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***Water Board Loan Program  
Bond Issue Rated 'AAA'***

The nation's top credit ratings services-- Standard & Poors, Moody's Investor Service, and Fitch Ratings—have assigned 'AAA' ratings to the Oklahoma Water Resources Board's upcoming \$204 million revenue bond issue. The bonds, which close October 26, will be used to leverage funds utilized for water and wastewater project financing throughout the state.

Bond proceeds will be used to finance eligible projects from the Board's Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF). Funds to capitalize both programs—which offer low-interest loans to both large and small Oklahoma communities—are provided through U.S. Environmental Protection Agency grants and state matching funds (equal to 20 percent of the federal government grants). The DWSRF provides financial assistance to communities for public water supply construction projects. The CWSRF provides loans for municipal wastewater infrastructure and other pollution control projects.

During the Board's bond issue in October 2003, Oklahoma became the first state in EPA's Region 6—also including Texas, Arkansas, Louisiana, and New Mexico—to leverage the DWSRF. Bond proceeds will provide approximately \$120 million for clean water projects and \$80 million for drinking water projects.

“Oklahoma's DWSRF is the only financing program in Region 6 that has loan demand high enough to warrant leveraging and this bond issue further exemplifies this strong aspect of the fund's strength,” says Joe Freeman, Chief of the OWRB's Financial Assistance Division. In addition, he points out, “the OWRB is cross collateralizing the drinking water and clean water programs, making us the first in the region and one of only about 10 in the country providing this level of water and wastewater financing.” The Bond Buyer newspaper has already identified the Board's bond issue as its national "Deal of the Week."

According to Jim Joseph, state bond advisor, “The Water Board has done a good job in overseeing these programs and the ratings reflect that outstanding job.”

The 'AAA' rating reflects the board's diverse loan pool, significant default tolerance as a result of over-collateralization from pledged loan revenues and debt service reserve funds, and sound underwriting guidelines. The bonds are secured by a debt service reserve and loan repayments pledged to bondholders. The debt service reserve, in addition to providing bondholder security, generates excess earnings that are used to subsidize borrower loan repayments. The Board has a very strong history of oversight that exceeds most states,” says Wendy Wipperman, a credit analyst in Standard & Poor's Dallas office. “They require a monthly report from all borrowers, not just an annual report like many agencies.”

The OWRB serves as the state's primary financing vehicle for local government water and wastewater projects. The agency is authorized to assist political subdivisions and municipal corporations of the state, therefore eliminating the risk of lending to private entities. The

OWRB's five financial assistance programs—consisting of the Drinking Water and Clean Water State Revolving Fund Loan Programs, Bond Loan Program, Emergency Grant Program, and Rural Economic Action Plan Grant Program—are collectively responsible for almost \$1.3 billion in financing for community water and sewer infrastructure projects in Oklahoma. The effort was launched through a \$25 million dollar appropriation by the State Legislature in 1983.

For questions about the OWRB's DWSRF/CWSRF loan program rating or the State Financial Assistance Program, contact Joe Freeman, Chief of the OWRB's Financial Assistance Division at (405) 530-8800.