



May 24, 2019

Joaquin Esquivel, Chair
State Water Resources Control Board
1001 I St, Sacramento, CA 95814



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

Dear Chair Esquivel and Members of the Board:

The California Association of Sanitation Agencies (CASA) appreciates the opportunity to provide comments on the draft FY 2019-20 Clean Water State Revolving Fund Intended Use Plan. For more than 60 years, CASA has been the leading voice for public wastewater agencies on regulatory, legislative and legal issues. Our member agencies are engaged in advancing recycled water production and beneficial reuse, generating renewable energy supplies, and producing and beneficially using biosolids and other valuable resources. Through these efforts we help create a clean and sustainable environment for Californians. California's CWSRF is a critical source of financing for many of these projects.

Scoring System and Staff Recommendation

The proposed IUP is the first to fully utilize the new scoring system for establishing the fundable list. Overall, we believe the scoring approach worked well and we commend your staff for their outreach to applicants to confirm project scores in advance of releasing the document. The proposed alternative, Option C, would fund 39 projects at the level of \$1.25 billion. While we will continue to work with the Water Board on options for increasing the sustainable funding level and making the most of staff resources through a combination of process streamlining and augmentations, we believe the staff recommendation is appropriate given the current program constraints.

We understand that staff are developing a new application form that will allow applicants to self-score and get a sense of where their projects might fall in the rankings. While the cut-off score is likely to differ from year to year (e.g. it is 13 this year but could be 12 or 14 next year), it is likely that with this new application form and additional experience with the scoring system, over time applicants will be able to determine the likelihood of project funding based on past funding levels.

We also renew our recommendation that the Water Board consider the use of a more streamlined or pared down initial application for the purpose of scoring, similar to the process utilized in the WIFIA program and several SRF programs across the U.S. For planning and design loans, the initial application would be sufficient for SWRCB to guide resources to the most critical projects. For construction loans, the applicant should provide sufficient information to demonstrate that the project can be ready within the funding year and commit to a timeframe within which the findable project needs to be complete and ready to go. Projects seeking to

maximize their score for purposes of getting on the construction loan/project fundable list will need to be at 90% design level, meaning agencies are at the verge of going out to bid and awarding construction contracts for that project. Only then will the project be on the construction loan/project fundable list.

Currently, agencies are in an extreme “hurry up and wait” mode, and the applicant is forced to either delay the project or proceed with construction before the CWSRF financing agreement has been executed. A streamlined initial application approach could potentially address this issue by allowing environmental review before projects are so far along in the design process, thereby better synching the approval, review, and construction initiation timelines. This approach has the added benefit of allowing project applicants to potentially incorporate issues identified in the environmental review process into the project design without costly change orders.

Cash Flow Management on Multi-Year Projects

Depending on local resources, local expertise, and project complexity, many if not most projects require multiple years to plan, design, and construct. However, most projects do not require that all of the funding be set aside in the first year since the expenses (and corresponding request for disbursements) will also be spread over multiple years. Current Water Board practice is to make loan commitments for an entire project from a given year’s funding target, regardless of whether that money is actually needed in the first year of the project. This effectively ties up funds that might otherwise be made available to other borrowers until draws are made, which for multi-year projects could be over the course of many years. One way to potentially free up this additional money is to identify funding that is not needed until future years and make those funds available for distribution sooner. The approved funding in subsequent years could then be met with future IUPs. We recognize that there is some risk in this approach because there is no absolute certainty regarding future appropriations, however given the long-term stability of the SRF programs, we believe this risk is minimal. This approach would maximize the number of projects that could be built in any given year and provide a reasonably high level of assurance to agencies and their projects.

A Multi-Year Approach to Funding Projects

We appreciate the constraints on the CWSRF given the volume of applications received each year, and the need to assign partial project funding to larger projects in some circumstances. However, this “one year at a time” approach to the funding target and the fundable list leaves future project applicants with very little certainty or plan for funding specific projects in future years. This creates a concern in part because applicants will likely have to include programmatic requirements (e.g. Davis-Bacon, Buy American Mandates) within bid documents on the chance that future assistance may be available for that project. We recommend that the Water Board work with its financial advisors to evaluate programs in other states that utilize multi-year commitments. This allows them to commit to more projects overall, and also saves staff resources because a single project agreement can be used over multiple funding cycles.

Eliminate Redundant Reviews for Repeat Borrowers

Many of our members express frustration about re-inventing the wheel with a new financial assistance agreements for each subsequent project. After negotiating acceptable terms on one project, both sides are forced to go back to the drawing board on subsequent projects, which seems to be an enormous waste of time and resources. The process would be far more efficient for both applicants and Water Board staff if specific terms negotiated for an agency can be extended to future agreements rather than starting over with the standard agreement each time. As the State Water Board's policies change over time, the CWSRF staff can focus only on these changes instead of starting from scratch with each legal review.

Funding Capacity

We recently had the opportunity to discuss with Board staff options and ideas for further leveraging or capitalizing the CWSRF. While we are realistic about the funding levels that might be achieved (we do not expect \$7 billion to materialize in a single year), we do believe there is potential to increase capacity. We will continue working with your staff to identify proposals in the areas of interest rates, state match and other reforms that, if successful, would allow California to narrow the funding gap and invest in infrastructure essential to public health and the environment.

Sincerely,



Roberta L. Larson
Executive Director