

December 21, 2018

Sent via Electronic Mail: [commentletters@waterboards.ca.gov](mailto:commentletters@waterboards.ca.gov)



The Honorable Felicia Marcus, Chair  
c/o Jeanine Townsend, Clerk to the Board  
State Water Resources Control Board, Division of Financial Assistance  
1001 I Street, 24th Floor  
Sacramento, CA 95814

Subject: Comment Letter – February 5, 2019 Board Meeting – DWSRF Policy Amendment

Dear Chair Marcus:

The City of San Diego (City) is pleased to have this opportunity to provide input on the Draft Drinking Water State Revolving Fund Policy Amendment. Specific comments regarding the Policy Amendment are offered below:

**Section VI(B)(2) - Priority System**

The City welcomes a transparent method of project prioritization. This section contains reference to a sustainability score but it is unclear how this score is calculated.

**Sections X(A)(4)(b)(ii) & XI(4)(b)(ii)(A) – Minimum Coverage**

The formula presented in the draft policy for minimum coverage does not reflect industry standard requirement of minimum senior and minimum aggregate coverage requirements. The City is supportive of proposed 1.0x minimum requirement for subordinate debt but is not supportive of the proposed coverage formula which is needlessly complicated.

**Sections X(A)(4)(c)(iii) & XI(A)(4)(c)(iv)(A) – Additional Debt / Refunding**

The City is disappointed to learn of the requirement for new debt to be the same lien position as the Existing Debt. This requirement is overreaching in its intent to restrain the City in managing its debt portfolio and create an unnecessary burden in structuring its future debt financings. Substantially all of the City's Water System revenue bonds and Commercial Paper notes are issued subordinate to the State Revolving Fund loans. The City's Water System has maintained financial flexibility by issuing substantially all obligations on a subordinate lien basis. The City may not be willing to accept the subject proposed term which would place undue restriction on financial flexibility.

**Sections X(A)(4)(d)(ii) & XII(A)(5) – Authorizing Resolution / Ordinance**

The City welcomes the Board's decision to eliminate the requirement for the Applicant to submit a resolution or ordinance adopted by its governing board at time of application, and rather provide a resolution authorizing the Loan transaction at closing. This change creates a better and smoother process for the City in its preparation of the application.

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**Sections (X)(A)(4)(c)(i) & (XI)(A)(4)(c) – Ratings Requirement for Additional Debt**

The City welcomes the Board's decision to remove the requirement for the applicant's non-subordinate debt to be rated "A," or higher, by at least two of the nationally recognized rating agencies.

**Section (XII)(C)(3) – Financing Agreement Amendments**

The City proposes to replace the term "sufficient" with a defined time period for the benefit of being concise and clear.

**Section (XVI)(E)(2) – Loan Compliance / Rate Stabilization Fund Transfers**

The discussion of the Rate Stabilization Fund transfer appears to conflict with the Drinking Water SRF Appendix E(A)(iv). Appendix E should match the Drinking Water SRF Policy Section (XVI)(E)(2).

**Section VI(D)(1) – Project Bypass**

The City recommends clarifying the term "ready to proceed to financing" such that intent of the Division to select projects is not arbitrary.

Thank you for this opportunity to provide input on the Draft Drinking Water State Revolving Fund Policy Amendment and consideration of the City's comments listed above.

Please contact me at 619-533-4519 or [bmandell@sandiego.gov](mailto:bmandell@sandiego.gov) with any questions or requests for further information.

Sincerely,



Brian Mandell  
Debt Manager

cc: Matthew Vespi, Interim Director, Public Utilities Department, City of San Diego  
Lakshmi Kommi, Director, Debt Management Department, City of San Diego  
Cathleen Pieroni, Government Affairs Water Policy Manager, Office of the Mayor, City of San Diego