

May 10, 2018

Sent via Electronic Mail: 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 – June 19, 2018 Board Meeting – FFY 2018 CWSRF IUP

Dear Chair Marcus:

The City of San Diego (City) is pleased to have this opportunity to provide input on the Draft Clean Water State Revolving Fund Intended Use Plan (CWSRF IUP) for Federal Fiscal Year 2019, and offers the following specific comments regarding the IUP:

Applications completed by June 30th should be eligible for the Fundable List

The City understands—as is stated in the introduction to the IUP—that the State Water Resources Control Board (SWRCB) is seeking changes to the CWSRF program to make the financing process more predictable and manageable, including development of a Fundable List of applications for SFY 2018-19. A system of prioritization is recognized as a critical program initiative given the unprecedented interest in CWSRF Funding. The City appreciates the SWRCB's ongoing efforts to increase availability of cost-effective financing in support of water quality protection. Adopting clear rules for this new prioritization system (e.g., application process milestone eligibility requirements) will make it easier for the Board and staff to implement the CWSRF program, as well as facilitate understanding and continuity for applicants. However, the draft IUP notes that the Fundable List “was developed from applications in process as of February 2018,” a somewhat arbitrary cutoff date for a program this important to so many significant projects across the state.

The impact of the current approach is to potentially limit CWSRF funding eligibility for projects that just happen to be near the end of the application pipeline, such as the Pure Water San Diego – Phase 1 project. From discussions with Clean Water Staff, the City understands that Pure Water project applications were precluded from the Fundable List since they weren't complete when the Fundable List was drafted. The City expects to complete applications by the end of May 2018. As a result, the City urges the Board to adopt a criterion for CWSRF Fundable List eligibility that allows any project whose application is complete as of the end of the prior fiscal year (June 30th) to be placed on the Fundable List for the next fiscal year.

The Pure Water Phase 1 – North City projects should be added to the Fundable List

In addition to the particular rules proposed for eligibility for Fundable List placement, the City understands the Board's need for discretion in developing this list. The Board can and should take into account the impact a proposed project will have when implemented in making its funding prioritization decisions. In response to the Draft CWSRF IUP, the City kindly requests placement of Pure

Water San Diego Program Phase 1 – North City projects (CWSRF Projects 8419-110 to -810) on the Fundable List for SFY 2018-19.

The Pure Water San Diego Program (Pure Water) is a critical initiative for the City, greater San Diego region and State. Pure Water is the City's phased, multi-year program that produces a safe, reliable and sustainable water supply for the City. Each of the City's Pure Water Phase 1 projects (CWSRF Projects 8419-110 to -810) are required in order to generate 30 million gallons per day of potable water by 2021. At full, final build-out by 2035, Pure Water will provide 83 million gallons per day.

Pure Water supports the goals of the State Water Board's Strategic Plan Update and the California Water Action Plan. Pure Water creates a reliable, drought-proof water supply for San Diego while focusing on sustainability and environmental protection.

- Pure Water will provide more than 50% reduction in ocean discharges via the Point Loma Wastewater Treatment Plant by maximizing the amount of water that is reused.
- One-third of the City's water supply will be provided, reducing reliance on imported water.
- Implementation of a project as sizable and pioneering as Pure Water will significantly impact not just the millions of residents in the San Diego community, but people across the entire state of California.
- Renewable energy production will be leveraged to power the majority of Phase 1 facilities, supporting the City's Climate Action Plan Targets.
- San Diego's environmental community, including San Diego Coastkeeper and Surfrider Foundation, supports Pure Water.
- Availability of Pure Water, regardless of drought or rain, will make it a consistent water source for San Diego.
- Potential limitations of supplies due to natural disasters, such as earthquakes, will be lessened by local water production.

Movement of Pure Water applications to the Fundable List is additionally supported by the Scoring Factors listed on Page 9 of the Public Comment Presentation dated April 2018.

- Local Match: As previously confirmed, the City remains amenable to the Match Financing option with a minimum local match of 16.67%.
- Complementary Funding: The City completed an application to the EPA WIFIA loan program to provide funding for \$530M to the City's Water System for Pure Water Program Phase 1 projects. The City expects to reach financial close for WIFIA funding to the Water System in late summer 2018. The EPA will require reasonable certainty that the remainder of funding, including CWSRF, will be approved and available to fund Pure Water.
- Readiness: Pure Water is near shovel ready. The City Council recently adopted the combined Environmental Impact Report / Environmental Impact Statement and issued the site development permit allowing the project to proceed on time. Construction start dates for the proposed projects range from December 2018 to November 2019.

Additional information and updates regarding Pure Water may be found on the City's website:

<http://www.sandiego.gov/water/purewater/purewatersd>

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Thank you for this opportunity to provide input on the Draft CWSRF IUP and consideration of: 1) revising the policy such that projects are eligible to be placed on the SFY 2018-19 Fundable List if their applications are complete by Fiscal Year End 6/30/2018, and 2) placing Pure Water San Diego Program Phase 1 – North City projects (CWSRF Projects 8419-110 to -810) on the Fundable List for SFY 2018-19. Please contact me at 619-533-4519 or bmandell@sandiego.gov with any questions or requests for further information.

Sincerely,

A handwritten signature in blue ink, appearing to read "B Mandell".

Brian Mandell
Debt Manager

cc: Vic Bienes, 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