



September 19, 2017



Felicia Marcus, Chair  
Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814

Via Email: [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov)

**Subject: Comment Letter – October 3, 2017 Board Meeting SRF Debt Management Policy**

Dear Ms. Marcus:

On behalf of Eastern Municipal Water District (EMWD), a water, wastewater and recycled water provider in western Riverside County, we are pleased to provide comments on the proposed adoption of the State Revolving Fund (SRF) Debt Management Policy for both the Clean Water SRF and Drinking Water SRF programs.

EMWD supports and encourages the proposed adoption by the State Water Resources Control Board (SWRCB) of the Debt Management Policy. The proposed policy provides sufficient structure and appropriate flexibility, and is in line with recommendations both from the Government Finance Officers Association (GFOA) and the California Debt and Investment Advisory Commission (CDIAC).

As a long-time user of the Clean Water SRF grants and loans programs, we appreciate the opportunity to have participated in the summer workshops regarding the CWSRF and potential improvements to the program moving forward. To date, EMWD has received more than \$340 million in SRF grants and loans which have been used to significantly increase our capacity to produce recycled water in our service area. As a result, EMWD has 100 percent beneficial reuse of wastewater with more than one-third of our total water supply consisting of recycled water, our most drought-resilient supply.

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We have previously recommended that the SWRCB consider additional borrowing to fund more projects statewide, and we believe that the proposed Debt Management Policy would appropriately allow for such additional borrowing. The Clean Water SRF program has been faced with unprecedented demand and inadequate available funding to meet that demand. We understand that the State Board's financial advisors have opined that additional borrowing would be appropriate to allow for additional funds to be made available to meet all or part of the demands of pending and future applications. This fundamental change in the program would still be consistent with the guidance of the U.S. EPA; benchmarking against the policies and practices of other States' successful SRF programs would provide insight on how to implement a leverage program with little or no risk.

For purposes of clarification of the Policy, we also offer three specific suggestions:

1. **Refunding Opportunities** (Page 9 of the Policy): We suggest that at the top of page 10, you include a statement that you will consider the amount of negative arbitrage (if applicable), relative to net present value savings.
2. **Permissible Types of Debt for Financing Projects / Fixed Rate Debt** (Page 12): We suggest that you include an absolute prohibition of the use of capital appreciation or zero coupon bonds, absent special approval by the Board and additional analysis by the Financial Advisor and Division of Financial Assistance (DFA) to support these costly instruments.
3. **Resources and Staffing Capacity** (Page 16): We suggest that there be language added to reinforce and encourage ongoing training for DFA staff in areas of disclosure, financial markets, and securities law to ensure that staff is current with operating standards and best practices. We also suggest that there be mandatory periodic training for the State Board members on public debt disclosure requirements, which continue to evolve.

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As always, we appreciate the opportunity to comment. If you have any questions, please contact either of us.

Sincerely,



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