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4232 Las Virgenes Road
Calabasas, CA 91302
(818) 251-2100
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October 18, 2018

Felicia Marcus, Chair, and Members
State Water Resources Control Board
1001 I Street, 25th Floor
Sacramento, CA 95814

Via electronic mail: commentletters@waterboards.ca.gov

SUBJECT: Comment Letter – November 27, 2018 Board Meeting - CWSRF Policy Amendment.

Dear Chair Marcus and Members of the Board:

Las Virgenes Municipal Water District appreciates the opportunity to provide comments on the draft proposed amendment to the Policy for Implementing the Clean Water State Revolving Fund (CWSRF). The District recognizes the efforts that the State has undertaken over the past two years to review and improve the program and the significant effort to receive feedback from participants. The District has continued to participate in these efforts.

The CWSRF is a critical funding source enabling agencies to deliver projects that provide safe, clean and reliable water to customers. The proposed changes to the Implementation Policy include a number of significant changes discussed in workshops and meetings with staff and we appreciate the process that staff and the Board has undertaken to engage stakeholders.

In addition to supporting the comments received by the California Association of Sanitation Agencies (CASA), we offer the following.

Program Management

The District supports the inclusion of several changes in the draft policy including the new definition of "Eligible Start Date," the formalization of the "Fundable List," and the inclusion of "Planning/Design Financing." These efforts will create more certainty for agencies in anticipating funding.

The District appreciates the efforts of CWSRF staff to develop priority scoring system. Overall, the proposal is objective, clear and relatively simple. Applicants should be able to score their own projects to predict generally where they will rank. We offer a few specific comments related to the Secondary Score:

- We believe that the scope of the characteristics for the climate change action plan is overly broad and support the following recommended change:



Applicant had adopted a “climate change” action plan or policy, and the ~~plan or policy is applicable to the system being financed~~ ~~or the~~ project will help implement the plan or policy actions.

- The District supports the proposal to include points for agreeing to participate in the match funding option. We also recommend that local funds being spent on the project be awarded secondary scoring points, as it encourages the use of SRF funds to fill gaps with other funding sources, potentially increasing the number of projects that receive funding.
- The District also recommends that additional secondary points be awarded to those projects that request a shorter financing term (e.g. 20 years vs. 30 years). This strategy would increase cash flow for the program and increase funding resources for additional projects.

Planning/Design Financing

The incorporation of the ability for agencies to apply for planning and design financing that does not obligate the Board to provide subsequent funding is a beneficial addition that will allow agencies to utilize program funding to plan and design an eligible project without tying up construction funds. This change will support cash flow of program funds.

Program Financial Capacity

The proposed program modifications provide several positive changes. However, even with these changes, the program still faces limitations because of its funding capacity. We offer the following suggestions to increase program funding capacity.

- Prepayment should be automatically accepted and not require the consent of the Deputy Director.
- As stated above, providing additional secondary points for shorter terms would increase cash flow. This could be encouraged through the inclusion of an additional interest rate discount.
- The program should consider having a slightly higher interest rate for credit worthy agencies in exchange for less stringent covenants and loan terms. The higher interest rate would generate additional program income while the less stringent loan terms and covenants would reduce compliance costs for eligible applicants.
- Develop a Rolling 3-5 year Fundable List – This would allow the CWSRF to better match cash flows to project delivery and allow the program to increase funding to eligible projects.

- The Board could sell bonds more frequently to reduce overall interest expense. This would also allow interest rates to more accurately reflect current market conditions. The Board could also consider a slightly higher interest rate that still provides cost-savings advantages to local agencies.
- Actively manage reserves to increase investment earnings that can be utilized for additional program funding.

In closing, we appreciate the Board's continued efforts to improve the CWSRF program and the extensive stakeholder outreach that has been conducted to receive feedback. The changes made to the program this fiscal year increased transparency and certainty for projects in the applicant pool. Implementing additional suggestions herein would further enhance the program and its mission to provide safe, clean and reliable water to all Californians.

Sincerely,

A handwritten signature in black ink, appearing to read 'Donald Patterson', with a long horizontal flourish extending to the right.

Donald Patterson
Director of Finance & Administration