

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
NOVEMBER 4, 2014**

ITEM 3

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION APPROVING THE CITY OF SOLEDAD'S (CITY) REQUEST TO EXTEND THE REPAYMENT PERIOD FROM 20 TO 30 YEARS FOR EXISTING CLEAN WATER STATE REVOLVING FUND (CWSRF) FINANCIAL AGREEMENT NO. 08-803-550-0

DISCUSSION

The Division of Financial Assistance (Division) finalized a financing agreement for \$46,451,084 on October 28, 2010 with the City, and the City made its first payment on December 27, 2010, in the amount of \$2,322,554.

In 2011, the City was having difficulty making the debt service for its agreement. The City's sewer expenditures exceeded the sewer revenue. The Division restructured the debt service from an annual payment of \$2,322,554 to \$1,341,713 for years 2011, 2012, and 2013 in an effort to help the City to meet its debt service obligation. The annual debt service for the remainder of the obligation was increased to \$2,506,462 through 2029.

The City has implemented various city wide cost reductions in recent years, and also restructured its wastewater staffing and raised sewer rates in March 2013. However, the City still needs help to stabilize its sewer finances. On July 22, 2014, the City requested that CWSRF extend the repayment period from 20 years to 30 years to lower the remaining annual payments to \$1,542,438. This will allow the City to cover ongoing operation and maintenance, meet the CWSRF debt coverage requirements, and allow the City to gradually fund a reserve as required by the CWSRF finance agreement. This would be consistent with other loan modifications that the Division has approved for other communities with financial difficulties.

POLICY ISSUE

Should the State Water Board approve the City's request to extend the repayment period to 30 years?

FISCAL IMPACT

The existing loan is a Local Match loan. Therefore, there will be no change in the interest earned on the loan. However, it will take an additional 10 years to receive the loan principal.

REGIONAL BOARD IMPACT

None.

STAFF RECOMMENDATION

The State Water Board should adopt a resolution approving the City's request to extend the repayment period from 20 to 30 years.

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. 2014-

APPROVING THE CITY OF SOLEDAD'S (CITY) REQUEST TO EXTEND THE REPAYMENT PERIOD FROM 20 TO 30 YEARS FOR EXISTING CLEAN WATER STATE REVOLVING FUND (CWSRF) FINANCIAL AGREEMENT NO. 08-803-550-0

WHEREAS:

1. The Division of Financial Assistance previously restructured the City's debt service for the years 2011, 2012, and 2013 in an effort to help the City meet its debt service obligation;
2. The City needs additional help to stabilize its sewer finances, and on July 22, 2014, requested that CWSRF extend the repayment period on its agreement from 20 years to 30 years to lower the remaining annual payments to \$1,542,438;
3. Extending the payment term will allow the City to cover ongoing operation and maintenance, meet the CWSRF debt coverage requirements, and allow the City to gradually fund a reserve as required by the CWSRF finance agreement;
4. Extending the payment term will better ensure that the City is able to repay its obligation in full; and
5. The City has implemented various city wide cost reductions in recent years, and also restructured its wastewater staffing and raised sewer rates in March 2013;

THEREFORE BE IT RESOLVED THAT:

The State Water Board approves the City's request to extend the repayment period from 20 to 30 years for existing CWSRF financing agreement No. 08-803-550-0.

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 November 4, 2014.

Jeanine Townsend
Clerk to the Board