



Via Email: commentletters@waterboards.ca.gov

April 24, 2013

Ms. Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 "I" Street, 24th Floor
Sacramento, California 95814

Subject: Amendment to the Policy for Implementing the CWSRF

Dear Ms. Townsend:

We have reviewed the draft Policy for Implementing the Clean Water State Revolving Fund dated March 15, 2013. It is good to have the opportunity to provide comments, and more importantly encouraged to read the streamlining and updates to the policies, which our firm supports.

Our firm's comments are themed on creating value and incentives for local authorities to comply with treatment requirements, and also to improve water quality to encourage water reuse in California. With that in mind, we offer the following comment to the draft amended policy:

- With respect to recycled water, perhaps the SWRCB could consider providing financial incentives to local authorities to invest additional capital as necessary into facilities that produce higher water quality than may otherwise be required under a given permit. An example of such incentive is to provide Extended Term Financing, lower interest rates and principle forgiveness to communities that can demonstrate higher quality effluent than required under permit and a reuse program.
- Respecting the SWRCB's objective to improve water quality standards, the timing of actually meeting such standards can often be extended and delayed. A suggestion to the amended policy is to include language that allows a local authority utilize SRF funding to refinance a project or a portion of a project at the completion of a facility that has been built and financed with private capital. The SRF funding could be a portion of the financing, such as 50% and could be conditioned upon the local authority meeting schedule and compliance requirements. There are many advantages to this structure, for example:
 - the local authority can commence construction (and therefore compliance) sooner rather than later;
 - by retaining a portion of private capital in the completed project, the SWRCB would increase its available capital for other communities resulting in broader compliance; and
 - other benefits associated with the use of private capital are described below.

- Public-Private Partnerships are gaining momentum in the US water sector, and there are significant levels of available private capital (e.g. public pension funds) willing to invest water infrastructure. For example, our firm recently completed the first 100% privately funded water recycling facility in the US, located in Santa Paula, California. Given this high level of interest for private capital to invest in wastewater and water recycling projects, we see a great opportunity for private capital and SRF funding to co-exist on the same project under a long-term concession arrangement. Some advantages to the local authorities and the SWRCB are as follows:
 - the local authority can commence construction sooner rather than later;
 - the local authority can achieve order compliance sooner rather than later;
 - the private entity will place its equity investment “at risk” for completion, budget and performance of the facilities;
 - the local authority can shift the risk of performance to the private sector;
 - the local authority rely on the private sector to fund ineligible costs; and
 - the SWRCB will be able to put more SRF funding to work on other compliance related projects.

In light of the value of public-private partnerships, we are particularly encouraged that the Board will remove restrictive provisions in the current “Approval of Award” section of the Policy. Those provisions have hampered the ability of local agencies to choose a partnership approach procured under a design-build-operate structure, even when doing so could result in improved water quality delivered more quickly than other available alternatives. We would request that the Board and staff at the SWRCB implement the revised Policy in a manner that maximizes the opportunity for partnerships, rather than in a manner that would limit the project delivery options available to local agencies.

Thank you for the opportunity to present the above ideas and comments to you for consideration. Hopefully this information is beneficial to you and the SWRCB as it considers the amendment to the Policy for Implementing the Clean Water State Revolving Fund. We hope to attend the SWRCB meeting on May 7th and will be available to answer any questions or provide further input.

Feel free to call me on 949-375-4892 with any questions.

Sincerely,

PERC Water Corporation



Brian D. Cullen
President