

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
AUGUST 5, 2014**

**ITEM 3**

**SUBJECT**

CONSIDERATION OF A RESOLUTION FOR PROJECT PLACEMENT ON THE WATER RECYCLING FUNDING PROGRAM (WRF) COMPETITIVE PROJECTS LIST, AND AUTHORITY FOR THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE TO EXECUTE A WRF CONSTRUCTION GRANT AGREEMENT FOR THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY, TOWN OF APPLE VALLEY SUBREGIONAL RECLAMATION PLANT PROJECT; WRF PROJECT NO. 3604-030

**DISCUSSION**

The Victor Valley Wastewater Reclamation Authority (Authority) is seeking financial assistance from the State Water Resources Control Board (State Water Board) WRF to construct a Water Reclamation Plant (WRP) configured as a satellite plant designed to meet Title 22 requirements for landscape irrigation. The new facility will be comprised of the following: influent lift station, rotary drum screening, activated sludge process, membrane filtration, ultraviolet disinfection, reclaimed water pump station, waste activated sludge, and head works control. The WRF Construction Grant is limited to \$4,000,000, but not to exceed 25% of eligible construction costs. The Town of Apple Valley Subregional Reclamation Plant Project (Project) will also receive funding from the Clean Water State Revolving Fund (Project No. C-06-4806-110) for \$24,657,757.

On January 27, 2014, the Authority submitted a complete application for a WRF construction grant. In accordance with the WRF Guidelines (amended July 15, 2008), projects must be in a fundable category on the WRF Competitive Project List (CPL), adopted on January 20, 2005, (Resolution No. 2005-0002). The Authority's Project is not listed on the current WRF CPL. Division of Financial Assistance (Division) staff determined that the Project meets the WRF funding requirements and will benefit the state's water supply. Therefore, Division staff recommends the State Water Board add the Authority's Project to the WRF CPL and approve \$4,000,000 in WRF construction grant funding.

**ENVIRONMENTAL IMPACT**

State Water Board staff conducted an environmental review, reviewed the environmental documents, and determined that the Project will not result in any significant adverse water quality impacts.

The Authority is the lead agency under the California Environmental Quality Act (CEQA), and has complied with CEQA and CEQA Guidelines by preparing an Environmental Impact Report (EIR) and an EIR addendum (Addendum) for the Project. The EIR was distributed to the public and circulated through the State Clearinghouse (SCH; No.2010051087) from November 10, 2010 through December 24, 2010 for review. The Authority received comments from the State Clearinghouse and Planning Unit, California Regional Water Quality Control Board, Lahontan Region, Native American Heritage Commission, Apple Valley Ranchos Water

Company, Department of Transportation, and the Department of Airports. The Authority responded to all comments, provided clarifications and revised the final EIR as appropriate.

The Authority certified the final EIR, adopted a Mitigation Monitoring and Reporting Program (MMRP) and approved the Project on February 22, 2011. The Authority filed a Notice of Determination (NOD) with the San Bernardino County Clerk on February 22, 2011 and the Governor's Office of Planning and Research (OPR) on February 24, 2011.

The Authority prepared an Addendum to make minor changes to the Project, including eliminating the proposed recycled water pipeline in Hesperia, reducing the length of recycled water pipeline in Apple Valley, relocating the pipeline alignment and percolation ponds in both Apple Valley and Hesperia, and relocating the Hesperia Raw Sewage lift station. The Authority filed a NOD for Addendum with the San Bernardino County Clerk on November 19, 2012 and OPR on November 21, 2012.

The United States Bureau of Reclamation (USBR) was the federal lead for the National Environmental Policy Act, and completed a Finding of No Significant Impact for the Project on September 27, 2011.

On November 19, 2012, the USBR initiated consultation under Section 106 of the National Historic Preservation Act with the State Historic Preservation Officer (SHPO) and requested concurrence for no adverse effects to historic properties. The State Water Board contacted the SHPO in a December 7, 2012 letter identifying the USBR as the federal lead and the State Water Board as a consulting party to the Section 106 consultation with the SHPO, and concurring with the USBR's no effect finding. On March 26, 2013, the USBR sent a letter to SHPO revising the area of potential effect. On October 2, 2013, the SHPO concurred with the USBR's determination that the Project will have "No Adverse Effects to Historic Properties" with the condition that all ground disturbing activities be monitored by a qualified archeologist.

The Project is located in the Mojave River watershed, which is a waters of the United States (US). The river is fed by natural, unregulated flow, and flows from two upstream dams including the Cedar Springs Dam (Silverwood Lake) operated by Department of Water Resources, and the Mojave Dam operated by the United States Army Corps of Engineers. Additionally, the Apple Valley Subregional WRP is located on the edge of the Apple Valley Dry Lake. There are no streams, washes or swales within the Project area. The Authority has an existing 2003 Memorandum of Understanding (MOU) with the California Department of Fish and Wildlife that requires the Authority to continue discharging a minimum daily effluent volume from the Westside Regional WRP into the Mojave River. The minimum flow volume required for discharge is approximately 8.05 mgd (9,000 acre-feet per year) plus 20 percent of any flow increases over the 2003 average dry weather flow levels, and minus any volumes conveyed to the Westwinds Golf Course or used onsite for irrigation at the Westside Regional WRP. The Authority will continue to discharge the required flows into the Mojave River in accordance with the 2003 DFW MOU. Thus, the Project will not impact wetlands and riparian habitat, or waters of the US.

State Water Board staff will file an NOD with the OPR following funding approval.

## FISCAL IMPACT

### Financial Analysis

A credit review was completed to analyze the Authority's ability to enter into a financing agreement for the amount of \$24,657,757 for construction and allowance costs. The credit review provided recommendations regarding the financing agreement terms, maximum CWSRF financing amount, financial capacity and reserve fund requirements.

The total project cost is estimated at \$28,657,757 with the Authority receiving a WRFP grant in the amount of up to \$4,000,000.

The Authority's estimated 2013 median household income (MHI) is \$46,239, approximately 79% of the State of California MHI. The estimated 2011 population for the project service area is 333,061. The Authority does not qualify as a disadvantaged community.

The Authority is a joint powers agency serving four member agencies in San Bernardino County, the City of Victorville, the City of Hesperia, the Town of Apple Valley and San Bernardino County service areas #42 and #64. The Authority charges user fees to its member agencies at the same rate, based on flow. Rates were increased to \$2,578 per MG for the 2013/14 fiscal year and increasing annually to \$3,503 on July 1, 2017. Capacity fees are \$3,750 per EDU beginning in the 2009/10 fiscal year. Additionally, Proposition 218 does not apply to the user fees or capacity fees that the Authority charges to member agencies. If the member agencies increase their customer rates, they are required to follow Proposition 218 guidelines. After allowing for operations and maintenance costs (O&M) estimated at \$10,317,000 for fiscal year 2014/15, the net revenues of the Authority are projected to be approximately \$7,255,000. The Authority has five outstanding and two pending CWSRF debts which are summarized below:

Project #	Original Amount	Current/Maximum Balance	Debt Service	Maturity Date
4573-110	\$4,069,859	\$1,455,056	\$265,050	9/15/2019
4574-110	\$11,430,726	\$4,638,960	\$579,870	4/3/2022
4658-110	\$4,084,688	\$2,259,354	\$258,151	2/13/2024
5376-110	\$18,581,563	\$14,327,330	\$1,027,610	6/30/2032
<b>Sub-Total</b>	<b>\$34,082,148</b>	<b>\$22,680,700</b>	<b>\$2,130,681</b>	

### Comparative Revenues and Expenses Analysis

The revenues and expenses for fiscal years 2008/09 through 2010/11 and the budgeted projections for fiscal years 2011/12 through 2014/15 are summarized below:

#### Victor Valley Wastewater Reclamation Authority

Fiscal Year	Audited 2009/10	Audited 2010/11	Audited 2011/12	Audited 2012/13	2013/14 Projections	2014/15 Projections*
User Charges	\$9,665,620	\$10,570,050	\$10,422,738	\$11,480,756	\$12,146,000	\$14,954,000
Pretreatment Permit Fees	\$49,400	\$46,800	\$46,600	\$45,296	\$343,000	\$353,000
Investment Income	\$122,022	\$90,544	\$35,698	\$23,236	\$67,875	\$71,628
Other Non-Operating Revenue	\$67,515	\$43,732	124,650	\$51,616	\$10,000	\$10,000
Septage Receiving Facility Fee	\$279,947	\$256,828	\$197,688	\$190,261	\$160,000	\$160,000

Connection Fees	\$3,166,772	\$2,205,637	\$2,012,423	\$1,620,728	\$1,875,000	\$1,875,000
Total Revenues	\$13,351,276	\$13,213,591	\$12,839,797	\$13,411,893	\$14,601,875	\$17,423,628
Operating Expenses	\$8,491,597	\$8,849,095	\$7,208,639	\$4,216,688	\$9,441,000	\$10,317,000
Net Revenues	\$4,859,679	\$4,364,496	\$5,631,158	\$9,195,205	\$5,160,875	\$7,106,628
Existing Debt Service	\$1,103,071	\$1,103,071	\$1,123,230	\$21,306,881	\$2,130,681	\$2,130,681
Proposed Debt Service 4806-110	\$0	\$0	\$0		\$0	\$862,102
Proposed Debt Service 4807-110	\$0	\$0	\$0		\$0	\$1,182,147
Proposed Debt Service 7833-110	\$0	\$0	\$0	\$0	\$0	\$272,557
Proposed Debt Service 7805-110	\$0	\$0	\$0	\$0	\$0	\$302,841
Total Debt Service	\$1,103,071	\$1,103,071	\$1,123,230	\$2,130,681	\$2,130,681	\$4,750,238
Debt Service Coverage	4.41	3.96	5.01	4.32	2.42	1.50

\*First payment for 4806-110 due November 2015; 4807-110 due November 2015; 7805-110 due November 2015

The Authority shall fund a restricted reserve fund equal to one year's payment amount prior to the construction completion date of the project. A reserve fund equal to one year's payment amount is maintained so that in the event of default, there are funds available to make the loan payment.

It is recommended that the Division approve a WRFPP construction grant agreement for the maximum amount of \$4,000,000.

### **Fiscal Impact on the WRFPP Program**

Loan repayments from water recycling construction projects funded by the Water Recycling Revolving Fund created by Proposition 13 are deposited into the Water Recycling Sub-accounts and provide funds for new construction grants, loans, planning and research projects. Construction grant funds are appropriated each year during the state budget process. The available balance for construction grants can be found in the fiscal impact table below:

<b>Proposition 50</b>	
<b>Construction Grants</b>	
	<b>Appropriation Balance</b>
<b>Balance as of 5/29/14</b>	\$3,792,861
<b>Proposed Commitments</b>	
VWVRA Apple Valley #3604-030	<b>(\$3,792,861)</b>
<b>Balance after New Commitments</b>	<b>\$0</b>

**Proposition 13, 2000 Bond Law**

**Construction Grants**

	<b>Appropriation balance</b>	<b>Southern Counties (60%)</b>	<b>Other Counties (40%)</b>	<b>Total Appropriation</b>
<b>Beginning Balance: As of 5/29/14</b>	\$6,088,939	\$3,653,363	\$2,435,576	\$6,088,939
<b>Proposed Commitments</b>				
VVWRA Apple Valley #3604-030		(\$207,139)		(\$207,139)
<b>Balances after New Commitments</b>		<b>\$3,446,224</b>	<b>\$2,435,576</b>	<b>\$5,881,800</b>

\* Includes six counties as follows: Los Angeles, Ventura, San Diego, San Bernardino, Orange and Riverside.

\*\*All counties not listed above are listed under "other counties"

**REGIONAL WATER BOARD IMPACT**

The Project will be consistent with the Authority's water quality monitoring requirements as described within the Authority's Master Reclamation Permit Order No. R6V-2003-028, issued by the Lahontan Regional Water Quality Control Board.

**POLICY ISSUE**

Should the State Water Board:

1. Add the Project to the WRFP CPL?
2. Authorize the Deputy Director of the Division to execute a \$4,000,000 WRFP construction grant funding agreement for the proposed Project?
3. Condition this approval by withdrawing the Resolution if the Authority does not sign the grant agreement by February 5, 2015. Division staff has the discretion to approve up to a 90-day extension for good cause.

**STAFF RECOMMENDATION**

The State Water Board should:

1. Add the Project to the WRFP CPL;
2. Authorize the Deputy Director of the Division to execute a \$4,000,000 WRFP construction grant funding agreement for the proposed Project; and
3. Condition this approval by withdrawing the Resolution if the Authority does not sign the grant agreement by August 5, 2015. Division staff has the discretion to approve up to a 90-day extension for good cause.

State Water Board action on this item will assist the Water Boards in reaching Goal 3 of the Strategic Plan Update: 2008-2012 to increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate flows for fish and wildlife habitat.
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## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2014-

FOR PROJECT PLACEMENT ON THE WATER RECYCLING FUNDING PROGRAM (WRFP) COMPETITIVE PROJECTS LIST, AND AUTHORITY FOR THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE TO EXECUTE A WRFP GRANT AGREEMENT FOR THE VICTOR VALLEY WATER RECLAMATION AUTHORITY, TOWN OF APPLE VALLEY SUBREGIONAL WASTEWATER RECLAMATION PROJECT (PROJECT);  
WRFP PROJECT NO. 3604-030

### WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the "*Water Recycling Funding Program Guidelines*" (Guidelines) and amended them on July 15, 2008;
2. The Project is a Category I project according to the Guidelines, but is not included on the WRFP CPL, adopted January 20, 2005;
3. An independent credit review was completed on May 22, 2014;
4. The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) was approved by the voters on November 5, 2002 (Water Code (WC), Division 26.5, Sections 79500 et seq.). Section 79550(g) in Chapter 7 of Proposition 50 allocates funding for urban and agricultural water conservation, recycling, and other water use efficiency projects;
5. On March 7, 2000, the voters approved the Costa-Machado Water Act of 2000 (2000 Bond Law), and provided authorization for the State Water Board to issue WRFP construction grants;
6. The Project is a routine and non-controversial project that is consistent with the policies, regulations, and agreements the State Water Board adopted for implementation of the WRFP;
7. The Authority is the lead agency under the California Environmental Quality Act (CEQA). The Authority has complied with CEQA and CEQA Guidelines by preparing an Environmental Impact Report (EIR) and an EIR addendum (Addendum) for the Project;
8. Adequate public participation was provided through the CEQA process. The EIR was distributed to the public and circulated through the State Clearinghouse (SCH) from November 10, 2010 through December 24, 2010 for review;
9. The Agency certified the PEIR, adopted a Mitigation Monitoring and Reporting Program, and approved the Project on June 28, 2002. The Agency filed a Notice of Determination (NOD) for the PEIR with the Governor's Office of Planning and Research (OPR) and San Bernardino County Clerk on June 28, 2002;
10. The Authority certified the EIR, adopted a Mitigation Monitoring and Reporting Plan and approved the Project on February 22, 2011;

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11. The Authority filed Notice of Determinations (NOD) with the San Bernardino County Clerk on February 22, 2011 and the Governor's Office of Planning and Research (OPR) on February 24, 2011 for the EIR;
12. The Authority prepared an Addendum to make minor changes to the Project, including eliminating the proposed recycled water pipeline in Hesperia, reducing the length of recycled water pipeline in Apple Valley, relocating the pipeline alignment and percolation ponds in both Apple Valley and Hesperia, and relocating the Hesperia Raw Sewage lift station;
13. The Authority filed a NOD for Addendum with the San Bernardino County Clerk on November 19, 2012 and OPR on November 21, 2012;
14. The United States Department of the Interior, Bureau of Reclamation (USBR) was the lead for National Environmental Policy Act and completed a "Finding of No Significant Impact" for the Project on September 27, 2011;
15. The USBR acted as the lead federal agency consulting with the State Historic Preservation Officer (SHPO) under the National Historic Preservation Act (NHPA). The State Water Board contacted the SHPO in a December 7, 2012 letter identifying the USBR as the federal lead and the State Water Board as a consulting party, and concurring with the USBR's no effect finding. On March 26, 2013, the USBR sent a letter to SHPO revising the area of potential effect. On October 2, 2013, the SHPO concurred with the USBR's determination that the Project will have "No Adverse Effects to Historic Properties" with the condition that all ground disturbing activities be monitored by a qualified archeologist;
16. The Authority's environmental documents provided an adequate disclosure of the environmental relationships of all water quality aspects of the Project. Mitigation measures have been incorporated to the project design features or implementation to reduce any potentially significant environmental impacts. The Project will not result in any significant adverse water quality impacts;
17. The Authority does not meet the definition of an urban water supplier as defined in Section 10617 of the WC; therefore, the Authority is not required to prepare and submit an Urban Water Management Plan to the Department of Water Resources;
18. WC section 10631.5 does not apply to the Authority. The Authority is eligible to receive water management grant funds;
19. WC section 529.5 requires an urban water supplier that applies for financial assistance from the State for a wastewater treatment project, drinking water treatment project, or water use efficiency project, or a permit for a new or expanded water supply, to compliance with water metering requirements of Division 1, Chapter 8, Article 3.5 of the WC;
20. On May 17, 2012, the Authority certified that it is not an urban water supplier, as that term is understood pursuant to the provisions of section 529.5 of the WC; and
21. Eligibility for State Water Board funding is conditioned on compliance with WC section 5103(e)(1), if applicable. The Authority is not required to file a Statement of Diversion and Use pursuant to WC section 5101.

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THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Adds the Project to the WRFPL CPL; and
2. Approve \$4,000,000 WRFPL construction grant funding for the proposed Project; and
3. Conditions this approval by withdrawing the Resolution if the Authority does not sign the grant agreement by February 5, 2014. Division staff has the discretion to approve up to a 90-day extension for good cause.

## 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 August 5, 2014.

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Jeanine Townsend  
Clerk to the Board