



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105-3901

15 May 2012

Ms. Elizabeth L. Haven  
Deputy Director, Division of Financial Assistance  
California State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-0100

Dear Ms. Haven:

The U.S. Environmental Protection Agency (EPA) has reviewed the California State Water Resources Control Board's (SWRCB) proposal dated 16 February 2012, requesting EPA approval to allow SWRCB to offer 30 year extended term financing for regionalization projects within the California Clean Water State Revolving Fund (CWSRF) program. Based upon the information contained in the proposal, EPA has approved this request. The memorandum from EPA headquarters approving the request, dated 3 May 2012, is enclosed.

The basic requirements for extended term financing, as described in the 3 May 2012 EPA memorandum, have been satisfied in SWRCB's proposal and shall be maintained while the California CWSRF is offering this financing.

The specific conditions under which the State and EPA will operate in administering the CWSRF program must be described, either in the CWSRF Operating Agreement (OA) or Intended Use Plan (IUP). Therefore, SWRCB has the option of including its 30 year extended term financing proposal into your IUP each year or incorporating it into your OA, by means of a written request to change implementation procedures, as allowed by Section V.A.b of the OA. Please advise us of your intentions so you may proceed with your plans to offer an additional financing option for California communities.

We look forward to working with you as you continue providing financial assistance for needed water quality improvement activities within the State of California. If you have any questions, please call me at 415-972-3420 or Juanita Licata, California Project Officer, at 415-972-3450.

Sincerely,

A handwritten signature in blue ink, appearing to read "Douglas E. Eberhardt".

Douglas E. Eberhardt  
Manager, Infrastructure Office

Enclosure

Electronic cc: Christopher Stevens, DFA  
Christine Gordon, DFA



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

MAY 03 2012

MEMORANDUM

SUBJECT: Approval of California Clean Water State Revolving Fund Extended Term Financing for Regionalization Projects

FROM: George Ames, Chief (4204M)  
State Revolving Fund Branch 

TO: Douglas E. Eberhardt, Chief  
Sustainable Infrastructure Office, Region IX (WTR-4)

We have reviewed the California State Water Resources Control Board's (SWRCB) proposal dated February 16, 2012, requesting U.S. Environmental Protection Agency (EPA) approval to allow SWRCB to offer 30 year extended term financing within the California Clean Water State Revolving Fund (CWSRF) Program. Based upon the information contained in the proposal, I am approving by copy of this memorandum the change to the California CWSRF Program to include this provision for 30 year extended term financing for regionalization projects.

The basic requirements for extended term financing have been satisfied in SWRCB's proposal and shall be maintained while the California CWSRF is offering this financing. These include:

- The California CWSRF buys or refinances debt obligations from municipalities and inter-municipal and interstate agencies pursuant to Section 603(d)(2) of the Clean Water Act.
- The California CWSRF must require that the community establish a dedicated source of revenue for repayments of the debt obligation (e.g., a general obligation or revenue obligation pledge to guarantee their repayments), or provide some form of security which will guarantee repayment of the debt obligation in the event of a default (e.g., property lien, etc.).
- All principal and interest received from payments of the debt obligation must be deposited into the California CWSRF as provided under Section 603(d)(1)D.

- Interest rates must be at or below the market rate, or for 0% interest as provided under Section 603(d)(1)A.
- The long-term revolving nature of the California CWSRF must be protected by either (1) demonstrating that the projected revolving level of the California CWSRF will not decrease by 10% or more with the use of extended term financing as compared to the revolving level the California CWSRF would attain if extended term financing were not offered, using a 60-year projection period, or (2) SWRCB must maintain its CWSRF program's historical average annual assistance levels, or baseline. The impact of extended term financing on the California CWSRF must be included in a section within their annual report provided to EPA.
- Extended term financing will be available to all California communities undertaking regionalization projects.
- Extended term financing cannot exceed the lesser of the useful life of the underlying asset or 30 years.

I understand that the Region will provide guidance to the SWRCB on the steps necessary to incorporate its 30 year extended term financing proposal into their CWSRF Operating Agreement. I recommend that the SWRCB report annually on their plans for offering 30-year financing by identifying in the Intended Use Plan those projects that will receive 30-year financing, and the SWRCB should also report on the projects that received 30-year loans in their Annual Report.

This agreement satisfies EPA's interest in maintaining the performance of the California CWSRF while allowing the California CWSRF to offer an additional financing option that will make it more affordable for communities to borrow from the fund. We look forward to our continued cooperation in providing financial assistance for needed water quality improvement activities within the State of California.

cc: James Hanlon  
Sheila Frace  
Juanita Licata (Region IX)  
Sheila Platt  
Kelly Kunert  
Mark Mylin