



## COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE  
Chief Engineer and General Manager

May 28, 2019



*Delivered Via Electronic Mail*

Members of the Board  
State Water Resources Control Board  
1001 I Street  
Sacramento, CA 95814

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

Dear Chair Esquivel and Members of the Board:

### **Comment Letter – June 18, 2019 Board Meeting Federal Fiscal Year 2019 CWSRF Draft Intended Use Plan**

The Sanitation Districts of Los Angeles County provide wastewater conveyance, treatment, disposal, and water reuse service to over 5 million people in 78 cities and numerous unincorporated areas within Los Angeles County. We have had a long history of partnering with the State Water Resources Control Board (Water Board), primarily through the Clean Water State Revolving Fund (CWSRF) loan program, to advance the mutual goal of protecting California's water resources. We appreciate the challenges the Division of Financial Assistance (DFA) faces in running the CWSRF program and ensuring its long-term viability.

Although we don't have any projects on this coming year's Intended Use Plan (IUP) Fundable List, we do offer a number of comments and suggestions that we believe will increase the future efficacy of the CWSRF program and promote its sustainability. We urge the Water Board to consider these recommendations now and as the IUP and CWSRF Policy are amended in the future.

#### **CASH FLOW MANAGEMENT**

As DFA staff has pointed out numerous times, there are many more CWSRF project applications than could ever be funded. Accordingly, the real challenge is prioritizing the use of the available funds and finding the balance between funding the highest priority projects versus funding as many projects as possible. To that end, DFA staff has made great strides in developing the scoring system and preparing the IUP, for which we offer our endorsement.

One area of cash flow management that could be improved relates to multi-year projects. Historically, loan commitments have been made for an entire project from a given year's funding target. This effectively strands funds until draws are made, which for larger, multi-year projects could be for several years. With a better cash flow management plan, funding that is not needed until future years could be deployed to other projects in the current year, allowing for more projects to receive financing and be built in a given year. The need for additional funding in subsequent years could be met with future IUPs. We recognize that there is some risk in this approach because there is no absolute certainty regarding future appropriations, particularly from the federal government. However, we believe this risk

is minimal and that larger agencies would be willing to share this risk if there happened to be a funding shortfall. This would maximize the number of projects that could be built in any given year and provide a reasonably high level of assurance to agencies with larger projects.

One alternative DFA staff has used in an attempt to mitigate this concern for what are considered “large” projects is to impose an artificial loan cap on those projects, but still only fund them from a single year’s IUP. While this does free up more money for other projects, it does not address the issue of stranding funds for several years. Furthermore, it means that these agencies will have to seek some or all of their funding from other sources, discouraging them from even applying for CWSRF funding and raising the cost of these projects to California’s ratepayers.

#### WORK FLOW MANAGEMENT

The single most important objective of the CWSRF program is to get water infrastructure projects constructed and operating in order to meet California’s water quality goals. To that end, we welcome the newly implemented readiness score because it attempts to prioritize the funding of shovel-ready projects. However, because of DFA’s work flow management system, this has the unintended consequence of potentially slowing projects down and making it take longer to get them up and running.

With the closeness in scoring, a single point can make the difference between making the funding portion of the IUP and missing the cutoff line. As a result, DFA staff has encouraged agencies to submit their applications as late as possible, often times at the 90% design level. This means those agencies are at the verge of going out to bid and awarding construction contracts. The only thing they are waiting for is a completed loan agreement to preserve their eligibility for reimbursement. Unfortunately, under the current work flow process, this is the point at which DFA staff begins its environmental review. Our experience has shown that this review generally takes nine months to one year to complete. Given that the project was ready to begin construction, the applicant is left to either delay the project or proceed with construction before the CWSRF financing agreement has been executed, forcing them to lose some of what would otherwise have been eligible funding.

To avoid this problem, it is vitally important that DFA staff begin the environmental review earlier in the process. Ideally, they would do their review at the same time the agency submits its CEQA package to the State clearinghouse. This would provide some certainty to the applicant that no surprises would arise at the last minute, that any changes to the design to address environmental concerns could be addressed in a timely manner (avoiding costly change orders), and would synchronize the timing so projects could be completed expeditiously without undue delays or waiting periods.

We recognize that a lot of projects get submitted to the State Clearinghouse, many of which have no intention of receiving CWSRF funding. It would not be reasonable to require DFA staff to review all those projects, nor do we expect them to. Instead, agencies should identify the projects for which they intend to submit a funding application and for which a preliminary scoring review indicates that they will likely qualify for the fundable portion of the IUP. Additionally, they should submit a schedule showing when they intend to be at 50% design and at 90% design. If less than 6 months remain before the project will be at 90% design, DFA staff should begin the environmental review immediately; otherwise they should begin the review at 50% design.

#### STAFFING

As identified in the IUP as the first risk to the CWSRF program, the “demand for financing exceeds the administrative resources needed to review, approve, and finance all complete applications.” Meanwhile, it appears the number of budgeted personnel years has decreased from approximately 54 in

the 2015/16 year IUP to 45.8 in this Draft IUP, increasing the strain put on DFA staff and ostensibly leading to longer loan processing times. Furthermore, the additional programs the DFA staff have been tasked with managing, particularly if we expect a better response time on environmental review, only serve to exacerbate this problem. Adding more DFA staff, not reducing positions, is critical to the efficient operation and long-term sustainability of the CWSRF program.

We recognize that adding staff is easier said than done, given the fact that all of the new positions must be approved by the State Legislature. We believe that many stakeholders, including the Sanitation Districts, are willing to support the Water Board in finding ways of paying for the needed positions. For instance, one alternative to increase funding for staff would be to impose a small application fee to the CWSRF loan, proceeds from which would be dedicated to DFA application review staff (similar to, but smaller in scale, to the WIFIA fee). While this would slightly increase the cost of the program to applicants, it would be more than offset by the reduction in delays that applicants currently experience. We recognize that this option would require a legislative change for which the support of stakeholders is necessary. Additionally, the Water Board could re-instate the administrative fee (for which it already has authority) and use those funds to pay for additional staff positions. We urge the Water Board to continue the dialogue with stakeholders regarding the options to increase CWSRF program staffing levels.

#### SUMMARY

Thank you for the opportunity to comment on the Draft IUP. Based on our experience, we believe that, by working collaboratively with stakeholders, we can find ways to streamline the existing application process and find ways to increase staffing so that we can build needed infrastructure to protect California's water resources. We look forward to continuing to work with the Water Board on developing policy consistent with the stated goals and objectives. If you have any questions, please contact Andrew Hall at (562) 908-4288, extension 2750 or via email at [ahall@lacs.org](mailto:ahall@lacs.org).

Very truly yours,



David B. Bruns  
Head, Financial Management Department

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