



June 28, 2023

VILLAGE OF EDGAR  
VILLAGE PRESIDENT  
P.O. BOX 67  
EDGAR, WI 54426

**SUBJECT:** Village of Edgar  
Wastewater Application  
RUS Initial Loan: \$4,776,000  
RUS Initial Grant: \$1,493,000  
RUS Subsequent Loan: \$4,335,000  
RUS Subsequent Grant: \$1,000,000  
Applicant: \$1,051,000

ADDENDUM #1 TO THE LETTER OF CONDITION DATED APRIL 07, 2021,  
CONCERNING THE VILLAGE OF EDGAR'S WASTEWATER IMPROVEMENT PROJECT

Dear Village President,

This letter amends the Letter of Conditions dated April 07, 2021, issued by USDA Rural Development (RD). This amendment establishes conditions, which must be understood and agreed to by you before further consideration can be given to your application. The State and Area Office Staff of USDA RD will administer the funding on behalf of the Rural Utility Service (RUS).

Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by RD by written amendment to this letter. Changes made without obtaining prior RD approval shall be cause for discontinuing processing of the application.

If you agree to meet the conditions set forth in this letter and desire further consideration, be given to your application, please complete and return the following enclosed forms no later than June 29, 2023.

- **Form RD 1942-46, "Letter of Intent to Meet Conditions"**
- **Form RD 1940-1, "Request for Obligation of Funds"**

Conditions 1, 2, 3, 5, 6, 7, 9, 38 are amended as follows.

All other conditions remain unchanged.

Rural Development • Wisconsin State Office  
5417 Clem's Way • Stevens Point, WI 54482  
Voice (715) 345-7600 • Fax (715) 345-7669

- 1. Loan and Grant Amount(s):** The docket may be completed on the basis of a loans not to exceed \$4,776,000 and \$4,335,000 and grants not to exceed \$1,493,000 and \$1,000,000.
- 2. Other Funding Sources and Amounts – \$1,051,000** is to be contributed towards the total project cost by the Village of Edgar. This contribution shall be considered as the first funds expended except costs except for costs contributed for construction that is not eligible for RUS WEP Sewer Loan and Grant Funds.

Evidence of the availability of all these funds will be submitted prior to advertising for construction bids or Agency loan and grant closing, whichever occurs first.

Evidence that all these funds have been spent on eligible projects costs will be submitted. The Agency reserves the right to recalculate funding if the money from other sources is more than what is estimated in the financing plan and if bids are lower than anticipated before the Agency loan and grant are closed. If there are excess Agency loan and grant funds, the excess funds will be grant funds. Grant funds, up to the total amount of the grant, will be reduced before the reduction of any Agency loan funds. Agency funds will not be used to pre-finance funds committed to the project from other sources.

### 3. Project Description:

Funds will be used to upgrade the Wastewater Treatment Plant and make some repairs to roads, transmission lines and Lift Stations as defined in the Preliminary Engineering Report. The facility will be designed and constructed in accordance with sound engineering practices and must meet the requirements of federal, state, and local agencies and shall be based on the preliminary engineering report approved by the Agency. The use of funds must be in substantial compliance with the following cost estimate and financing plan. Any revisions in this financing plan must have prior Agency concurrence.

The facility will be designed and constructed in accordance with sound engineering practices and must meet the requirements of federal, state, and local agencies and shall be based on the preliminary engineering report approved by the Agency. The use of funds must be in substantial compliance with the following cost estimate and financing plan. Any revisions in this financing plan must have prior Agency concurrence.

Village of Edgar						
Cost Estimate & Financing Plan						
WWTP & Sewer Improvements Project						
	Applicant Funds	RUS Initial Loan	RUS Subsequent Loan	RUS Initial Grant	RUS Subsequent Grant	TOTAL
WWTP Development	\$ -	\$ 3,837,407.00	\$ 3,365,500.00	\$ 273,000.00	\$ 87,093.00	\$ 7,563,000.00
Lift Station Development	\$ -	\$ 282,000.00	\$ -	\$ -	\$ -	\$ 282,000.00
Sewer/Street Reconstructon	\$ 639,000.00	\$ -	\$ 250,000.00	\$ 1,100,000.00	\$ 296,937.00	\$ 2,285,937.00
Engineering	\$ 257,953.00	\$ 450,000.00	\$ 275,000.00	\$ 115,000.00	\$ 20,544.00	\$ 1,118,497.00
Equipment	\$ 139,047.00	\$ 183,093.00	\$ -	\$ -	\$ -	\$ 322,140.00
Legal Services	\$ 15,000.00	\$ 20,000.00	\$ 20,000.00	\$ 5,000.00	\$ -	\$ 60,000.00
Interim Interest	\$ -	\$ -	\$ 400,000.00	\$ -	\$ -	\$ 400,000.00
Financial Consultant	\$ -	\$ -	\$ 21,000.00	\$ -	\$ -	\$ 21,000.00
Audit	\$ -	\$ 3,500.00	\$ 3,500.00	\$ -	\$ -	\$ 7,000.00
Contingency	\$ -	\$ -	\$ -	\$ -	\$ 595,426.00	\$ 595,426.00
<b>Project Totals</b>	<b>\$ 1,051,000.00</b>	<b>\$ 4,776,000.00</b>	<b>\$ 4,335,000.00</b>	<b>\$ 1,493,000.00</b>	<b>\$ 1,000,000.00</b>	<b>\$ 12,655,000.00</b>

5. **Terms Mortgage Revenue Bonds:** The \$4,766,000 initial loan and subsequent loan of \$4,335,000 will be repaid from user charge revenues of the system. If the system revenues are not sufficient, user rates will be increased to ensure payment of the annual operating and maintenance expenses, annual reserve requirements, and annual principal and interest payments. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

Your loans will be scheduled for repayment over a period of 40-years. Principal will be paid in 40 annual installments on May 1 of each year utilizing the schedule in the bond. Interest accrued on the unpaid principal balance will be paid in 80 semi-annual installments on May 1 and November 1 of each year. Regular payments shall be applied first to interest due through the next principal and interest installment due date and then to principal due in chronological order stipulated in the bond. The final principal payment will be due within 40 years of the date of closing.

The interest rate will be 1.750% for the initial \$4,766,000 loan, unless a lower rate is available on the date of closing. Based on that interest rate the total annual principal and interest installments will be approximately \$167,100, nearly the same as if the payments were equally amortized annual installments, rounded to the next highest \$100. Bond counsel will establish the actual principal repayment schedule and include it as an attachment to the bond.

The interest rate will be 3.000% for the subsequent \$4,335,000 loan, unless a lower rate is available on the date of closing. Based on that interest rate the total annual principal and interest installments will be approximately \$187,600, nearly the same as if the payments were equally amortized annual installments, rounded to the next highest \$100. Bond counsel will establish the actual principal repayment schedule and include it as an attachment to the bond.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. There must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983

6. **Security:**

**Mortgage Revenue Bond** – The \$4,766,000 initial loan and subsequent loan of \$4,335,000 will be secured by Mortgage Revenue Bonds in first lien position with the Clean Water Fund Loan, in the original amount of \$554,860. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture.

Statutory Mortgage Lien by ordinance or resolution upon the sewer system including any additions or improvements to the sewer system. The lien will be perfected by publication of

the ordinance or resolution or by recording of the ordinance or resolution in the records of the municipality.

A claim to the Special Redemption Fund and the revenues pledged to such fund to be used to pay the principal and interest on the bond(s).

A Debt Payment Reserve Account equal to \$354,700 to be used to pay principal and interest on the bonds if there is a shortfall in the Special Redemption Fund.

7. **Project Completion Timeframe** – This project must be completed, and all funds disbursed within four (4) years of the date of obligation, which is the date the Request for Obligation of Funds (Form RD 1940-1) is signed by the approval official. If funds are not disbursed within four (4) years of obligation, you must submit a written waiver request to the Agency, explaining the extenuating circumstances beyond your control and the revised timeline for project completion and disbursement of all funds. The Agency will issue a written decision regarding your request.

9. **Reserve Requirements:**

Reserves must be properly budgeted to maintain the financial viability and sustainability of the utility. Reserves are important to fund unanticipated emergency maintenance and repairs and assist with debt service should the need arise. Reserves should also be established and maintained for anticipated and expected expenses including but not limited to operation and maintenance, customer deposits, and depreciation of short-lived assets.

You must establish and fund a Debt Service Reserve account equal to 10% of the total annual payment until one annual one annual installment which is \$354,700 (initial loan \$167,000 and subsequent \$187,600). Therefore, \$17,735 is to be deposited semi-annually on May 1st and November 1st of each year. This reserve is a required emergency fund for debt repayment, maintenance, and repairs should the need arise. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account. If funds are withdrawn during the term of the loan, deposits will continue as designated above until the fully funded amount is reached.

**Short-Lived Asset Reserve:** You must establish and fund a Short-Lived Asset Reserve account to replace short term assets by depositing a sum to be determined annually and included in the annual budget for the utility.

38. **Insurance and Bonding Requirements** Insurance coverage will be submitted to the Agency for review and concurrence prior closing. The use of deductibles may be allowed provided you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and/or insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity bond coverage is maintained.

As long as the Agency loan is outstanding, you must acquire the following types of insurance and bond coverage:

- a. **General Liability** is to include vehicular coverage.
- b. **Real Property** – Prior to the acceptance of the facility from the contractor you must obtain real property insurance (fire and extended coverage) on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy.
- c. **Workers' Compensation** in accordance with appropriate State laws.
- d. **Position Fidelity Schedule Bond** [Form RD 440-24] will be used unless you submit a written opinion acceptable to RD that you have insurance providing the coverage at least equal to that required in the Position Fidelity Schedule Bond. All positions occupied by persons entrusted with the receipt and/or disbursement of funds including persons working under a contract or management agreement, must be bonded. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. After construction is complete, the minimum coverage acceptable to RD will be for each position to be bonded for an amount at least equal to one annual installment, which is \$354,700. The Agency will be identified in the fidelity bond for receipt of notices.

If you have any questions, please contact Julie Giese at 715-345-7654 or by email at [Julie.Giese@usda.gov](mailto:Julie.Giese@usda.gov).

Sincerely,

**NATHAN BILLINGHURST** Digitally signed by NATHAN BILLINGHURST  
Date: 2023.06.28 14:11:34 -05'00'

NATHAN L. BILLINGHURST  
Community Programs Director

Enclosures

CC: Community Programs Specialist  
City Attorney  
Bond Attorney  
Project Engineer