November 24, 2015

Felicia Marcus, Chair
and Members of the State Water Resources Control Board
State Water Resources Control Board
1001 I Street
Sacramento, CA  95814

SUBJECT: REQUEST TO EXTEND APPLICATION DEADLINE AND INCREASE FUNDING LIMITS FOR NEAR-TERM RECYCLED WATER PROJECTS FUNDED THROUGH THE CLEAN WATER STATE REVOLVING FUND (CWSRF)

Dear Chair Marcus and Members of the Board:

Our associations greatly appreciate the State Water Resources Control Board’s passage of Resolution No. 2014-0015, which provided financial incentives in response to the Governor’s drought proclamation for near-term recycled water projects funded through the CWSRF. This incentive included a 1.0% interest rate with an aggregate cap of $800 million for applicants submitting complete applications by December 2, 2015. This financial incentive has been extremely successful. We believe there is additional potential to facilitate recycled water development, and respectfully request a timeline extension and funding increase to further support recycled water project development across California.

The November 6 list of water recycling projects applying for 1% financing through this opportunity includes 11 projects developing 13,677 acre-feet per year (AFY) of water supply with executed agreements totaling almost $294 million in funding. It also shows 16 projects developing 27,389 AFY with complete applications totaling approximately $367 million. While it appears that the Water Board Division of Financial Assistance may have enough complete applications by December 2nd to allocate the entire $800 million of funding, it is likely that a majority of the remaining projects working through the extensive application process could miss out on this incentive opportunity without both a time extension and funding increase. This currently includes 18 projects in the application process with funding needs exceeding $1.3 billion. These projects are developing 169,402 AFY of recycled water supply. This is a significant amount of water that is a critical part of the solution for reliably expanding water supplies as California continues to experience greater strains on existing supplies due to drought, population growth, and climate change impacts.

The 1% interest incentive was a very positive response to Governor Brown’s January 17, 2014 State of Emergency drought declaration. As exceptional drought has continued across much of California, the Governor has issued additional executive orders, including April 1, 2015 Executive Order B-29-15 which imposed restrictions to achieve a 25% reduction in potable urban water usage through February 28, 2016. California is now preparing for its fifth year of drought, and on November 13, 2015 the Governor issued Executive Order 8-36-15 to bolster the State’s drought response.

Recycled water projects provide multiple benefits, and create reliable, sustainable water supplies, helping to ensure economic vitality for industrial, commercial, municipal, and agricultural users. The State Water Board members have been incredible champions for expanding California’s water supplies through increased funding for water recycling projects. Water Board staff have worked diligently and professionally to process applications and to quickly establish funding programs now available through Proposition 1. The CWSRF
November 24, 2015
REQUEST TO EXTEND APPLICATION DEADLINE AND INCREASE FUNDING LIMITS FOR NEAR-TERM RECYCLED WATER PROJECTS FUNDED THROUGH THE CWSRF
Page 2

1% interest program to incentivize near-term recycled water project development is a huge success. Additional financial help is needed in order to build on the current momentum, and to make significant progress toward the Water Board’s water recycling goals for California.

A survey of California water recycling projects updated in 2015 by WateReuse California and CASA identified over 180 water recycling projects being planned across the State that could provide over 660,000 AFY once constructed. These projects also exceed $5 billion in estimated total project cost. These results echo the nationwide survey undertaken in late 2013 by WateReuse, CASA, Western Recycled Water Coalition, ACWA and NACWA, showing 64 projects in California totaling ~$5.6 billion and developing over 500,000 AFY. In this survey, most agencies reported needing grant and financial assistance for about 50% of the project costs (~$2.8 billion). Also, 45% of California respondents stated they were “unlikely or definitely not” going to move their project forward without financial assistance. This represented around 225,000 AFY of recycled water that may not be made available without help. These surveys continue to support the interest in developing water recycling across California, and the need for financial assistance. The $800 M CWSRF incentive coupled with the $625 M for Proposition 1 water recycling funds is a huge help, but almost twice that amount is needed for the majority of these agencies to be able to construct these ambitious recycled water supply projects.

We request that the Board consider continuing and increasing funding to the program in order to provide 1% interest financing for the applications that are currently in progress and any that submit complete applications by December 2, 2015. With a total of about $1.9 million on the list, this represents an additional $1 billion in 1% interest loan financing, depending on allocation of Water Recycling Funding Program grants to the current applications. As a revolving loan program, the project sponsors securing the funding are repaying the loan at 1% interest versus the current CWSRF loan financing at 1.8% interest. This is an investment that California should make in order to meet current and future water supply needs. As representatives of State associations and a coalition of agencies developing water recycling projects, we will submit requests to Congress seeking additional federal appropriations to help supplement this important CWSRF program.

Thank you again for all of your work to advance water recycling and help secure financial resources to develop these needed supplies. We are available to provide information to you and the Board as needed.

Sincerely,

Gary W. Darling, General Manager of Delta Diablo, Lead Agency for the Western Recycled Water Coalition

Roberta L. Larson
Executive Director
California Association of Sanitation Agencies

Jennifer West
Managing Director
WateReuse California

David Bolland
Special Projects Manager
Association of California Water Agencies