

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2015-0017**

AUTHORIZING THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE (DIVISION) TO PROVIDE CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM FINANCING FOR THE SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT (REGIONAL SAN) FOR THE ECHO WATER PROJECT (PROJECT), CWSRF PROJECT NOS. C-06-8025-110, C-06-8025-120, C-06-8025-130, C-06-8025-140, C-06-8025-150, C-06-8025-160, C-06-8025-170 and C06-8025-180

WHEREAS:

1. The State Water Resources Control Board's (State Water Board) Division implements the CWSRF Program pursuant to the "Policy for Implementing the Clean Water State Revolving Fund" (Policy), last amended by the State Water Board on February 17, 2015;
2. Regional San submitted a complete CWSRF application requesting financing for the Project;
3. The Project is listed on the CWSRF Project List;
4. The Policy authorizes the Deputy Director of the Division to execute a financing agreement for routine and non-controversial projects;
5. The Project is considered non-routine because Regional San is requesting an interest rate cap for all financing agreements related to the Project, and requesting that the CWSRF use Regional San's additional debt test established in its Master Installment Purchase Contract (Master Contract) instead of the Policy's additional debt test;
6. Regional San is the lead agency under the California Environmental Quality Act (CEQA), and Regional San has complied with CEQA and CEQA Guidelines by preparing an Environmental Impact Report (EIR) for the Project, which was circulated through the State Clearinghouse (SCH)(SCH No. 2012052017) for review and comments;
7. Adequate public participation was provided through the CEQA process; the EIR was distributed to the public and circulated through the SCH from March 4, 2014 through May 9, 2014;
8. Regional San certified the EIR and adopted findings of fact, a Mitigation Monitoring and Reporting Program, and a Statement of Overriding Consideration, and approved the Project on September 24, 2014;
9. State Water Board finds that the Project will result in temporary significant unavoidable adverse impacts to air quality. he State Water Board finds that the impacts are an acceptable consequence of the Project because of the benefits it will provide and no feasible mitigation measures or alternatives have been identified to reduce the Project's significant unavoidable impacts, and finds that the following economic, social, technological, and environmental benefits of the Project outweigh the significant unavoidable adverse impacts:

- a. The Project will substantially reduce ammonia from effluent discharged by the Sacramento Regional Wastewater Treatment Plant (Facility) to the Sacramento/San Joaquin/Bay Delta (Delta);
 - b. The Project will treat an estimated 97 percent of the wastewater (on an annualized basis) through tertiary filters prior to disinfection, and will treat all wastewater through the tertiary filters prior to disinfection during the dry season (during high recreational use of the Sacramento River);
 - c. The Facility will be able to comply with the effluent limitations and other requirements identified in the National Pollutant Discharge Elimination System (NPDES) permit; and
 - d. The Project will improve the Facility's ability to meet potential future regulations and permitting requirements.
10. State Water Board finds that the Project will also result in significant unavoidable adverse impacts to traffic and transportation. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the State Water Board. Regional San has determined that these impacts are an acceptable consequence of the Project because of the benefits it will provide and no feasible mitigation measures or alternatives have been identified to reduce the Project's significant unavoidable adverse impacts, and finds that the following economic, social, technological, and environmental benefits of the Project outweigh the significant unavoidable adverse impacts:
- a. The Project will substantially reduce ammonia from effluent discharged by the Facility to the Delta;
 - b. The Project will treat an estimated 97 percent of the wastewater (on an annualized basis) through tertiary filters prior to disinfection, and will treat all wastewater through the tertiary filters prior to disinfection during the dry season (during high recreational use of the Sacramento River);
 - c. The Facility will be able to comply with the effluent limitations and other requirements identified in the NPDES permit;
 - d. The Project uses sustainable, cost effective technology and efficient processes thereby protecting ratepayers' interest; and
 - e. The Project will improve the Facility's ability to meet potential future regulations and permitting requirements.
11. Regional San filed Notices of Determination with the Sacramento County Clerk and the Governor's Office of Planning and Research on September 25, 2014;
12. On July 18, 2014, the United States Environmental Protection Agency (U.S. EPA) initiated formal consultation with the United States Department of the Interior, Fish and Wildlife Service (USFWS). On December 23, 2014, the USFWS issued a Biological Opinion (BO), determining that the Project is "not likely to adversely affect" the giant garter snake and "not likely to jeopardize" the continued existence of the valley elderberry long-horned beetle (*Desmocerus californicus dimorphus*) and the vernal pool fairy shrimp (*Branchinecta lynchi*) provided that Regional San implements all "Reasonable and Prudent Measures," "Terms and Conditions," and "Report Requirements" identified in the USFWS's December 23, 2014 BO;

13. On July 11, 2014, the State Water Board initiated consultation under Section 106 of the National Historic Preservation Act with the State Historic Preservation Officer (SHPO). On December 5, 2014, SHPO concurred with the State Water Board's determination of "no historic properties affected" by the Project;
14. Regional San's environmental documents provided an adequate disclosure of the environmental relationships of all water quality aspects of the Project. Mitigation measures have been incorporated into the Project's design or implementation to reduce any potentially significant environmental impacts. The Project will not result in any significant adverse water quality impacts; and
15. The Division has completed a review of Regional San's CWSRF financing application, determined that the Project meets the Technical, Financial and Environmental requirements of the CWSRF, and is eligible to receive financing.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Authorizes the Deputy Director of the Division to enter into associated financing agreements for each of the fiscally discrete but technically interrelated and interdependent phases of the Project in a maximum cumulative principal amount of \$1,576,978,261;
2. Directs the Deputy Director to apply to each associated financing agreement the interest rate otherwise in effect at the date of preparation of that associated financing agreement not to exceed 2.3 percent;
3. Directs the Deputy Director to apply to each of the associated financing agreements the additional debt test established in Regional San's Master Contract rather than the additional debt test currently established in the CWSRF Policy;
4. Conditions this approval with the following general conditions:
 - a. Regional San shall submit updated draw estimates quarterly until all funds are drawn so the Division can establish cash flow projections for the Project.
 - b. Regional San must request any acceleration of cash disbursements relative to any previously submitted cash draw estimates for its financing agreements at least 90 days in advance of such accelerated disbursement requests, and all requests for acceleration must be approved by the Division.
 - c. The State Water Board reserves the right to add new or modify existing conditions to this commitment in the future for financing agreements not yet executed, as required by state or federal law or agreements.
 - d. Repayment of an associated financing agreement begins one year after completion of construction of each phase as established in the associated financing agreement for each phase of construction.

5. Condition this approval, as determined by the environmental review, such that the following documents are incorporated by reference and that Regional San shall comply with the terms and conditions identified therein:
 - a. The September 24, 2014 Mitigation Monitoring and Reporting Program, including but not limited to the following mitigation measures: 4.3-1 for air quality, 4.4-1 for climate change, 4.5-1 through 4.5-2 for cultural resources, 4.7-1 and 4.7-2 for hydrology/water quality, 4.8-1 for aquatic biological resources, 4.9-2 for wetlands and waters of the United States, and 4.9-3 through 4.9-9 for terrestrial biological species;
 - b. The letter dated December 5, 2014, from Carol Roland-Nawi of the Office of Historic Preservation, Department of Parks and Recreation to Cedric Irving of the State Water Board regarding Section 106 of the National Historic Preservation Act consultation for the Project;
 - c. The letter dated December 23, 2014, from Michael Chotkowski of the USFWS to Douglas E. Eberhardt of the U.S. EPA regarding formal Section 7 of the federal Endangered Species Act consultation for the Project;
 - d. The Clean Water Act Section 404 Permit (SPK-2012-00544) from the United States Army Corps of Engineers to the Regional San regarding the Project; and
 - e. The Clean Water Act 401 Certification (WDID#5B34CR00064) from the Sacramento Central Valley Regional Water Quality Control Board to the Regional San regarding the Project.
6. Require that, in any case where the environmental analysis document was completed more than five years before the date an associated financing agreement is executed, Regional San must reevaluate the environmental analysis document and issue a public notice explaining its reevaluation;
7. Condition this approval, as determined by the credit review, with the following conditions.
 - a. Regional San shall secure its obligations to the State Water Board under the financing agreements by a pledge of Net Revenues under the Master Contract dated June 1, 2000, as amended, as Parity Obligations.
 - b. Regional San shall covenant to establish rates, fees, and charges for Sanitation Service in amounts sufficient to generate Net Revenues in amounts required under the Master Contract, which amounts are required under the Master Contract to equal at least 1.20 times the total adjusted annual debt service on all Parity Obligations, including the financing agreements with the State Water Board.
 - c. Regional San shall establish a separate reserve fund equal to one year's debt service on all associated financing agreements by completion of construction. The separate reserve fund shall be maintained for the full term of the financing agreements.
 - d. The Division shall not execute an associated financing agreement for any future phase of the Project until it has determined that Regional San's rates are estimated to be sufficient to meet the coverage requirements of the Master Contract for all funds disbursed to that point, and may withhold disbursement on any executed financing agreement until the service rates are estimated to be sufficient to meet the coverage requirements of the Master Contract.

- e. Future Project phases must satisfy applicable tax-exempt financing rules.

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 April 7, 2015.

AYE: Chair Felicia Marcus
Vice Chair Frances Spivy-Weber
Board Member Tam M. Doduc
Board Member Steven Moore
Board Member Dorene D'Adamo

NAY: None

ABSENT: None

ABSTAIN: None



Jeanine Townsend
Clerk to the Board