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
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)

Kelly A. Collins  
President  
Western Coalition of Arid States

Jeff B. Biggs  
Strategic Initiatives Administrator  
Tucson Water

William M. Garfield  
President and CEO  
Arizona Water Company
<table>
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<th>California</th>
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| **Susan B. Mulligan**  
General Manager  
Calleguas MWD |  
**Christopher W. McKinney**  
Director of Utilities  
City of Escondido |
| **Martin L. Adams**  
Senior Assistant General Manager - Water System  
Los Angeles Department of Water & Power |  
**Jason Dafforn**  
Interim Water Utilities Director  
City of Oceanside |
| **Phil Williams**  
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Elsinore Valley MWD |  
**Paul A. Cook**  
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| **David W. Pedersen, P.E.**  
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**Paul Bushee**  
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| **Kimberly A. Thorner**  
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Colorado

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James M. Oliver  
General Manager  
Tarrant Regional Water District

Leroy Goodson  
General Manager  
Texas Water Conservation Association

Morgan Johnson  
General Manager  
Silverdale Water District

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