

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JUNE 5, 2007**

ITEM 9

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN AND SMALL COMMUNITY WASTEWATER GRANT (SCWG) TO THE CITY OF COLFAX (CITY) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT IMPROVEMENT PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4470-110 AND SCWG PROGRAM PROJECT NO. SCG-921

DISCUSSION

The City is seeking a SRF Loan and a SCWG from the State Water Resources Control Board (State Water Board) to construct an upgrade to the City's Wastewater Treatment Plant (Plant) located in Placer County within the foothills of the Sierra Nevada, about 49 miles northeast of Sacramento. The City's collection system experiences infiltration and inflow (I/I) during rain events causing its storage ponds to overflow and violate the Central Valley Regional Water Quality Control Board's (Central Valley Regional Water Board's) Waste Discharge Requirements (WDR) Order No. 5-01-180, National Pollution Discharge Elimination System (NPDES) Permit No. CA0079529, issued on June 14, 2001. Seepage occurs at the base of the storage pond dam and the City is required to capture and disinfect all seepage flow. The City's WDR/NPDES Permits allow for the treated discharge of storage pond seepage year round to an unnamed tributary of Smuthers Ravine, hence to Bunch Creek, which eventually flows into the North Fork of the American River.

The City's Project is necessary to comply with the WDR/NPDES Permit and Cease and Desist Order (CDO) No. 5-01-181, issued on June 14, 2001. The CDO was issued because the City violated discharge limits for chlorine residual and total coliform organisms. The CDO required the City to go to full land disposal by irrigation or to upgrade to tertiary treatment and surface water discharge.

The purpose of the proposed Project is to replace the existing interim tertiary Treatment Plant with a new extended aeration tertiary treatment package Plant in order to fully meet the CDO, WDR, and Project Environmental Impact Report (EIR) requirements. These improvements are designed to handle a 0.275 million gallons per day (MGD) average dry weather flow (ADWF), 0.5 MGD annual average flow, and 1.1 MGD peak month flow that will accommodate a 2020 design population of 2,916. Flows above 0.5 MGD will be diverted to Pond No. 1, and overflows from Pond No. 1 to Pond No. 2 when Pond No. 1 is full. The existing aerated treatment ponds (Pond No. 1 and Pond No. 2) have a total volume of 4.55 million gallons and will be used for flow equalization. The entire existing storage Pond No. 3 will be lined with a geo-membrane liner and used as an additional equalization basin (minimum 51 million gallons) to attenuate peak flows. Tertiary treatment will be provided by using dissolved air flotation, filtration, and Ultra Violet (UV) disinfection. Nitrification and denitrification facilities will be constructed separately or included as part of the package Plant. A new influent screening/diversion structure and new flow measuring devices will be installed. An influent pump station and an indoor sludge dewatering facility using a belt press will be constructed to dry waste activated sludge. After dewatering, the sludge will be disposed in a landfill. The tertiary treated wastewater will be discharged to the tributary to Smuthers Ravine, which lies to the south of the Plant site.

The City prepared a Draft EIR dated July 16, 2004, for the proposed Project. The Colfax City Council adopted and certified the Final EIR (State Clearinghouse # 2003122075) on October 13, 2004. The City filed a Notice of Determination with the Placer County Clerk and the Governor's Office of Planning and Research on October 13, 2004. The City prepared an Addendum to the EIR in September 2005 to cover minor Project changes. State Water Board staff have reviewed and considered the applicable environmental documents and determined that the Project will not result in any significant adverse water quality impacts. On December 3, 2004, State Water Board staff distributed the EIR to the following federally designated agencies: U.S. Environmental Protection Agency (USEPA), U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, Federal Emergency Management Agency, U.S. Department of Agriculture (USDA), Natural Resources Conservation Service, and the U.S. Forest Service. The federal review period ended on January 22, 2005. No letters were received during the federal comment period. State Water Board staff have determined that federal consultation has been sufficient and that no issues have been raised which would require further consultation with federal agencies. The State Water Board's Cultural Resources Officer sent a request for concurrence on a finding of "No Historic Properties Affected" and adequacy of "Section 106" compliance to the State Historic Preservation Officer (SHPO) on December 15, 2006. No special conditions are proposed. Final clearance is pending the SHPO concurrence letter. State Water Board staff compared the applicant's information to published air quality standards to determine whether a conformity determination is required. No conformity determination is necessary. Therefore, staff submitted its analysis to USEPA for review and comment. No comments were received from USEPA on the staff analysis of air quality impacts. State Water Board staff will file a Notice of Determination with the Governor's Office of Planning and Research following funding approval.

In accordance with the State Water Board's Policy for Implementing the *State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF Loan. A SRF Loan commitment can be approved by the State Water Board after the Division of Financial Assistance (Division) has issued the Facilities Plan Approval.

In accordance with the State Water Board's *Small Community Wastewater Grant Program Guidelines* (Guidelines), adopted on June 17, 2004, projects on the adopted priority list need State Water Board approval to receive a SCWG. The State Water Board can authorize a combination grant commitment to an applicant after the Division approves the Facilities Plan. The combination grant commitment consists of a design grant commitment and a construction grant commitment. The construction grant portion of the combination grant commitment will expire if the recipient does not award "Notice-to-Proceed" (NTP) to the construction contractor for construction of the Project within 18 months of the date of this commitment.

The State Water Board, on October 21, 2004, adopted the SCWG Statewide Competitive Project List (CPL), which included the City's Project. The CPL was publicly reviewed and all comments have been addressed. The City's Project complies with the Guidelines and is on the eligible portion of the Statewide CPL.

On April 17, 2007, the Division approved the Facilities Plan by issuing a Facilities Plan Approval for the City's Project. The City agreed in writing on April 20, 2007, with the Division's Approval.

The total cost of the Project is approximately \$11.3 million. The City has applied for the estimated eligible SRF Loan amount of \$9.3 million. The City requests a 20-year repayment period with the first SRF Loan repayment due one year after completion of construction. The City has identified user charges including potential impact fees and monthly user fees as a dedicated source of repayment. The City is also requesting a SCWG Combination Grant of \$1,908,935.

The City has provided the Division with a schedule containing Project Milestones. These dates are included in the Division's Facilities Plan Approval letter. In accordance with Section IX (J) of the Policy, the resolution includes a sunset date of November 5, 2008, for the City to sign the SRF Loan Agreement. The Division should have the discretion to approve up to a 90-day extension for good cause for both dates.

POLICY ISSUE

1. Should the State Water Board approve a SRF Preliminary Loan Commitment for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF Preliminary Loan Commitment if the City does not sign the SRF Loan Agreement by November 5, 2008? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?
3. Should the State Water Board approve a SCWG Preliminary Combination Grant Commitment of \$1,908,935 to the City? In accordance with Section V of the Guidelines, the Combination Grant Commitment shall include an expiration date for the construction grant portion of the Commitment if the City does not issue NTP to the contractor for construction of the Project within 18 months of the date of this Commitment.

FISCAL IMPACT (SCWG)

The State Water Board received approximately \$53.50 million from the California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Act of 2002 and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, and after subtracting funds to administer the program, \$50.75 million is available to fund projects to resolve existing or potential public health threats or pollution problems.

	SCWG Program Local Assistance Beginning Balance	\$50,750,000
	Minus Previous Funding Commitments	\$30,896,193
	Current Balance	\$19,853,807
Project No.	Applicant	
SCG921	City of Colfax	\$1,908,935
	SCWG Program Local Assistance Fund Balance If All Items Are Approved	\$17,944,872

FISCAL IMPACT (SRF)

Estimated Repayments	\$177,117,663	\$181,815,880	\$191,815,880	\$201,815,880	\$211,815,880
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)
Estimated Capitalization Grants	\$44,528,521	\$62,209,185	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$76,000,000	\$0	\$0	\$0
Local Match Credits	\$34,294,794	\$8,549,850	\$4,610,358	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$17,000,000	\$12,000,000	\$7,000,000	\$4,000,000	\$2,000,000
<u>Estimated Disbursements</u>	(\$515,981,162)	(\$193,007,093)	(\$114,742,423)	(\$68,538,325)	(\$25,964,254)
Subtotal	\$256,267,717	\$368,477,959	\$300,307,264	\$311,031,820	\$407,785,170
Withdraw Crescent City February 20, 2007 Commitment, 4699-110		\$11,000,000	\$5,648,000	\$3,000,000	
Crescent City, 4699-110		(\$19,200,000)	(\$14,614,176)	(\$10,000,000)	
Union SD, 5053-110		(\$1,750,000)			
Novato SD, 4903-110		(\$25,000,000)	(\$22,800,000)	(\$22,800,000)	(\$4,590,080)
Palo Alto, 4132-110		(\$9,400,000)	(\$9,600,000)		
LACSD, 4916-110		(\$15,719,000)	(\$25,000,000)	(\$25,000,000)	(\$25,000,000)
Reedley, City of, 5051-110		(\$14,363,271)	(\$12,195,132)	(\$1,508,597)	
Fontana, City of, 4897-110, -210, -220		(\$29,229,135)			
Colfax, City of, 4470-110		(\$6,800,000)	(\$2,500,000)		
Ventura Co. Water Works Dist. 16, 4946-110		(\$4,500,000)	(\$2,900,000)		
Reserve for Small Community Wastewater Grant Projects	(\$2,000,000)	(\$10,000,000)	(\$15,000,000)	(\$7,500,000)	
Balance	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223	\$378,195,090

Notes:

- Estimated Repayments include repayments from existing and future loans.
- Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated for projects with existing commitments. Local Match credits are the anticipated funds that will be contributed for local match loans included in "Estimated Disbursements".

REGIONAL WATER BOARD IMPACT

The Central Valley Regional Water Board has prescribed WDR Order No. 5-01-180 (NPDES Permit No. CA0079529) and CDO No. 5-01-181 for the Plant. The proposed Project will assist the City to comply with the WDR/NPDES Permit and CDO.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF Preliminary Loan Commitment of \$9.3 million for the City's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy, condition this approval by withdrawing the SRF Preliminary Loan Commitment if the City does not sign the SRF Loan Agreement by November 5, 2008. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.
3. The State Water Board should approve a SCWG Preliminary Combination Grant Commitment of \$1,908,935 for the design and construction of the City's Project.

4. In accordance with the Guidelines, the Combination Grant Commitment shall include an expiration date for the construction grant portion of the Commitment if the City does not issue NTP to the contractor for construction of the Project within 18 months of the date of this Commitment.
5. Directs the Division to allocate approximately \$11.3 million consistent with the construction schedule and availability of funds.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2007-**

RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN AND SMALL COMMUNITY WASTEWATER GRANT (SCWG) TO THE CITY OF COLFAX (CITY) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT IMPROVEMENT PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4470-110 AND SCWG PROGRAM PROJECT NO. SCG-921

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*, and amended it on September 22, 2005, and on June 17, 2004, adopted the *Small Community Wastewater Grant Program Guidelines* (Guidelines);
2. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List which included the City's Project in Priority Class C; and on October 21, 2004, adopted the SCWG Statewide Competitive Project List which included the City's Project in the fundable Priority Class B;
3. The Division approved the Facility Plan for the City's Project on April 17, 2007, and the City agreed with the approval on April 20, 2007; and
4. The City prepared and adopted an Environmental Impact Report (EIR) and an Addendum for the Wastewater Treatment Plant Improvements Project. The City Council approved the Project, certified the Final EIR, and adopted a Mitigation Monitoring Program and Statement of Overriding Consideration on October 13, 2004. A Notice of Determination was filed with the Placer County Clerk and the Governor's Office of Planning and Research on October 13, 2004. State Water Board staff have reviewed and considered these environmental documents and determined that the Project will not have any significant adverse water quality impacts.
5. The City has identified user charges including potential impact fees and monthly user fees as an adequate, dedicated source of revenue for loan repayment.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF Preliminary Loan Commitment of \$9.3 million for the City's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF Preliminary Loan Commitment will expire if the City does not sign the SRF Loan Agreement by November 5, 2008. The Division staff may approve up to a 90-day extension for good cause for both dates;

3. Approves a SCWG Preliminary Combination Grant Commitment of \$1,908,935 for the design and construction of the City's Project;
4. Will withdraw the SCWG Construction Grant portion of the Commitment if the City does not issue "Notice-to-Proceed" to the contractor for construction of the Project within 18 months of the date of this commitment; and
5. Directs the Division to allocate approximately \$11.3 million consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Board held on June 5, 2007.

Song Her
Clerk to the Board