



May 9, 2018

Felicia Marcus
Chair, State Water Resources Control Board
1001 I Street, 24, Floor
Sacramento, CA 95814

(Sent via email – Comment Letter, June 19, 2018 Board Meeting – FFY 2018 CWSRF IUP)

Dear Chair Marcus:

On behalf of WaterReuse California (WRCA) we want to thank you for the opportunity to provide comments on the draft Intended Use Plan (IUP) for the Clean Water State Revolving Fund (CWSRF). The draft IUP proposes a number of significant changes that respond to the unprecedented interest in the CWSRF. While this strong demand for CWSRF loans has created some challenges for Board staff and agencies, we view the increasing interest in the program as a major opportunity to further refine and improve the program so that it can continue to help expand recycled water in California and stretch the state's limited water resources.

In general, the draft IUP provides a number of significant improvements to the program. Below are the WRCA recommendations.

Creation of an Annual "Fundable List" of Applications

We support the inclusion of developing an annual fundable list of applications and limiting the eligibility of funding to projects on this list, with the exception of Severely Disadvantage Communities and Disadvantaged Communities. With far more completed applications submitted to the Board than can be reasonably funded in one year, the development of this annual list provides needed certainty for agencies as they plan their projects. The other advantage of such as list is that it provides a clear performance benchmark and program accountability for Water Board staff to execute all the financial agreements on the list by June 2019. Our understanding is that if projects fail to be funded they will go back on the list, presumably to the top of the fundable list.

During the public workshops for the IUP staff said they were considering developing a pre-application form for applicants next year. We support this recommendation, as it would help increase certainty for applicants and potentially reduce staff review time at the Board.

Allowing Partial Funded Projects

We agree with the new provision in draft IUP that allows applicants to provide partial funding for their projects, assuming the applicant has demonstrated that it has the remaining financing, or there are reasonable assurances that the applicant has the financial capacity to obtain the

remaining financing. With the demand for CWSRF loans at an all time high (more than \$7 billion on the comprehensive list), allowing some agencies to partially fund their projects should help make additional loan funds available for other worthy projects.

Reimbursing Construction Costs

We strongly agree with the recommendation in the draft IUP to reimburse construction costs incurred prior to approval of financing. Knowing construction costs will be reimbursed will make it easier for project proponents to start and finish projects on time.

Remove Prioritization From Regional Boards

We recommend that you remove the provision in the IUP that would require the Board to seek input from the Regional Water Quality Control Boards on regional prioritization of CWSRF applicants. While we understand that Regional Boards have a significant role to play in the protection of water quality, we don't believe they should be involved in Board funding decisions. It is not clear from the proposal how the Regional Boards would make a prioritization determination. From a transparency point of view this is problematic and could lead to the unintended consequence of agencies and consultants trying to develop separate priority lists at the Regional Boards. We believe the Board has enough information about the projects to prioritize them without formally involving the Regional Boards in loan decisions.

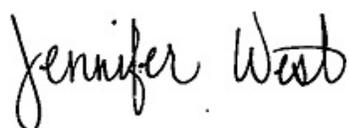
Develop a Tri-Annual Report on CWSRF Performance

The CWSRF is one of the most a critical sources of funding for water quality and recycled water projects in California. While the IUP includes some information about program performance, it fails to provide a total picture of how well the CWSRF is performing relative to its long-term and short-term goals, as well as how it is meeting other Board and statutory mandates. We recommend the Board consider developing a report once every three years that includes, but is not limited to, the following information:

- How is CWSRF meeting its long and short-term goals described in the IUP.
- How is the CWSRF helping to meet the recycled water statutory goal.
- How are CWSRF funds distributed statewide and regionally
- Benchmark the California CWSRF to other well-run SRF programs --tracking why California is either funding applications faster or slower than these states.

Thank you again for the opportunity to provide comments on the draft IUP. Please do not hesitate to contact me at (916) 496-1470 if you have any questions or concerns regarding WRCA comments.

Sincerely,



Jennifer West
Managing Director