

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. 2017-0026**

APPROVING FINANCING FOR FOUR PROJECTS AND MODIFYING CLEAN WATER STATE  
REVOLVING FUND (CWSRF) TERMS FOR THE PUBLIC UTILITIES COMMISSION OF THE  
CITY AND COUNTY OF SAN FRANCISCO (PUC)

WHEREAS:

1. The PUC is a department of the City and County of San Francisco that provides water, wastewater, and energy services to approximately 2.6 million people with an annual operating budget of over \$1 billion;
2. The PUC has submitted four complete CWSRF applications for Project Nos. (i) 8088-110 SEP 521/522 and Disinfection Upgrades, (ii) 8111-110 Westside Recycled Water Project, (iii) 8129-110 North Point Facility Outfall Rehabilitation, and (iv) 8132-110 SEP Primary/Secondary Clarifier Upgrades;
3. The PUC currently has outstanding municipal debt secured by its water and wastewater enterprises, and has requested that the State Water Resources Control Board (State Water Board) model its terms and conditions for the CWSRF financing agreements on the applicable terms in its existing indentures relating to coverage and additional debt, including the definition of “revenues” and “operations and maintenance;”
4. The PUC has a proven track record of successfully financing large capital programs with revenue bonds and other forms of indebtedness, including prior use of the CWSRF, and is obligated by the San Francisco Charter Code to annually adopt a rolling 5-year forecast of rates, maintain a 10-year Long-Term Capital Improvement Program and Long-Range Financial Plan, and maintain its financial condition and bond ratings at or above levels equivalent to highly rated utilities;
5. The PUC has requested that eligibility for reimbursement of construction costs be established as of August 1, 2016 due to the length of discussions between the PUC and the Division of Financial Assistance (DFA) regarding loan terms;
6. The CWSRF and Water Recycling Funding Program have sufficient loan and grant funds to fulfill the PUC financing request;
7. Project No. 8088-110 (State Clearinghouse (SCH) No. 2015128275), Project No. 8129-110 (SCH No. 2015128093) and Project No. 8132-110 (SCH No. 2015128195) qualify for Categorical Exemption per California Environmental Quality Act (CEQA) Guidelines, California Code Regulations, Title 14, Chapter 3, Article 19, Section 15301, Class 1 for repair or replacement of existing facilities with no expansion of existing use, and determined that Project No. 8088-110 also qualifies for exemption under Section 15303, Class 3 of the CEQA Guidelines for new construction or conversion of small structures (approximately 1,600 square feet);
8. Project Nos. 8088-110, 8129-110 and 8132-110 will not result in any significant water quality impacts;

9. The San Francisco City and County Planning Department (Department) is the lead agency under CEQA for Project No. 8111-110;
10. The Department prepared an Environmental Impact Report (EIR) for Project No. 8111-110 and circulated it through the SCH (No. 2008052133) from March 18, 2015 through May 1, 2015 for public review and comments, and the Department certified the EIR and adopted a Mitigation Monitoring and Reporting Program (MMRP) and a statement of overriding considerations, and adopted the Project on September 3, 2015;
11. On September 8, 2015, the PUC adopted the CEQA findings, including a statement of overriding considerations, adopted the MMRP, and approved Project No. 8111-110;
12. The Department filed a Notice of Determination (NOD) for Project No. 8111-110 with the San Francisco County Clerk (County Clerk) on October 5, 2015 and the OPR on October 6, 2015;
13. The State Water Board is a responsible agency under CEQA, and a responsible agency complies with CEQA by considering the EIR prepared by the lead agency and by reaching its own conclusions on whether and how to approve the project involved;
14. The State Water Board has independently considered the EIR, and makes the following findings regarding Project No. 8111-110:
  - a. The EIR identified potentially significant environmental effects related to cultural resources, air quality, biological resources, and indirect growth impacts within the PUC's service area.
  - b. As to the effects on cultural resources, air quality, and biological resources, the State Water Board finds that changes or alterations have been required in, or incorporated into, Project No. 8111-110 which avoid or substantially reduce to less than significant environmental effects as identified in the final EIR. The EIR includes mitigation measures CP-2, CP-4, CP-5 and C-CP for cultural resources, AQ-2 for air quality, BI-1 and C-BI-1 for biological resources to mitigate impacts from the above listed resources to a less than significant level.
  - c. As to the effects of indirect growth within the PUC's service area, specific economic, legal, social, technological, or other considerations make infeasible mitigation measures for the alternatives identified in the final EIR; and
  - d. Project No. 8111-110 will (a) expand and diversify the PUC's water supply to increase system reliability, (b) increase the use of local water supply sources, (c) reduce dependence on imported surface water, and (d) enable the implementation of the second phase of the PUC's San Francisco Groundwater Supply project, which will provide between 1.0 and 1.3 million gallons per day of potable groundwater supply. These factors constitute overriding considerations that outweigh the significant and unavoidable adverse environmental effects of inducing indirect growth within the PUC service area.
15. The EIR also identified potentially significant environmental effects of Project No. 8111-110 related to paleontological resources. The EIR includes mitigation measures to mitigate impacts from above listed resources to a less-than-significant level. Such changes or alterations are within the responsibility and jurisdiction of another public agency and not within the jurisdiction of the State Water Board. Such changes have been adopted by the relevant agency or can and should be adopted by such other agency;

16. Because of the mitigation measures identified herein, Project No. 8111-10 will not result in any significant adverse water quality impacts; and
17. Adequate public participation was provided through the CEQA review process for Project Nos. 8088-110, 8129-110, 8132-110, and 8111-110.

THEREFORE BE IT RESOLVED THAT:

1. The State Water Board authorizes the Deputy Director of the DFA to execute financing agreements for the Projects in an amount not to exceed \$272 million dollars. This amount includes any eligibility for reduced interest rate and grant financing for Project No. 8111-110 as determined in accordance with the existing authority in the State Water Board's *Water Recycling Funding Program Guidelines* and Resolutions Nos. [2014-0015](#) and [2016-0008](#);
2. The Deputy Director of the DFA may, at her discretion, conform the coverage and additional debt terms in CWSRF financing agreements for the Projects to those found in the PUC's existing indentures, provided that the PUC is required to (i) provide notice, within 30 days, whenever net revenues, calculated on a current-year basis, are anticipated to fall below 1.1 times debt service in any year, and (ii) within 60 days after such notice, prepare a document detailing the PUC's ability to meet all upcoming operations and maintenance expenses and debt service payments for the next three years, and any corrective actions the PUC intends to take to ensure fiscal sustainability, including if necessary, raising rates and charges;
3. Eligible construction costs incurred for the Projects after August 1, 2016 shall be reimbursable under the financing agreements; and
4. Approve financing for the Projects with the environmental conditions in the following documents:
  - a. The National Marine Fisheries Service (NMFS) letter, dated September 23, 2015 for Project No. 8129-110, from Mr. William W. Stelle, Jr. to Lieutenant Colonel John C. Morrow, United States Army Corps of Engineers (USACE), regarding compliance with the Endangered Species Act (ESA) Section 7(a)(2) and the Magnuson-Stevens Fishery Conservation and Management Act (MSA); (NMFS No.: WCR-2015-3365).
  - b. Biological Resources Evaluation for Terrestrial Wildlife Species, Project No. 8129-110, prepared by Coast Ridge Ecology, July 2015.
  - c. The Office of Historic Preservation (OHP) letter, dated September 18, 2015 for Project No. 8129-110, from Ms. Julianne Polanco to the DFA's Cultural Resources Officer (CRO), Mr. Gary Scholze, regarding compliance with Section 106 of the Historic Preservation Act; (EPA\_2015\_0811\_001).
  - d. The USACE letter, dated July 16, 2015 for Project No. 8129-110, from Mr. Robert J. Lawrence to Mr. Kirit Bavishi at the PUC; (DMMO Serial Number: 15-051).
  - e. The adopted October 5, 2015, MMRP for Project No. 8111-110.
  - f. The United States Fish and Wildlife Service letter, dated June 3, 2016 for Project No. 8111-110, from Mr. Ryan Olah to Ms. Susan Stewart, DFA Environmental Scientist, regarding ESA Informal Consultation.

- g. The OHP letter, dated December 12, 2016 for Project No. 8111-110, from Ms. Julianne Polanco to Mr. Ahmad Kashkoli, DFA Senior Environmental Scientist, regarding Request for Concurrence on Adequacy of Archaeological Resources Management Plan and Determination of "No Historic Properties Affected" Under Section 106 of the National Historic Preservation Act; (EPA\_2016\_0201\_001).

**CERTIFICATION**

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on May 2, 2017.

AYE: Chair Felicia Marcus  
Vice Chair Steven Moore  
Board Member Dorene D'Adamo  
Board Member Joaquin Esquivel

NAY: None

ABSENT: Board Member Tam M. Doduc

ABSTAIN: None

  
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Jeanine Townsend  
Clerk to the Board