

September 28, 2015

The Honorable Lisa Murkowski
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Madam Chairman,

We are writing to you on behalf of the undersigned coalition of water agencies and utilities regarding Federal drought legislation that we understand the Senate Energy and Natural Resources Committee may begin considering shortly. Specifically, we are writing to urge you to consider including provisions in the bill that would revamp and revitalize the Bureau of Reclamation's Title XVI water reclamation and reuse program as an earmark free competitive grant program.

The Title XVI program has a demonstrated record of success in developing new, safe and reliable water supplies throughout the West and is the only Federal program specifically designed to fund water recycling, brackish, desalination and groundwater impaired projects. Since it was first authorized in 1992, 53 Title XVI authorized projects have added hundreds of thousands of acre-feet to the West's water supply every year. In 2014 alone, Title XVI projects added nearly 400,000 acre-feet of safe and reliable new water to the dwindling water supplies in the West. Unfortunately, due to the Congressional "earmark" ban, new projects currently cannot be authorized or funded under Title XVI. If the Title XVI program is revitalized and revamped as a competitive grant program, the Federal government could once again help water agencies reclaim hundreds of thousands of acre-feet of water to counteract the effects of the devastating drought in the Western United States.

Attached for your consideration is draft legislative language to revitalize Title XVI by converting it to a competitive grant program with Congressional oversight. Similar language is contained in Subtitle C of Title III of S. 1894, The California Emergency Drought Relief Act, recently introduced by Senator Dianne Feinstein. We hope that you will consider including the attached language in any drought legislation that you are developing. Title XVI can play a significant role in helping to alleviate drought conditions throughout the West, and accordingly, an earmark free Title XVI program should be the path forward to encourage additional water reclamation and reuse.

We are aware that some have suggested a new loan and loan guarantee program as an alternative to the Title XVI program. While such a program may be beneficial to smaller agencies without access to the tax exempt capital bond markets, many medium to larger sized water agencies, including the signatories of this letter, believe that revamping and revitalizing Title XVI makes far more sense than replacing it with a new program that will provide few – if any – benefits to larger agencies with access to the tax exempt bond markets.

Most medium-to-large sized water agencies that possess the capability to develop large and complex water recycling projects that can actually make a dent in the drought have ready access to the municipal bond markets at very favorable interest rates. In fact, these agencies can borrow at rates lower than projected Federal lending rates. For example, the average AA rated agency currently enjoys low rates on both fixed and variable issuances. The all in cost of debt (credit support, issuance costs, and administration) is equivalent to or in many cases lower

The Honorable Lisa Murkowski
September 28, 2015
Page 2

than federal lending rates. Even lower rated agencies are experiencing historically low interest rates.

Another concern that we have with replacing Title XVI with a loan guarantee program is that Federal loan guarantees currently cannot be utilized in conjunction with tax-exempt borrowing. This is a major concern; and, while some have proposed changes to the IRS Code, the Treasury Department has historically resisted any use of Federal loan guarantees on top of tax-exempt borrowing. At a time when tax-exempt financing is under vigorous attack, we believe that utmost caution should be utilized when considering a new program that could establish a dangerous precedent regarding tax-exempt financing.

Thank you for your consideration of these views. Should you or your staff have any questions or need additional information, please feel free to contact any of us.

Sincerely,

CC: The Honorable Dianne Feinstein
The Honorable Kevin McCarthy
The Honorable Ken Calvert

Signatures by State

Multi-States Associations (Arizona, California, Colorado, Idaho, New Mexico, Nevada, Oregon, Texas)



A handwritten signature in blue ink that reads "Kelly A. Collins".

Kelly A. Collins
President
Western Coalition of Arid States

Arizona



A handwritten signature in blue ink that reads "Jeff B. Biggs".

Jeff B. Biggs
Strategic Initiatives Administrator
Tucson Water



A handwritten signature in blue ink that reads "William M. Garfield".

William M. Garfield
President and CEO
Arizona Water Company

California



Susan B. Mulligan

Susan B. Mulligan
General Manager
Calleguas MWD



Wendy Chamber

General Manager
Carlsbad Municipal Water District



Christopher W. McKinney

Christopher W. McKinney
Director of Utilities
City of Escondido



Martin L. Adams

Martin L. Adams
Senior Assistant General
Manager - Water System
Los Angeles Department of
Water & Power



Jason Dafforn

Jason Dafforn
Interim Water Utilities
Director
City of Oceanside



Halla Razak

Halla Razak
Public Utilities Director
City of San Diego



Paul D. Jones II

Paul D. Jones, II, P.E.
General Manager
Eastern MWD



Phil Williams

Phil Williams
Board of Directors
Elsinore Valley MWD



Paul A. Cook

Paul A. Cook
General Manager
Irvine Ranch Water District



David W. Pedersen

David W. Pedersen, P.E.
General Manager
Las Virgenes MWD



Paul J. Bushee

Paul Bushee
General Manager
Leucadia Wastewater
District



Kimberly A. Thorne

Kimberly A. Thorne
North San Diego Water
Reuse Coalition



Municipal Water District

Kimberly Thorner
General Manager
Olivenhain Municipal Water
District



Michael R. Markus, P.E.
General Manager
Orange County Water
District



Greg Thomas
General Manager
Rincon del Diablo MWD



San Diego County
Water Authority

Maureen Stapleton
General Manager
San Diego County Water
Authority



SAN ELIJO
JOINT POWERS AUTHORITY

Michael Thornton, P.E.
General Manager
San Elijo Joint Powers
Authority



Water Quality Authority
San Gabriel Basin

Kenneth R. (Ken) Manning

Executive Director
San Gabriel Basin
Water Quality Authority



Richard W. Hansen, P.E.
General Manager
Three Valleys MWD



UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT
www.upperdistrict.org

Shane O. Chapman
General Manager
Upper San Gabriel Valley
MWD



Dennis Lamb
General Manager
Vallecitos Water District



Rich Nagel
General Manager
West Basin MWD

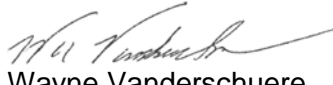
Colorado



Richard Leger
Treatment Plant Supervisor
Aurora Water



Colorado Springs Utilities
It's how we're all connected



Wayne Vanderschuere
General Manager Water
Services
Colorado Springs Utilities

Nevada



Thomas A. Minwegen
General Manager
Clark County Water
Reclamation District

New Mexico



Albuquerque Bernalillo County
Water Utility Authority



Mark Sanchez
General Manager
Albuquerque Bernalillo County
Water Utility Authority



Justin A. Howalt, P.E.
Executive Director
Eastern New Mexico
Water Utility Authority

Texas



A handwritten signature in black ink, appearing to read "John Balliew".

John Balliew
President/CEO
El Paso Water Utilities
Public Service Board



A handwritten signature in black ink, appearing to read "James M. Oliver".

James M. Oliver
General Manager
Tarrant Regional Water
District



A handwritten signature in black ink, appearing to read "Leroy Goodson".

Leroy Goodson
General Manager
Texas Water Conservation
Association

Washington



A handwritten signature in black ink, appearing to read "Morgan Johnson".

Morgan Johnson
General Manager
Silverdale Water District

*Signatures Added After September 28, 2015
- Eastern New Mexico Water Utility Authority