



Linda S. Adams
Secretary for
Environmental Protection

State Water Resources Control Board

Division of Financial Assistance

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Arnold Schwarzenegger
Governor

OCT 14 2008

Mr. Michael J. Ban, Director
Water Resources and Conservation Department
City of Petaluma
202 North McDowell Boulevard
Petaluma, CA 94954

Dear Mr. Ban:

PAYMENT SOURCES FOR THE FINANCING AGREEMENT, CITY OF PETALUMA (AGENCY); ELLIS CREEK WATER RECYCLING FACILITY (PROJECT); CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM; PROJECT NO. C-06-4693-110

You recently asked for our interpretation of the terms of your Financing Agreement with the CWSRF program. You specifically asked whether the Division of Financial Assistance (Division) expects the Agency to use only wastewater system funds or all funds available to the Agency. The Division expects that the Agency will use all funds available to make CWSRF payments. The following two sections of the executed contract make clear our expectation regarding the sources of funds the Agency will use to pay its Agreement with the CWSRF:

Section 2.1 of Exhibit B:

"The Agency hereby agrees to pay Installment Payments solely from Net Revenues and/or other amounts legally available to the Agency."

Section 2.3(A) of Exhibit B:

"The Agency as a whole is obligated to make all payments required by this agreement to the SWRCB, notwithstanding any individual default by its constituents or others in the payment to the Agency of fees, charges, taxes, assessments, tolls or other charges ("Charges") levied or imposed by the Agency. The Agency shall provide for the punctual payment to the SWRCB of all amounts which become due under this agreement and which are received from constituents or others in the payment to the Agency. In the event of failure, neglect or refusal of any officer of the Agency to levy or cause to be levied any Charge to provide payment by the Agency under this agreement, to enforce or to collect such Charge, or to pay over to the SWRCB any money collected on account of such Charge necessary to satisfy any amount due under this agreement, the SWRCB may take such action in a court of competent jurisdiction as it deems necessary to compel the performance of all duties relating to the imposition or levying and collection of any of such Charges and the payment of the money collected there from to the SWRCB. Action taken pursuant hereto shall not deprive the SWRCB of, or limit the application of, any other remedy provided by law or by this agreement..."

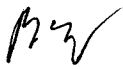
California Environmental Protection Agency

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Disbursements authorized by the Financing Agreement must be paid with interest per the payment schedule established in the Agreement. If the agency fails to make payment in accordance with the payment schedule, such an action will constitute breach of contract. The State Water Board will use all remedies available under law to resolve such a situation.

If you have any questions concerning this letter, please contact Mr. Jim Maughan, Assistant Deputy Director at 916-341-5693, or jmaughan@waterboards.ca.gov.

Sincerely,



Barbara L. Evoy, Deputy Director
Division of Financial Assistance