



May 19, 2017

Felicia Marcus
Chair, State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: Comment Letter – June 20, 2017 Board Meeting – FFY 2017 CWSRF IUP

Dear Chairperson Marcus:

On behalf of Water Reuse California (WRCA), I thank you for the opportunity to provide comments on the 2017/18 Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF).

WRCA would also like to extend our appreciation to the State Water Resources Control Board (Water Board) for its strong programmatic and financial support for the development of recycled water and potable reuse projects. As articulated in the Governor's Drought Action Plan recycled water and potable reuse are an essential component of our state's long term water supply and will help prepare California for the drought and for climate change by providing locally controlled sustainable water supplies.

During California's epic drought, the Water Board prioritized CWSRF recycled water projects and made \$950 million 1% loan funding available for projects statewide. These actions, combined with the Water Board's earlier decision to extend repayment for all projects from 20 to 30 years, has made the CWSRF one of the most critical sources of funding for recycled water and potable reuse projects in California.

Unfortunately, this unprecedented interest in the CWSRF funding has brought its own set of challenges. Most significantly, this includes the oversubscription for "Group 3" projects, which are projects that have completed applications and environmental reviews and now await action from the Division of Financial Assistance (DFA). These applicants were initially told to rush and finish their project applications and environmental reviews in order to be eligible for CWSRF funding. No indication was given to the applicant that CWSRF funding would be severely restricted or may not be available for up to several years. Now these projects applicants face, at a minimum, year-long delays as their environmental documents and bids turn stale.

WRCA Recommendations

WRCA understands that the CWSRF program will likely be under going significant changes in 2017/18. We recommend that a revised IUP include a new section highlighting possible changes to the program. Further, WRCA recommends the Water Board incorporate the following recommendations and proposed actions into this new section:

- Sell new bonds to fund Group 3 recycled water and wastewater projects. This is of paramount importance to WRCA members and should be expedited to the extent practicable, given the SWRCB's capacity to sell more revenue bonds to leverage new and existing funding.

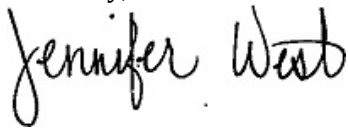
- Develop more specific criteria for Group 3 projects and all waiting list projects going forward that will allow DFA to prioritize projects for funding. This will enable applicants to evaluate their position on the list and to seek non-CWSRF funding options or modify their projects as needed. WRCA will be providing draft criteria to the Water Board in the near future.
- Allow completed applications to proceed with construction, based on certain criteria, and still qualify for loan/grant monies for costs incurred prior to securing a signed financing agreement. This will enable applicants to expend their sources of matching financing first and to benefit from CWSRF in the out years of their project implementation.
- Examine the current application and environmental review process to identify areas that can be streamlined, such requirements to assess downstream impacts that are reviewed by the water rights division.
- Develop a more transparent communication process with applicants that include an upfront assessment of all application and environmental review requirements and consistent and timely messaging regarding project status and availability of funds.

WRCA also understand that the Water Board may be considering the adoption of new financial mechanisms and changing the parameters of the funding program to maintain sound finances for the CWSRF. WRCA commits to work with the Water Board on these changes.

Conclusion

We are very pleased that DFA will be evaluating possible long-term financial and programmatic changes to the CWSRF in its upcoming workshops. WRCA and its members plan to participate. We thank you in advance for considering including these recommended changes in the IUP and we look forward to continuing to work with you and the Division of Finance on these issues. Please do not hesitate to contact me at (916) 669-8401 if you would like to discuss these issues further or have questions.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer West".

Jennifer West
Managing Director

cc: Board Members, State Water Resources Control Board
Clerk to the Board, Jeanine Townsend