



STATE REVOLVING FUND LOAN REQUIREMENTS

May 2025

Presentation Overview

Initial Amortization Date after loan closing

Repayment of the Loan

Additional Principal Repayments

Principal Forgiveness and Loan Deobligations

Annual Covenants of the Borrower

Annual Rate Covenant

Types of SRF Funding

Federal Funds

Questions

Repayment of the Loan

- (a) the first Loan Payment Date following the month the full Committed Amount is disbursed
- (b) the first Loan Payment Date following the date on which Borrower is required to deliver the Completion Certificate, or
- (c) Initial Loan Amortization Date
 - Set approximately two years from the closing date

Additional Principal Repayments

- **Prepayments**
 - Borrower shall not prepay any principal payment unless the District consents in writing to such prepayment.
 - If the prepayment is not the full outstanding balance the payments shall be reduced in inverse order of maturity.
 - A prepayment without the District's consent may be returned to the Borrower.

Principal Forgiveness & Loan Deobligations

- **Principal Forgiveness**
 - Loan closed at total obligated amount
 - Net loan repayment does not included PF
- **Loan Deobligations**
 - Final obligated amount does not include amount deobligated



Annual Requirements

Required by:

- Environmental Protection Agency
- Master Trust Indenture
- Bond Issuers
- Loan Agreement

Dear «FirstName» «LastName»:

In accordance with loan agreement(s) Section 2.2 between «Sponsor» and the South Dakota Conservancy District, all borrowers are required to submit annual documentation of their financial condition. Acceptable forms of the following documentation include Internet (web) address, PDF, Word, or Excel and may be sent to me via email or through the U.S. Postal Service by May 31, 2025. Please submit documentation for all loans currently Repayment. If any reports are published on the web, please contact me at (605) 773-6110 or Holly.Briggs@state.sd.us and let me know when the report(s) will be available. **Please have all documentation together when submitted.**

Year(s) Required	Type of Documentation
2025	<u>Budget</u> . The budget must include the breakdown of funds pledged toward repayment of the loan(s).
2024	<u>Unaudited Financial Statements</u> . These statements must include revenue for funds being pledged toward repayment of the loan(s) as well as detailed expenditures. Example: If a project surcharge is the source of repayment, the statement must show this surcharge as a separate line item.
Current	<u>Proof of Property, Casualty, and Liability Insurance</u> .
2024	<u>Certificate(s) of Compliance with Rate Covenant</u> . Debt service is required principal and interest payable and must include all debt pledged to the same revenue. No other debt may be included if Project Surcharge is pledged for repayment. (<u>Submit a separate form for each Loan.</u>)

Borrowers are reminded that any time an audit is conducted; you **MUST** submit a copy of the report to my attention in DANR. Thank you for your immediate attention.

Types of Rate Covenants



Surcharge

System
Revenue

Sales Tax

Percentage of Coverage Required for a SRF Loan

Surcharge

110%

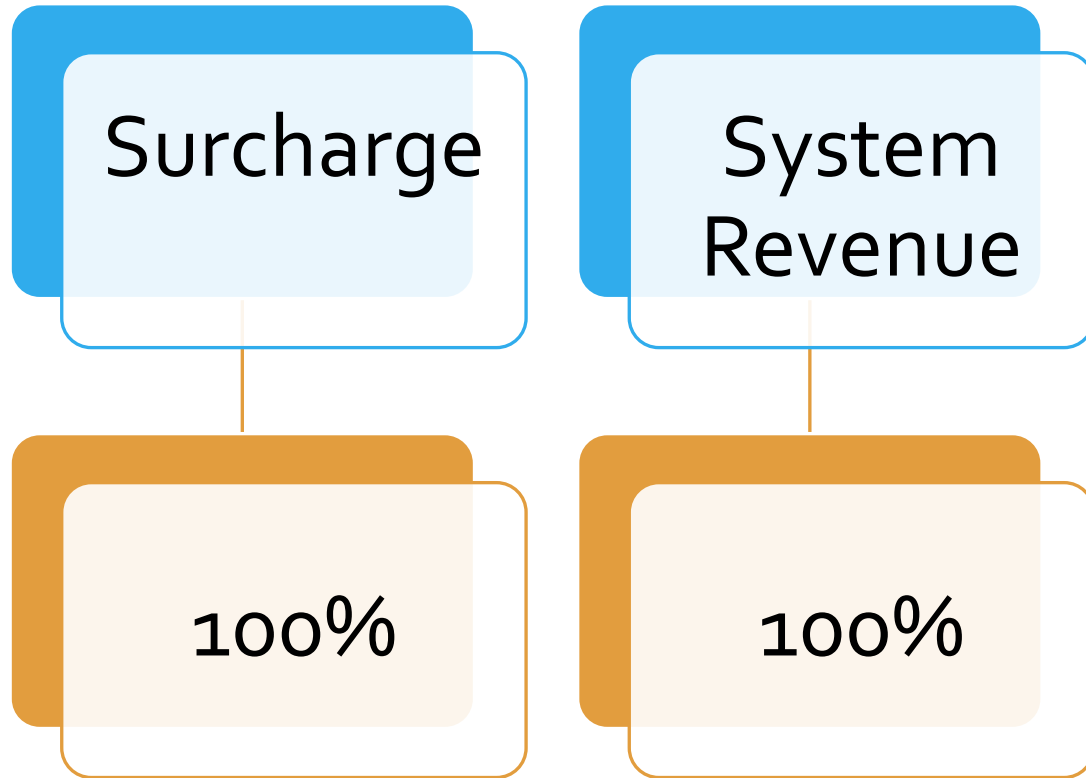
System
Revenue

110%

Sales Tax

120%

Percentage of Coverage Required for a Consolidated Loan



Project Income (Surcharge) Pledges

- **Project Income**

- Special charge or surcharge payable by each customer of its system who receives or benefits from the services of the project.

- **Project Debt**

- The debt incurred which is a lien on or constitutes a right to pay from the Project Income from the services of the project.

- Project Income multiplied 100 = _____%

Project Debt Service

System Revenue Pledges

- (1) Net Revenues Available for Debt Service: equals the Borrower's Gross Revenues of the System's fund pledged toward repayment of this State Revolving Fund Loan excluding grants and any revenue not generated by the System, but including the proceeds of any business interruption insurance, LESS those expenses directly associated with the operation and maintenance of the System. Large capital expenditures, depreciation, and debt service are not to be included the general operation and maintenance expenses of the fund.

System Revenue Pledges

- (2) **Total Debt Service:** equals total loan repayments (principal and interest) paid out of the fund pledged as security for this State Revolving Fund Loan. Debt service paid on any other debt also secured by this fund is to be included in the total.
- (3) Net Revenues Available divided by Debt Service multiplied by 100 = _____% Debt Coverage.



What happens if the city is not in compliance?

- Documentation not sent
 - Audit findings
 - Inability to receive SRF Funds
- When Coverage is low
 - Below 110% but above 100%
 - Below 100%
 - Inability to receive SRF Funds

Types of Funds

- **Capitalization Grant Funds**
 - Received From the Environmental Protection Agency (EPA)
- **State Funds**
 - Appropriated annually by Legislature
- **Recycled Funds**
 - Loan Repayments
 - Interest Earnings
- **Leveraged Funds**
 - SRF programs accessing the municipal bond market



Subrecipient Monitoring

- DANR has determined per EPA Subaward Policy (GPI) 16-01, subawards do not include loans, loan guarantees, interest subsidies or principal forgiveness, purchases of insurance or similar transactions entered into with borrowers by recipients of revolving loan fund capitalization grants, therefore, the SRF borrowers are not subrecipients.
- However, borrowers may be subject to the single auditing requirements of 2 CFR Part 200, Subpart F.

Federal Fund Requirements and Reporting

- What are Federal Funds from the SRF program?
 - Capitalization Grants
 - FFATA/Equivalency only projects
- American Rescue Plan Act Grant (ARPA)
- A-133 Audit
 - Single Audit/project (special) audit
 - \$1,000,000 or more in a reporting year, for fiscal years beginning after October 1, 2024



Questions?

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