**Section 662.935 Source of Revenue and Security for Privately Owned Community Water Supplies**

a) The loan applicant must provide a detailed demonstration that there is an adequate source of revenue to repay the principal and interest due on the loan. The loan applicant must also demonstrate that there is adequate security for the full amount of the loan. This shall include, but is not limited to, the following:

1) The audited financial statements and tax returns required under Section 662.920 of this Subpart and the calculation of the ratios set forth in the Risk Management Association (RMA) Annual Statement Studies for the North American Industry Classification System (NAICS) #221310. The statements must show a positive cash flow for all 3 years. 50% of the ratios must fall in the upper 2 quartiles when compared to the RMA Annual Statement Studies for NAICS #221310.

2) Any rate increase required to assure that adequate revenues will be generated to make the loan repayments must be adopted in a legally binding manner prior to the first loan disbursement. When applicable, approval of the rate increase by the Illinois Commerce Commission will be required.

3) Appropriate legal documents will be provided to enable the Agency to perfect its security interest in the revenues of the system and other personal properties offered as security by filing the necessary information under the Uniform Commercial Code.

4) The loan applicant must submit a legal description and current appraisal by a licensed appraiser of real property to be used for collateral. The mortgage must be executed prior to the issuance of the loan.

5) Approval from the Illinois Commerce Commission to incur debt, if applicable.

b) The loan recipient must maintain a separate accounting in its books to record the funds available for loan repayment.

c) The loan recipient must, for the term of the loan, review and adjust the source of revenue as necessary to provide adequate funds for the repayment of the loan. The loan recipient must timely notify the Agency of, and submit to the Agency for approval, all proposed changes to the source of revenue.

d) Upon request, the loan recipient shall submit to the Agency the status of the funds available for repayment of the loan, including the projected revenues, actual revenues fund balance, debt service obligations and other requirements of the loan agreement. The Agency's review will be based on, but not limited to, ensuring that the source of revenue generates sufficient revenue and is otherwise in accordance with this Part 662.

e) In the event that the actual revenues fall short of the amount required to retire the loan, the Agency shall require the loan recipient to re-examine the revenue source and restructure it as necessary.

(Source: Amended at 33 Ill. Reg. 15575, effective October 28, 2009)