

Policy for Implementing the Clean Water State Revolving Fund and Drinking Water State Revolving Fund

Appendix N and E:
Credit/Financial Guidelines

June 1, 2022



Division of Financial Assistance



Presenting this webinar:

- Jenalyn Guzman, OPP Facilitator
- Maria Dueñas, SSMI, Credit Fiscal Unit

DFA/OCC Support Staff:

- Hilda Ledezma-Vasquez, SSMII, Loan & Grants Administration Section
- Lance Reese, SSMIII, Loan & Grants Administration Section
- Matt Wilson, Attorney, OCC



Agenda

- Webinar logistics
- Presentation from DFA
- Questions and Answers
- Adjourn by 11am



Logistics

This meeting is being recorded

- Recording and slides will be posted to DWSRF and CWSRF websites

To ask questions:

During the presentation:

- Use the Q&A box, answers will be provided at the end of the presentation

During Q&A period:

- Use the "raise hand" feature and you will be called upon
- Phone callers: use *9 to raise hand , *6 to unmute

Update Summary of Key Elements

- Revisions to the Credit/Financial Guidelines were designed to improve document's readability.
- Provide guidance on credit's current practices to streamline credit review and legal consultation.
- Criteria for financing eligibility versus expected financing conditions.
- Addressing areas related to less common forms of financing.



Revisions to the Guidelines

- Incorporated definitions to improve document's readability in relation to the issuance of the Financing Agreement.
- Separated out financial eligibility criteria versus expected financing conditions for financing agreements.



Credit's Current Practices

- Adopted increases
- Use of Rate Stabilization Fund
- Coverage calculation (minimum of 3 years of historical data + 2 years of projections)
- Other credit factors



Financing Eligibility vs. Expected Financing Conditions

Financing Eligibility

- Security, most common source is the Net Revenues of the Water/Sewer Enterprise Fund.
- Review of all material debt documentation (including all reference documents)
- Senior Tier lien position

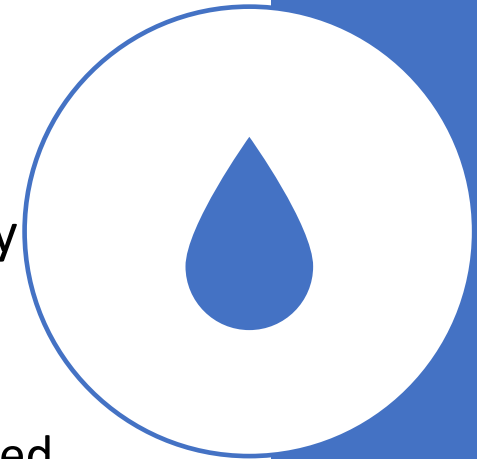
Expected Financing Conditions

- Rate Covenant 120% Senior/Parity and 100% Subordinate
- Additional Debt Test requirements (next slide)



Updated Guidance on Additional Debt Test:

- Additional senior debt: The Recipient's future debt may not be senior to this Obligation, except where the new senior obligation refunds or refinances existing senior debt at better terms and does not extend the repayment period of the existing senior debt.
- Additional parity or subordinate: The Recipient may issue additional parity or subordinate debt only if all of the following conditions are met:
 - Net Revenues, not including any transfers from a rate stabilization fund that would otherwise be considered Revenues, but including any approved/adopted rate or fee increase that will be pledged as security for the financing, in the most recent Fiscal Year meet the ratio for rate covenants with respect to any outstanding and proposed additional obligations;
 - The Recipient is in compliance with any reserve fund requirement



Less common forms of financing

- WIFIA, JPA, and Assessments.
- Get us all your debt documents including any reference documents and financial documentation.
- Early communication is crucial for a successful credit review and legal consultation.



How can you help expedite your application review:

Submitting complete and accurate financial information with your application will help DFA process its review timely.

Review the complete outline of both Appendices located on our website (links provided below).

[CWSRF - Appendix N](#)

[DWSRF - Appendix E](#)



Questions?

Click “Raise Hand” in the toolbar and you will be called upon to speak.

Calling in?

*Press *9 to raise hand and *6 to unmute when prompted*



Thank you!

For further questions, email:

Maria.Duenas@Waterboards.ca.gov

Hilda.Ledezma-Vasquez@waterboards.ca.gov

