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Glen D. Peterson
MWD Representative



May 24, 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

RE: Comment Letter – June 28, 2019 Board Meeting – FFY 2019 CWSRF IUP

Dear Chair Esquivel and Members of the Board:

Las Virgenes Municipal Water District appreciates the opportunity to provide comments on the draft FFY 2019 Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP). The District recognizes the efforts that the State has undertaken over the past two years to review and improve the program and the significant effort to receive feedback from participants. The District has continued to participate in these efforts.

The CWSRF is a critical funding source enabling agencies to deliver projects that provide safe, clean and reliable water to customers. The proposed IUP included a number of significant changes and we thank you for the continued effort to engage stakeholders. We appreciate that staff has engaged the District and other stakeholders to continue to discuss means to further improve the program. We also are aware of challenges of current staffing levels and the transition to Fi\$Cal.

Program Management

The District is concerned with the significant impact of staffing shortages and conversion to Fi\$Cal. We understand that only approximately thirty percent of fundable projects from FFY 2018 will have agreements in place by June 2019, resulting in a large rollover program amount. We also are concerned by staff's recognition that the backlog will continue to impact the program into the coming fiscal year. The high level of rollover projects will continue to impact agencies' ability to complete projects to meet the clean water goals we share. This backlog also sometimes necessitates updating environmental and other studies due to time delays. We would encourage the Board to prioritize completing the backlog of program agreements to allow focus on ways to create program efficiencies.

Multi-Year Projects/Partial Funding

The District is supportive of the staff's recommendation to partially fund large projects in order to provide for funding for a greater number of projects. We also encourage the Board to consider multi-year funding for large projects. We understand staff's concern with committing future fiscal year funds for these projects. However, we believe that multi-year funding would benefit both agencies and the Board by creating additional near-term funding opportunities and creating better cash flow projections. Multi-year funding should be conditioned on meeting agreed upon project milestones and funding draws that cannot be expedited without approval of the Board.

Scoring System

The District is supportive of the development of the priority scoring system and its use in creating a fundable list. The introduction of priority scoring creates certainty for agencies in anticipating when or if its project will receive funding.

The District would encourage the Board to further discuss and develop the priority scoring criteria to fully recognize the benefits of individual projects. Specific to feedback we received from staff regarding the District's project, we believe that its benefits to conserve water and enhance the Delta ecosystem were undervalued. The priority score needs to recognize projects that meet goals specified in State policy, specifically the Governor's Executive Order B-37-16, "Making Water Conservation a California Way of Life." In the District's request for SRF funding for its Automatic Meter Reading/Advanced Metering Infrastructure (AMR/AMI) project, the priority score undervalued AMR/AMI's proven ability to identify water leaks, which is directly tied to the Executive Order.

Additionally, the priority scoring system fails to recognize the impact of projects in Southern California on the Delta. Las Virgenes Municipal Water District (LVMWD) is 100% dependent on imported water from the Delta, as we have no local water source. Reductions in water use by LVMWD customers reduce the need for imported Delta water, providing direct positive impacts to its ecosystem. The fact that the District receives its water from the Metropolitan Water District of Southern California does not diminish the projects positive impacts on the Delta and should be fully recognized in the priority score.

Program Financial Capacity

The proposed FFY 2019 IUP implements many positive changes. However, even with these changes, the program still faces limitations because of its funding capacity. We offer the following suggestions to increase program funding capacity.

- Prepayment should be automatically accepted and not require the consent of the Deputy Director.
- As stated above, providing additional secondary points for shorter terms would increase cash flow. This could be encouraged through the inclusion of an additional interest rate discount.
- The program should consider having a slightly higher interest rate for credit worthy agencies in exchange for less stringent covenants and loan terms. The higher interest rate would generate additional program income while the less stringent loan terms and covenants would reduce compliance costs for eligible applicants.
- Develop a Rolling 3-5 year Fundable List – This would allow the CWSRF to better match cash flows to project delivery and allow the program to increase funding to eligible projects.
- The Board could sell bonds more frequently to reduce overall interest expense. This would also allow interest rates to more accurately reflect current market conditions. The Board could also consider a slightly higher interest rate that still provides cost-savings advantages to local agencies.
- Actively manage reserves to increase investment earnings that can be utilized for additional program funding.

In closing, we appreciate the Board's continued efforts to improve the CWSRF program and the extensive stakeholder outreach that has been conducted to receive feedback. The changes made to the program this fiscal year increased transparency and certainty for projects in the applicant pool. Implementing additional suggestions herein would further enhance the program and its mission to provide safe, clean and reliable water to all Californians.

Sincerely,



Donald Patterson
Director of Finance & Administration