



COLORADO WATER RESOURCES &
POWER DEVELOPMENT AUTHORITY

Colorado's Interim Loan Program

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**CIFA Conference 2008
Providence, Rhode Island**



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Interim Loans

Interim Loans have been an innovative tool that allows us to meet the lending needs and demands of our constituents in the State of Colorado

Issued our first Interim Loan in 1996 to the City of Broomfield- \$2,450,376

To date: Issued 14 Interim or I-Loans- \$43,730,376

Most recent I-Loan: Issued on July 1, 2008 to the Project 7 Water Authority- \$10,000,000





Process of Developing Colorado's Interim Loan Program

- ▶ Why do we need an Interim Loan Program?
- ▶ Is there demand for an Interim Loan Program?
- ▶ Who should be eligible?
- ▶ Appropriate Interest rate?
- ▶ Appropriate term?





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Apprehensions!

- ▶ **How do we ensure that the Interim Loan is taken out?**
- ▶ **What happens if the Interim Loan is not taken out?**
- ▶ **Should Authority resources be committed for this purpose?**



**COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
INTERIM LOAN POLICY**

The current loan policy for Colorado Water Resources and Power Development is: "It is the policy of the Authority not to make long-term loans for project development from its funds appropriated by the General Assembly, other non-State Revolving Fund monies available to the Authority or interest therefrom."

INTERIM LOAN POLICY

It is the policy of the Authority to assist local governments with financing their water and wastewater infrastructure in a manner that is flexible and cost-effective yet does not unnecessarily jeopardize the Authority's principal or security. In this light the Authority is willing to consider making interim loans based on the following requirements:

1. Small Water Resources Projects Program.

- Borrower must meet program criteria and be accepted by FGIC.
- Term of the loan could be up to two years or until closing of the next Small Water bond issue, whichever first occurs.
- The interest rate on the loan would be 4.75 percent. Should the loan not be repaid at maturity (the earlier of 2 years or the closing of the next bond issue), the default rate would increase to the prime rate (per the *Wall Street Journal*) plus two percent.
 - At the Authority's discretion one of the following procedures shall apply to funding the Borrower's Loan Account:

If the Authority transfers the entire loan amount to the Borrower's Loan Account upon closing at the Borrower's request, interest shall accrue at 4.75 percent on the entire loan amount from the closing date until the loan is repaid. The Borrower shall receive the interest earned in the Borrower's Loan Account.

If the Authority transfers funds to the Borrower's Loan Account as needed by the Borrower, interest shall accrue at 4.75 percent on the amounts drawn by the Borrower from the date the funds are drawn until the loan is repaid. The Authority shall retain any interest earnings in the Borrower's Loan Account.

B. Water Pollution Control Revolving Fund and Drinking Water Revolving Fund.

- Project must be eligible (not necessarily on the eligibility list) under one of these programs.
- Borrower must undergo credit review and approval.
- Term of the loan could be up to two years or until closing of the next bond issue (leveraged loans). If the interim loan is to be taken out by a direct loan, the term of the loan could be up to one year.
- The interest rate on the loan would be 4.75 percent. Should the loan not be repaid at maturity (the earlier of 2 years or the closing of the next bond issue), the default rate would increase to the prime rate (per the *Wall Street Journal*) plus two percent.
 - At the Authority's discretion one of the following procedures shall apply to funding the Borrower's Loan Account:

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C. Other Projects.

- Projects are subject to the requirements of the Small Water statute.
- Borrower must undergo credit review and approval.
- The term of the loan could be up to one year.
- The interest rate on the loan would be 4.75 percent. Should the loan not be repaid at maturity (one year), the default rate would increase to the prime rate (per the *Wall Street Journal*) plus two percent.
- If the take out loan is with another entity, assurance of this commitment must be in writing from the take-out source before closing of the interim loan.
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D. General Requirements of the Interim Loan Agreement.

- Ultimate responsibility for long term financing belongs to the borrower.
- The borrower must take all actions during the interim loan as is necessary to remain qualified as a borrower under the Authority's program or the take out entity's program.
- The borrower must promptly report to the Authority any material changes in financial position.
- When requesting Board approval of an interim loan, staff must present an exit strategy at the same time.
- All interim loans expected to be refinanced by an entity other than the Authority shall require a closing fee of 0.5 percent at the time of the interim loan closing.



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Highlights of our Interim Loan Policy

“It is the policy of the Authority to assist local governments with financing their water and wastewater infrastructure in a manner that is flexible and cost-effective yet does not unnecessarily jeopardize the Authority’s principal or security. “



- ▶ Same credit criteria used to make I-Loan as any other loan.
- ▶ Interest rate is currently 4.75%. Reviewed annually.
- ▶ Term is for no more than 2 years. Default interest rate is the Prime rate plus 2%.
- ▶ Interest is charged on a per draw basis.
- ▶ I-Loan applicant must provide a take out plan at the time of application.
- ▶ Source of I-Loans is Authority cash.



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