

January 22, 2016

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, DC 20510

Dear Senator Feinstein:

Thank you for the invitation and opportunity to meet with you on January 19, 2016, to share the Santa Clara Valley Water District's (District) views on your pending water legislation. On behalf of the District I sincerely appreciate your leadership on California water issues and particularly want to thank you for all your help with the South San Francisco Bay Shoreline Study.

I was pleased to hear about your coordination with state and federal agencies as you developed your proposed legislative language and want to encourage your continued coordination with the agencies, including the California Department of Water Resources.

Regarding your pending water legislation, we believe that one helpful item to facilitate long-term provisions for water supply would be to modify the tax-exempt bond provisions of the Internal Revenue Code to permit the financing of recycled water facilities from the proceeds of tax-exempt governmental activity bonds. These bonds could be issued directly by a government agency or on behalf of a government agency-approved public/private partnership which may own, operate and/or finance the facilities. I have attached a detailed description of this issue and the suggested language for your consideration.

I understand that because such a provision would fall outside the scope of the Senate Energy Committee, time may not allow for it to be included in this particular legislation. Should an opportunity arise, we would be happy to work with your staff to address these issues. Additionally, we want to express our support for your efforts to address the issue of tax exemption for homeowners who agree to turf removal and other related measures for helping to reduce water demand in the face of drought.

As discussed in the meeting, I would also like to request that the following provisions be added to your current legislation, or if not possible, have the provisions considered for future legislation. The provisions are:

1. That recycled projects eligible for future or current authorizations require that the project be sponsored by a public agency. This would ensure consistency throughout the legislation where this is already included.
2. That recycled water National Environmental Protection Act (NEPA) streamlining language (which closely mirrors the California Environmental Quality Act streamlining language) be included so that agencies which seek to take advantage of federal funding, or are required to follow the NEPA process, can still expedite projects in light of the drought.



The Honorable Dianne Feinstein

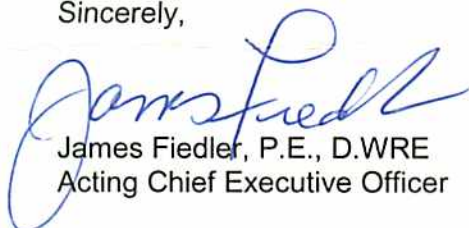
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3. That the District and other municipalities with favorable bond ratings will be able to obtain a lower interest rate if available on secured loan if the rate is not more than the yield on United States Treasury securities of a similar maturity to the maturity of the secured loan of the date of execution of the loan agreement. The current version of your drought bill (S 1837) says not less than the yield on U.S. Treasury securities which doesn't really help.

Thank you *again* for your consideration of these provisions and I look forward to working with you and your staff to help move your legislation forward. If you have any questions, please contact me at (408) 630-2736, or by email at jfiedler@valleywater.org.

Sincerely,



James Fiedler, P.E., D.WRE
Acting Chief Executive Officer

Attachment

cc: Board of Directors (7)
The Honorable Dianne Feinstein Local Office

jb:jl
0122b-l.docx



Recycled Water Projects: Public/Private Partnerships

Our region is in a unique position to advance innovations in recycled and purified water. To aid in the expansion and availability of this drought-proof, locally controlled water source, the Santa Clara Valley Water District (District) is pursuing federal legislative efforts that would facilitate financing of recycled water projects through a public/private partnership model.

Specifically, the District is seeking language that would modify tax-exempt bond provisions of the Internal Revenue Code to permit (but not require) the financing of recycled water facilities from the proceeds of tax-exempt governmental activity bonds issued directly by a government agency or on behalf of a government agency-approved public/private partnership which may own, operate and/or finance the facilities.

The modification would also clarify that the tax-exempt status of existing and future governmental bonds issued to finance wastewater systems providing the wastewater supply to the facilities would not be adversely affected by such public/private partnership. Draft language that would accomplish this is below:

Section 141 of the Internal Revenue Code of 1986, as amended, is hereby amended by adding new subsection (f) as follows:

“(f) Exception for advanced water purification facilities and facilities related thereto. For purposes of this title—

(1) private business use, for purposes of paragraph (6) of subsection (b), shall not result, nor a private loan for purposes of subsection (c), from arrangements, including operating agreements, leases, ownership rights, or other usage, including with respect to sales of output for either direct or indirect potable reuse, relating to advanced water purification facilities and other related facilities that satisfy the requirements of paragraph (3),

(2) the use of facilities for the collection, storage, treatment, utilization, processing or final disposal of waste water, including primary and secondary treatment facilities, and those facilities related thereto, by a person other than a governmental unit because of the usage of facilities described in paragraph (1) of subsection (f), does not result in private business use within the meaning of paragraph (6) of subsection (b), regardless of the date of issue of bonds financing such facilities, and

(3) for purposes of paragraph (1)—

(A) advanced water purification facilities—

(i) include treatment plants, land, pipelines, injection wells, recharge ponds, reinjection facilities, groundwater recharge facilities, and facilities to manage water and solid waste byproducts from treatment, for the production storage, and distribution of potable water from wastewater, and

(ii) must be either owned by, or operated pursuant to the direction of, a state or local governmental unit, and

(B) the output from advanced water purification facilities must be either owned by, or available for, the utilization of a state or local governmental unit; and

(4) paragraph (1) of subsection (f) shall only apply to bonds issued on or before December 31, 2025.”