

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION –DIVISION OF FINANCIAL ASSISTANCE
APRIL 4, 2017**

ITEM 2

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION TO AUTHORIZE THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE (DIVISION) TO PROVIDE FUNDING TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES (DWR) TO IMPLEMENT THE CONSTRUCTION OF THE EAST PORTERVILLE EMERGENCY WATER SUPPLY PROJECT, PHASE 2 (PROJECT), IN THE AMOUNT NOT TO EXCEED \$35 MILLION

DISCUSSION

East Porterville, an unincorporated community in Tulare County (County), does not have access to an adequate drinking water supply. East Porterville is located on the eastern side of the San Joaquin Valley at the base of the Sierra Nevada Mountains and at the eastern edge of the Tulare Lake Groundwater Basin.

There are approximately 1,800 homes in East Porterville and Vandalia that rely on private domestic wells. Many of these wells are shallow with depth varying from 20 feet to 100 feet below ground surface. Due to the severe drought condition in California, many of these wells have gone dry or otherwise left residents without adequate water since 2014. The County, the DWR, and the State Water Resources Control Board (State Water Board) have been providing assistance to these residents affected by the drought through household tank and bottled water programs. These programs are temporary, expensive, and are not sustainable.

In 2015, the County sought assistance from the DWR, the State Water Board and the United State Department of Agriculture Rural Development (USDA) to drill a well on one of the County's lands to provide drinking water to the affected residents in East Porterville. Grant funding from the DWR was utilized to drill the well; and grant funding from the State Water Board and the USDA were utilized to equip the well and connect to the City of Porterville's (City) water system. This well is known as Well C-1. The construction of Well C-1 completed in late 2015, and the equipping of the well completed and was on-line end of February 2017.

In January 2016, the DWR's emergency response team, under the direction of the Governor's Office, took the lead role in connecting homes that have dry well to the City's water system. The DWR conducted a feasibility study to evaluate the long-term cost-effective drinking water solutions for East Porterville. The draft feasibility study concluded in May 2016 with the following evaluated alternatives:

- Consolidation with the City
- Expanding services of the existing Porter Vista Public Utility District
- Consolidate with private for-profit water company
- Forming a private non-profit water company

In June 2016, a public meeting was held in Porterville to provide details of the feasibility study for the residents to make an informed decision on a long-term sustainable drinking water supply for the community. As the result, consolidation with the City was widely accepted by the community as well as state and local government agencies, and non-profit organizations.

Due to the urgency of the Project, the Project is being implemented in two phases. Phase 1 and 2 planning was funded by the State Water Board with \$5 million in Proposition 1 grant funding provided to the DWR. Phase 1 construction was funded and implemented by the DWR to connect homes that have dry wells and are on the household tank program. Phase 1 construction started in September 2016 and anticipated to be completed by March 2017. It is anticipated that 330 homes will be connected to the City's water system by the end of Phase 1. Phase 2 of the Project is to connect the remaining 770 eligible homes to the City's water system. The construction of Phase 2 will be implemented by the DWR and funded by the State Water Board in the form of a Proposition 1 grant and a principal forgiveness loan from the Drinking Water State Revolving Fund (DWSRF). The infrastructure will be turned over to the City once the construction is complete. Phase 2 is scheduled to be completed by June 2018.

Per the 2016-2017 Intended Use Plan (IUP), the Division's Deputy Director can approve funding of no more than \$20 million in grant or principal forgiveness for construction projects. The current total project cost estimate for Phase 2 is \$33.3 million.

ENVIRONMENTAL IMPACT

State Water Board staff conducted a National Environmental Policy Act-like environmental review of the environmental documents, and determined that the Project will not result in any potential significant adverse water quality impacts.

The DWR prepared and filed a Notice of Exemption (NOE) on February 1, 2017 with the Governor's Office of Planning and Research (OPR), State Clearinghouse (SCH 2017028014). The exemptions listed on the NOE were (1) "Declared Emergency" under the Proclamation of a State of Emergency Due to Drought, Executive Orders B-26-14, B-28-14, B-29-15, and B-36-15 and (2) "Emergency Project" (Pub. Resources Code, § 21080, subd. (b)(4); Cal. Code Regs. § 15269, subd. (c)).

Incident to providing DWSRF funding, Division staff reviewed the biological document submitted by the DWR related to compliance with Section 7 of the Endangered Species Act (ESA), and sought concurrence from the United States Department of the Interior, Fish and Wildlife Service (USFWS). Additionally, Division staff reviewed cultural resources document developed by DWR to comply with the National Historic Preservation Act (NHPA), Section 106, and sought concurrence from the State Historic Preservation Office (SHPO). Staff intends to include in the financing agreement any conditions deemed appropriate that arise out of consultations with SHPO and USFWS.

Division staff will file a NOE for the Project with the OPR following funding approval.

FISCAL IMPACT

The DWR is a state agency; therefore, fiscal impact was not evaluated.

REGIONAL BOARD IMPACT

None.

POLICY ISSUE

Should the State Water Board approve the resolution to:

1. Authorize the Deputy Director of the Division to execute a financing agreement with the DWR providing Proposition 1 grant and DWSRF principal forgiveness in an amount not to exceed \$35 million.
2. Authorize the Deputy Director of the Division to include any conditions deemed necessary and appropriate on such funding, so long as not inconsistent with the State Water Board's Policy for Implementing the DWSRF, including but not limited to such conditions as may be developed in consultation with SHPO and USFWS.

HUMAN RIGHT TO WATER ANALYSIS

Division staff have considered Section 106.3 of the Water Code (added by Assembly Bill 685 (Stats. 2012, ch. 524). This proposed action supports the Human Right to Water because it will assist disadvantaged communities with obtaining safe drinking water by reducing their financing costs and providing technical assistance needed to obtain financing for safe drinking water projects.

STAFF RECOMMENDATION

The State Water Board should adopt the proposed Resolution.

<p>State Water Board action on this item will assist the Water Boards in reaching Goal 6 of the Strategic Plan Update: 2008-2012 to enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.</p>
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STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2017-

AUTHORIZING THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE (DIVISION) TO PROVIDE FUNDING TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES (DWR) TO IMPLEMENT THE CONSTRUCTION OF THE EAST PORTERVILLE EMERGENCY WATER SUPPLY PROJECT, PHASE 2 (PROJECT), IN THE AMOUNT NOT TO EXCEED \$35 MILLION

WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the Policy for Implementing the Drinking Water State Revolving Fund (DWSRF) Program (Policy) on October 21, 2014;
2. Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014 allocated \$260 million for drinking water grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, to ensure affordable drinking water, or both. Priority shall be given to projects that provide shared solutions for multiple communities, at least one of which is a disadvantaged community that lacks safe, affordable drinking water and is served by a small community water system, state small water system, or private well;
3. On June 21, 2016, the State Water Board adopted the 2016-2017 DWSRF Intended Use Plan (IUP), which sets forth the plan for how funds will be used within State Fiscal Year 2016-2017 and refines the criteria set forth in the Policy for the coming year;
4. Proposition 1 Drinking Water funds are administered consistent with the IUP and the Policy to the extent allowed by federal regulations and state law;
5. The IUP authorizes the Deputy Director of the Division to provide grant or principal forgiveness financing of up to \$20 million for construction projects that provides regional benefit;
6. There are approximately 1,800 homes in East Porterville and Vandalia that rely on private domestic wells. Many of these wells are shallow and varying from 20 feet to 100 feet below ground surface. Due to the severe drought condition in California, many of these wells have gone dry or otherwise left residents without adequate water since 2014;
7. Approximately 1,100 homes are disadvantaged and eligible for waiver of connection costs;
8. The Tulare County (County), the DWR and the State Water Board have been providing assistance to the residents affected by the drought through household tank and bottled water programs. These programs are temporary, expensive, and are not sustainable;
9. Phase 1 construction was funded and implemented by the DWR to connect homes that have dry wells and are on the household tank program. It is anticipated that 330 homes will be connected to the City of Porterville's (City) water system by the end of Phase 1;

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10. The current cost estimate for Phase 2 construction is \$33.3 million; and
11. The construction of Phase 2 will be implemented by the DWR and funded by the State Water Board in the form of a grant from Proposition 1 and a principal forgiveness loan from the DWSRF to connect the remaining 770 eligible homes to the City's water system.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Authorizes the Deputy Director of the Division to execute a financing agreement providing funding to the DWR for the Project in a total amount not to exceed \$35 million, of which no more than \$20 million may be Proposition 1 grant funding and the remainder shall be provided as a DWSRF loan with all principal forgiven;
2. Authorizes the Deputy Director of the Division to include any conditions deemed necessary and appropriate on such funding, so long as not inconsistent with the State Water Board's Policy for Implementing the DWSRF, including but not limited to such conditions as may be developed in consultation with State Historical Preservation Office and United States Department of the Interior, Fish and Wildlife Service; and
3. Determines that this action is exempt from the California Environmental Quality Act as an emergency project under Public Resources Code section 21080, subdivision (b)(4), and California Code of Regulations section 15269, subdivision (c), and the Governor's Proclamation of a State of Emergency Due to Drought, Executive Orders B-26-14, B-28-14, B-29-15, and B-36-15. Division staff is directed to prepare and file an appropriate notice of exemption.

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 4, 2017.

Jeanine Townsend
Clerk to the Board