



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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May 22, 2017

(6/20/17) Board Meeting
FFY 2017 CWSRF IUP
Deadline: 5/22/17 by 12 noon

Ms. Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 "I" Street, 24th Floor
Sacramento, CA 95814



RE: Comment Letter – June 20, 2017 Board Meeting – FFY 2017 CWSRF IUP

Dear Ms. Townsend:

The San Francisco Public Utilities Commission (SFPUC) appreciates the opportunity to review and comment on the draft Clean Water State Revolving Fund (CWSRF) Intended Use Plan for State Fiscal Year 2017-18 (2017 IUP). While SFPUC understands that increased demand for CWSRF financing has presented new challenges for your program, we urge the Division of Financial Assistance (DFA) to explore opportunities to optimize financial capacity and programmatic resources, including investigation of strategies that have been implemented by other states for their SRF programs, to ensure long-term stability and continued growth of California's CWSRF program.

We commend the State Water Resources Control Board (State Water Board) and DFA Staff for implementing changes that have resulted in remarkable growth for California's CWSRF program. The SFPUC has a long history of working with the State Water Board under the SRF loan program. From 1989 and 1997 CWSRF financing was instrumental in the construction of our facilities under the San Francisco Clean Water Program Master Plan, and in 2014 the SFPUC resumed participation in the CWSRF program predominantly because of the State Water Board's decision to offer extended financing terms and debt parity. We look forward to continuing to partner with the State Water Board under the SRF loan program to address the critical needs of our aging sewer system while maintaining affordability for San Francisco ratepayers.

The SFPUC recognizes that the policy revisions you have implemented since 2014 have resulted in an increased demand on the CWSRF program. As the DFA and State Water Board explore potential options to address the program's resource limitations, the SFPUC requests that you consider how other states have handled similar growth-related challenges. The draft CWSRF 2017 IUP, under Section V.A.5 (page 31), indicates that the DFA intends to *Develop a "Debt Management Policy"* by December 2017. The SFPUC respectfully recommends that the State Water Board and Staff evaluate leveraging strategies utilized by other states when developing this new "Debt Management Policy". Additionally, we encourage you to examine how other states are able to accommodate borrower-specific debt covenants through the development of streamlined mechanisms that can be easily administered and do not

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compromise the quality their SRF loan portfolio. We appreciate the opportunity to participate in the stakeholder process and are committed working with you to support the development of your program's policies.

Though it is not mentioned in this IUP draft, we have received notification that the DFA will be considering revisions to the CWSRF application prioritization criteria. The SFPUC supports the DFA's initiative examine potential prioritization and policy revisions for the CWSRF program. While we understand the DFA's "objective of committing all Prop 1 water recycling and PF (Principal Forgiveness) funds as quickly as possible" (CWSRF 2017 IUP, page 20), the SFPUC continues to advocate for timely processing of applications for projects that are ready to be constructed. In the event that those applications which may currently be identified as high priority projects are not ready to accept financing, dispensing funds to projects that can immediately utilize CWSRF financing and ensure timely repayment of loans should be considered, to maximize the program's cash flow.

The SFPUC serves nearly a million wastewater customers with a combined sewer system that treats four billion gallons of stormwater and sanitary flow in an average year. Despite high median income levels within San Francisco, the SFPUC does serve low income/disadvantaged communities, and must maintain our commitment to ratepayer affordability. The State Water Board is a key partner in our efforts to provide reliable and affordable services to our community while protecting the health of the Bay. As we reinvest in our infrastructure, we are committed to working with you to ensure that San Francisco residents and taxpayers have access to the benefits of the CWSRF program.

We appreciate the opportunity to provide written comments on this important program. If you have any questions regarding our comments, please contact Alexandra Gunnell at agunnell@sflower.org or by phone at (415) 551-4505.

Sincerely,

A handwritten signature in blue ink that reads "M.P. Carlin". The signature is stylized and cursive.

Michael P. Carlin, Deputy General Manager

cc: Tommy T. Moala, Assistant General Manager, Wastewater Enterprise
Kathryn How, Assistant General Manager, Infrastructure
Eric L. Sandler, CFO and Assistant General Manager, Business and Financial Services