

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

STAFF REPORT FOR REGULAR MEETING OF MARCH 24-25, 2005

Prepared on February 24, 2005

ITEM: 28

SUBJECT: 2005-06 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 two new funding requests in response to the Executive Officer's Request for Projects (Attachment 1).

State Board isn't currently making new loan commitments but is continuing to update the Priority List to document current funding needs for consideration once the sale of leverage bonds is completed. The sale of leverage bonds is currently scheduled for May 2005 (Attachment 2).

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 2005 Priority List for the Central Coast Region is included as Attachment 3.

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 typically granted only to qualified applicants that have the ability to assess fees for loan repayment, such as municipal governments and sanitary districts.

DISCUSSION

The proposals received are summarized below:

City of San Luis Obispo's Water Reclamation Facility Improvements

The City of San Luis Obispo (City) submitted a project for improvements to its water reclamation facility. To comply with the California Toxic Rule and State Implementation Plan, and the Region's Basin Plan, the City is facing possible new treatment requirements. The City also has significant issues related to aging or failing process infrastructure and capacity expansion.

The City is working with Regional Board staff on discharge limits for trihalomethanes that may include a new disinfection process and nutrients removal that will require upgrades to the facility's solids handling process. To accommodate projected population buildout, the city proposes capacity increases from 5.1 to 5.6 mgd, which will require additional filtration, cooling, pumping and dissolved air flotation thickener capacity.

Project costs are estimated at \$35 million dollars for the improvements. The City's scheduled construction start date is September 2008.

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King City's Modification of Water Treatment Plant Facilities

The City of King City submitted a project for modifications to wastewater treatment plant pond facilities. The modifications include sludge removal and installation of surface aerators in two ponds. The City proposes removing accumulated sludge from two ponds (ponds 1A and 1B), disposal of sludge at the plant site or landfill, deepening the ponds to 10 feet, and installation of floating surface aerators (including electrical and control systems) to convert the ponds to facultative aerated lagoons.

The reason for the project is to prevent summer upsets and generation of odors at the existing treatment lagoons because of accumulated sludge.

Project costs are estimated at \$1.5 million dollars for the modifications. The City's construction schedule is such that they could begin work this year.

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 4). At their June 2005 public meeting, the State Board will adopt a priority list, including projects recommended by this Regional Board.

RECOMMENDATION

Adopt the Central Coast Region SRF list with the specific projects added as identified above.

ATTACHMENTS

1. January 26, 2005 letter from the Executive Officer to interested parties.
2. January 12, 2005 letter from State Board regarding Status of SRF Program
3. SFY 2005 SRF Priority Project Ranking Report
4. SRF Loan Program Priority System