

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
SEPTEMBER 16, 2008**

**ITEM 7**

**SUBJECT**

CONSIDERATION OF A RESOLUTION REQUESTING AN ADDITION TO THE 2005 WATER RECYCLING FUNDING PROGRAM (WRFP) COMPETITIVE PROJECT LIST (CPL) AND APPROVING A PRELIMINARY FUNDING COMMITMENT (PFC) FOR THE UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT (DISTRICT) PIPELINE AND PUMP STATION PROJECT PHASE IIB (PROJECT)

**DISCUSSION**

On March 7, 2000, the voters approved the Costa-Machado Water Act of 2000, designated as Proposition 13 on the ballot (Wat. Code, § 79000 et seq.) (2000 Bond Law). The 2000 Bond Law allocated \$40 million for the Water Recycling Subaccount (Subaccount) to provide loans and grants for the planning, design, or construction of water recycling projects, and for water recycling research and demonstration projects. Fifty percent of the funds in the Subaccount are allocated for design and construction grants and fifty percent of the funds are for construction loans and planning grants. (Wat. Code, § 79140.) All loan repayments are deposited in the Subaccount and allocated accordingly. (Wat. Code, § 79142.6.)

In accordance with the State Water Resources Control Board (State Water Board) WRFP Guidelines, adopted October 21, 2004, and amended July 15, 2008, the State Water Board may approve a PFC after issuance of a project's Facilities Plan Approval (FPA). On July 11, 2008, the Assistant Deputy Director of the Division of Financial Assistance (Division) issued the FPA for the District's Project. The District concurred with the FPA on July 18, 2008.

Division staff has found that the District's Project is consistent with the policies, regulations, and agreements the State Water Board has adopted governing the WRFP program. Based on the review of the Facilities Planning Report and other documents submitted by the District, the Division has determined that the proposed Project will positively augment the state water supply.

In accordance with the WRFP Guidelines, projects must be in a fundable category on the WRFP CPL, adopted on January 20, 2005 ([Resolution No. 2005-0002](#)). The District's Project is not listed on the current WRFP CPL. Division staff has determined that the Project meets the WRFP funding requirements and will benefit the state's water supply. Therefore, Division staff recommends the State Water Board add the District's Project to the WRFP CPL.

The District is seeking WRFP funding from the State Water Board to expand their current water recycling program. The proposed Project is located within the cities of Walnut, West Covina, and an unincorporated east-central area of Los Angeles County. The District will utilize an existing 36-inch pipeline, built by the City of Industry (City), for recycled water conveyance from the Los Angeles Sanitation District's San Jose Creek Water Reclamation Plant to the initial connection point of the Phase IIB service area. The District and the City have a draft agreement in place for the District to purchase capacity in the existing pipeline, pump station, and reservoir

owned by the City, for the conveyance of recycled water to the Phase IIB service area. From the initial connection point, the District will construct an additional recycled water distribution system to the recycled water users within the Phase IIB service area.

The objective of the proposed Project is to expand the use of recycled water. The Project will provide recycled water to customers in the South El Monte and West Covina area. The proposed Project will serve 29 recycled water users with a total recycled water demand of approximately 3,700 acre-feet per year.

The proposed Project includes four (4) separate construction sub phases as follows:

- Sub Phase 1 consists of the construction of 2.6 miles of new 36-inch and 24-inch pipelines and a new two million gallon reservoir for pressure Zone 730. Sub Phase 1 target date for completion is August 24, 2009.
- Sub Phase 2 consists of the construction of 2.3 miles of new 16-inch pipelines to be served by the pressure zone 730 reservoir. Sub Phase 2 target date for completion is March 22, 2010.
- Sub Phase 3 consists of the construction of 2.5 miles of new 16-inch and 8-inch pipelines and a pressure reducing station for the 8-inch pipeline. This phase also includes the construction of a new one million gallon reservoir for pressure zone 900 and zone 900 pumping station. Sub Phase 3 target date for completion is December 6, 2010.
- Sub Phase 4 consists of the construction of 5 miles of new 12-inch, 8-inch, and 6-inch pipelines. Sub Phase 4 target date for completion is June 15, 2011.

Pursuant to the California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.) (CEQA), the District prepared an Initial Study/Mitigated Negative Declaration (IS/MND), which was distributed for public comment and circulated through the State Clearinghouse (SCH No. 2007071029) from July 9, 2007, through August 7, 2007. The District received six comment letters during the review period. The District responded to these comments and made the applicable changes to the IS/MND. It adopted the IS/MND and Mitigation Monitoring and Reporting Plan and approved the Project on September 4, 2007. The District filed a Notice of Determination with the Governor's Office of Planning and Research September 7, 2007, and with the Los Angeles County Clerk on December 12, 2007. State Water Board staff has reviewed and considered the applicable environmental documents and determined that the Project will not result in any significant adverse water quality impacts.

On October 23, 2007, State Water Board staff distributed the IS/MND to the following federally designated agencies: U.S. Environmental Protection Agency- Region 9 (U.S. EPA); U.S. Army Corps of Engineers; the Federal Emergency Management Agency; and U.S. Department of Agriculture, Natural Resources Conservation Service. The federal review period ended on November 28, 2007. No comments were received.

On October 23, 2007, State Water Board staff sent to the U.S. Fish and Wildlife Service (USFWS) a letter requesting written concurrence that the proposed Project is "not likely to adversely affect" federally-listed species. On January 2, 2008, USFWS concurred with the State Water Board findings. USFWS identified additional conservation measures to be implemented by the District to ensure that the Project will not affect the coastal California gnatcatcher, a federally threatened species. Implementation of the proposed conservation measures will be made a condition of the grant agreement.

The State Water Board's Cultural Resources Officer 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 on February 19, 2008. Concurrence was granted on March 6, 2008. No special conditions are proposed.

State Water Board staff compared the applicant's information to published air quality standards to determine whether a conformity determination is required. No conformity determination is necessary. Additionally, staff submitted its analysis to U.S. EPA for review and comment. No comments were received from U.S. EPA on the staff analysis of air quality impacts.

The estimated total cost of the Project is \$27,539,000. The eligible construction cost is \$20,539,000 based on capacity allocated for recycled water deliveries. In accordance with the WRFPP Guidelines, twenty-five percent of the eligible construction cost, plus a fifteen percent allowance for design, legal, construction management, and engineering costs, may be funded with a WRFPP grant, up to \$5 million per project. As a result, the maximum grant amount shall be \$5 million which includes construction costs and allowance.

## **POLICY ISSUE**

Should the State Water Board:

1. Add the District's Project to the WRFPP CPL?
2. Approve a WRFPP PFC of \$5 million for the District's Project?
3. In accordance with Section III.F of the Guidelines, condition this approval by withdrawing the WRFPP PFC if the City does not sign the grant agreement by June 17, 2009? Should the Division staff have the discretion to approve up to a 90-day extension for good cause?

## **FISCAL IMPACT**

A total \$40 million was initially made available in the 2000 Bond Law Water Recycling Subaccount for grant and loan funding. The State Water Board's previous commitments, combined with previous loan repayments, leave a balance of approximately \$5.4 million available for construction grants. A balance of \$4,415,011 remains in the Fiscal Year (FY) 2006/2007 construction grant appropriation. This Project will be funded with \$4,415,011 from the FY 2006/2007 appropriation. After approval of this item, a balance of \$0 will remain in the FY 2006/2007 appropriation. A balance of \$1,036,000 remains in the FY 2007/2008 appropriation. The remaining \$584,989 will be funded from the FY 2007/2008 appropriation. After approval of this item, a balance of \$451,011 will remain in the FY 2007/2008 appropriation.

## **REGIONAL WATER BOARD IMPACT**

The Los Angeles Regional Water Quality Control Board (Los Angeles Water Board) has issued Waste Discharge Requirements (WDRs) for the use and discharge of recycled water within the District's service area. The proposed Project will ensure continued compliance with the WDRs. The distribution and use of recycled water will be permitted under the Los Angeles Water Board's Order No. R4-2004-0097.

## **STAFF RECOMMENDATION**

The State Water Board should:

1. Add the District's Project to the WRFPL CPL;
2. Approve a WRFPL PFC of \$5 million for the District's Project; and,
3. Condition that the PFC will be withdrawn if the District does not sign the grant agreement by June 17, 2009. The Division staff may approve up to a 90-day extension for good cause without further action by the Board.

# DRAFT

## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2008-

AUTHORIZING AN ADDITION TO THE 2005 WATER RECYCLING FUNDING PROGRAM (WRFPP) COMPETITIVE PROJECT LIST (CPL) AND APPROVING A PRELIMINARY FUNDING COMMITMENT (PFC) FOR THE UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT (DISTRICT) PIPELINE AND PUMP STATION PROJECT PHASE IIB (PROJECT)

### WHEREAS:

1. On March 7, 2000, the voters approved the Costa-Machado Water Act of 2000, designated as Proposition 13 on the ballot (Wat. Code, § 79000 et seq.) (2000 Bond Law), and provided authorization for the State Water Resources Control Board (State Water Board) to issue grants for the planning, design, or construction of water recycling projects;
2. The Legislature has appropriated funds from the 2000 Bond Law's Water Recycling Subaccount for water recycling construction grants;
3. The State Water Board, on October 21, 2004, adopted the WRFPP Guidelines which were last amended on July 15, 2008;
4. The Division of Financial Assistance (Division) issued the Facilities Plan Approval (FPA) for the District's Project on July 11, 2008. The District concurred with the FPA on July 18, 2008;
5. This Project is a routine, non-controversial project and is consistent with the policies, regulations, and agreements the State Water Board has adopted for implementation of the WRFPP;
6. The District prepared and adopted an Initial Study/Mitigated Negative Declaration and Addendum for its proposed Project;
7. The District approved the Project on September 4, 2007, and filed a Notice of Determination with the Governor's Office of Planning and Research on September 7, 2007 and with the Los Angeles County clerk on December 12, 2007;
8. State Water Board staff has reviewed and considered these environmental documents and determined that the Project will not have any significant adverse water quality impacts;
9. The U.S. Fish and Wildlife Service (USFWS) proposed conservation measures for the coastal California gnatcatcher, a federally threatened species. USFWS provided concurrence based on the District implementing these measures. Implementation of the proposed conservation measures will be made a condition of the grant agreement;
10. The State Water Board adopted a Competitive Project List (CPL) on January 20, 2005. The Project is not listed on the current CPL;

# **D R A F T**

11. In accordance with the Guidelines, projects not on the adopted CPL may be presented to the State Water Board for inclusion on the current adopted CPL to become eligible for WRFP grant funding; and
12. The District is an Urban Water Supplier and has submitted a copy of the Urban Water Management Plan for its service area, to the Department of Water Resources in accordance with Water Code section 10644.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Adds the District's Project to the WRFP CPL;
2. Approves a WRFP PFC of \$5 million for the District's Project; and,
3. Authorizes the withdrawal of the PFC if the District does not sign the grant agreement by June 17, 2009. The Division staff may approve up to a 90-day extension for good cause without further action by this Board.

## **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 September 16, 2008.

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Jeanine Townsend  
Clerk to the Board