

Appendix H

USEPA approval of Extended Term Financing



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street
San Francisco, CA 94105-3901

Ms. Dorothy Rice
Executive Director
California State Water Resources
Control Board
Executive Office
P.O. Box 100
Sacramento, CA 95812-0100

Re: Extended Term Financing (ETF) for California's Clean Water State Revolving
Fund (CWSRF) Program

Dear Ms. Rice:

The United States Environmental Protection Agency (USEPA) Region IX, in accordance with USEPA Headquarters CWSRF Program guidance, is pleased to approve the California CWSRF Program's request to establish a 30-year ETF program for disadvantaged communities.

Region IX finds that the State Water Resources Control Board's (SWRCB) proposal dated August 13, 2008 meets the eight criteria prescribed by Headquarters for approving ETF requests. As part of the evaluation criteria, our review included the SWRCB's analysis of modeled projections of loan assistance disbursements over a 60-year forecast horizon. We agree with your analysis and confirm that the proposed ETF program will not decrease the revolving level of the CWSRF program by more than 10%.

Region IX understands that the SWRCB will establish and operate its ETF program according to the proposal submitted and the following guidelines:

- The SWRCB will limit the availability of ETF agreements to a maximum of 20% of the funds available per year. This percentage and its effects will be reassessed and addressed annually in the CWSRF Annual Report. This percentage may be adjusted by the SWRCB, with EPA's approval, in the future as financial conditions warrant.
- The ETF program will not alter the Operating Agreement (OA) between USEPA and the SWRCB but will require a change in implementation procedures. Therefore, to record and implement this change, a written agreement must be made between the designated parties for the SWRCB and USEPA per Section V.A.b of the OA.
- All ETF agreements will require a dedicated source of revenue for payment of the bond. The California CWSRF may also accept another form of security it deems reasonable and appropriate in order to guarantee payment of a bond in the event a

- disadvantaged community has difficulties repaying.
- The ETF interest rate charged will be half the most recent general obligation bond rate obtained by the State Treasurer's Office.
 - Each year's Intended Use Plan must reference the availability of the new ETF agreements, include a short paragraph regarding the terms and eligibilities for ETF program, and identify which recipients/projects will be receiving extended terms.
 - The 30-year financing program will only provide assistance to small, disadvantaged communities as defined by the State.
 - All financing agreements are subject to USEPA statutory provisions, regulations, and policies.

I commend the SWRCB for its innovative use of the CWSRF program to increase affordability by providing flexible financing options and needed assistance to solve small disadvantaged community wastewater problems.

We look forward to working with you and your staff in implementing this ETF program. If you have questions, please contact me at 415.972.3572 or have your staff contact Juanita Licata at 415.972.3450.

Sincerely,

Alexis Strauss 7 October 2008
Alexis Strauss, Director
Water Division

Cc: Barbara Evoy, DFA
Jerrel Bolds, DAS
Christopher Stevens, DFA
Doug Wilson, DFA