



WESTERN AUSTRALIAN
TREASURY CORPORATION

**WATC Short Term Lending Facility
to support Local Governments
through COVID-19**

Local Government Short Term Lending Facility - COVID-19



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High level overview

Short Term Lending Facility (STLF)

- The specific purpose of the STLF is to **support** local governments facing **cash flow pressures** due to COVID-19
- Initial STLF global limit of **\$100 million** for local governments **and** universities.
- The STLF limit will be **reviewed** within **three** months
- The **State Government** Loan Guarantee Fee (LGF) will **not be** charged on funds under the STLF
- Applications for funding from the STLF will **open** from **1 June 2020**

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How to Apply

The Application consists of:

- Applications open **1 June 2020**
- A request from the CEO to access funding from the STLF
- As part of the request to access funding from the STLF the following will be required:
 1. A **Council Resolution** supporting access to the STLF
 2. A 12 month **cash flow** forecast which Council has approved
- Compliance with the requirements of the Local Government Act and Regulations
- A 12 month cash flow forecast template/model will be available from WATC to assist with the preparation of the forecast

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How to Apply

Upon Receipt of the Application

- WATC will review the application with a strong emphasis on the 12 month cash flow forecast provided
- WATC will engage with LGAs to ensure an understanding of the LGA cash flow forecast and the funding need, e.g. use of restricted funds in addressing cash flow issues, timing of grants, etc.
- From WATC's review and engagement with LGAs the outcome will be:
 1. To offer you access to funding, should it be appropriate, from the facility, and;
 2. The size of the facility limit available to you

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Documentation

Documentation required prior to accessing funding from the STLF

- For LGAs that currently **have** a Master Lending Agreement with WATC you will be required to:
 1. Sign a STLF Addendum under the Master Lending Agreement
 2. Sign WATC's Client Portal Terms and Conditions to access WATC's Client Portal (*If not already signed*)
- For LGAs that **do not** have a Master Lending Agreement with WATC you will be required to:
 1. Sign a Master Lending Agreement. The STLF addendum will be incorporated into the Master Lending Agreement
 2. Sign WATC's Client Portal Terms and Conditions to access WATC's Client Portal (*If not already signed*)

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Operation of the STLF

General Operation

- The STLF will be open for funding from **01 July 2020**
- The STLF will close for “new” funding on **30 June 2021**
- The STLF will support debt deferment and/or short term funding
- WATC will look to utilise debt deferment in the first instance to provide cash flow support
- If debt deferral is insufficient to provide the necessary cash flow support then additional funding through the STLF will be available up to the LGA STLF limit
- Debt deferment **will count** against an LGAs STLF limit
- The STLF provides **flexibility to repay and redraw** during this period
- STLF transaction requests will be submitted through WATC’s Client Portal

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Operation of the STLF

Interest Calculation and Treatment

- Interest on funds drawn down through the STLF will be **calculated daily** and **charged monthly**
- The interest rate on funds drawn down through the STLF will be WATC's cost of funding
- The interest rate on the STLF is a **variable rate** and will move in line with **market movements**. It is **not a fixed rate**.
- WATC will charge an Administration Margin on funds drawn down through the STLF, as it does with existing loans to LGAs
- The **LGF will not be charged** on funds drawn from the STLF
- The option to **pay or capitalise** the monthly interest amount is available to LGAs. Capitalised interest will count against an LGAs limit

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Closing down the STLF

Timeframe and Process for Closing Down the STLF

- The STLF will close for new funding purposes on **30 June 2021**
- The STLF will remain “open” for an additional two years, i.e. until **30 June 2023**
- This two year period provides LGAs with the flexibility to repay funds drawn under the STLF when cash flow supports a repayment
- During this period the balance of funds outstanding under the facility will not be allowed to increase, i.e. they will be capped
- After each repayment a new capped amount will be created
- The LGF will **not be charged** on STLF balances during this period
- Any funds outstanding under the STLF as at **30 June 2023** will be restructured into a different loan format to facilitate repayment. The LGF **will be** charged on these loans

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Debt Deferment

How does debt deferment work?

- WATC will look to utilise debt deferment in the first instance to provide cash flow support. Debt deferment
 1. On a loan repayment date the P & I due will be transferred to the STLF, e.g. if there is \$80 of Principal & \$20 of interest due on the repayment date then \$100 will be “transferred” to the STLF on that date. The debt outstanding under the STLF is \$100
 2. LGAs will have the flexibility to repay a component of the \$100 with the balance transferred to the STLF, e.g. if the LGA decides to pay the \$20 of interest then \$80 will be transferred to the STF.
 3. Debt deferment **will count** towards an LGAs STLF limit

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Loan Restructuring

How does loan restructuring work?

- There is an opportunity for LGAs to restructure existing loans with WATC to generate additional free cash flow. For example:
 - An LGA may have an accelerated debt repayment profile that is not aligned to the funded asset's life, e.g. Asset life of 15 years vs. Debt repayment profile of 5 years
 - After reviewing the loan the LGA may decide it appropriate to undertake a less accelerated debt repayment approach and align the debt repayment profile to the funded assets life, e.g. Asset & debt repayment profile both 15 years
 - WATC could restructure the term of the loan in question to 15 years and free up cash flow through payments being spread out over 15 years rather than 5 years
- Any restructuring of loans would be undertaken at current market rates and the LGF will apply to the face value amount after restructuring

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Funding for “Normal” business

Funding for “Normal” Business

- Funding requests for normal business needs, e.g. capital projects, will be as per the existing application process
- Leveraging DCPs to bring forward works
- Funding approval decisions will be based on WATC’s internal risk assessment framework

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Any questions, in the first instance, please email them through to

csoperations@watc.wa.gov.au

Thankyou

