STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION - DIVISION OF FINANCIAL ASSISTANCE
JULY 7, 2009

ITEM 6

SUBJECT

CONSIDERATION OF A RESOLUTION FOR THE ADOPTION OF A STATEMENT OF OVERRIDING CONSIDERATIONS (SOC), ADOPTION OF THE AIR QUALITY CONFORMITY DETERMINATION, AND EXECUTION OF THE CLEAN WATER STATE REVOLVING FUND (CWSRF) PRELIMINARY FUNDING COMMITMENT (PFC) FOR THE LOS ANGELES COUNTY SANITATION DISTRICT NO. 20 (DISTRICT), PALMDALE WATER RECLAMATION PLANT (PWRP) STAGE V (PROJECT) – CWSRF PROJECT NOS. C-06-4746-110; C-06-4746-120; C-06-4746-130; C-06-4746-140

DISCUSSION

In accordance with the State Water Resources Control Board (State Water Board) *Policy for Implementing the CWSRF for Construction of Wastewater Treatment Facilities* (Policy), amended on March 17, 2009, projects on the adopted Project Priority List (CWSRF Priority List) need State Water Board approval to receive funding. The State Water Board may approve a CWSRF PFC after issuance of a Project Facility Plan Approval (FPA). On August 29, 2008, the Assistant Deputy Director of the Division of Financial Assistance (Division) issued the FPA for the District's Project. The District agreed to the FPA on September 22, 2008. Division staff found that the District's Project is (1) consistent with the policies, regulations, and agreements the State Water Board adopted governing the internal management of the CWSRF Program, and (2) is on the adopted CWSRF Priority List. The State Water Board, on September 2, 2008, adopted the State Fiscal Year 2008/2009 CWSRF Priority List, which included the District's Project.

PROJECT INFORMATION

The District is seeking CWSRF financing from the State Water Board to upgrade the PWRP.

The District owns and operates the PWRP and a network of approximately 40 miles of trunk sewers. The current capacity of the PWRP is 15 million gallons per day (MGD). In 2008, the PWRP treated an average flow of 10.0 MGD. Based on the Southern California Association of Governments (SCAG) 2004 Regional Transportation Plan, the projected sewered population within the District's service area will be 225,000 by the year 2025. The projected population, permitted industrial dischargers, and contracted flow rates are expected to generate approximately 22.4 MGD of wastewater, which will exceed the current PWRP capacity. The funded Project involves upgrading the PWRP as described in the FPA.

ENVIRONMENTAL REVIEW

The District prepared an Environmental Impact Report (EIR) that includes the proposed Project and addresses the PWRP 2025 Facilities Plan. Both the EIR and the PWRP 2025 Facilities Plan were distributed to the public, and circulated through the State Clearinghouse (SCH No. 2004091123) from April 29, 2005, through June 17, 2005. During the review period, the District received 21 comment letters:

- Various letters from the public—regarding land acquisition processes, potential negative impact to residents and businesses within the project area, project implementation schedules, disagreement over agricultural re-use as a method for water recycling, inadequacy of cultural and biological studies, additional project alternatives, and wastewater storage and chemical seepage.
- Southern California Association of Governments (SCAG)—stating that the Project is not regionally significant and does not warrant SCAG comments.
- California Department of Fish and Game (DFG)—regarding additional information to be included in mitigation measures for the Mohave ground squirrel, Swainson's hawk, desert tortoise, and Joshua tree. DFG also recommended an additional project alternative for wetland creation and groundwater recharge.
- U.S. Air Force, Plant No. 42—regarding potential bird air strike hazards, potential impact to airfield operations at Plant No. 42, minor errors within the draft EIR, and a recommended project alternative.
- Southern California Edison Company—stating that Southern California Edison owns and operates a substation, transmission, and distribution facilities within the Project area.
- Lahontan Regional Water Quality Control Board (Lahontan Water Board)—regarding inadequate review and mitigation for groundwater salinity, corrections to the EIR, inadequate information about percolation losses from ponds, and an inadequate analysis of "Wastewater Characteristics," "Wastewater Flow Projections," and "Applying Effluent Versus Groundwater." The Lahontan Water Board also requested more information about pond decommissioning, nitrogen concentrations, bed and pond liners, effects to "waters of the state," background water quality, and long-term impacts to receiving waters.
- City of Los Angeles, Department of Water and Power—supporting the development of conjunctive use programs, expressing concern regarding the storage reservoirs and long-term groundwater quality, and stating that the water rights of the Los Angeles World Airports (LAWA) property are under the control of the Department of Water and Power.
- LAWA—stating that LAWA property should not be used in any manner that interferes with future aviation uses, creates safety risks, or disturbs conservation areas. LAWA also requested more information regarding nitrates within the water on LAWA property and the size of potential compensation lands. LAWA stated the EIR did not adequately address all issues, such as alternatives, the effectiveness of the storage liners, costs, additional land uses within Agricultural Area No. 6, and the ability of mosquitoes to use storage reservoirs as breeding ground. LAWA also provided additional project alternatives, stated that the Project would increase the risk of bird air strike hazards, and identified problems with the preferred alternative.
- County of Los Angeles, Department of Parks and Recreation—noting that the Project was not under the jurisdiction of the Department of Parks and Recreation.
- Federal Administrative Administration (FAA)—stating that the District would need to submit a Notice of Proposed Construction or Alteration in order for the FAA to evaluate potential air strike hazard, stating that there was a potential for bird air strike hazard, and stating that the Project was inconsistent with siting guidance by the FAA.
- Palmdale Water District—regarding completion dates for the funded Project and other project components identified in the EIR.
- State Water Board—regarding additional federal requirements for the CWSRF Program. State Water Board also requested an expanded analysis of the secondary growth effects.

The District acknowledged all comments and incorporated changes in the final EIR. The District certified the final EIR and adopted a Statement of Considerations (SOC) and the Mitigation Monitoring and Reporting Plan on October 26, 2005. The District filed a Notice of Determination (NOD) with the Los Angeles County Clerk on October 27, 2005, and with the Governor's Office of Planning and Research (OPR) on November 4, 2005.

The District adopted an SOC to substantiate its decision to approve the Project despite significant unavoidable impacts related to air quality, secondary growth, cumulative air quality, and cumulative biological resources resulting from implementation of the Project.

State Water Board staff finds that the following specific economic, social, technological, and environmental benefits of the Project outweigh the unavoidable adverse environmental impacts resulting from decreased air quality, increased secondary growth, and cumulative effects on air quality and biological resources:

- The upgrades to the PWRP will meet California Code of Regulations Title 22 water recycling criteria thereby expanding reuse opportunities for the local community as opportunities arise.
- The funded Project is in conjunction with other project components identified in the EIR and will enable the District to provide wastewater and effluent management capacity adequate to meet the demand through 2025 in a cost effective and environmentally sound manner.
- The funded Project will upgrade the PWRP to comply with the Lahontan Water Board's Cleanup and Abatement Order (CAO) (No. 6B190107069) and Cease and Desist Order (CDO) (No. R6-V-2004-0039).
- Providing wastewater treatment to the expanding population reduces potential impacts of growth to public service infrastructure.

State Water Board staff reviewed and considered the EIR and applicable environmental documents and determined that the Project will not result in any significant adverse water quality impacts. State Water Board staff will file an NOD with the OPR following funding approval.

The State Water Board's Cultural Resources Officer (CRO) 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 January 7, 2008. On January 31, 2008, the SHPO responded that the CRO's finding was inappropriate and asked for additional supporting information. The CRO resubmitted additional information with an expanded Area of Potential Effects and a request for concurrence on a finding of "No Adverse Effect to Historic Properties" and adequacy of Section 106 compliance to the SHPO, on April 23, 2008.

In a letter dated May 1, 2008, the SHPO provided conditional concurrence of "No Adverse Effect to Historic Properties" provided that exclusionary fencing is used to protect archaeological sites. This condition will be included as a special condition of the CWSRF financing agreement.

State Water Board staff distributed the EIR on January 17, 2008, to the following federally designated agencies: (1) U.S. Army Corps of Engineers, (2) Federal Emergency Management Agency (FEMA), and (3) U.S Department of Agriculture, Natural Resources Conservation Service. The federal review period ended on March 8, 2008, and no comments were received.

On January 17, 2008, the State Water Board staff sent a “Request for Endangered Species Act, Section 7 Concurrence” and a Finding of “Not Likely to Adversely Affect” to the U.S. Fish and Wildlife Service (USFWS). The USFWS responded by telephone on March 13, 2008, with a request for a Biological Assessment (BA) and additional information regarding the Project and the Migratory Bird Treaty Act. The District prepared a BA for the Project and submitted the BA to the USFWS. On May 21, 2008, the District, USFWS, and State Water Board staff held a teleconference addressing conservation measures recommended by the USFWS. On July 25, 2008, the USFWS concurred with State Water Board staff finding based on the District implementing conservation measures to minimize potential adverse Project effects on the desert tortoise. These conservation measures will be included as special conditions of the CWSRF financing agreement.

On January 17, 2008, the State Water Board staff sent a letter to the U.S. Environmental Protection Agency (U.S. EPA) regarding a potential *Air Quality Conformity Determination*. U.S. EPA required State Water Board staff to prepare the following Conformity Determination because the Project will not be able to meet federal Clean Air Act regulations without this determination.

Air Quality Conformity Determination:

The purpose of the Air Quality Conformity Determination is to determine if the Project will conform to the applicable State Implementation Plan (SIP). SIPs are a compilation of new and previously submitted plans, programs, district rules, state regulations, and federal controls.

State Water Board staff used the District’s air quality analysis obtained from the District’s *Final PWRP 2025 Facilities Plan and EIR*. The Project site is located within the Mojave Desert Air Basin (Basin) and is under the jurisdiction of the Antelope Valley Air Quality Management District (AVAQMD). The Project area has been designated as a non-attainment area for eight-hour ozone. The AVAQMD is in attainment or unclassified for all other federal criteria pollutants.

The estimated construction Project emissions are, in tons per year, 16.9 reactive organic carbons and 61.8 oxides of nitrogen. The estimated operation emissions are, in tons per year, 0.996 reactive organic gases and 18.272 oxides of nitrogen. The emissions for reactive organic gases are below the federal de-minimis levels identified in the Code of Federal Regulations. The expected Project emissions are less than 10 percent of the Basin’s emissions inventory for the non-attainment criteria pollutants.

Currently, estimated oxides of nitrogen emissions are below the federal de-minimis level of 100 tons per year. On April 30, 2008, State Water Board staff was informed by U.S. EPA that they are in the process of changing the threshold for eight-hour ozone from moderate non-attainment to severe non-attainment. The new de-minimis level for oxides of nitrogen will be 25 tons per year. The total amount of oxides of nitrogen from construction and operation of the Project will exceed the new de-minimis level.

AVAQMD uses the SCAG population forecasts for SIP development. The District used SCAG population forecasts for the EIR and compared estimated construction and operation emissions from the Project to the AVAQMD air quality thresholds of significance. Construction emissions were calculated using methods recommended in the South Coast Air Quality Management District’s *California Environmental Quality Act Air Quality Handbook,* and using emissions factors approved by the California Air Resources Board (ARB).

Emissions calculations worksheets are included in Appendix P of the District's *Appendices Final PWRP 2025 Facilities Plan and EIR*. The population projections used to size the planned expansion at the PWRP is the most recently approved SCAG forecasts. SCAG forecasts are used in both the *1993 City of Palmdale General Plan* and the *County General Plan.*

Population trends for Antelope Valley, and specifically the City of Palmdale, indicate that population and households are anticipated to increase substantially by the year 2020. The population within the initial study area is expected to increase to 1,755 in 2020 and the population for the City of Palmdale is expected to increase to 259,712 in 2025. This is consistent with the estimates used for the sizing of the PWRP expansion. For the sizing of the PWRP expansion, the population projections are the most recently approved SCAG forecasts. *Refer to EIR Chapter 20: Population and Housing/ Secondary Effects of Growth for additional information.*

State Water Board staff received a letter dated August 21, 2008, from the AVAQMD's Supervising Air Quality Engineer, Mr. Alan J. De Salvio. The letter explains that the AVAQMD developed the *AVAQMD Ozone Attainment Plan* (the applicable SIP) using the most current regional emission inventory provided by ARB. For SIP development in the SCAG region, the ARB uses the SCAG population and activity forecast. Consistency with the SCAG population forecast equates to consistency with the AVAQMD SIP. The forecast used by the District for the Project is the forecast adopted by SCAG most recently, prior to the AVAQMD adoption of the applicable SIP.

U.S. EPA was provided the opportunity to review the Air Quality Conformity Determination.
State Water Board staff reviewed and considered the final EIR and additional documentation, and determined that the Project will conform to the applicable AVAQMD SIP.

FISCAL IMPACT

Based on the Project Report and supplemental information, the construction cost of the Project is $70 million. The District requests $70 million in CWSRF financing with a 20-year repayment period, with the first CWSRF repayment due from the District one year after completion of construction.

The District Council adopted a resolution which dedicates service charges and connection fees to the repayment of the CWSRF funding. The District has the authority to increase wastewater user fees, with ratepayer's approval, to cover all expenses associated with the PWRP.

The District has provided the Division with a schedule containing Project milestones. These dates are included in the Division's FPA letter. In accordance with Section IX (J) of the CWSRF Policy, the resolution includes the following sunset date for the PFC, September 7, 2009, for signing the CWSRF agreement. The Division requests the authority to approve up to a 90-day extension for good cause.

An independent credit review analyzed the District's ability to enter a CWSRF financing agreement for the amount requested. The credit review provided recommendations regarding the financial agreement terms, maximum CWSRF financing amount, debt, financial capacity, and requirements for the financing agreement.

The service area median household income (MHI) for the PWRP was determined using the estimated MHI for the City of Palmdale. The 2007 MHI is $54,366 approximately 97.4 percent of the State of California MHI. Therefore, the District does not qualify as a small, disadvantaged community.

The District reports that Proposition 218 noticing and hearings have been completed for rates projected through 2010-11. A $70 million financing agreement for a 20-year term at 2.6 percent interest rate will require an annual debt service payment of $4,432,824. The projected 2011/12 net revenues of the District's service charges and connection fees will provide debt service coverage of at least 1.22 times all debt and 1.85 times for all senior debt.

The District currently has $163,982,982 outstanding debt obligations. The estimated additional financial capacity based on the debt service ratio suggests a maximum loan amount of $70 million secured on parity with existing 2005 Series A District 20 Subordinate Revenue Bonds and 2007 Series A District 20 Subordinate Revenue Bonds, with a reserve fund of one-year's debt service funded prior to completion of construction date.

(as of 05/19/2009)	**SFY**	**SFY**	**SFY**	**SFY**	**SFY**
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Beginning Balance:	$307,959,193	$393,979,551	$121,409,413	$36,940,835	$132,072,946
Estimated Repayments	$202,042,509	$217,955,304	$227,955,304	$237,955,304	$247,955,304
Debt Service on Revenue Bonds	($31,893,104)	($31,758,441)	($31,456,429)	($30,228,204)	($27,714,204)
Estimated Capitalization Grants	$46,965,399	$46,720,999	$0	$0	$0
ARRA Grant	$269,074,368				
State G.O. Bond proceeds (less state admin. match)	$13,414,123	$0	$0	$0	$0
Local Match Credits	$22,851,524	$6,748,551	$5,083,435	$5,083,435	$833,350
Est. SMIF Interest:	$10,674,552	$10,000,000	$10,000,000	$8,000,000	$2,000,000
Estimated Disbursements	($436,402,272)	($248,278,459)	($159,253,961)	($60,692,418)	($11,500,000)
Subtotal	**$404,686,292**	**$395,367,504**	**$173,737,763**	**$197,058,952**	**$343,647,396**
City of Williams, #4049-110 **(05/13/2009)**		($16,234,000)	($4,000,000)		
City of Brawley, #4502-110 **(04/20/2009)**	($1,059,000)	($12,708,000)	($11,633,000)		
LA CSD (Palmdale WRP), #4746-110, 120, 130, 140 **(05/19/2009)**		($36,500,000)	($19,200,000)	($14,300,000)	
City of Rio Dell, #4922-110 **(05/13/2009)**		($1,600,000)	($400,000)		
Garberville Sanitary District, #4926-110 **(05/13/2009)**		($2,400,000)	($600,000)		
City of Chico, #4997-120 **(05/05/2009)**		($5,422,120)			
East Bay Municipal Utility District (Rare Water), #5020-110 **(02/25/2009)**		($35,226,616)			
City of Live Oak, #5042-110 **(05/07/2009)**		($7,000,000)	($6,000,000)	($3,000,000)	
Linda County Water District, #5098-110 **(05/14/2009)**		($4,177,229)	($25,063,380)	($25,063,391)	
Eastern Municipal Water District, #5100-110 **(05/05/2009)**		($14,098,119)	($21,698,067)	($2,566,704)	
City of Hughson, #5139-110 **(03/17/2009)**	($3,000,000)	($20,000,000)			
City of Kerman, #5150-110 **(02/04/2009)**		($4,000,000)	($2,900,000)	($921,898)	
Beaumont-Cherry Valley WD, #5157-110 **(02/25/2009)**		($15,000,000)	($2,500,000)		
Inland Empire Utilities Agency, #5176-110 **(02/10/2009)**	($5,676,000)	($17,013,999)	($11,000,001)		
Delta Diablo Sanitation District, #5177-110 **(02/25/2009)**		($9,359,883)	($389,995)		
Eastern Municipal Water District (Moreno Valley), #5311-110 **(03/17/2009)**		($18,000,000)	($18,000,000)	($18,000,000)	
Inland Empire Utilities Agency (RP-1), #5327-110 **(05/18/2009)**		($18,279,000)	($8,300,000)	($1,000,000)	
Inland Empire Utilities Agency (Victoria & San Sevaine), #5332-110 **(03/17/2009)**	($900,000)	($600,000)			
Santa Cruz County Sanitation District (Aptos Esplanade), #6906-110 **(05/13/2009)**		($488,205)			
City of Los Angeles (Santa Monica Bay), #6907-110 **(05/13/2009)**		($5,000,000)			

(as of 05/19/2009)	SFY	SFY	SFY	SFY	SFY
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Santa Cruz County Sanitation District (Aptos Beach), #6909-110 **(05/13/2009)**		($168,750)			
Santa Cruz County Sanitation District (New Brighton), #6910-110 **(05/13/2009)**		($1,200,000)	($532,877)		
Marin Conservation Corps, #6915-110 **(05/13/2009)**		($380,000)			
CA Land Stewardship Institute, #6916-110 **(05/13/2009)**		($141,637)	($16,250)		
City of Chico, #6918-110 **(05/13/2009)**		($523,515)			
Community Alliance w/Family Farmers Foundation, #6919-110 **(05/13/2009)**		($493,483)			
San Mateo County Resource Conservation District, #6920-110 **(05/13/2009)**		($187,174)			
Western Shasta Resource Conservation District, #6923-110 **(05/13/2009)**		($97,038)			
County of Napa, #6924-110 **(05/13/2009)**		($930,000)	($51,037)		
Central Coast Agricultural Water Quality Coalition, #6927-110 **(05/07/2009)**		($500,000)			
Cachuma Resource Conservation District, #6928-110 **(05/07/2009)**		($150,000)			
County of Santa Cruz, #6930-110 **(05/07/2009)**		($290,000)	($18,026)		
County of Santa Cruz, #6931-110 **(05/07/2009)**		($119,479)			
County of Santa Cruz, #6932-110 **(05/07/2009)**		($1,830,941)			
Central Coast Vineyard Team, #6933-110 **(05/07/2009)**		($150,000)			
The Foundation of Morro Bay, #6934-110 **(05/07/2009)**		($240,000)	($20,000)		
Gold Ridge Resource Conservation District, #6935-110 **(05/05/2009)**		($179,136)	($31,355)		
Gold Ridge Resource Conservation District, #6936-110 **(05/05/2009)**		($473,013)	($196,437)		
Humboldt County Resource Conservation District, #6942-110 **(05/05/2009)**		($110,000)	($70,000)		
Mendocino County Department of Transportation, #6944-110 **(05/05/2009)**		($149,450)			
City of Santa Rosa, #6945-110 **(05/05/2009)**		($366,170)			
Port of San Francisco (Pier 45), #6947-110 **(05/13/2009)**		($1,800,000)			
Truckee River Watershed Council, #6950-110 **(05/13/2009)**		($172,000)	($151,335)		
City of Long Beach, #6951-110 **(05/13/2009)**		($2,200,000)	($1,200,000)	($134,013)	
Western Riverside County AC Coalition, #6952-110 **(05/12/2009)**	($52,741)	($62,415)			
Western Municipal Water District (Chino), #6954-110 **(05/12/2009)**		($4,200,000)	($286,284)		
Inland Empire Utilities Agency (Magnolia Channel), #6956-110 **(05/12/2009)**		($600,000)	($173,045)		
City of Huntington Beach, #6958-110 **(05/12/2009)**		($3,927,775)	($1,206,225)		
Inland Empire Utilities Agency (Greater Prado Basin), #6959-110 **(05/12/2009)**		($328,012)	($3,000)		
Inland Empire Utilities Agency (Chino Ckeek), #6960-110 **(05/12/2009)**		($750,000)	($722,263)		
Santa Ana Watershed Project Authority, #6961-110 **(05/12/2009)**		($60,664)			
City of Hermosa Beach, #6962-110 **(05/13/2009)**		($670,000)	($280,850)		
City of Long Beach (Los Angeles River Trash Nets), #6963-110 **(05/13/2009)**		($451,908)			
City of Los Angeles Department of Public Works, #6964-110 **(05/13/2009)**		($2,000,000)			
City of Ojai, #6965-110 **(05/13/2009)**		($200,000)			
Friends of the Santa Clara River, #6966-110 **(05/13/2009)**	($19,000)	($76,000)	($38,000)		
Ventura County Watershed Protection District, #6968-110 **(05/13/2009)**		($1,147,449)			
City of Malibu, #6969-110 **(05/13/2009)**		($808,556)			

(as of 05/19/2009)	SFY	SFY	SFY	SFY	SFY
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
City of Redondo Beach, #6970-110 **(05/13/2009)**		($202,000)			
City of Long Beach, #6971-110 **(05/13/2009)**		($523,418)	($60,501)		
City of Long Beach (Los Angeles River Trash SD), #6972-110 **(05/13/2009)**		($490,937)	($55,000)		
Trinidad Rancheria, #6973-110 **(05/13/2009)**		($1,500,000)			
	$393,979,551	**$121,409,413**	**$36,940,835**	**$132,072,946**	**$343,647,396**

Notes:
- Estimated Repayments include repayments from existing and future CWSRF financing.
- Estimated disbursements include disbursements remaining on executed loans (and other financing) and planned disbursements on projects with preliminary financing commitments. Local match credits are the anticipated funds that will be contributed for local match financing included in "Estimated Disbursements."

REGIONAL WATER BOARD IMPACT

In 2003, the Lahontan Water Board issued CAO No. 6B190107069 to the District regarding elevated nitrate levels identified in the groundwater beneath the land application area, and agricultural irrigation above agronomic rates. The Lahontan Water Board also issued CDO No. R6-V-2004-0039, which supercedes the abatement order portion of the CAO and imposes a timeline for abatement actions. The PWRP is in need of an infrastructure upgrade to support the planned growth in the area, supply recycled water to the service area, and comply with the CAO and CDO.

POLICY ISSUE

Should the State Water Board:

1. Approve a $70 million CWSRF PFC for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Adopt the above SOC?
3. Adopt the Air Quality Conformity Determination for the District's Project to comply with the federal Clean Air Act?
4. Condition this approval by rescinding this PFC if the District does not sign a CWSRF financing agreement by September 7, 2009, in accordance with Section IX (J) of the Policy?
5. Give the Deputy Director of the Division the discretion to approve up to a 90-day extension for good cause?
6. Condition the financing agreement, as determined by the credit review, with the following items:
    a. The financing agreement shall be secured on parity with the outstanding:
        2005 Series A District 20 Subordinate Revenue Bonds
        2007 Series A District 20 Subordinate Revenue Bonds
    b. The District shall establish a Reserve Fund equal to one year's debt service prior to construction completion date; and
    c. The financing agreement shall be limited to a maximum of $70 million unless information supporting the credit review changes and a supplemental credit review is performed?

STAFF RECOMMENDATION

The State Water Board should:

1. Approve a $70 million CWSRF PFC for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction;
2. Adopt the above SOC;
3. Adopt the Air Quality Conformity Determination for the District's Project to comply with the federal Clean Air Act;
4. Condition this approval by rescinding this PFC if the District does not sign a CWSRF financing agreement by September 7, 2009, in accordance with Section IX (J) of the Policy;
5. Give the Deputy Director of the Division the discretion to approve up to a 90-day extension for good cause;
6. Condition the financing agreement, as determined by the credit review, with the following items:
    a. The financing agreement shall be secured on parity with the outstanding:
        2005 Series A District 20 Subordinate Revenue Bonds
        2007 Series A District 20 Subordinate Revenue Bonds
    b. The District shall establish a Reserve Fund equal to one year's debt service prior to construction completion date; and
    c. The financing agreement shall be limited to a maximum of $70 million unless information supporting the credit review changes and a supplemental credit review is performed.

State Water Board action on this item will assist the Water Boards in reaching Goal 1 of the Strategic Plan Update: 2008-2012 to implement strategies to fully support the beneficial uses for all 2006-listed water bodies by 2030.

D R A F T

STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2009-

ADOPTION OF A STATEMENT OF OVERRIDING CONSIDERATIONS, ADOPTION OF THE AIR QUALITY CONFORMITY DETERMINATION, AND EXECUTION OF THE CLEAN WATER STATE REVOLVING FUND (CWSRF) PRELIMINARY FUNDING COMMITMENT (PFC) FOR THE LOS ANGELES COUNTY SANITATION DISTRICT NO. 20 (DISTRICT), PALMDALE WATER RECLAMATION PLANT (PWRP) STAGE V (PROJECT) – CWSRF PROJECT NOS. C-06-4746-110; C-06-4746-120; C-06-4746-130; C-06-4746-140

WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*" (Policy) and amended it on March 17, 2009;
2. The State Water Board, on September 2, 2008, adopted the State Fiscal Year 2008/2009 CWSRF Program Priority List which included the District's Project in Priority Class C;
3. The Assistant Deputy Director of the Division of Financial Assistance (Division) approved the Facility Plan for the District's Project on August 29, 2008. The District agreed to the Facility Plan Approval on September 23, 2008;
4. The District prepared an Environmental Impact Report (EIR) for the proposed Project, distributed it to the public, and circulated it through the State Clearinghouse (SCH No. 2004091123);
5. The District certified the EIR, approved the Project, and adopted a Mitigation Monitoring and Reporting Plan and a Statement of Overriding Considerations on October 26, 2005;
6. The District filed a Notice of Determination with the Los Angeles County Clerk on October 27, 2005, and with the Governor's Office of Planning and Research on November 4, 2005;
7. The District adopted a Statement of Overriding Considerations (SOC) to substantiate its decision to approve the Facilities Plan and EIR, which include the Project, despite significant unavoidable impacts related to air quality, secondary growth, cumulative air quality, and cumulative biological resources resulting from the implementation of the Facilities Plan and EIR.
8. The State Water Board finds that significant unavoidable adverse impacts related to air quality, secondary growth, cumulative air quality, and cumulative biological resources will result from the implementation of the Project;

9. The State Water Board finds that the following specific economic, social, technological, and environmental benefits of the Project outweigh the unavoidable adverse environmental impacts to air quality and secondary growth, and cumulative effects to air quality and biological resources:
    a. The upgrades to the PWRP will meet California Code of Regulations Title 22 tertiary drinking water standards thereby expanding reuse opportunities for the local community as opportunities arise;
    b. The funded Project is in conjunction with other project components identified in the EIR and will enable the District to provide wastewater and effluent management capacity adequate to meet the demand through 2025 in a cost effective and environmentally sound manner;
    c. The funded Project will upgrade the PWRP to comply with the Lahontan Regional Water Quality Control Board's Cleanup and Abatement Order and Cease and Desist Order;
    d. Providing wastewater treatment to the expanding population reduces potential impacts of growth to public service infrastructure;
10. The State Water Board reviewed and considered the information contained in the EIR and applicable environmental documents and determined that the funded Project will not result in any significant adverse water quality impacts;
11. State Water Board staff developed an Air Quality Conformity Determination in order for the District's Project to comply with the federal Clean Air Act;
12. The following Special Conditions apply to the Project:
    a. The USFWS identified conservation measures to minimize potential Project effects on desert tortoises. The District will have to comply with these conservation measures. The USFWS' terms and conditions will be included in Exhibit D of the District's CWSRF financing agreement and also can be found in the USFWS July 25, 2008, letter;
    b. Compliance with the State Historic Preservation Officer's (SHPO) condition to protect archaeological sites will be included as a special condition in Exhibit D of the District's CWSRF financing agreement and can be found in the SHPO May 1, 2008 letter; and
13. An independent credit review was completed on February 5, 2009, recommending a credit limit of $70 million for this Project.

THEREFORE BE IT RESOLVED THAT:

Conditioned on the following:

1. The District's delivery of a letter from counsel regarding ownership and access to the Project properties, including permits or easements;
2. The resolution of issues regarding the District's existing debt;
3. The District's delivery of a revised letter from bond counsel citing conditions or prohibitions in existing debt affecting the District entering into the CWSRF obligation;

The State Water Board:

1. Approves a $70 million CWSRF PFC for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction;
2. Adopts the above SOC for the CWSRF Program for the District's Project;
3. Adopts the Air Quality Conformity Determination for the Project to comply with the federal Clean Air Act;
4. Conditions this approval by rescinding this PFC if the District does not sign a CWSRF financing agreement by September 7, 2009, in accordance with Section IX (J) of the Policy;
5. Gives the Deputy Director of the Division the discretion to approve up to a 90-day extension for good cause;
6. Conditions the financing agreement, as determined by the credit review, with the following items:
    a. The financing agreement shall be secured on parity with the outstanding:
        2005 Series A District 20 Subordinate Revenue Bonds
        2007 Series A District 20 Subordinate Revenue Bonds
    b. The District shall establish a Reserve Fund equal to one year's debt service prior to construction completion date; and
    c. The financing agreement shall be limited to a maximum of $70 million unless information supporting the credit review changes and a supplemental credit review is performed.

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 July 7, 2009.

_____
Jeanine Townsend
Clerk to the Board