



Robert O. Lenna, *Executive Director*  
Tel 207-622-9386  
Fax 207-623-5359

## MEMORANDUM

**TO:** American Recovery and Reinvestment Act ("ARRA") Funding Participants  
**FROM:** Karen Asselin, State Revolving Loan Fund Program Officer  
**RE:** Financial Requirements to receive AARP Funding  
**DATE:** February 26, 2009

---

We have been notified by the Maine DHHS that your system has a project eligible for funding from the American Recovery Reinvestment Act ("ARRA") funds being administered through the Drinking Water State Revolving Loan Fund Program. Please be aware that the time frames for making loans from these funds are extremely tight. There is specific language in the Act that sets a goal of having 50% of the funds obligated within 120 days of enactment of the bill. To meet this requirement, we need to demonstrate that a binding commitment has been entered into for the identified projects within this time frame. A binding commitment for the purposes of the Maine DWSRF program is a signed and completed loan agreement.

The Maine DHHS has identified in the Intended Use Plan for the ARRA funds a list of technical items that need to be completed, along with corresponding deadlines. Below is a list of the financial items that systems should be working on **immediately** in order to secure a loan in a timely fashion:

1. **Local Authorization.** Systems listed in the IUP should take immediate steps to authorize the borrowing of the funds. Local bond counsel should be consulted in this process to ensure that authorization is done correctly. The authorization requirements will vary by participant from trustee meetings, council votes to local referendums. Again, local bond counsel should be contacted to identify which form of authorization applies to your system. A system does not need to have the authorization in place prior to receiving loan approval, but an opinion of counsel that the loan has been properly authorized will be required prior to finalizing a loan.
2. **Rate Setting.** The Bank's requirement that rates be in place prior to receiving a long-term loan commitment from the program will apply to ARRA funding. In order to receive approval for a loan, the system must be able to demonstrate at the time the loan application is submitted that there will be adequate rates in place to support the proposed borrowing. Interim loans from the program may be made prior to having rates in place where it is necessary to stay within the timing guidelines provided by the PUC as to when rates can be in place in advance of the long term loan. A system must still provide information as to the anticipated amount of a rate increase and the schedule for implementation of the rates prior to receiving an interim loan.
3. **PUC Approval to Issue Securities.** Applications to approve the issuance of securities for the proposed loan must be filed and approved as required by the PUC. Systems should contact their local bond counsel and the PUC to ensure that this requirement is met.

---

4. MMBB Loan Application. Projects listed on the IUP for funding are not automatically eligible to receive a loan. Systems must still demonstrate their ability to repay the borrowing in order to receive funding. The Maine Bond Bank Board of Directors will make a determination of a system's financial eligibility for the program upon submission of a financial application to the Bank. A financial application can be obtained on the Bank's website at [mmbb.com](http://mmbb.com) or by calling the Bank at 1-800-821-1113 and requesting a copy by mail. **The deadline for submission of the application for first round funding is March 18, 2009.** Systems should take care to ensure that the financial application is completed fully and as accurately as possible and that all necessary attachments are provided. Given the large number of applications that will have to be reviewed by the Bank within a very short time period, only complete applications will be considered. Instructions for the completion of the application are available at the Bank or you can call Karen Asselin at 1-800-821-1113 with any questions that you may have.

5. Loan Documentation. Every loan recipient of ARRA funding must provide an opinion of bond counsel that the loan issued constitutes a legal and valid obligation of the system. In order to provide their opinion, local counsel may require the system to provide a variety of information to them including copies of authorizing votes, local charters, bond indentures, etc. The Bank will supply the system's counsel with the form of the loan agreement for a loan once the borrowing has been approved by the MMBB Board. We strongly encourage systems to contact their bond counsel as soon as possible within the process to discuss items necessary to complete the financing and issues of scheduling. Many of the bond counsel will be handling requests for multiple systems, as well as requests for other federal and state funding agencies, so it is important to check their schedules as soon as possible in the process. A list of approved bond counsel can be obtained from the Bank by calling 1-800-821-1113 or by visiting our website at [mmbb.com](http://mmbb.com).

6. Private Water System Requirements. Private for-profit and non-profit water systems are required by the standards of the Safe Drinking Water Act to provide adequate collateral and security for a DWSRF loan. This standard will apply to ARRA funding. Private systems should be able to demonstrate at the time of loan application that adequate collateral can be provided for the loan. The Bank requires a first, or parity, position mortgage on all systems assets. If a system already has a first mortgage on all assets, they should begin working with the first lien holder to ensure that a parity position mortgage can be obtained. The Bank may also require additional security in the form of personal guaranties or letters of credit where the value of the system's pledged collateral is not adequate to secure the loan.

Please note that this list may not be inclusive of all of the items necessary for completion of a loan. The requirements for funding vary from system to system. If you have questions about specific items that may apply to your system, please call or email Karen Asselin at 1-800-821-1113 or [kla@mmbb.com](mailto:kla@mmbb.com).

Thank you.