
State Water Resources Control Board

February 17, 2015

Mr. Thomas Esqueda, Public Utilities Director
City of Fresno
1910 E. University Avenue
Fresno, CA 93703

FINANCING EVALUATION FOR CITY OF FRESNO'S SOUTHEAST SURFACE WATER TREATMENT FACILITY, DWSRF PROJECT NO. 1010007-028C

Dear Mr. Esqueda:

The State Water Resources Control Board Division of Financial Assistance (DFA) received the City of Fresno's (Fresno) Drinking Water State Revolving Fund (DWSRF) application on June 23, 2014. Fresno has requested funding to construct a new 80 MGD Southeast Surface Water Treatment Facility (Project). Following discussions with Fresno over the last few weeks, DFA is now currently evaluating the Project under the following financing terms based on a total project cost of \$195,489,000. DFA is also evaluating the Project under equivalent financing terms that incorporate a "local match" component from Fresno.

DWSRF loan amount: \$195,489,000

Interest rate: 1.663 percent per annum

Repayment term: 30 years

Loan Repayment Reserve: 2 semi-annual payments accumulated over 10-years

Debt Service Ratio: 1.2x highest year's senior debt service or the coverage covenants of other existing material debts, whichever is greater.

Finally, Fresno is also being evaluated for potential loan principal forgiveness (grant). DFA currently estimates that Fresno may be eligible for \$3 million in principal forgiveness if the proposed water rate plan for the Project is adopted whereby the average residential monthly water rate is expected to exceed 1.5% of Fresno's median household income.

As a condition of DWSRF eligibility, Fresno will need to demonstrate adequate adopted water rates and an associated water enterprise budget to support the aforementioned financing terms.

FELICIA MARCUS, CHAIR | THOMAS HOWARD, EXECUTIVE DIRECTOR

In addition, Fresno must also demonstrate through its adopted water rates and associated water enterprise budget that it has the financial capacity to operate and maintain its water system, as well as the Project, for its useful life.

The terms outlined above do not represent an offer of funding, as DFA is still conducting its environmental, financial and legal review for DWSRF funding. At this time, DFA needs the following from Fresno to further conduct its review for DWSRF funding:

1. Documentation of adopted water rates and a water enterprise budget that supports the aforementioned financing terms as well as any other financing necessary to support the Project and its associated components.
2. Documentation of adopted water rates and a water enterprise budget that supports Fresno's ability to operate and maintain its water system, including the Project, for their useful lives.
3. Documentation of the outreach, proceedings, voting results, and certifications of the Proposition 218 action associated with the proposed water rate plan for the Project and its associated components.

If you have any additional questions regarding your construction application please contact Marques Pitts at 916-449-5645 or via email at Marques.Pitts@waterboards.ca.gov.

Sincerely,



For James Maughan, Asst. Deputy Director
Division of Financial Assistance

cc: Kassy Chauhan
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