

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
JUNE 20, 2023**

**ITEM 2**

**SUBJECT**

CONSIDERATION OF A PROPOSED RESOLUTION CLARIFYING THE PLANNING AND DESIGN FINANCING AGREEMENT RESTRUCTURING LANGUAGE IN THE CLEAN WATER STATE REVOLVING FUND (CWSRF) POLICY.

**DISCUSSION**

Section VIII.C.3 of the Policy for Implementing the Clean Water State Revolving Fund (Policy), amended on December 3, 2019, allows a CWSRF planning and design loan financing agreement (planning agreement) to be restructured as part of executing a CWSRF loan financing agreement for construction of the same project (construction agreement).

The Division of Financial Assistance (DFA) and the Division of Administrative Services (DAS) use the Loans and Grants Tracking System (LGTS) database to manage and track project funding. LGTS is set up to change the interest rate and term for a planning agreement on or after the “Planning/Work Completion Date” as a normal function of re-amortizing the balance, which includes the principal and accrued interest, over a new repayment term. This functionality is consistent with the original intent of restructuring planning agreements described in the CWSRF Policy.

DFA recommends that the Board clarify that restructuring planning agreements, as authorized under the CWSRF Policy, means that the balance of the planning agreement, meaning the principal and any interest accrued effective on or after the planning completion date, will be amortized using the interest rate and the length of the amortization period of the construction agreement. The interest rate on the restructured planning agreement should be the interest rate on the project’s construction agreement, and interest should accrue at the new rate starting on the completion of construction date. This clarification is necessary to ensure proper accounting on the State Water Board’s two CWSRF planning loan agreements.

**POLICY ISSUE**

Should the State Water Board clarify that restructuring planning agreements, as authorized under the CWSRF Policy, means that the balance of the planning agreement will be re-amortized using the interest rate and the length of the amortization period of the construction agreement, with the revised interest rate accruing on the balance, and the revised amortization schedule taking effect, starting on the completion of construction date?

**FISCAL IMPACT**

Clarifying the meaning of restructuring planning agreements will have no financial impact to the CWSRF program since the clarification will be consistent with the original intent of the Policy.

**REGIONAL BOARD IMPACT**

None.

**STAFF RECOMMENDATION**

The Board should clarify that restructuring planning agreements, as authorized under the CWSRF Policy, means that the balance of the planning agreement will be re-amortized using the interest rate and the length of the amortization period of the construction agreement, with the revised interest rate accruing on the balance, and the revised amortization schedule taking effect, starting on the completion of construction date.