

Wisconsin Rural Water Construction Loan Program 2010 Update

Background: The Commission was formed in 1999 with the assistance of Ehlers & Associates, Inc. and Quarles & Brady LLP to make interim loans for utility projects to municipal borrowers who are members of the commission. Membership is accomplished by passage of a resolution by the municipal's governing body expressing the intention of using the commission's loan program. Any municipal utility project that receives an obligation for long-term funding from either USDA Rural Development (USDA-RD) or the Wisconsin Environmental Improvement Fund (WEIF) is a potential eligible borrower. The Commission borrows and invests money on behalf of its members with the objective of lowering their net borrowing costs below what would otherwise be available in the marketplace.

All USDA-RD projects are required to obtain interim financing. Certain WEIF projects (mainly Clean Water Fund) also find it advantageous to utilize interim financing. In order to meet these needs, the Commission borrows and invests funds on behalf of its members with the objectives of (1) lowering their net borrowing costs, and (2) not affecting their general obligation debt capacity.

Performance: The Commission has now closed numerous pools and is in the process of operating the 2010 pool. One of the important features of the pool is the ability to "roll over" from one pool to the next if your project stretches over the end date of one pool.

The Pool establishes an "Initial Loan Rate," which for the 2009 Pool was 3.15%. After closing, the program was able to rebate borrowers 12.6% of their interest cost, bringing the rate down to 2.75%.

The borrowers who have used the pool have found that the loan closing process is more involved than a standard bank loan, but less complicated than a public offering of bonds. Loan closing costs related strictly to the program have ranged from \$3,500 to \$8,000, depending on

the size and complexity of the project. Communities and their consulting engineers have found that the loan draws are normally received within between 2 and 10 business days of faxing in a request.

The Future: The Commission sold \$18,250,000 in Series 2010 Notes in October 2010, which are scheduled to mature in September 2011. This provides financing for loans rolled over from the 2009 Pool, and approximately \$9,000,000 in new project financing. Additional new project financing will become available as current borrowers repay their loans from the Commission. ***The gross interest rates on loans made by the Commission from the 2010 Pool are locked in at 2.70%.***

Do you have a project in the pipeline that could use the program either now, or in the future? Prospective borrowers from USDA-RD and WEIF may contact an Ehlers financial advisor (Dave, Jim, or Kathy at 262-785-1520), or the WRWA (Ken or Sue at 715-344-7778) for an application package for the current year, or to let us plan for your loan in a future year.

