

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
APRIL 19, 2011**

ITEM 3

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION AUTHORIZING A PRELIMINARY FUNDING COMMITMENT FROM THE CLEAN WATER STATE REVOLVING FUND (CWSRF) TO THE CITY OF REDDING FOR THE CLEAR CREEK WASTEWATER TREATMENT PLANT EXPANSION AND UPGRADE PROJECT (PROJECT) CWSRF PROJECT NOS. C-06-4971-230, C-06-4971-240, AND C-06-4971-260.

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 need State Water Board approval to receive CWSRF funding. The State Water Board may approve a CWSRF PFC after issuance of a Facilities Plan Approval (FPA).

The Project is to be constructed using seven separate Bid Packages and will increase the Clear Creek WWTP's average dry and wet weather influent treatment capacity to 9.4 million gallons per day (MGD) and 40 MGD, respectively. Bid Packages one through seven will provide for the upgrade, modification, and improvements needed to meet the WDR requirements. The City split the Project into seven Bid Packages, with construction from 2007 through 2014, to reduce overall Project construction costs and provide improved opportunities for local contractors to bid on Project phases.

The Division issued an FPA July 24, 2006 for Bid Package 1 (CWSRF Project No. C-06-4971-110). On October 11, 2006, the State Water Board issued a CWSRF PFC. Bid Package 1 received \$4,360,035 of CSWRF funds, and the Project was completed on September 30, 2007.

The Division issued an FPA July 24, 2007 for Bid Packages 2 and 3 (CWSRF Project Nos. C-06-4971-210 and C-06-4971-220). On August, 24, 2007, the Division issued a CWSRF PFC for Bid Packages 2 and 3. Bid Package 2 received \$4,966,936 of CSWRF funds, and completed construction on October 31, 2008. Bid Package 3 received \$18,156,295 of CSWRF funds, and was completed on March 31, 2010.

The Division issued an FPA May 20, 2008 for Bid Packages 4, 5, 6, and 7. The City agreed with the FPA on June 3, 2008. The issuance of a PFC for Bid Packages 4, 5, 6, and 7 was delayed, however, due to multiple factors as follows:

- The Central Valley Regional Water Quality Control Board's (Central Valley Regional Water Board) in a letter dated June 10, 2009, commented on the proposed design of the Project's effluent filtration system, wet weather storage ponds, and use of effluent blending for flows above 16 million gallons per day (MGD);

- As a result of the Central Valley Regional Water Board's concerns Bid Packages 5, 6 and 7 were modified to include an additional 24 MGD of wastewater filtration, new sludge digestion facilities and modifications of the existing wet weather storage ponds;
- The CWSRF Policy was amended in September 2008, and the City was required to submit a complete Credit Review package. The processing of the PFC was delayed as Division staff implemented new Credit Review procedures; and
- The CWSRF Policy was amended March 2009 to address American Recovery and Reinvestment Act of 2009 (ARRA).

On July 7, 2008, the Division issued Final Plan and Specifications (P&S) approval for Bid Package 4 (CWSRF Project No. C-06-4971-230). The City's construction contract was awarded in the amount of \$8,407,893. The Division issued an Approval to Award letter for Bid Package No. 4 on August 11, 2008.

Project cost eligibility, in accordance with the current Policy, begins with the PFC. The City's Project cost eligibility for Bid Package 4 (CWSRF Project No. C-06-4971-230) began at the time of the Final P&S, in accordance with the July 17, 2007, Policy. The City has complied with all CWSRF Policy requirements at the time the City received Final P&S July 7, 2008, for Bid Package 4 cost eligibility and all new requirements under Policy amendments since the Final P&S approval.

The Division issued a new FPA September 3, 2009, for Bid Package 6 (CWSRF Project No. C-06-4971-250), with ARRA funding, and on September 3, 2009, the Division issued a CWSRF PFC for Bid Package 6. The Project was funded using \$2 million in ARRA principal forgiveness and \$10,122,280 CWSRF funds. Bid Package 6 is scheduled to complete construction December 15, 2011.

The City meets the definition of an Urban Water Supplier as defined in Section 10617 of the Water Code (WC). The City has prepared and submitted an Urban Water Management Plan to the Department of Water Resources in accordance with Section 10644 of the WC.

As of January 1, 2010, Section 529.5 of the WC requires an urban water supplier that applies for financial assistance from the state for a wastewater treatment project, drinking water treatment project, water use efficiency project, or a permit for a new or expanded water supply to demonstrate that the applicant meets the water metering requirements of Division 1, Chapter 8, Article 3.5 of the WC. The City certified, on March 19, 2010, that it complies with the water metering requirements of Division 1, Chapter 8, Article 3.5 of the WC.

The City is located south of Shasta Lake, and 140 miles north of Sacramento in Shasta County. The Project is located in the community of Anderson, approximately two miles south of downtown Redding at the Clear Creek WWTP. The Project is located to the west of the Sacramento River, east of State Route 273, and south of Clear Creek; a tributary to the Sacramento River. The City is divided into two major drainage basins, Clear Creek and Stillwater, with wastewater from each basin flowing into their respective WWTP. The City's Clear Creek WWTP serves the western half of the City, and the Stillwater WWTP serves the eastern half of the City.

The City owns and maintains sewer collection systems within the Clear Creek and Stillwater basins feeding into the Clear Creek WWTP and the Stillwater WWTP.

The City is required to operate and maintain its sewer collection systems to prevent sanitary sewer overflows (SSO) and spills under Statewide General Waste Discharge Requirements (WDR) for Sanitary Sewer Systems (Order No. 2006-0003-DWQ).

The City is additionally required to operate and maintain the Clear Creek WWTP under WDRs regulating effluent quality at the Clear Creek and the Stillwater WWTPs, Order Nos. R5-2010-0096 and R5-2007-0058, respectively.

The Project at the Clear Creek WWTP expands and upgrades the treatment to protect water quality in the Redding area and the Sacramento River consistent with the WDRs. The City's advanced secondary Clear Creek WWTP has a design dry and wet weather flow treatment capacity of 8.8 MGD and 16 MGD, respectively, and provides wastewater treatment for approximately 64,000 persons. The WWTP is expected to reach its pre-Project treatment capacity by 2012 based on estimated population growth. The WWTP's effluent is discharged to the Sacramento River. The Sacramento River is a State Water Board Clean Water Act Section 303[d]-listed water body.

The Project includes Bid Packages 4, 5, and 7. Bid Package 4 (CWSRF Project No. C-06-4971-230) completed construction on December 23, 2009. Bid Package 4 included the construction of a new outfall pipeline and building, and expansion of the existing outfall diffuser. The existing diffuser has been replaced with a new 20-port "dry weather" diffuser that will operate between 0-30 MGD, and a new three-port "wet weather" diffuser that will operate from 31-60 MGD. The new outfall design is for 60 MGD (2025 population), and the Project Report calls for a second set of projects to be constructed prior to 2025 that will expand the Clear Creek Plant's wet weather treatment capacity from the 40 MGD to 60 MGD. Bid Package 4 has not received a CWSRF financing agreement and will require the Board to waive the Policy requirement that construction financing is prospective from the date of the Preliminary Funding Commitment. The City's construction contract was awarded in the amount of \$8,407,893.

Bid Package 5 (CWSRF Project No. C-06-4971-240) will be advertised and constructed in 2011. Bid Package 5 includes modification and conversion of pond No. 1 concrete lining and piping to serve as an equalization basin for wet weather flows. Piping modifications will allow additional wet weather flows to be routed to influent wastewater ponds 1 through 9. New facilities include a pond flow meter to measure flow from the wet weather storage ponds, 24 MGD of cloth media filtration, one anaerobic digester with associated boiler, heat exchanger, gas collection system, digester mixing system, chlorination equipment, Waste Activated Sludge (WAS) pumps, and all associated structural, electrical, instrumentation and controls for all facilities. The engineer's cost estimate for Bid Package 5, including soft costs, is \$23,965,000, and the City anticipates the issuance of the Notice-to-Proceed (NTP) for this phase by May 2011.

Bid Package 7 (CWSRF Project No. C-06-4971-260) will be advertised and constructed in 2012. Bid Package 7 includes construction of a new laboratory, administrative, and control facility. In addition, this phase of the Project will include security upgrades of the Clear Creek WWTP fencing, video surveillance, and remote key pad gate entry systems. The engineer's cost estimate for Bid Package 7, including soft costs, is \$4,750,000, and the City anticipates the issuance of the NTP for this phase by May 2012.

ENVIRONMENTAL IMPACT

The State Water Board staff conducted a Tier I environmental review, reviewed the environmental documents, distributed them to the federal agencies for comment, and determined that the Project will not result in any significant adverse water quality impacts. Special conditions will be added to the CWSRF financing agreement to address compliance with Section 7 of the federal Endangered Species Act, and the Magnuson-Stevens Fishery Conservation and Management Act.

The City adopted an Initial Study/Mitigated Negative Declaration (State Clearinghouse No. 2007012119) and a Mitigation Monitoring and Reporting Program on May 1, 2007, and filed a Notice of Determination with the Governor’s Office of Planning and Research (OPR) and the Shasta County Clerk on May 3, 2007. The City also prepared and filed an Addendum (for minor changes to the Project) with the OPR on November 1, 2010.

FISCAL IMPACT

FISCAL IMPACT ON APPLICANT

A credit review analyzed the City’s ability to enter into financing agreements for the combined total of \$60,000,000 for construction and allowance costs for all City projects shown in the table below. The credit review provided recommendations regarding the financing agreement terms, maximum CWSRF financing amount, financial capacity, and reserve fund requirements for the financing agreements. The credit review is valid through March 21, 2012, and any PFCs issued after March 21, 2012, will be subject to additional financial review. The credit review performed includes City projects that may receive CWSRF financing agreements over the next year as shown in the table below:

Project #	Credit Review Amount	PFC Issue Amount	Amount Remaining from \$60,000,000
C-06-4971-230 Clear Creek WWTP Upgrade Bid Package 4	\$8,407,893		\$51,592,107
C-06-4971-240 Clear Creek WWTP Upgrade Bid Package 5	\$23,965,000		\$27,627,107
C-06-4971-260 Clear Creek WWTP Upgrade Bid Package 7	\$4,750,000		\$22,877,107
C-06-5380-110 Stillwater WWTP Expansion Bid Package 1	\$12,000,000		\$10,877,107

The City’s estimated 2010 median household income (MHI) is \$42,958, approximately 69% of the State of California MHI. The City’s estimated 2010 total population is 91,977 persons. The City qualifies as a disadvantaged community, and may qualify for up to \$3,000,000 in Principal Forgiveness (PF).

The most recent rate increases were approved under the Proposition 218 guidelines on May 19, 2009. The monthly rate for residential connections is \$37.95 effective January 1, 2010, and will increase July 1, 2011, to \$40.95. The City has a total of 36,741 wastewater connections, equating to 43,515 equivalent dwelling units.

The first debt service payments on the proposed Project are projected to be due in fiscal year 2012/13. After allowing for the operations and maintenance costs (O&M) estimated at \$12,065,204 for fiscal year 2012/13, the net revenues of the Wastewater Fund are projected to be approximately \$14,476,834. The City has eight outstanding debts secured by wastewater net revenues which are summarized below:

Lender/Project #	Current Balance or Maximum Available Balance	Maximum Debt Service
2002 Series A Refunding Sewer Bonds	\$14,695,000	\$1,960,400
CWSRF 4708-110	\$11,370,164	\$1,115,167
CWSRF 4971-110	\$3,831,686	\$272,605
CWSRF 4971-210	\$4,628,247	\$319,677
CWSRF 4971-220	\$18,671,403	\$1,208,152
CWSRF 4971-250	\$12,122,280	\$560,748
CWSRF 5835-110	\$1,233,053	\$80,103
CWSRF 7456-110	\$1,682,280	\$109,420
Totals	\$68,234,113	\$5,626,272

The 2002 Series A Refunding Sewer Revenue Bonds are secured with a covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.20 times the maximum annual debt service. Per the Bond documents, parity debt may be issued if the audited annual Net Wastewater Revenues for the fiscal year next preceding the date of adoption by the City Council of the City, of the resolution authorizing the issuance additional Bonds or the execution of such Contract as the case may be (as evidenced by a calculation prepared by the City accompanying such written certificate of the City), shall be equal to not less than 1.20 times the total debt service for such fiscal year. For purposes of calculating Net Wastewater Revenues, Wastewater Revenues will equal the sum of the adjusted wastewater revenues for such fiscal year plus the amount of connection fees collected during such fiscal year. The amount of connection fees cannot be greater than 25% of the total adjusted net revenues. Additionally, a reserve fund in an amount equal to one year's debt service must be established at the time of debt issuance or delivery.

SECURITY AND SOURCE OF FINANCING REPAYMENT

The City has dedicated the net revenues of the City's Wastewater Fund for the repayment of the proposed Project financing agreements in the City's Resolution Number 2011-114 adopted on January 20, 2011. The financing agreements, estimated at \$60,000,000 for a term of 20 years at an estimated interest rate of 2.60% will have an annual debt service of \$3,885,278. When added to the existing debt service of \$5,626,272 the result is maximum debt service of \$9,511,550. When total proposed debt service is compared to the net revenues, the result is 1.52 times coverage. This exceeds both the CWSRF requirement that net revenues be at least 1.10 times total debt service, and the 2002 Series A Refunding Sewer Revenue Bonds requirement that net revenues be at least 1.20 times total debt service. The proposed financing agreements shall be issued on parity with the 2002 Series A Refunding Sewer Revenue Bonds. Since there is no senior debt, the senior debt coverage requirement is not applicable.

COMPARATIVE REVENUES AND EXPENSES ANALYSIS

The City's revenues and expenses for the Wastewater Fund for the prior two fiscal years and projections for the next four fiscal years are summarized below:

Fiscal Year	2007/08	2008/09	2009/10	2010/11 Projections	2011/12 Projections	2012/13 Projections (1 st pmt due)
Operating Revenues	\$17,108,790	\$17,271,052	\$18,280,681	\$20,422,582	\$22,170,531	\$23,947,706
Interest Income	\$1,605,727	\$546,068	\$649,482	\$65,602	\$260,145	\$382,758
Connect Fees & Non-Operating Revenues	\$2,999,083	\$2,132,388	\$1,719,579	\$1,973,924	\$2,079,516	\$2,211,574
Total Revenues	\$21,713,600	\$19,949,508	\$20,649,742	\$22,462,108	\$24,510,192	\$26,542,038
Total Operating Expenses	\$8,606,510	\$9,854,580	\$9,853,542	\$11,193,010	\$11,700,610	\$12,065,204
Net Available for Debt Service	\$13,107,090	\$10,094,928	\$10,796,200	\$11,269,098	\$12,809,582	\$14,476,834
Existing Debt Service	\$2,817,327	\$3,315,577	\$3,621,313	\$5,436,749	\$5,626,272	\$5,626,272
Proposed Debt Service	\$0	\$0	\$3,885,278	\$3,885,278	\$3,885,278	\$3,885,278
Total Debt Service	\$2,817,327	\$3,315,577	\$7,506,591	\$9,322,027	\$9,511,550	\$9,511,550
Debt Service Coverage	4.65	3.04	1.44	1.21	1.35	1.52

The City shall fund a reserve fund equal to one year's debt service from available cash. A reserve fund in the amount of one year's debt service is maintained so that in the event of non-payment, there are funds available to make the payment.

PRINCIPAL FORGIVENESS ANALYSIS

As outlined in the CWSRF IUP for SFY 2010/2011, adopted by the State Water Board on August 3, 2010, \$72,747,939 in PF is available to two categories of disadvantaged communities:

1) Small, Disadvantaged Communities with Substantial Water Quality Investment; and 2) Other Disadvantaged Communities.

The City qualifies for PF under Category 2. The City's estimated 2010 MHI is \$42,958 (approximately 69 percent of the statewide MHI). As a disadvantaged community, the City may receive 50 percent PF for eligible Project costs up to \$3 million. With an estimated eligible cost of \$37,122,893, the Project qualifies for \$3,000,000 in PF.

The City submitted an evaluation regarding how the Project addresses the "Livability Principles" established by the United States (US) Department of Housing and Urban Development, US Department of Transportation, and US Environmental Protection Agency. The final PF amount may be modified based on the AOA determination, and the final financing agreement will be updated accordingly.

FISCAL IMPACT ON THE CWSRF PROGRAM

As of 03/16/2011:	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15
Beginning Balance	\$405,559,109	\$137,876,300	\$59,311,609	\$208,126,523	\$418,875,985
Estimated Repayments	\$254,233,675	\$264,233,675	\$274,233,675	\$284,233,675	\$294,233,675
Debt Service on Revenue Bonds	(\$31,456,429)	(\$30,228,204)	(\$27,714,204)	(\$23,821,829)	(\$20,966,279)
Estimated Capitalization Grants	\$67,144,221	\$40,000,000	\$28,800,000	\$28,800,000	\$28,800,000
Local Match Credits	\$6,163,990	\$2,634,671	\$2,288,622	\$915,119	\$956,716
Estimated SMIF Interest	\$2,700,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Estimated Disbursements	(\$543,242,381)	(\$254,768,526)	(\$60,724,995)	(\$54,000,723)	(\$44,142,516)
Subtotal	\$161,102,185	\$162,747,915	\$279,194,708	\$447,252,765	\$680,757,581

Proposed Projects Estimated Disbursements					
City of Redding, #4971-230 (01/05/2011)	(\$4,407,893)	(\$4,000,000)			
City of Redding, #4971-240 (01/05/2011)		(\$7,205,000)	(\$13,760,000)		
City of Redding, #4971-260 (01/05/2011)		(\$246,530)	(\$4,503,470)		
Union Sanitary District, #5222- 110 (01/05/2011)	(\$1,114,416)	(\$4,853,988)	(\$225,767)		
San Luis Obispo (Los Osos), #5230-110 (02/01/2011)			(\$29,276,046)	(\$21,034,728)	(\$18,252,894)
City of Seal Beach, #5310-110 (10/07/10)	(\$75,000)	(\$1,300,000)	(\$300,000)		
City of Seal Beach, #5310-120 (11/15/10)	(\$75,000)	(\$1,300,000)	(\$700,000)		
Eastern Municipal Water District (Temecula Valley), #5312-110 (11/30/10)	(\$3,743,576)	(\$10,605,788)	(\$9,924,264)	(\$1,342,052)	
Inland Empire Utilities Agency, #5319-110 (12/07/2010, 03/16/2011)		(\$14,300,000)	(\$5,308,638)		
Inland Empire Utilities Agency, #5333-110 (10/25/2010)	(\$1,510,000)	(\$13,000,000)	(\$320,000)		
City of Sausalito, #5354-110 (02/17/2011)	(\$850,000)	(\$250,000)			
City of Tehachapi, #5563-110 (03/16/2011)		(\$2,525,000)	(\$150,000)		
City of Lathrop, #5599-110 (02/01/2011)	(\$400,000)	(\$600,000)			
Santa Ana Watershed Project Authority, #5610-110 (03/09/2011)		(\$5,500,000)	(\$6,000,000)	(\$6,000,000)	(\$2,500,000)
City of Santa Barbara, #5859- 110 (03/03/2011)	(\$2,000,000)	(\$3,000,000)	(\$200,000)		
City of San Leandro #7002-110 (02/01/2011)	(\$9,000,000)	(\$34,000,000)			
Santa Nella County Water District, #7132-110 (03/14/2011)	(\$50,000)	(\$750,000)	(\$400,000)		
Ending Balance on June 30	\$137,876,300	\$59,311,609	\$208,126,523	\$418,875,985	\$660,004,687

Notes:

- The State Water Board approved the sale of up to \$300 million in Revenue Bonds in September 2005 for the CWSRF Program to cover any shortfall of funds.
- Estimated repayments include repayments from existing and future financing.
- Estimated disbursements include disbursements remaining on executed financing and planned disbursements on projects with preliminary funding commitments.
- Local match credits are the anticipated funds that will be contributed for local match financing included in "Estimated Disbursements."
- Estimated Capitalization Grants excludes funds reserved for Principal Forgiveness.

FISCAL IMPACT ON CWSRF PROGRAM PRINCIPAL FORGIVENESS

(as of 02/17/2011)	Principal Forgiveness		
	Category 1	Category 2	Total
Beginning Balance	\$43,648,763	\$29,099,176	\$72,747,939
City of Williams, #4049-110 (committed 12/01/09)	(\$6,000,000)		
City of Redding, #4971		(\$3,000,000)	
Russian River County Sanitation District, #5201-110	(\$2,100,000)		
San Luis Obispo (Los Osos), #5230-110 (committed 3/1/11)	(\$7,500,000)		
Victor Valley Wastewater Rec Authority, #5376-110 (committed 10/11/10)		(\$3,000,000)	
City of Tehachapi, #5563-110		(\$2,675,000)	
Susanville Sanitary District, #5727-110 (11/18/2010)		(\$1,232,000)	
City of Redding, #5835-110 (committed 08/26/10)		(\$1,233,052)	
Santa Nella County Water District, #7132-110		(\$1,200,000)	
Earl Mart Public Utility District, #7190-110		(\$313,000)	
City of Redding, #7456-110 (committed 07/21/10)		(\$1,682,280)	
City of Anaheim, #7620-110		(\$1,560,479)	
City of Anaheim, #7622-110		(\$574,797)	
City of Anaheim, #7630-110		(\$513,178)	
Sutter County, #7732-110	(\$765,100)		
City of Redding's PF Subtotal		(\$5,915,332)	
PF Balance Subtotal	(\$16,607,700)	(\$18,083,971)	(\$34,691,671)
PF Ending Balance	\$27,041,063	\$11,015,205	\$38,056,268

LEGAL REVIEW

The City's attorney represents that the City complied with Proposition 218 requirements for setting rates. The City's bond counsel represents that the City's existing debt obligations do not conflict with the proposed CWSRF financing. The City's attorney has certified that the City holds sufficient property rights to enable the City to access, construct, operate, maintain, repair, monitor, and inspect the Project for the life of the Project or the term of the CWSRF financing, whichever is longer.

REGIONAL WATER BOARD IMPACT

The Central Valley Regional Water Board issued WDR's, in Order No. R5-2010-0096, for treatment of wastewater at the Clear Creek WWTP. Completion of the proposed Project will enable the City's Clear Creek WWTP to maintain compliance with permit requirements.

POLICY ISSUE

Should the State Water Board:

1. Approve a CWSRF PFC for the City's Project with a repayment period of 20-years and interest rate of one half the general obligation bond rate obtained by the State Treasurers Office as of the date of the PFC, with \$3,000,000 in Principal Forgiveness? The first repayment shall be due one year after completion of construction?
2. Waive the Policy requirement that construction cost eligibility begins at the date of the PFC and instead establish cost eligibility as July 7, 2008 for Bid Package No. 4?
3. Condition this approval by withdrawing funding if the City does not issue the NTP with construction for Project Bid Packages 5 and 7 on or before June 30, 2011, and June 30 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package?
4. Condition this approval by withdrawing the CWSRF PFC if the City does not sign the CWSRF financing agreements for Project Bid Packages 5 and 7 on or before August 30, 2011, and August 30, 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package?
5. Condition this approval to allocate funds consistent with the construction schedule and availability of funds? Funding for this and the City's remaining Clear Creek and Stillwater WWTP projects shall be limited to \$60 million unless a subsequent credit review supports a higher limit?
6. Condition this approval, as determined by the City's credit review, with the following?
 - a. The financing agreements shall be secured on parity with the outstanding 2002 Series A Refunding Sewer Revenue Bonds;
 - b. The City shall establish a reserve fund equal to one year's debt service for each financing agreement upon execution of the financing agreement for the Project;
 - c. The City shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.20 times the total annual debt service;
 - d. The Recipient may not incur future senior debt. Recipient future debt may be on parity with existing CWSRF debts if policy conditions are met. (Policy Section X, G1); and
 - e. The City's financing agreements shall be limited to a combined maximum of \$60 million, including this PFC, unless new information supporting the credit review changes and a supplemental credit review is performed.

STAFF RECOMMENDATION

The State Water Board should:

1. Approve a CWSRF financing agreement with \$3,000,000 in principal forgiveness for the proposed Project, with a repayment period of 20-years, and the first repayment due one year after completion of construction;
2. Waive the Policy requirement that construction cost eligibility begins at the date of PFC, and instead establish cost eligibility as July 7, 2008 for Bid Package No. 4.

3. Condition this approval by withdrawing the CWSRF financing agreement if the City does not issue NTP with construction for Project Bid Packages 5 and 7 on or before June 30, 2011, and June 30 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package;
4. Condition this approval by withdrawing the CWSRF PFC if the City does not sign the CWSRF financing agreements for the Project by August 30, 2011, and August 30, 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package;
5. Condition this approval to allocate funds consistent with the construction schedule and availability of funds. Funding for this and the City's remaining Clear Creek and Stillwater WWTP projects shall be limited to \$60 million unless a subsequent credit review supports a higher limit;
6. Condition this approval, as determined by the City's credit review, with the following:
 - a. The financing agreements shall be secured on parity with the outstanding 2002 Series A Refunding Sewer Revenue Bonds;
 - b. The City shall establish a reserve fund equal to one year's debt service for each financing agreement upon execution of the financing agreement for the Project;
 - c. The City shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.20 times the total annual debt service;
 - d. The Recipient may not incur future senior debt. Recipient future debt may be on parity with existing CWSRF debts if policy conditions are met. (Policy Section X, G1); and
 - e. The City's financing agreements shall be limited to a combined maximum of \$60 million, including this PFC, unless new 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.

DRAFT

STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2011-

AUTHORIZING A PRELIMINARY FUNDING COMMITMENT FROM THE CLEAN WATER STATE REVOLVING FUND (CWSRF) TO THE CITY OF REDDING FOR THE CLEAR CREEK WASTEWATER TREATMENT PLANT EXPANSION AND UPGRADE PROJECT (PROJECT) CWSRF PROJECT NOS. C-06-4971-230, C-06-4971-240, AND C-06-4971-260.

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*," (Policy) and amended it on March 17, 2009;
2. The State Water Board, on June 15, 2010, adopted the state fiscal year 2010/2011 CWSRF Program Priority List which included the City's Project in Priority Class D;
3. The Division of Financial Assistance (Division) approved the Facility Plan for the City's Project on May 20, 2008, and the City agreed with the approval on June 3, 2008;
4. The Division issued a Final Plan and Specification approval for Bid Package 4 on July 7, 2008;
5. The Division issued an Approval of Award for Bid Package 4 on August 11, 2008;
6. The City adopted an Initial Study/Mitigated Negative Declaration and a Mitigation Monitoring and Reporting Program on May 1, 2007, and circulated it through the State Clearinghouse No. 2007012119 with the Governor's Office of Planning and Research (OPR) and the Shasta County Clerk on May 3, 2007;
7. The City prepared and filed an Addendum (for minor changes to the Project) with the OPR on November 1, 2010;
8. The Project will not result in any significant adverse water quality impacts. Special conditions will be added to the City's CWSRF financing agreements to address compliance with Section 7 of the federal Endangered Species Act and the Magnuson-Stevens Fishery Conservation and Management Act;
9. As determined by the City's credit review, the financing agreement is subject to the following items:
 - The financing agreement shall be secured on parity with the outstanding 2002 Series A Refunding Sewer Revenue Bonds;
 - The City shall establish a reserve fund equal to one year's debt service for each financing agreement upon execution of the financing agreement for the Project;
 - The City shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.20 times the total annual debt service;

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- The Recipient may not incur future senior debt. Recipient future debt may be on parity with existing CWSRF debts if policy conditions are met. (Policy Section X, G1); and
- The City's financing agreements shall be limited to a combined maximum of \$60 million, including this PFC, unless new information supporting the credit review changes and a supplemental credit review is performed

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a CWSRF financing agreement with \$3,000,000 in principal forgiveness for the proposed Project, with a repayment period of 20-years, and the first repayment due one year after completion of construction;
2. Waives the Policy requirement that construction cost eligibility begins at the date of PFC, and instead establishes cost eligibility as July 7, 2008 for Bid Package No. 4.
3. Conditions this approval by withdrawing the CWSRF funding if the City does not issue notice-to-proceed with construction for Project Bid Packages 5 and 7 on or before June 30, 2011, and June 30 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package;
4. Conditions this approval by withdrawing the CWSRF PFC if the City does not sign the CWSRF financing agreements for the Project by August 30, 2011, and August 30, 2012, respectively, and in accordance with Section IX (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause for each Bid Package;
5. Conditions this approval, as determined by the City's credit review, with the following:
 - a. The financing agreements shall be secured on parity with the outstanding 2002 Series A Refunding Sewer Revenue Bonds;
 - b. The City shall establish a reserve fund equal to one year's debt service for each financing agreement upon execution of the financing agreement for the Project;
 - c. The City shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.20 times the total annual debt service;
 - d. The Recipient may not incur future senior debt. Recipient future debt may be on parity with existing CWSRF debts if policy conditions are met. (Policy Section X, G1); and

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- e. The City's financing agreements shall be limited to a combined maximum of \$60 million, including this PFC, unless new 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 April 19, 2011.

Jeanine Townsend
Clerk to the Board