

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
May 22, 2007**

ITEM 5

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO CITY OF REEDLEY (CITY) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06- 5051-110

DISCUSSION

The City is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to construct an expansion to the City's Wastewater Treatment Plant (WWTP) located on the east side of the San Joaquin Valley approximately 25 miles southeast of the City of Fresno. The WWTP, which provides secondary level treatment for sewage collected from local residents, is designed to treat three (3) million gallons per day (MGD) of average dry weather flow. Plant effluent is discharged to on-site ponds for disposal by evaporation and percolation, and occasionally to the Kings River. Since the discharges to the Kings River have not occurred for several years and the City's Engineer has certified that the WWTP has adequate ponds and lands for land disposal, the Central Valley Regional Water Quality Control Board (Central Valley Regional Water Board) adopted Special Order No. R5-2006-0105 to modify the Waste Discharge Requirements (WDRs) No. 5-01-257 on September 22, 2006. This order requires all treated effluent to be discharged to on-site ponds for disposal and prohibits effluent discharge to Kings River.

The objective of this Project is to modify the treatment facilities to comply with the Special Order No.R5-2006-0105, issued by the Central Valley Regional Water Board. The City will also expand its facility to provide capacity for growth anticipated by the City's General Plans.

The proposed Project will increase WWTP capacity to five (5) MGD maximum monthly average daily flow by adding a second oxidation ditch and additional facilities to support the ditch. The supporting facilities include an internal anoxic zone and new secondary clarifiers. All existing components will be modified to meet the new treatment capacity. The new oxidation ditch will provide an effluent total nitrogen concentration less than ten (10) milligrams per liter (mg/l). The existing oxidation ditch will be rehabilitated and equipped with an anoxic basin to provide less than ten (10) mg/l total nitrogen. Effluent will be discharged to on-site percolation ponds for disposal. The proposed Project will assure a groundwater concentration for nitrate at less than ten (10) mg/l.

The City prepared a Draft Environmental Impact Report (EIR) in July 2006 for the proposed Project. A Final EIR (SCH# 2006021132) was adopted and certified by the City Council on September 12, 2006. The City filed a Notice of Determination with the Fresno County Clerk and the Governor's Office of Planning and Research on September 13, 2006. The State Water Board staff have reviewed and considered the applicable environmental documents and determined that the Project will not result in any significant water quality impacts.

On October 16, 2006, 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 (USFWS); U.S. Department of Agriculture, Natural Resources Conservation Service; and the Federal Emergency Management Agency, Region IX. The federal review period concluded on December 6, 2006. Written concurrence was received from the USFWS on January 18, 2007. 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 (CRO) sent a "Request for Concurrence on Section 106 Compliance" with a finding of "no historic properties affected" to the State Historic Preservation Officer (SHPO) on November 21, 2006. No special conditions are proposed. The SHPO concurred with the CRO's finding on December 4, 2006.

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 their 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 has issued the Facilities Plan Approval. On March 16, 2007, the Division approved all documents above by issuing a Facilities Plan Approval for the City's Project. The City agreed in writing on March 17, 2007, with the Division's Approval.

The construction cost of the Project is \$24,092,650 based on the lowest bid received on January 4, 2007. The total eligible Project cost, including engineering allowances, is estimated at \$28,067,000.

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 SRF Policy, the resolution includes the following sunset dates for the Preliminary Funding Commitment: July 10, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and October 19, 2007, for the applicant 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 issue a NTP to construction by July 10, 2007, and the SRF loan agreement is not signed by the applicant by October 19, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?

FISCAL IMPACT

(as of 3/19/07)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223
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
Estimated Disbursements	(\$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 Special Order No. R5-2006-0105 to modify the Waste Discharge Requirements (WDRs) Order No. 5-01-257. The proposed Project will assist the City to comply with the WDRs.

STAFF RECOMMENDATION

- 1) The State Water Board should adopt a resolution approving a SRF Preliminary Loan Commitment of \$28,067,000 for the City's Project with a repayment period of 20 years, 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 issue a NTP to construction by July 10, 2007, and the SRF loan agreement is not signed by the applicant by October 19, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.

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

RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO CITY OF REEDLEY (CITY) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT PLANT EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06- 5051-110

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;
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;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the City's Project on March 16, 2007, and the City agreed with the approval on March 17, 2007;
4. The City prepared and adopted an Environmental Impact Report (EIR) in 2006 for the Wastewater Treatment Plant Project;
5. The City Council approved the Project and certified the Final EIR on September 12, 2006. A Notice of Determination was filed with the Fresno County Clerk and the Governor's Office of Planning and Research on September 13, 2006; and
6. State Water Board staff have reviewed and considered the environmental documents and determined that the Project will not have any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF Preliminary Loan Commitment of \$28,067,000 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 issue a "Notice-to-Proceed" to construction by July 10, 2007, and sign the SRF loan agreement by October 19, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$28,067,000 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 Resources Control Board held on May 22, 2007.

Song Her
Clerk to the Board