

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

**ITEM 7**

**SUBJECT**

CONSIDERATION OF A RESOLUTION APPROVING A STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO THE CITY OF FONTANA (CITY) FOR CONSTRUCTION OF THE PHASE I SAN BERNARDINO AVENUE TRUNK SEWER AND PHASE II LIFT STATION PROJECT (PROJECT); SRF LOAN PROJECT NOS. C-06-4897-110 AND C-06-4897-210

**DISCUSSION**

The City is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to construct a wastewater collection system, lift station, and force main to the Inland Empire Utilities Agency's (IEUA) Regional Plant No. 4 (RP-4) wastewater treatment facilities located in San Bernardino County, in the City of Fontana. IEUA has responsibility for treatment and disposal of all wastewater collected by the City of Fontana. Currently, the City, located in San Bernardino County, conveys more than 11.4 million gallons per day (MGD) of wastewater to the regional wastewater collection and treatment system operated and maintained by IEUA. IEUA treats the wastewater for recycled water uses including direct reuse such as power plant cooling towers and recharge of the Chino groundwater basin. Currently, the majority of City wastewater is treated at IEUA's Regional Plant No. 1 (RP-1). The proposed Project will redirect the majority of the City's collection system wastewater to IEUA's RP-4. RP-4 was constructed ten years ago to meet increased wastewater flow from the City and is currently being expanded from 7 MGD to 14 MGD.

The City's current gravity sewer collection system conveys wastewater to RP-1 located in Ontario, approximately 7.5 miles southwest of the City at an elevation of 810 feet. RP-4 is less than one mile from the City, and at an elevation of 1,120 feet, it is an improved location over RP-1 for wastewater conveyance, treatment, disposal, and serves as a source for existing and future recycled water uses. Since RP-4 will provide increased wastewater treatment for the City, is located at a higher elevation than RP-1, and is adjacent to the City, it is considered the most cost effective option for wastewater conveyance, treatment, disposal, and to serve recycled water uses. The City and IEUA Reimbursement Agreement dated October 18, 2005, coordinates construction of all facilities, with the City operating as the lead agency for the Phase I and Phase II Project construction. The City has the primary financial responsibility for all SRF loans and IEUA has agreed to its cost share of the Project as delineated in the 2005 Reimbursement Agreement between the City and IEUA.

The Phase I and II Projects are designed to convey a peak flow of 23 MGD of wastewater to RP-4. The proposed Phase I Project will construct the gravity sewer along San Bernardino Avenue, delivering wastewater to a new pump station located at the corner of Mulberry and San Bernardino Avenues. In addition, the proposed Phase I Project will construct 21,000 feet of vitrified clay pipe sewers ranging from 18 to 36 inches in diameter, siphon systems, and manholes. The City's Phase II Project will construct the pump station and force main which will deliver wastewater to RP-4. The pump station is designed to convey 16 MGD, except when wastewater flow growth warrants adding one pump at the proposed pump station.

Phase II of the proposed Project will include construction of the following sewage collection system facilities: one 16 MGD pump station with an additional 7 MGD capacity by installing one more pump and two 30 inch diameter force mains terminating at RP-4. Besides the pump station for the Phase II Project, all sewage collection systems will be installed within existing rights-of-way. A detailed description of the Project is contained in the City's Report.

The objective of this Project is to re-route existing wastewater to the upgraded RP-4 that complies with the National Pollution Discharge Elimination System (NPDES) Permit No. CA0105279 and Waste Discharge & Producer/User Recycling Requirements (WDR No. R8-2006-0010 issued on May 19, 2006) at RP-1 and RP-4, issued by the Santa Ana Regional Water Quality Control Board (Santa Ana Regional Water Board).

The City prepared and adopted an Initial Study/Mitigated Negative Declaration (IS/MND) in 2002 for its proposed Sewer Master Plan Update, which includes the Project. IEUA prepared a Facilities Master Plans Programmatic Environmental Impact Report (PEIR) in June 2002 and an Addendum to the PEIR and IS/MND (Addendum). The Board of Directors of IEUA approved the Project on April 5, 2006, and filed a Notice of Determination (NOD) for the approval and adoption of the Addendum with the San Bernardino County Clerk on April 12, 2006. 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 May 26, 2006, State Water Board staff distributed the IS/MND, PEIR, and the Addendum to the following federally designated agencies: U.S. Environmental Protection Agency (USEPA), U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service, U.S. Department of Agriculture, Natural Resources Conservation Service, and the Federal Emergency Management Agency. The federal review period ended on July 16, 2006. No federal agencies responded. State Water Board staff determined at that time that federal consultation was sufficient and that no issues were raised that would have required further consultation with federal agencies.

The State Water Board's Cultural Resources Officer (CRO) sent a "Request for Concurrence on Section 106 Compliance and a Finding of No Historic Properties Affected" to the State Historic Preservation Office (SHPO) on May 31, 2006. The SHPO concurred on June 13, 2006 with the CRO's finding.

The Project site is located within the South Coast Air Quality Management City (SCAQMD), which is in severe non-attainment for ozone and serious non-attainment for particulate matter (PM-10) and carbon monoxide (CO). The SCAQMD is in attainment for all other criteria pollutants. The Project construction emissions are below the federal de minimis levels and the Project will not increase the operational emissions of the RP-4 Regional Wastewater Treatment Plant. Thus, a conformity determination is not required for this Project.

The 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. On November 13, 2006, and March 9, 2007, the Division approved all documents above by issuing the Phase I and II Facilities Plan Approvals for the City's Projects. The City agreed in writing on November 27, 2006; and March 15, 2007, with the Division's Approvals.

The City's estimated Project cost, including construction, is \$32.5 million. The estimated construction cost of the Project is \$30 million. The estimated loan eligible construction cost of the Project is \$27 million. The estimated total eligible Project cost including allowances is \$29.2 million.

The City has provided the Division with a schedule containing Project Milestones. These dates are included in the Division's Facilities Plan Approval letters for Phase I and Phase II. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the Preliminary Funding Commitment: September 19, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction for both Phases, and December 14, 2007, for the City to sign all SRF loan agreements. The Division may approve up to a 90-day extension for good cause for both dates.

The City has applied for the full estimated eligible SRF loan amount of \$29.2 million for the Project. The City requests a 20-year repayment period with the first SRF loan repayment due one year after completion of construction.

## **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 September 19, 2007, and the SRF loan agreement is not signed by the applicant by December 14, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?
3. Directs the Division to allocate \$29.2 million consistent with the construction schedule and availability of funds.

## 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)
<b>Subtotal</b>	<b>\$256,267,717</b>	<b>\$368,477,959</b>	<b>\$300,307,264</b>	<b>\$311,031,820</b>	<b>\$407,785,170</b>
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)	
<b>Balance</b>	<b>\$254,267,717</b>	<b>\$243,516,553</b>	<b>\$201,345,956</b>	<b>\$247,223,223</b>	<b>\$378,195,090</b>

### 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 Santa Ana Regional Water Quality Control Board has prescribed NPDES Permit No. CA0105279 and WDR Order No. R8-2006-0010 for RP-4. The proposed Project will assist IEUA's RP-4 to comply with the NPDES Permit and WDRs.

## STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF Preliminary Loan Commitment of \$29.2 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 issue a NTP to construction by September 19, 2007, and sign the SRF loan agreements by December 14, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.
3. Directs the Division to allocate \$29.2 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 COMMITMENT TO THE CITY OF FONTANA (CITY) FOR CONSTRUCTION OF THE PHASE I SAN BERNARDINO AVENUE TRUNK SEWER AND PHASE II LIFT STATION PROJECT (PROJECT); SRF LOAN PROJECT NOS. C-06-4897-110 AND C-06-4897-210

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 D;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the City's Phase I Project on November 13, 2006, and the Phase II Project on March 9, 2007. The City agreed with the Phase I approval on November 27, 2006; and the Phase II approval on March 15, 2007.
4. The City prepared and adopted an Initial Study/Mitigated Negative Declaration (IS/MND) in 2002 for its proposed Sewer Master Plan Update, which includes the Project.
5. The IEUA prepared a Facilities Master Plans Programmatic Environmental Impact Report (PEIR) in June 2002, and an Addendum to the PEIR and IS/MND (Addendum).
6. The Board of Directors of the IEUA approved the Project on April 5, 2006, and filed a Notice of Determination (NOD) for the approval and adoption of the Addendum with the San Bernardino County Clerk on April 12, 2006.
7. State Water Board staff have reviewed and considered these environmental documents and determined that the Project will not result in any significant adverse water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF Preliminary Loan Commitment of \$29.2 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 issue a "Notice-to-Proceed" to construction for both Phases by September 19, 2007, and the SRF loan agreement is not signed by the City by December 14, 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 \$29.2 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 Resources Control Board held on May 22, 2007.

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Clerk to the Board