

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
AUGUST 16, 2011**

ITEM 4

SUBJECT

CONSIDERATION OF A RESOLUTION CLARIFYING THE FUTURE SENIOR DEBT REQUIREMENTS IN THE POLICY FOR IMPLEMENTING THE CLEAN WATER STATE REVOLVING FUND (CWSRF) FOR CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES (POLICY) AS RELATED TO PRINCIPAL FORGIVENESS (PF) FINANCING

DISCUSSION

Section X.G.1 of the CWSRF Policy prohibits a recipient's future debt from being senior to a CWSRF obligation. The CWSRF Policy does not prohibit a recipient from having existing senior debt. The City of Los Angeles (City) has existing senior and parity debt and foresees the possibility of either re-funding its existing debt or entering into future debt. The City is a potential recipient of 100 percent PF financing offered by the CWSRF Program and will not be required to make debt service payments. The City has requested clarification of the provisions of Section X.G.1 of the CWSRF as applied to PF obligations. Applying Section X.G.1 to the City's obligation would place an unnecessary burden on the City's ability to re-fund its existing debt or enter into additional (future) debt. The application of Section X.G.1 to PF financing is not discussed in the CWSRF Policy.

It is likely that other recipients of 100 percent PF will want to refinance, re-fund existing senior debt or enter into future debt. PF financing does not require debt service payments to the CWSRF. Removing the future debt requirements for PF recipients, with projects 100 percent funded by PF, would not affect the security of the CWSRF program.

POLICY ISSUE

Should the State Water Board:

Clarify Section X.G.1 of the Policy as applied to PF recipients and remove the future debt requirements for PF obligations.

FISCAL IMPACT

There is no direct fiscal impact to the CWSRF Program by taking action on this item.

REGIONAL BOARD IMPACT

None

STAFF RECOMMENDATION

The State Water Board should:

Approve the clarification of Section X.G.1 of the Policy as applied to PF recipients and remove the future debt requirements for PF obligations.

State Water Board action on this item will assist the Water Boards in reaching Goal 6 of the Strategic Plan Update: 2008-2012 to enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.

DRAFT

STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2011-

CLARIFYING THE PROHIBITION ON FUTURE SENIOR DEBT IN THE POLICY FOR IMPLEMENTING THE CLEAN WATER STATE REVOLVING FUND (CWSRF) FOR CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES (POLICY) AS APPLIED TO PRINCIPAL FORGIVENESS (PF) FINANCING

WHEREAS:

1. The Policy prohibits borrowers from entering into future debt senior to a CWSRF obligation;
2. The Policy does not discuss the application of the future debt requirements as applied to PF financing; and
3. Allowing recipients of PF financing the ability to either re-fund existing debt or enter into future debt does not affect the security of the CWSRF program because PF recipients do not make debt service payments.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves the clarification of Section X.G.1 of the Policy as applied to PF recipients that PF recipients may either re-fund existing debt or enter into future debt; and
2. Removes the future debt requirements for PF obligations.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on August 16, 2011.

Jeanine Townsend
Clerk to the Board