latest documented costs, whichever is less.

- The closing of a STIFF in the specified time frame will qualify as meeting the closing date stated within a DWSRF hardship confirmation letter.
- The term of a short-term financing cannot exceed three (3) years.
- In all cases, a short-term financing will become due and payable upon 60 days notice from EFC if the project is abandoned.

Short-term financing cannot be used for advance refunding or for the refunding of long term debt (bonds). Only current refinancings will be allowed (e.g., notes that are callable or have a maturity date less than three months from the closing).

- Short-term financing cannot be provided solely for the acquisition of water treatment and/or conveyance facilities.

Term of Short-Term Financings:

- Short-term financings for projects mature three (3) years from the date of closing.
- Conversion of the short-term financing to long-term financing may occur earlier than the expiration of the term (“maturity date”) as required by the “DWSRF Short-term Financing Sizing and Conversion Requirements” as set forth below.

Bonus Points For DWSRF Short-Term Financings:

- Projects for which funds have been committed in an executed Project financing agreement, or have been approved by the Public Authorities Control Board to receive short-term financing, will be assigned 1,000 points in addition to their total project priority ranking system core scores for subsequent IUP financing periods.
- Projects below the Annual List subsidy line that receive SMRF financing will not be assigned the 1,000 bonus points; however, the project can remain on the Annual List until the project’s priority ranking system core score becomes reachable for subsidized financing in a subsequent IUP financing period.
- The 1,000 points will not be included with the IUP project core score and rank for hardship confirmation evaluation purposes.

Fees for DWSRF Short-Term Financings:

- A Short-Term Administration Fee equal to 0.6% will be charged for non-hardship DWSRF STIFF financings.
- Fees will not be charged for projects that have received hardship confirmation letters.
- Fees will not be charged on a SMRF financing.



DWSRF Short-Term Financing Structure:

- Publicly and privately-owned water system projects may apply for short-term financing, long-term financing, or both. While short-term financing recipients are not required to utilize long-term DWSRF financing, a long-term financing plan is required to be submitted to EFC to close on a short-term financing. A short-term recipient will need to submit updated financial and project cost information at the time of long-term DWSRF financing.
- Each municipal recipient will issue a “grid note” to EFC to evidence its obligation to repay its short-term financing. Also known as a “statutory installment note”, a “grid note” allows the recipient to borrow only what it needs during the term of the short-term financing, up to a stated maximum principal amount. Debt is incurred by the recipient as “disbursements” are made under the “grid note”, without having to close a new financing each time proceeds are advanced.
- Applicants other than municipalities or public benefit corporations will borrow through the short-term financing program by issuing a promissory note to EFC secured in accordance with EFC’s Security Requirements. EFC will provide a line of credit not to exceed the amount of the promissory note. The line of credit will be offered on an interest-free basis. Upon maturity, the note may be refinanced with a long-term DWSRF financing or other non-SRF funding.

The short-term financing will be refinanced as part of the next available leveraged financing or as a direct long-term financing after final project costs are known and the amount of permanent financing can be determined. The recipient does not have to utilize the DWSRF Long-Term Financing Program but instead can pay off the short-term financing with non-SRF funding.

Questions regarding the DWSRF Short-Term Financing Program should be addressed to:

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