



COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

June 16, 2016



Delivered Via Electronic Mail

Ms. Felicia Marcus, Chair & Members of the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Attention: Ms. Jeanine Townsend, Clerk to the Board

Dear Ms. Marcus & Members of the Board

Comments on Fiscal Year 2016-17 Clean Water State Revolving Fund Intended Use Plan

The Sanitation Districts of Los Angeles County (Districts) provide wastewater conveyance, treatment, disposal, and water reuse service to over 5.5 million people in 78 cities and unincorporated territory within Los Angeles County. As a long-time participant in the Clean Water State Revolving Fund (CWSRF) program, we appreciate the importance of the program in providing a sustainable source of low-cost financing for water quality protection and improvement in the State of California. With the aid of CWSRF financing, the Districts have been able to continue our mission of protecting public health and the environment through cost-effective wastewater management and converting waste into resources. We also appreciate the opportunity to comment on the State Water Board's CWSRF Intended Use Plan (IUP) for Fiscal Year (FY) 2016-17. In preparing our comments, we recognize the State Water Board's goals of establishing a business plan for managing available financial resources and ensuring long-term viability of the program through analysis of cash flow impacts of projects expected to be financed.

Increase Authorization to Sell Bonds to Meet Demand

We have concerns that the CWSRF program will not be able to fund all projects listed on Table 2 of the IUP. As stated on Page 17 of the IUP:

If complete applications were submitted for all projects in Table 2, all of the projects were eligible, all of the applicants were to sign financing agreement for their projects, and all the associated cash flows were to occur at their forecasted time, the CWSRF would need to sell approximately \$2.8 billion in revenue bonds over the next four years to fulfill the projected disbursement request for these projects. This is approximately \$1.6 billion more than is currently approved by the State Water board for leveraging the CWSRF program.

To the extent that applicants (current and future) have projects that further the State's water quality objectives and meet Strategic Plan goals, the State Water Board should try to acquire sufficient funds to meet the project demand. Of particular concern for us is the possibility that funding for one of the Districts' critically important projects, the "Carson JWPCP - Effluent Outfall Tunnel Project," could

be jeopardized by an “underleveraging” of the CWSRF program. The JWPCP effluent ocean discharge system includes two tunnels, built in 1937 and 1958, that convey treated wastewater effluent and brine to the ocean outfall for safe and reliable discharge. Because these tunnels flow essentially full continuously, they have not been inspected for over 58 years. The Carson JWPCP - Effluent Outfall Tunnel Project is needed to address aging infrastructure and seismic vulnerability. The Districts are highly supportive of the State Water Board increasing the amount of revenue bonds it is authorized to sell over the next four years, so as to not jeopardize any critically important projects needed to protect public health and improve California’s water quality and supply.

Green Project Reserve (GPR) Program

The section on Principal Forgiveness (PF) and GPR (pages 14-15 of the IUP) is confusing with respect to how much funding will be allowed for PF from the FFY 2016 federal appropriation. The IUP states that the State Water Board will provide the maximum amount allowed from the FFY 2016 Capitalization Grant as PF, an amount of \$28.7 million. It is subsequently stated that, based on the FFY 2016 Appropriation, the GPR requirement is a minimum 10 percent of the FFY 2016 Grant, or approximately \$9.6 million. This is confusing and appears contradictory. Please clarify.

The IUP also states that the State Water Board will prioritize the review and approval of GPR projects until the minimum is met. But subsequently the text states that due to the level of demand, the State Water Board does not plan to solicit additional GPR projects during FY 2016-17. We request that the State Water Board allow applicants to indicate if they have projects for which they would like to apply for GPR funding, even if requests exceed the amount of available funding. Since capitalization grants usually are available annually, additional funding may become available subsequently for which an applicant could be funded, depending on the schedule for their project.

All projects with elements of GPR eligibility should be considered for PF funding and added to the IUP listing, provided a complete application has been submitted. Moreover, we recognize that categorically eligible projects demand less staff time to review and inherently have an expedited approval process. The Districts have a categorically eligible project, the “San Jose Creek Water Reclamation Plant Flow Equalization Facilities Phase 1 Project,” that will provide a measure of drought relief and has a recently completed CWSRF application. This project will increase the volume and availability of recycled water for reuse in the community by 8 million gallons per day. This is achieved by storing primary effluent during peak influent flows during the middle of the day, and then putting it back into the plant in the late night/early morning hours when plant flows are lower and when demands for recycle water, particular for landscape irrigation, are much higher. PF funding for this project will greatly benefit the Districts’ ratepayers. As such, we would like to request that this project be added to the IUP for PF funding in FY 2016-17.

Lastly, the schedule on page 32 refers to submitting an application for the FFY 2016 Capitalization Grant and executing a grant agreement in July and September 2015, respectively. It appears that those dates may be typos since those actions most likely will occur in July and September of 2016.

Ms. Felicia Marcus, Chair
& Members of the Board

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June 16, 2016

Again, thank you for the opportunity to comment on the IUP for FY 2016-17. If you have any questions, please contact John Kilgore of my staff at (562) 908-4288 extension 2731 or via email at jkilgore@lacs.org.

Very truly yours,



Matthew A. Eaton, P.E.
Assistant Department Head
Financial Management Department

MAE:JDK:ew

cc: Robert Pontuteri,
California Water Quality Control Board,
Division of Financial Assistance