

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. 2016-0020**

AUTHORIZING THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE  
TO PROVIDE DRINKING WATER STATE REVOLVING FUND (DWSRF) FINANCING FOR  
TWO CITY OF FRESNO PROJECTS AT A MAXIMUM REPAYMENT TERM OF 30 YEARS

WHEREAS:

1. Federal and state law authorize the State Water Resources Control Board (State Water Board) to provide 30 year DWSRF financing where the recipient system serves a disadvantaged community;
2. The State Water Board adopted the Policy for Implementing the Drinking Water State Revolving Fund Program (DWSRF Policy) on October 21, 2014;
3. On August 4, 2015, the State Water Board adopted the DWSRF Intended Use Plan (2015-16 IUP), which sets forth the plan for how funds will be used within the State Fiscal Year 2015-2016 and refines criteria set forth in the DWSRF Policy for the coming year;
4. The 2015-16 IUP authorizes the Deputy Director of the Division of Financial Assistance to provide 30 year DWSRF financing to small community water systems where the system serves a disadvantaged community with a population of no more than 10,000 people;
5. On March 12, 2015, the City of Fresno (City) began submitting applications to receive DWSRF financing for the following projects:
  - a. Friant-Kern Canal Pipeline (1010007-029C) – \$26,520,000
  - b. Kings River Pipeline (1010007-031C) – \$77,335,000
6. The City, which serves approximately 500,000 people, currently has a median household income of \$42,015, which is below the threshold to be considered a disadvantaged community;
7. On January 5, 2016, the City requested 30 year DWSRF financing;
8. Extending the term of repayment will allow the City to maintain affordable water rates;
9. The State Water Board has previously provided 30 year DWSRF financing to the City;
10. The Projects are listed on the Comprehensive List;
11. The City is the Lead Agency under the California Environmental Quality Act (CEQA) for the Friant-Kern Canal Pipeline project;
12. The City prepared a Mitigated Negative Declaration (MND) titled City of Fresno Raw Water Pipeline Project, which was circulated through the State Clearinghouse (No. 2011081073) for review and comment;

13. The City adopted the MND and Mitigation Monitoring and Reporting Program (MMRP) on June 14, 2012;
14. A Notice of Determination was filed with the Fresno County Clerk's office on June 19, 2012, and filed with the Office of Planning and Research, State Clearinghouse on June 19, 2015;
15. The City's MND includes mitigations to be incorporated into the Project to reduce the environmental impacts of the Project to less-than-significant levels;
16. The City is the Lead Agency under CEQA for the Kings River Pipeline project;
17. The City prepared an Environmental Impact Report (EIR), which was circulated through the State Clearinghouse (No. 2013091021) for review and comments;
18. The City certified and adopted the EIR, a MMRP, and Findings of Fact and Statement of Overriding Considerations on 6/19/14;
19. A Notice of Determination was filed with Fresno County Clerk's office on 6/24/14 and filed with the Office of Planning and Research, State Clearinghouse, on 6/25/14;
20. As a Responsible Agency under CEQA, the State Water Board complies with CEQA by considering the EIR or negative declaration prepared by a lead agency and by reaching its own conclusion on whether and how to approve the project involved. A Responsible Agency is responsible only for considering the effects of those activities involved in a project over which the responsible agency has jurisdiction.
21. The State Water Board has considered the IS/MND and EIR prepared for the Friant-Kern Canal Pipeline and Kings River Pipeline, respectively, and finds the following:
  - (a) Neither the IS/MND nor the EIR identify any potentially significant effects of the Kings River Pipeline project or the Friant-Kern Canal Pipeline project related to water quality or hydrology. Accordingly, any impacts to water quality or hydrology associated with these two projects will be less than significant.
22. The EIR did identify potentially significant environmental effects of the Kings River Pipeline Project related to biological resources, cultural resources, air quality, climate change, geology and soils, transportation and traffic, noise, public service and utilities, hazards and hazardous materials, and aesthetics. The EIR includes measures to mitigate impacts on above-listed resources to less-than-significant levels. 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 agency.
23. As to the effects of certain cumulative and construction activities, as well as the potential effects of the project on cultural resources, the City adopted findings of fact and a statement of overriding considerations, finding that the impacts are an acceptable consequence of the Project because the benefits it will provide, and no feasible mitigation measures or alternatives have been identified to reduce the project's significant unavoidable impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Authorizes the Deputy Director of the Division of Financial Assistance to execute DWSRF financing agreements with the City at a maximum repayment term of 30 years for the following projects:
  - a. Friant-Kern Canal Pipeline (1010007-029C)
  - b. Kings River Pipeline (1010007-031C)
2. Conditions this approval, as determined by the City's credit reviews, with the following:
  - a. The City shall pledge the net revenues of the Water Enterprise Fund, and the Water Enterprise Fund, for repayment of the proposed DWSRF financing agreement. This pledged revenue fund (source) shall be subject to lien and pledge as security for the Obligation.
  - b. The proposed DWSRF financing agreement shall be subordinate to the Water System Revenue Refunding Bonds 2003A.
  - c. The proposed DWSRF financing agreement shall be on parity with the Water System Revenue Bond A-1, Water System Revenue Bond 2010 A-2, Safe Drinking Water State Revolving Fund SRF06CX150, SRF08SWX101, SRF11CX104, D1502012, and Department of Water Resources E74002.
  - d. The City shall establish rates and charges sufficient to generate net revenues equal to at least 1.25 times the total annual debt service.
  - e. The City shall establish a restricted reserve fund, held in the Water Enterprise Fund, equal to one year's debt service. A reserve of two (2) semiannual payments shall be accumulated during the first ten (10) years of the loan installment payments. The restricted reserve fund shall be maintained for the full term of the Financing Agreement and shall be subject to lien and pledge as security for the Obligation.
3. Conditions this approval, as determined by the City's environmental reviews, with the following:
  - a. The City shall implement the mitigation measures identified in the Mitigation Monitoring and Reporting Plan prepared as part of the IS/MND titled "City of Fresno Raw Water Pipeline Project" (SCH #2011081073) and the Biological Opinion contained within the Formal Consultation on the City's Raw Water Pipeline Project (EA-07-124: SPK-2011-00977) memorandum from the Field Supervisor of the United States Fish and Wildlife (USFW) Office in Sacramento, CA, to David Hyatt with the Bureau of Reclamation, South-Central California Office.
  - b. The City shall implement the mitigation measures identified in the Mitigation Monitoring and Reporting Plan that is in Appendix A of the final EIR, titled Fresno Metropolitan Water Resources Management Plan Update, dated May 2014 (SCH #2013091021) prepared for the project.
  - c. The City shall implement the mitigation measures identified in the "Kings River Pipeline and Southeast Surface Water Treatment Facility Projects Biological Assessment" dated July 2015 and prepared by CH2M Hill.

- d. The City shall implement the conservation/mitigation measures for the San Joaquin Kit Fox as revised in the July 29, 2015, USFW Service letter on "Informal Consultation for the City of Fresno 80 MGD Southeast Surface Water Treatment Facility and Kings River Pipeline; Safe Drinking Water State Revolving Fund 1010007-028ci."

### 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 5, 2016.

AYE: Chair Felicia Marcus  
Vice Chair Frances Spivy-Weber  
Board Member Tam M. Doduc  
Board Member Steven Moore  
Board Member Dorene D'Adamo

NAY: None

ABSENT: None

ABSTAIN: None

  
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Jeanine Townsend  
Clerk to the Board