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May 10, 2018

Felicia Marcus, Chair, and Members
State Water Resources Control Board
1001 I Street, 25th Floor
Sacramento, CA 95814

Via electronic mail: commentletters@waterboards.ca.gov

Dear Chair Marcus and Members of the Board:

Las Virgenes Municipal Water District appreciates the opportunity to provide comments on the draft FY 2018-19 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 understand from Department of Water Resources staff that this year's IUP is viewed as a transition year with more adjustments likely during future year IUPs. As such, the District has separated its comments into two sections, the current IUP, and suggestions for additional consideration.

FY 2018-19 Intended Use Plan

Multi-year Projects

CWSRF has historically provided full funding for projects in the fiscal year approved. This approach has its benefits such as providing agencies certainty of funding. For large projects, this approach encumbers large amounts of potential funding to single applicants, reducing the ability for the program to fund more projects. The Board could consider allocating the funds for large projects over several fiscal years, matching anticipated expenditures and increasing the resources to finance more projects in the near term. The Board could also consider limits (e.g. 50% of project cost) on large projects and providing partial funding requiring agencies to secure other financing or pay go resources. This also would enable the CWSRF to fund more projects. Since a large project could be defined differently based on the size and resources of the agency, the Board could consider a percentage of the agencies budget (e.g. a project cost greater than one-year operating budget) to determine if a project is a "large project."



Partial Funding

Additionally, the District understands that partial funding was only considered for large projects. As various agencies have differing levels of ability to partially fund a project, the Board could consider allowing partial funding on any size project. This would enable agencies of all sizes to leverage all available funding sources and to allow the CWSRF to fund additional projects.

Repayment Terms

The IUP continues to utilize 30 years or the useful life of the project as the repayment term of the loan. The CWSRF could encourage and support the shorter repayment of loans for agencies who have the ability to repay loans more quickly. In addition to reducing interest cost for agencies, the earlier repayment of SRF loans would enable financing additional projects in future years.

Future Program Modifications

Prioritization Criteria

The current year IUP utilized criteria that was developed by the Board and a cutoff date to determine whether an application was complete. In addition to automatic funding for small and disadvantaged communities, the following criteria for FY 2018-19 was articulated at the April 18, 2018 Workshop in Irvine:

- Compliance Order
- Regional Board Recommendation
- Partial Funding (for large projects)
- Local Match
- Complementary Funding
- Readiness

The Board would help achieve its clean water goals by making the following modifications and additions to the criteria:

- Compliance Schedule Order
- Expand Partial Funding to all Project Sizes
- Delete the Regional Board Recommendation priority – CWSRF should utilize the same criteria and prioritize projects based on equitable State-wide priorities.
- Clear, definitive deadline for an application to be complete for inclusion in the fundable list.

Project Application

The pre-application discussed by Board staff should be developed as it would significantly increase the efficiency of the program. The pre-application should provide enough information to have the project included within the fundable list and to be used for cash flow planning by the CWSRF program. Board staff would then need to work only with those applicants on that year's fundable list to complete the detailed application process.

Once the project is scheduled for funding, the Board should utilize a tool from other States and develop a planning and design funding list and a capital project funding list. This would increase the capacity of the program to provide funding for more projects, commit funds as needed, and improve the efficiency of the CWSRF. Additionally, CWSRF

should depend on the agency's Professional Engineer determinations and on the agency's environmental process.

Other Program Ideas

The program seeks to balance competing needs while upholding stringent standards. The Board is also looking for ways to leverage existing funding to provide assistance to more agencies in achievement of its goal to provide safe, clean and reliable drinking water. The following ideas could leverage existing program funding levels to provide assistance to more projects:

- Higher Interest Rates for Higher Credit Quality Borrowers – High credit quality borrowers could be assessed a slightly higher interest rate in exchange for less stringent loan terms and covenants. 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.
- Shorter Term Loans – Loan terms should be flexible and based on the agency's ability to repay. Agencies that accept a shorter loan term should get a slightly lower interest rate to encourage early repayment, providing additional funds for future year projects.

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