



MODESTO
CALIFORNIA

City Manager's Office

March 12, 2014

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

Via electronic mail: commentletters@waterboards.ca.gov

Subject: Resolution to provide Financial Incentives in Response to the Governor's Drought
Proclamation for Near-term Recycled Water Projects – Agenda Item #3, Board Meeting of
March 18, 2014

Dear Chair Marcus and Members:

The City of Modesto is pleased to provide comments on the proposed Resolution to provide funding incentives for the Clean Water State Revolving Fund (CWSRF) program directed to incentivize near-term recycled water projects. The City of Modesto, in partnership with the City of Turlock, and Del Puerto Water District, has developed the North Valley Regional Recycled Water Program (NVRWP); a major recycled water project that would greatly benefit from the proposed terms of this Resolution.

At build out, the NVRWP will provide over 50,000 acre feet of recycled water to Del Puerto Water District via the Delta-Mendota Canal for use on permanent crops and row crops in this Central Valley Project water-dependent district. Additionally, this recycled water will be conveyed to U.S. Fish and Wildlife Service wildlife refuges to augment limited water supplies for these valuable migratory bird refuges during the winter months. Currently, the NVRWP is in the early phases of the EIR/EIS process and expects to begin design as early as 2015, with project completion in 2018. Upon completion, this will be the largest recycled water project in the Central Valley benefitting both agriculture and the environment. We look forward to this new funding opportunity and the financial benefit these funds will provide in making this project feasible.

As an agency that has one CWSRF loan, we support adoption of the proposed resolution, which will assist in moving recycled water projects forward more quickly to provide much needed water supply

3/18/14 Board Meeting Item 3
Near-Term Recycled Water Projects
Deadline: 3/13/14 by 12:00 noon

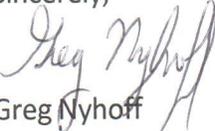


benefits. In addition to the financing terms, we ask that the Board exercise flexibility to address other loan terms and conditions that may constitute barriers to project applicants. These include:

- Senior Lien Debt: Consider the overall credit-worthiness of a given agency rather than a strict standard that new CWSRF loans be senior to other agency debt
- Repayment Schedules: Allow agencies to request and justify “customized” schedules based on their unique circumstances rather than amortize the loan over the repayment period so that annual debt service payments are the same in each year
- Refinancing: Allow agencies with current 20-year CWSRF loans to be refunded with the longer term loans and allow open market “bridge loans” to initiate a needed project while awaiting approval of a CWSRF loan

We appreciate the State Water Board moving forward to incentivize new recycled water projects that will provide reliable, sustainable, and drought-proof water supplies for our communities. Should you or your Board members have any questions, or desire additional information on the NVRWP, please contact William Wong, Acting Director of Utility Planning and Projects for the City of Modesto, at (209) 571-5801, or via email at wwong@modestogov.com.

Sincerely,


Greg Nyhoff
City Manager

cc: Michael Cooke, City of Turlock
Anthea Hansen, Del Puerto Water District
William Wong, City of Modesto
Brad Hawn, City of Modesto