

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE  
APRIL 18, 2007**

**ITEM 5**

**SUBJECT**

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO NOVATO SANITARY DISTRICT (DISTRICT) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT FACILITIES UPGRADE AND EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4903-110

**DISCUSSION**

The District is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to construct an upgrade and expansion to the District's Novato wastewater treatment facilities located in Marin County, in the City of Novato. The District owns and operates a wastewater collection system, two wastewater treatment plants (Novato and Ignacio), and one combined effluent discharge outfall to the San Pablo Bay. The combined capacity of the two plants is 5.2 million gallons per day (MGD) average dry weather flow. The Ignacio Treatment Plant (ITP) currently does not meet the required effluent limitations for Biochemical Oxygen Demand and Total Suspended Solids.

The objective of this Project is to upgrade the treatment facilities to comply with the National Pollution Discharge Elimination System (NPDES) Permit No.CA0037958 and Waste Discharge Requirements (WDRs) Order No.R2-2004-0093, issued by the San Francisco Bay Regional Water Quality Control Board (San Francisco Bay Regional Water Board). The permit sets interim conventional limits for the ITP and a deadline of March 31, 2008, for both plants; by that time the District must have a treatment system in place to meet the stricter requirements. The District will also expand its facility to provide capacity for growth anticipated by the City of Novato and Marin County General Plans.

The proposed Project will upgrade the treatment facilities by constructing an activated sludge treatment system to treat the combined flow of both wastewater treatment plants at the Novato treatment plant site. A pump station will be built at the Ignacio site and a conveyance pipeline between the two treatment plant sites will be constructed to convey the flow from Ignacio to Novato for treatment.

The District prepared and adopted an Environmental Impact Report (EIR) in 2005 for the proposed Project. The District's Board of Directors approved the Project, certified the Final EIR (SCH No. 2004072033), and adopted a Mitigation Monitoring Program and Statement of Overriding Consideration on May 23, 2005. A Notice of Determination was filed with the Marin County Clerk and the Governor's Office of Planning and Research on May 31, 2005. The District prepared an Addendum to the EIR in September 2005 to cover minor Project changes. The State Water Board staff have reviewed and considered the applicable environmental documents and determined that the Project will not result in any significant adverse water quality impacts.

On July 28, 2005, the State Water Board staff distributed the 2005 EIR to the following federally designated agencies: United States Environmental Protection Agency (USEPA); Army Corps of Engineers; Fish and Wildlife Service; United States Department of Agriculture, Natural Resources Conservation Service; Federal Emergency Management Agency (FEMA); California Coastal Commission; San Francisco Bay Conservation and Development Commission, and the National Marine Fisheries Service. The federal review period ended on September 19, 2005. On August 18, 2005, the State Water Board received a letter from FEMA detailing the National Flood Insurance Program floodplain management building requirements. The State Water Board referred the FEMA letter to the District, although no action or additional information was requested by FEMA. The State Water Board's Cultural Resources Officer (CRO) 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 (SHPO) on February 14, 2006. The SHPO concurred with the CRO's finding on March 16, 2006.

The 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. Therefore, the State Water Board staff submitted its analysis to USEPA for review and comment. No comments were received from USEPA on the staff analysis of air quality impacts.

The State Water Board staff will file a Notice of Determination with the Governor's Office of Planning and Research following funding approval.

In accordance with the State Water Board's *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board after the Division of Financial Assistance (Division) has issued the Facilities Plan Approval. On February 8, 2007, the Division approved all documents above by issuing a Facilities Plan Approval for the District's Project. The District agreed in writing on February 9, 2007, with the Division's approval.

The construction cost of the Project is estimated at \$65 million based on the Project Report. The total eligible Project cost, including engineering allowances, is estimated to be \$75.2 million.

The District has provided the Division with a schedule containing Project Milestones. These dates are included in the Division's Facilities Plan Approval letter. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the Preliminary Funding Commitment: June 29, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and December 31, 2007, for the applicant to sign the SRF loan agreement. The Division should have the discretion to approve up to a 90-day extension for good cause for both dates.

## **POLICY ISSUE**

- 1) Should the State Water Board approve a SRF preliminary loan commitment for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
- 2) Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by June 29, 2007, and the SRF loan agreement is not signed by the applicant by December 31, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?

## FISCAL IMPACT

(as of 2/6/07)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$217,471,731	\$284,837,626	\$306,955,163	\$379,934,276
Estimated Repayments	\$176,869,031	\$181,270,804	\$191,270,804	\$201,270,804	\$211,270,804
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)
Estimated Capitalization Grants	\$44,528,521	\$62,209,185	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$76,000,000	\$0	\$0	\$0
Local Match Credits	\$34,137,619	\$8,549,850	\$4,610,358	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<a href="#">Estimated Disbursements</a>	(\$532,371,340)	(\$166,656,365)	(\$87,422,521)	(\$61,100,000)	(\$25,964,254)
<b>Subtotal</b>	<b>\$224,471,731</b>	<b>\$347,487,626</b>	<b>\$363,403,163</b>	<b>\$421,534,276</b>	<b>\$539,951,147</b>
Crescent City, 4699-110		(\$11,000,000)	(\$5,648,000)	(\$3,000,000)	
Union SD, 5053-110		(\$1,750,000)			
Novato SD, 4903-110		(\$25,000,000)	(\$22,800,000)	(\$22,800,000)	(\$4,590,080)
Palo Alto, 4132-110		(\$9,400,000)	(\$9,600,000)		
Reserve for Small Community Wastewater Grant Projects	(\$7,000,000)	(\$15,500,000)	(\$18,400,000)	(\$15,800,000)	
<b>Balance</b>	<b>\$217,471,731</b>	<b>\$284,837,626</b>	<b>\$306,955,163</b>	<b>\$379,934,276</b>	<b>\$535,361,067</b>

### Notes:

- Estimated Repayments include repayments from existing and future loans.
- Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated for projects with existing commitments. Local match credits are the anticipated funds that will be contributed for local match loans included in "Estimated Disbursements".

## REGIONAL WATER BOARD IMPACT

The San Francisco Bay Regional Water Quality Control Board (San Francisco Bay Regional Water Board) has prescribed National Pollutant Discharge Elimination System (NPDES) Permit No. CA0037958 and Waste Discharge Requirements (WDRs) Order No. R2-2004-0093 to the District. The proposed Project will assist the District to comply with the NPDES Permit and WDRs.

## STAFF RECOMMENDATION

- 1) The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$75.2 million for the District's Project with a repayment period of 20 years, with the first repayment due one year after completion of construction.
- 2) In accordance with the SRF Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by June 29, 2007, and the SRF loan agreement is not signed by the applicant by December 31, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. 2007 -**

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT TO NOVATO SANITARY DISTRICT (DISTRICT) FOR CONSTRUCTION OF THE WASTEWATER TREATMENT FACILITIES UPGRADE AND EXPANSION PROJECT (PROJECT); SRF LOAN PROJECT NO. C-06-4903-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and amended it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the state fiscal year 2006/2007 SRF Loan Program Priority List which included the City's Project in Priority Class B;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the District's Project on February 8, 2007, and the District agreed with the approval on February 9, 2007;
4. The District prepared and adopted an Environmental Impact Report (EIR) for the Project; and an Addendum to the EIR in 2005.
5. The District's Board of Directors approved the Project, certified the Final EIR, and adopted a Mitigation Monitoring Program and Statement of Overriding Consideration on May 23, 2005. A Notice of Determination was filed with the Marin County Clerk and the Governor's Office of Planning and Research on May 31, 2005.
6. The State Water Board staff have reviewed and considered these environmental documents and determined that the Project will not have any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$75.2 million for the District's Project, with a repayment period of 20 years, with the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan commitment will expire if the District does not issue a "Notice-to-Proceed" to construction by June 29, 2007, and the SRF loan agreement is not signed by the applicant by December 31, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$75.2 million consistent with the construction schedule and availability of funds.

**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 18, 2007.

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Clerk to the Board