GEORGIA ENVIRONMENTAL FINANCE AUTHORITY
LOAN PROGRAM POLICIES

1. PURPOSE

The purpose of the Georgia Environmental Finance Authority's (GEFA) water, land and solid waste loan programs is to provide affordable financing to local governments throughout Georgia to develop environmental infrastructure that protects public health, preserves our natural resources and promotes economic development. GEFA sustains this mission through effective, efficient and prudent management of these public resources.

2. APPLICABILITY

Loan program policies govern the use of funds managed within:

- the Georgia Fund loan program;
- the Georgia Reservoir and Water Supply Fund loan program;
- the Clean Water State Revolving Fund (SRF) loan program; and
- the Drinking Water State Revolving Fund (SRF) loan program.

3. SUB-PROGRAMS

GEFA operates several sub-programs within specific funds. These sub-programs include:

a. Georgia Fund

- ***Environmental Emergency Loan Program*** – Assists communities in financing improvements that are necessary to eliminate actual or potential public health hazards. To be eligible, the project must directly address system needs caused by an event that occurred within the past six months. The project must have a sense of urgency and cannot be caused by a lack of maintenance of the water or sewer system. Relevant terms are addressed in these policies.
- ***Interim Loan Financing Program*** – Assists local governments that have a known source of permanent financing for a water and/or sewer project, but require financing for the construction period of the project. Relevant terms are addressed in these policies.

b. Georgia Reservoir and Water Supply Fund

- ***Governor's Water Supply Program*** – Assists local governments with developing new sources of water supply adequate to meet future water demands.

c. Clean Water SRF

- ***Land Conservation Loan Program*** – GEFA makes land conservation loans through the Clean Water SRF that achieve the objectives of the Georgia Land Conservation Program (GLCP) and the federal Clean Water Act (CWA).

4. ELIGIBLE RECIPIENTS

a. **Type of Entity:** GEFA can only make funding commitments to local governments and instrumentalities of the state, including any municipal corporation, county or local water or sewer or sanitary district, and any state or local authority, board, or political subdivision created by the General Assembly or pursuant to the Constitution and laws of the state, or nongovernmental entity with an approved land conservation project.

b. **Minimum Recipient Qualifications**

   i. *Qualified Local Government* – Municipalities and counties must be certified as Qualified Local Governments by the Georgia Department of Community Affairs (DCA).
   ii. *Service Delivery Strategy* – Municipalities, counties and authorities must be included in a DCA-verified Service Delivery Strategy. Additionally, the project for which an applicant seeks financing must be consistent with the verified strategy.
   iii. *State Audit Requirements* – Municipalities, counties, authorities and nongovernmental entities must be in compliance with all state audit requirements.
   iv. *Metro Plan Compliance* – Municipalities, counties and authorities located within the Metropolitan North Georgia Water Planning District (MNGWPD) can receive GEFA financing if the director of the Environmental Protection Division (EPD) has certified that the applicant/recipient is in compliance or is making a good faith effort to comply with all MNGWPD plans and/or enforcement measures.
   v. *Updated Building Codes* – Municipalities and counties must have adopted and enforce the provisions of O.C.G.A. § 8-2-3 relating to installation of high-efficiency plumbing fixtures.
   vi. *Current Loan Agreements* – A current GEFA borrower can receive additional GEFA financing only if the borrower is in compliance with the existing credit documents (e.g., loan agreement and promissory note).
   vii. *Nongovernmental Entities* – Nongovernmental entities must be a nonprofit organization with a primary purpose of permanently protecting or conserving land and natural resources, as evidenced by their organizational documents, consistent with O.C.G.A. § 12-6A-2(9.1).

5. ELIGIBLE PROJECTS

GEFA's loan programs can provide financing for a broad range of water, sewer, stormwater, non-point source pollution prevention, land conservation, and solid waste projects. Specific project eligibility varies by program. The types of projects eligible for financing from each program are listed under the respective program below. There are specific project eligibility requirements that apply to all GEFA financing. The minimum project requirements are listed below.

a. **The Georgia Fund** may finance these types of projects:

- ***Water*** – projects for supplying, distributing, and treating water and diverting, channeling, or controlling water flow consistent with O.C.G.A. § 50-23-4(5)(A).
- ***Sewer*** – projects for collecting, treating, or disposing of sewage consistent with O.C.G.A.§ 50-23-4(5)(B).
- ***Solid Waste*** – projects for collecting, treating, recycling, composting, or disposing of solid waste consistent with O.C.G.A. § 50-23-4(5)(C).

b. **The Georgia Reservoir and Water Supply Fund** may finance these types of projects:

- Expanding existing water supply, amenity or flood control reservoirs for water supply;
- Converting flood control or amenity reservoirs to water supply reservoirs;
- Increasing safe yield of existing water supply reservoirs through the addition of pump storage capability;

- Removing sediment from existing water supply reservoirs to increase safe yield;
- Establishing new water supply reservoirs;
- Interconnecting water systems for supply and/or supply redundancy;
- Drilling new wells, including for direct potable use or stream flow augmentation that protects or enhances water supply;
- Reopening inactive wells;
- Desalination;
- Developing aquifer storage and recovery capability;
- Indirect potable reuse systems; and
- Project planning, design and permitting.

c. **The Clean Water SRF** may finance projects consistent with the eligibility requirements contained in the CWA. Such projects include:
   - Projects for collecting, treating, or disposing of sewage under section 212 of the CWA.
   - Projects for the implementation of a nonpoint source pollution control management program under section 319 of the CWA, including projects that permanently protect conservation land as defined by O.C.G.A. § 12-6A-2(5).

d. **The Drinking Water SRF** may finance projects consistent with the eligibility requirements contained in Safe Drinking Water Act (CFR 35.3520). Such projects should address present or prevent future violations of health-based drinking water standards or be needed to maintain compliance with existing national primacy drinking water regulations for contaminants with acute chronic health effects. Such projects include:
   - Installation or upgrade of facilities to improve the quality of drinking water;
   - Installation or replacement of transmission and distribution pipes to improve pressure or prevent leaks or breaks;
   - Rehabilitation of wells or development of new water sources to replace contaminated sources;
   - Installation or upgrade of storage facilities;
   - Consolidation of water systems; and
   - Creation of a new water system.

e. **Minimum Project Eligibility Requirements Under all GEFA Loan Programs**
   i. EPD must deem the project environmentally acceptable.
   ii. Any proposed reservoir project must conform to the standards and procedures outlined in O.C.G.A. § 12-5-472(b).
   iii. As required by the Georgia Comprehensive State-wide Water Management Plan, all financing for multi-jurisdictional reservoir projects will be contingent upon all parties signing binding water use agreements.

f. **Minimum Project Eligibility Requirements Under the Federal State Revolving Fund Programs**
   In addition to meeting the other applicable eligibility requirements outlined in these policies, projects receiving funding through the Clean Water SRF or the Drinking Water SRF must comply with all applicable federal statutes, rules and regulations. These requirements include, but are not limited to:
   i. Each project must be included in an Intended Use Plan submitted by GEFA to the U.S. Environmental Protection Agency (EPA).
   ii. Each project must successfully complete the State Environmental Review Process, administered by EPD and receive a Notice of No Significant Impact or Categorical Exclusion.
   iii. Each recipient must certify it's compliant with Title VI of the Civil Rights Act by completing EPA Form 4700-4.
   iv. Each project must comply with applicable federal procurement and labor rules, including Disadvantaged Business Enterprise utilization, Equal Employment Opportunity, the Davis Bacon Act, and requirements that may arise in future federal law or future federal assistance agreements.

6. Eligible Activities

Recipients of GEFA financing may use GEFA funds to pay for the following activities related to an eligible project:

- Feasibility analysis
- Project design
- Construction, grading, site preparation, dredging, etc.
- Land acquisition needed for project implementation
- Stream or wetland mitigation
- Administrative and/or legal services
- System purchase

Engineering, Legal and Administrative Costs – GEFA funds may be utilized for engineering, design, administrative costs, facilities planning, and land acquisition provided that these costs are necessary for the completion of the project defined by the scope of work and identified in the budget of the approved loan agreement. Such eligible costs incurred prior to the execution of a loan agreement are eligible for reimbursement with a GEFA loan. GEFA funds should not be applied to such costs in greater proportion than GEFA funds are applied to construction costs. GEFA and EPD will monitor project budgets and a test of reasonableness will be applied to these project cost items. This is done to ensure that GEFA funds are utilized in construction to the maximum extent feasible.

Planning-Only Activities – Loans for planning-only activities, such as feasibility studies, engineering, design, administration, facilities planning or mitigation, etc., are allowable under the Georgia Reservoir and Water Supply Fund only. Approval and disbursement of planning-only loan funds does not represent endorsement of the proposed project by the state, does not represent pre-approval for any required permit, and does not ensure future funding commitments by the state.

Purchase of Existing Systems – An application that proposes to purchase an existing water and/or wastewater system must be accompanied by a certification of the value of the system by a registered professional engineer. GEFA will require other information as needed to document the content and costs of the purchase.

GEFA's loan agreement provides additional information about activities for which a borrower may or may not use GEFA funds.

7. Program Maximums

Loans available from GEFA are subject to the following maximums.

a. Loan Amount

i. *Georgia Fund*
   1. The maximum loan amount is $3,000,000 per borrower per year.
   2. The maximum loan amount for environmental emergency loans is $500,000 per project.
   3. The maximum loan amount for interim loan financing is $3,000,000 per project.

ii. *Georgia Reservoir and Water Supply Fund*
   1. The maximum loan amount will be determined based on availability of funds.
   2. The maximum loan amount for planning-only loans is $3,000,000 per borrower per year.

iii. *Clean Water SRF* – The maximum loan amount is $25,000,000 per borrower per year.

iv. *Drinking Water SRF* – The maximum loan amount is $25,000,000 per borrower per year.

b. Amortization Period

i. *Georgia Fund*
   1. The maximum amortization period is 20 years.
   2. The maximum amortization period for environmental emergency loans is 10 years.

ii. *Georgia Reservoir and Water Supply Fund*
   1. The maximum amortization period is 40 years.
   2. The maximum amortization period for planning-only loans is 10 years.

iii. *Clean Water SRF* – The maximum amortization period is the lesser of 30 years or the useful life of the project.

iv. *Drinking Water SRF* – The maximum amortization period is 20 years.

8. INTEREST RATES

GEFA indexes the interest rates it charges to the true interest cost (to the nearest hundredth of one percent) received by the state on its 20-year, competitively-bid, general obligation bond issue. This is GEFA's benchmark rate, though any of the standing interest rate adjustments described below may apply.

Federal Loans – For loans made through the Clean Water SRF or the Drinking Water SRF, GEFA will charge an interest rate that is 100 basis points (1 percent) below GEFA's benchmark rate.

Interest Rate Concessions – GEFA provides the following interest rate concessions for eligible borrowers or eligible projects under the specified funding programs.

Georgia Fund and Georgia Reservoir and Water Supply Fund

Environmental Emergency – Environmental Emergency Loans may receive an interest rate 100 basis points (1 percent) below GEFA's benchmark rate.

Georgia Fund, the Clean Water SRF and the Drinking Water SRF

WaterFirst – Communities that receive the WaterFirst designation from DCA may receive an interest rate 100 basis points (1 percent) below the prevailing interest rate for the program through which it is to be funded, as provided for in these policies.

PlanFirst Community – Communities designated as a PlanFirst Community by DCA may receive an interest rate 50 basis points (1/2 of one percent) below the prevailing interest rate for the program through which it is to be funded, as provided for in these policies.

Water Conservation Loans – Communities seeking financing for an eligible water conservation project (identified in the applicable GEFA literature on financing water conservation) may receive an interest rate 100 basis points (1 percent) below the prevailing interest rate for the program through which it is to be funded, as provided for in these policies.

Energy Conservation Loans – Communities seeking financing for an eligible energy conservation project (identified in the applicable GEFA literature on financing energy conservation) may receive an interest rate 100 basis points (1 percent) below the prevailing interest rate for the program through which it is to be funded, as provided for in these policies.

Land Conservation Loans – Communities seeking financing for an eligible land conservation project (identified in the applicable GEFA literature on financing land conservation) may receive an interest rate 200 basis points (2 percent) below GEFA's benchmark rate, as provided for in these policies.

Interest Rate Concessions Limitations – The interest rate concessions described above may not be used in combination on the same portion of a loan. GEFA reserves the right to limit such rate concessions as it deems appropriate under the circumstances at the time such concession is granted. The interest rate concession may be reverted or changed back to the nominal interest rate under certain circumstances, such as a community no longer qualifying for the applicable designation or an event of default by the community has occurred as defined in the loan agreement. Under such circumstances, the interest rate concession will terminate and the community will become liable for the stated, nominal interest rate existing at the time the loan was approved by the GEFA board of directors. Said nominal rate will go into effect from that point forward and will not be implemented on a retroactive basis. Interest rate discounts are approved by the GEFA board of directors at the time of a loan or loan increase approval and are not retroactively applied after approval.

Special Loan Terms – The GEFA board may approve loans with different interest rates or specialized terms (e.g., principal forgiveness) that are consistent with specific program objectives and/or relevant federal requirements.

9. FEES

GEFA will assess certain fees to loan recipients.

Loan Closing Fee – GEFA will charge a loan closing fee of 1 percent of the principal loan amount (as designated in the loan agreement) for each loan. For loans under the Environmental Emergency Loan Program and Interim Loan Financing Program, GEFA will charge a loan closing fee of 0.5 percent of the principal loan amount (as designated in the loan agreement) for each loan. This loan closing fee is payable on the dates specified by GEFA with no less than 30 days prior written notice.

Loan Servicing Fees – Under specific circumstances, GEFA will charge the following loan servicing fees:

- GEFA will assess a non-sufficient funds fee (NSF) in the event the borrower fails to have sufficient funds in its designated ACH account at the time the payment is due. The payment due may be for any type of payment due under the credit documents including closing fees, construction interest, monthly principal and interest payments or any other fee. GEFA will charge the NSF fee to the borrower for each loan for which payment is due and not available.
- GEFA will assess a late fee for any payment not received by the 15th of the month in which the payment is due. This will be in addition to any NSF fees assessed in the same month.
- GEFA will assess a monthly Loan Continuation Fee in the event the borrower fails to draw funds within six months of loan agreement execution.

For specific details related to these fees, refer to the Loan Servicing Fee Schedule that is available on GEFA's website.

10. LOAN SECURITY

For purposes of securing its loans, GEFA shall require a revenue and full-faith-and-credit pledge of each borrower and any other special loan condition it may deem necessary (e.g., debt service reserve, etc.). For borrowers, such as authorities, that lack taxation authority or lack adequate taxation authority to provide a full-faith-and-credit pledge commensurate with the value of the loan, GEFA will require those borrowers to sign an agreement with a local government that is willing and able to provide a full-faith-and-credit pledge to back the loan. In those cases where the borrower is unable to secure such an agreement, GEFA may require additional security by other means.

11. PROCUREMENT

Procurement of construction contracts, construction services, materials, and equipment in GEFA-financed projects must be public, open, and competitive, as defined by both state law and the procurement requirements of GEFA funding contracts. Funded construction must meet the requirements of both state law and GEFA funding contracts.

12. CONSTRUCTION PERIOD INTEREST

Unless otherwise specified in the promissory note, GEFA will accrue interest on any funds disbursed during the construction period of the project at the interest rate approved by the GEFA board. GEFA will bill the borrower for this interest monthly until the loan goes into repayment.

13. RELEASE OF GEFA FUNDS

Borrowers may request payouts of funds/draws on a monthly basis with only one draw request permitted per calendar month. Requests must be submitted on GEFA drawdown forms. All requests must be accompanied by appropriate support documentation (e.g., invoices).

CMU will monitor construction and endorse GEFA payments in accordance with observed progress. Payments will be conditional on compliance with loan or grant agreement requirements and applicable project approvals issued by EPD. To allow monitoring, the loan or grant recipient must notify EPD prior to commencing construction. Drawdown requests will not be paid until a notice to proceed has been issued. GEFA may, at its option and on request by the borrower, pay out funds for eligible land acquisition (including easements) before the notice to proceed has been issued.

GEFA will pay out its funds in accordance with the project budget in the loan or grant agreement on a reimbursement basis. If the budget reflects additional funding sources and proportional payment of specific budgeted costs, GEFA will pay toward those expenses according to the budget reflected in the approved budget, unless otherwise agreed upon by GEFA, EPD and the borrower.

14. LOAN EXECUTION DEADLINE

If the loan agreement and/or promissory note are not executed within six months (180 days) from the date of the board approval, GEFA reserves the right to terminate its commitment.

15. LOAN RESTRUCTURING

For the purpose of this policy, loan restructuring is the act of changing the terms and/or conditions of an existing loan. The range of restructuring options may include adjusting the interest rate of a loan, changing the amortization period of a loan, or changing the repayment schedule to adjust allocation between interest and principal. GEFA will consider a borrower's request to restructure its existing GEFA loan(s) on a case-by-case basis if the borrower is experiencing financial hardship. In evaluating a restructuring request, GEFA will consider at least the following indicators of financial hardship:

- The borrower's debt service coverage ratio history;
- The type and extent of efforts undertaken by the borrower to improve its financial condition, including enhancing revenues from rate increases or raising of ad valorem taxes and/or reducing costs; and
- Any emergency or exigent circumstances beyond the control of the borrower that impose a long-term and severe financial hardship.

In reviewing a restructuring request, GEFA will seek to determine that there is a documented history of prudent fiscal and operational management and expense control.

In the event that GEFA grants a concession or alters the term(s) of the loan agreement and/or promissory note, GEFA reserves the right to make such concession for a limited period of time and to revert to the original term(s) of both documents at its sole discretion.

Under no circumstances will the existing principal of a loan be forgiven.

16. Loan Refinancing

For the purpose of this policy, loan refinancing is the act of using loan funds to pay off an existing debt obligation, thereby satisfying all the terms of the existing debt agreement and cancelling the existing obligation. Existing local debt obligations could be GEFA debt or non-GEFA debt, loans or bonds. GEFA will consider a community's request to refinance its existing debt on a case-by-case basis if one of the following conditions is met:

- The community has a U.S. Department of Agriculture Rural Development loan that has been called.
- The community is requesting a loan from GEFA to finance an eligible, time-sensitive and critical project, but needs to consolidate existing GEFA debt into the new loan in order to afford the new project.
- The community is requesting to refinance loans to alleviate financial hardship and can demonstrate that refinancing is the superior approach to loan restructuring. In evaluating a financial hardship refinancing request, GEFA will evaluate the same financial hardship indicators outlined in policy provision 15 (Loan Restructuring).

17. Credit Analysis

GEFA will assess the credit worthiness of each borrower. GEFA considers the revenue generated by the enterprise fund that services the water supply facility and/or system to be the primary source of repayment. GEFA will also consider revenues from other sources, such as "take-or-pay" contracts, rental obligations and/or third party guarantees to make loan payments. GEFA reserves the right to assess the credit worthiness of the counterparty of any of these arrangements (i.e., contract counterparty, lessee, or guarantor). Additionally, GEFA will consider transfers (subsidies) from other funds of the applicant, though it is the demonstrated revenues of the system that constitute the main source of repayment of the GEFA loan. GEFA will base its financial capacity analyses on the strength of the fixed coverage ratio of the fund responsible for repayment. Unless otherwise specified, the minimum requirement for satisfaction of the financial capacity threshold is a pro forma coverage ratio of at least 105 percent in the first full year of loan repayment and until full repayment of the loan. Additional consideration is given to the applicant's historical financial performance, operating efficiency, capital structure, and loan credit history.

If revenues are projected to be insufficient to adequately cover the operating expenses plus debt service into the future, GEFA may condition the award of the loan upon meeting certain conditions such as rate increases, creation of a debt service reserve account, and transfers into or curtailment of transfers out of the fund. In the event a local government does not meet typical debt service coverage of 105 percent, the loan may still be approved by the board under certain conditions.

In some instances, there may not be an enterprise fund for GEFA to analyze; in those cases, at its discretion, GEFA will consider all relevant financial capabilities of the applicant in determining its ability to repay the note and may need to alter standard loan terms or require special conditions for receiving the loan.

The revenue coverage analysis will cover both historical financial performance and future financial performance that estimates changes in revenues and expenses. Historical financial performance is derived from audit reports of the applicant. Projected cash flows are based on information in the applicant's loan application, engineering reports, historical trends, population growth projections, discussions with community representative, and new ordinances.

If an audit report(s) is qualified, contains adverse opinions, or significant findings by the applicant's auditor, GEFA may request further documentation. GEFA will evaluate such audits and related documentation in determining an applicant's eligibility for a loan. GEFA may deny an applicant with an audit report containing significant audit findings.

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