

**STATE OF CALIFORNIA  
CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD  
CENTRAL COAST REGION**

**STAFF REPORT FOR REGULAR MEETING OF MARCH 19, 2004**

Prepared on February 19, 2004

**ITEM: 21**

**SUBJECT: 2004-05 STATE REVOLVING FUND LOAN PROGRAM PRIORITY LIST**

**SUMMARY**

Annually, the State Water Resources Control Board (State Board) Division of Water Quality requests input from each of the Regional Boards regarding priorities for State Revolving Fund (SRF) projects. We received no new funding requests in response to the Executive Officer's Request for Projects (Attachment 1). The City of Lompoc, however, has submitted revised project information to increase requested funding.

In view of the current unavailability of funds in the State Revolving Fund (SRF) account, State Board has suspended processing new SRF funding applications (Attachment 2). Although new SRF fund commitments are not currently being processed, State Board is continuing to update the Priority List and document current funding needs. While we recommended that dischargers submit projects as a placeholder on the list, due to the uncertainty of fund availability and the involved funding process, we understand that some dischargers are seeking other funding sources.

**BACKGROUND**

The State Board administers the SRF program, which loans funds for projects designed to improve the quality of waters throughout California. The USEPA provided an initial grant to capitalize the SRF loan program. Borrowers repay the loans at interest rates below market rates, and the State Board again loans out the money for new projects, thus "revolving" the funds. Each year the SRF priority list is updated. The Fiscal Year 2004-2005 Priority List for the Central Coast Regional is included as Attachment 2.

SRF loans may be used to improve the quality of waters threatened by both point source and nonpoint source pollution. Historically, SRF funds have been used to address point-source pollution, such as discharges from municipal and industrial wastewater treatment plants. However, more loans are currently being made for projects dedicated to reducing non-point source and stormwater pollution.

Substantial flexibility is available to project applicants, subject to the requirement that the loan must be repaid without exception. Thus, loans are granted only to qualified applicants that have the ability to assess fees for loan repayment, such as municipal governments and sanitary districts.

**DISCUSSION**

The City of Lompoc submitted revised project information to increase their funding amount. The City's project is currently listed on the Project Priority Ranking Report with an allocation of \$4 million. To more accurately reflect projected costs for necessary improvements, the City requests that the dollar amount be increased to \$50 million.

**STATUS OF CURRENT PROJECTS ON PRIORITY LISTING**

Region 3 has four projects currently on the listing that have received funding commitments:

1. \$65.4 million to Los Osos (project no. 4014-11)
2. \$12.4 million to Pismo Beach (project no. 4793-11)

3. \$8.4 million to San Luis Obispo (project no. 4307-11)
4. \$9.0 million to The Nature Conservancy (project no. 6085-11)

In addition, the town of Davenport's collection system project (4329-11) has been completed and will be removed from the priority listing.

## **CONCLUSION**

State Board Staff will rank projects approved by this Regional Board, in accordance with the attached *Priority System for the State Revolving Fund Loan Program* (Attachment 3). At its June 2004 public meeting, the State Board will adopt a priority list, including projects recommended by this Board.

## **RECOMMENDATION**

Approve revision to the City of Lompoc's project listing (project no. 4829-11).

## **ATTACHMENTS**

1. January 15, 2004 letter from the Executive Officer to interested parties.
2. February 11, 2004 letter from State Board regarding Status of SRF Program
3. SFY 2004-05 SRF Priority Project Ranking Report
4. SRF Loan Program Priority System.

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