

**Title 10—DEPARTMENT OF
NATURAL RESOURCES
Division 20—Clean Water Commission
Chapter 4—Grants and Loans**

10 CSR 20-4.042 Leveraged Reserve Loan Program

PURPOSE: This rule sets forth the requirements for implementation of a leveraged **reserve** loan program to be financed through a combination of the Water and Wastewater Loan Fund or the Wastewater *[Revolving Loan Fund]* **Loan Revolving Fund** administered by the commission and funds made available from the proceeds of revenue bonds issued by the Environmental Improvement and Energy Resources Authority or the recipient. The leveraged **reserve** loan program is designed to provide low interest loans to recipients to finance the planning, design and construction of wastewater treatment facilities **as well as other activities allowed for in accordance with the Federal Water Pollution Control Act, as amended (Act)**.

(1) General. The leveraged **reserve** loan program is designed to maximize the funding available to make loans to recipients for the planning, design and construction of eligible projects **as well as other activities allowed for in accordance with the Act**. The Environmental Improvement and Energy Resources Authority (EIERA) will participate in the leveraged **reserve** loan program by issuing its bonds or notes in accordance with its governing statutes. The determination as to whether a recipient shall receive a leveraged **reserve** loan under this rule shall be made in accordance with 10 CSR 20-4.040(3) and shall be subject to the approval of the EIERA.

(2) **Clean Water** State Revolving Fund (CWSRF) Regulation. The provisions and requirements of the *[SRF regulation]* Clean Water **State Revolving Fund General Assistance Regulation**, 10 CSR 20-4.040, apply to loans awarded under this regulation.

(3) General Program Description. Under the leveraged **reserve** loan program, the recipient must obtain construction funds and any needed financing from EIERA. The recipient will receive a loan from the Water and Wastewater Loan Fund (WWLF) or the Water and Wastewater *[Revolving Loan Fund (WWRLF)]* **Loan Revolving Fund (WWLRF)** in accordance with section (5) of this rule. The recipient will be required to place the proceeds of the WWLF or *[WWRLF]* **WWLRF** loan in a debt service reserve fund to secure the construction loan. The interest earnings on the debt service reserve fund will provide a subsidy by paying a portion of the interest costs of the EIERA bonds or notes used to provide the construction loan. The principal amount of the WWLF or *[WWRLF]* **WWLRF** loan, will be repaid to the WWLF or *[WWRLF]* **WWLRF**.

(4) Additional Application Requirements. In addition to the application requirements contained in 10 CSR 20-4.040(*[9]***8**), applicants for leveraged **reserve** loans must provide a description of the proposed method of obtaining any necessary financing for costs not to be financed by the CWSRF including information regarding the applicant's progress toward obtaining the funds and assistance.

(5) WWLF or *[WWRLF]* **WWLRF** Loans. As each leveraged **reserve** loan is made, loans from the WWLF or *[WWRLF]* **WWLRF** will be made to the loan recipient in accordance with section (9) of this rule. The loan from the WWLF or *[WWRLF]* **WWLRF** will be used to fund a debt service reserve. Payments into the debt service reserve will be made as provided in section (9) of this rule. The WWLF or *[WWRLF]* **WWLRF** loans

shall bear an interest rate of zero percent (0%). Recipients will be charged a fee on the WWLF or [WWRLF] **WWLRF** loan in accordance with 10 CSR 20-4.040. Interest earnings on the debt service reserve fund will pay a portion of the interest costs of the EI ERA bonds or notes used to provide the construction loan. The WWLF or [WWRLF] **WWLRF** loans shall be sized to provide an estimated subsidy adequate to reduce the net interest cost of the EI ERA loan to the target interest rate (TIR). Repayments of the WWLF or [WWRLF] **WWLRF** loan shall be made in accordance with section (11) of this rule.

(6) Construction Loan Fund. Net proceeds from the sale of any project bonds or notes issued by the EI ERA for eligible project costs shall be used to fund construction of the project. These proceeds shall be deposited with a construction loan trustee and disbursed as construction progresses pursuant to section (8) of this rule.

(7) Loan Agreements. In addition to the requirements of this rule, the department and the EI ERA may require the recipient to include those assurances and certifications in the loan agreements and bond resolutions as deemed necessary to protect the interest of the state and the EI ERA and to comply with federal requirements.

(8) Disbursements from Loan Proceeds. The recipient shall request payments from the construction loan fund, which shall include the information listed in subsections (8) (A)--(D) and other information deemed necessary and approved by the EI ERA to ensure proper project management and expenditure of public funds:

- (A) Completed reimbursement request form;
- (B) Construction pay estimates signed by the construction contractor, the recipient and the resident inspector if applicable;
- (C) Invoices for other eligible services, equipment and supplies for the project; and
- (D) Any other documentation required under the provisions of the trust indenture.

(9) WWLF or [WWRLF] **WWLRF** Payments. The loan from the WWLF or [WWRLF] **WWLRF** will be paid in one (1) or more installments by deposit to the debt service reserve fund on behalf of the recipient. Interest earnings on the debt service reserve fund will pay a portion of the interest costs of the EI ERA bonds or notes used to provide the construction loan.

(10) Amortization Schedules. The EI ERA shall establish amortization schedules for long-term loans awarded under this rule.

(A) Repayment of principal shall begin not later than one (1) year after initiation of operation.

(B) The loans shall be fully repaid in no more than [twenty (20) years after initiation of operation] **the lesser of;**

- 1. Thirty (30) years after initiation of operation;**
- 2. The useful life of the project, or;**
- 3. Such other period of time the department determines is appropriate and in the best interest of the CWSRF program.**

(11) Loan Repayment.

(A) Repayment of principal and penalties to the WWLF or [WWRLF] **WWLRF** will be made by the release of money from the debt service reserve fund. If funds for these payments are not available in the debt service reserve, then the payment shall be made from other funds of the recipient.

(B) Repayment of principal and interest on the EI ERA bonds or notes will be paid from revenues of the user charge system or from another dedicated source of revenue as may be designated in the applicable bond resolutions or loan agreements.

(12) Additional Administrative Fees Allowed. Additional administrative fees may be assessed by the department at the time the administration fee is calculated for failure by a recipient to submit approved documents to the department (for example, operation and maintenance manuals, plan of operation, enacted user

charge and sewer-use ordinances, executed contract documents) in accordance with the time frames provided under the program participation agreement entered into by the recipient. The additional fee will be an additional one-tenth percent (.1%) per month that the document remains delinquent. The additional fee will be collected only during the year in which the document is not submitted.

(13) Variations of Structure Permitted. This rule sets out the general format for the leveraged **reserve** loan program. The commission, the department and the EIERA shall have the authority to make specific refinements, variations or additional requirements as may be necessary or desirable in connection with the efficient operation of the leveraged **reserve** loan program.

AUTHORITY: section 644.026, RSMo Supp. 1993.* Original rule filed Sept. 13, 1988, effective Feb. 14, 1989. Amended: Filed April 2, 1990, effective Sept. 28, 1990. Emergency amendment filed July 17, 1990, effective July 30, 1990, expired Nov. 26, 1990. Amended: Filed March 4, 1993, effective Sept. 9, 1993. Amended: Filed April 14, 1994, effective Nov. 30, 1994.

*Original authority 1972, amended 1973, 1987, 1993.