



May 28, 2019

Chair E. Joaquin Esquivel and Members of the Board
c/o Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Via electronic mail: commentletters@waterboards.ca.gov

SUBJECT: Comment Letter – June 18, 2019 Board Meeting – FY 2019-20 CWSRF IUP

Dear Chair Esquivel and Members of the Board:

Water Reuse California (WRCA) appreciates the opportunity to provide comments on the draft FY 2019-20 Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP). The CWSRF is currently the primary source of funding for recycled water in California. Recycled water is now an integral part of the state's water portfolio -- providing new, local, sustainable source of water to communities throughout California. The proposed IUP included several significant changes. We appreciate that staff has engaged stakeholders to continue to discuss means to further improve the program.

Sale of Bonds for CWSRF

The Water Board recently updated the Recycled Water Policy, which sets new ambitious goals for water recycling in coastal areas and where groundwater is depleted. To achieve these goals, California needs to be equally as ambitious in seeking loan funding to help finance these projects. The IUP states that there is currently a backlog of over \$7 billion in recycled water and wastewater projects. This doesn't include the more than 20 potable reuse projects throughout California that are in the planning stages. To help close this funding gap we believe that California should leverage additional funding for the CWSRF program through the issuance of bonds. The sale of bonds is one of the easiest, fastest, and most common ways that states raise capital for infrastructure of all types. Selling bonds can also give the CWSRF a cash infusion at relatively low interest rates. Many other states, with much smaller economies, have leveraged more funding than California for their SRF programs, according to the 2018 report Go Back to the Well by National Resource Defense Council. We understand that additional funding would generate additional workload for the Division of Financial Assistance. Appropriately staffing DFA would be necessary if additional bonds were sold.

FI\$CAL Concerns

WRCA and our members are extremely concerned with the significant impact of staffing shortages and conversion to Fi\$Cal. We understand that only approximately 30 percent of fundable projects from FY 2018 will have agreements in place by June 2019, resulting in a large rollover for the program. We also are concerned with some staff predications that the backlog will continue to impact the program into the coming fiscal year.

Starting in January 2019, utilities in the state began to experience problems completing loan reimbursements for existing agreements. This caused significant cash flow problems for agencies with facilities under construction and if not resolved it will result in some projects having to stop construction completely and incur additional costs and delays.

On top of these impacts, there are projects that have been going through planning and design for years and are now ready for construction. These projects are now in danger of being substantially delayed due to the State's inability to process new CWSRF agreements. In addition, the cash flow problems have added difficulties for the recipients when performing their annual single audit.

We ask that the Water Board request additional short-term funding for staffing to help ensure there are no further delays in the CWSRF process. Before the recent accounting system conversion, the CWSRF program was operating relatively effectively and our hope is that by allocating additional short-term resources to address the existing accounting system problem the program can quickly get back on track. We appreciate your consideration of this request.

Thank you for considering our requests.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles LaSalle', written in a cursive style.

Charles LaSalle
WateReuse California

cc: Jared Blumenfeld, Secretary Cal-EPA
Nancy Vogel, Director Governor's Water Portfolio Program, California Resources Agency
Christine Hironaka, Deputy Cabinet Secretary, Governor Newsom