

# Minnesota Governmental Agency Finance Group

## Flexible Long-Term Loan Program Step By Step

The program provides financing for a variety of projects with loan terms up to twenty-six years.

The purpose of the Minnesota Governmental Agency Finance Group (MGAFG) is to assist communities in obtaining competitive financing for construction projects and refunding opportunities. The program is structured as a tax-exempt pooled financing, with the MGAFG as the Program Administrator and Issuer.

1. Applicant obtains application form for funding from the Minnesota Governmental Agency Finance Group (“MGAFG”), and completes and returns the application to MGAFG in care of Minnesota Rural Water Association (“MRWA”).
2. The application and credit review package includes general system information such as rates and customer base, operating budgets, tax base, financial statements, and project information.
3. MGAFG, via the Program’s Underwriter, Morgan Keegan, reviews the application and the credit review package.
4. MGAFG provides the applicant with a conditional “Commitment for Funding” letter accompanied with an estimated amortization and cost of issuance schedule.
5. Morgan Keegan submits rating package and information to Standard & Poor’s (and insurance company if applicable).
6. The applicant completes any remaining regulatory requirements, and projects are typically bid prior to commencement of construction.
7. MGAFG, via the Program’s Bond Counsel, provides the applicant the necessary loan and authorizing documents.
8. The applicant, at a public meeting, approves & authorizes the project financing package.
9. One week prior to the bond pricing, the Underwriter will provide an updated amortization and cost of issuance schedule to the applicant.
10. The Program’s Underwriter, with final approval from the applicant, sets the loan rate at the market rate for applicant’s borrowing on the scheduled day of pricing.
11. The project loan is closed through the program Trustee, and construction may commence.
12. Invoice requisitions are sent to the program Trustee for payment.
13. Interest earnings accrue in the borrowers’ construction fund account.
14. Loan repayments are made on a semi-annual basis to the program Trustee via monthly sinking fund installments (revenue bond only).
15. The loan is paid in full.

### SPECIFICS:



- \$ Low, fixed tax-exempt interest rates.
- \$ Short-term & long-term finance structures—1-25+ years depending on the project.
- \$ Participants do not borrow a debt service reserve, but they have access to a Program level reserve in the event of a default.
- \$ Long-term, underlying bond rating of “AA-” from Standard & Poor’s, regardless of borrower’s credit rating.
- \$ No cross liability for individual borrowers.
- \$ No minimum size requirement for the issuer or for the amount borrowed.
- \$ Security—bonds secured by revenues of the system or general obligations of the community.
- \$ Tax-exempt bonds may be used in conjunction with other funding sources.
- \$ Low costs of issuance—the Program passes on economies of scale.
- \$ Refunding of existing debt and leases permitted in Program.

### Applications and Information:

#### Ruth Hubbard—Administrator

Minnesota Governmental Agency Finance Group  
217 12th Ave SE, Elbow Lake, MN 56531  
Phone: 800-367-6792 \* Fax: 218-685-5272  
E-mail: [mrwa@mrwa.com](mailto:mrwa@mrwa.com) \*Web: [www.mrwa.com](http://www.mrwa.com)

#### David Drown—Financial Advisor

David Drown Associates Inc.  
5122 Irving Avenue S., Minneapolis, MN 55419  
Phone: 612-920-3320 \* Fax: 612-605-2375  
Web: [www.daviddrown.com](http://www.daviddrown.com)

### Program Sponsors:

Minnesota Rural Water Association—**Sponsor**  
David Drown Associates—**Financial Advisor**  
Morgan Keegan—**Underwriter**  
Regions Bank—**Trustee**  
Briggs & Morgan—**Bond Counsel**