

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
MARCH 17, 2015**

**ITEM 6**

**SUBJECT**

CONSIDERATION OF A RESOLUTION TO APPROVE CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM FINANCING FOR THE HI-DESERT WATER DISTRICT (DISTRICT) WASTEWATER TREATMENT AND WATER RECLAMATION FACILITY PROJECT, CWSRF PROJECT NO. C-06-5295-110

**DISCUSSION**

The Town of Yucca Valley (Town) is situated in San Bernardino County, approximately 25 miles north of Palm Springs and 100 miles east of Los Angeles. Water service to the Town is provided by the District. With a few exceptions, wastewater treatment and disposal is accomplished with individual septic systems. The District is under the jurisdiction of the Colorado River Basin Regional Water Quality Control Board (Regional Water Board).

The Town overlies the Warren Valley Groundwater Subbasin (Warren Subbasin) of the Morongo Groundwater Basin. In 1995, the District implemented an artificial groundwater recharge program to counteract groundwater level declines of up to 300 feet, caused by population growth and increasing groundwater usage. As a result, groundwater levels have recovered by as much as 250 feet. According to a [2003 United States Geological Survey \(USGS\) Water-Resources Investigations Report](#), from early 1995 through 2001, nitrate concentrations in groundwater increased to levels exceeding the United States Environmental Protection Agency (U.S. EPA) maximum contaminant level. The USGS concluded that the primary source of nitrate contamination was seepage from septic systems.

On May 19, 2011, the Regional Water Board approved [Resolution No. R7-2011-0004](#), amending the Basin Plan for the Colorado River Basin to prohibit septic tank discharges in the Town. The Resolution includes a time schedule for implementing the prohibition as follows: Phase 1 by May 19, 2016; Phase 2 by May 19, 2019; and Phase 3 by May 19, 2022. The State Water Resources Control Board (State Water Board) approved the Basin Plan amendment on November 1, 2011, per [Resolution No. 2011-0054](#). The District's current funding request is for construction of their Phase 1 Project (Project), which includes two CWSRF projects:

- Project number C-06-5295-110, the publicly-owned treatment works project (POTW Project), will construct a sewer collection system in the central portion of the Town, a wastewater treatment facility consisting of a membrane bioreactor (MBR) treatment process and ultraviolet disinfection, and water reclamation recharge ponds. Approximately 77 miles of sewer pipeline will be constructed in the central portion of Town to convey an average flow of one million gallons per day (mgd).
- Project number C-06-7860-110, the expanded use project (Expanded Use Project), will decommission individual septic systems on private property and install private laterals to connect customers to the new sewer system.

Two assessment districts will be created to fund the POTW and Expanded Use Projects (collectively referred to as the Project). Property owners in all three phases will be assessed for the POTW Project, based on a formula that evaluates the benefit each property will receive from the completed POTW Project. In association with the Expanded Use Project, property owners in Phase 1 may participate in a voluntary assessment if they want financial assistance to decommission their septic system and install their private lateral. The District has requested conditional approval of CWSRF financing for the POTW Project, prior to proceeding with local processes to establish the rates and assessments.

## **ENVIRONMENTAL IMPACT**

State Water Board staff conducted a California Environmental Quality Act (CEQA)-Plus environmental review, reviewed the environmental documents submitted by the District, and determined that the Project will not result in any significant adverse water quality impacts.

The District is the lead agency under CEQA, and the United States Department of the Interior, Bureau of Reclamation (BOR) is the lead agency under the National Environmental Policy Act (NEPA). The District and the BOR jointly prepared an Initial Study and Mitigated Negative Declaration (IS/MND) and an Environmental Assessment (EA) for the Project. The IS/MND and EA was circulated to the public and was distributed through the State Clearinghouse (SCH No. 2009061035) for review from June 9, 2009 through July 9, 2009.

The District and the BOR received comments on the IS/MND from (1) the United States Marine Corps, (2) the State Water Board, (3) the Regional Water Board, (4) the California Department of Fish and Wildlife, (5) the California Department of Toxic Substances Control, (6) the Joshua Basin Water District, (7) the Mojave Desert Air Quality Management District, (8) the San Bernardino County Department of Public Works, (9) the San Bernardino County Local Agency Formation Commission, (10) the Morongo Basin Conservation Association, and (11) seven individuals.

The District responded to all the commenters, and made changes to the IS/MND and EA where appropriate. The District included additional contingency mitigation measures in the Mitigation Monitoring and Reporting Plan (MMRP) for vector control and management of inadvertent discoveries of contaminated materials. The District adopted the IS/MND, EA, and MMRP on August 5, 2009, and approved the Project on October 7, 2009. The District filed a Notice of Determination (NOD) with the San Bernardino County Clerk on October 13, 2009 and the Governor's Office of Planning and Research (OPR) on October 14, 2009. The BOR adopted the EA and completed a Finding of No Significant Impact (FONSI; No. 12-SCAO-002-FONSI) on May 14, 2012.

The District prepared an addendum to the IS/MND (Addendum No. 1) March 2013 to the Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant and Sewer Collection System to address modifications to the existing Project for impacts related to installation of private laterals and decommissioning of septic systems on private property. Addendum No. 1 identified no new significant potential adverse environmental impacts from implementation of the modified Project to the environment than those described in the 2009 IS/MND.

The Addendum No. 1 was circulated to the public and was distributed through the SCH for review from March 22, 2013 through April 8, 2013. The District approved Addendum No. 1 on April 17, 2013, and filed an NOD with the San Bernardino County Clerk on April 19, 2013 and OPR on April 23, 2013.

The District prepared a second addendum to the IS/MND (Addendum No. 2) November 2014 to the Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant and Sewer Collection System Project to address a new alternative wastewater treatment system at the Wastewater Treatment Plant site. An MBR treatment system is proposed, rather than an oxidation ditch followed by media filtration, to better meet water quality objectives of the District. Addendum No. 2 identified no new significant potential adverse environmental impacts from implementation of the modified Project to the environment than those described in the 2009 IS/MND.

Addendum No. 2 was circulated to the public and was distributed through the SCH for review from December 2, 2014 through December 16, 2014. The District approved Addendum No. 2 on December 18, 2014 and filed an NOD with the San Bernardino County Clerk on December 22, 2014, and the OPR on December 23, 2014.

The BOR initiated consultation with the State Historic Preservation Officer (SHPO) under Section 106 of the National Historic Preservation Act with the determination of “no historic properties affected” on November 15, 2011 (for the Wastewater Treatment Plant and Water Reclamation Facility), and on December 5, 2011 (for the sewer collection system). The SHPO responded to both consultations on August 13, 2012, with a concurrence of “no historic properties affected.”

The District prepared an updated cultural resources study in March 2013, during which an historical/archaeological resources record search, historical background search, contact of Native American representatives and field survey were conducted related to the proposed changes for Addendum No. 1. The District prepared another updated cultural resources study in January 2015, during which an historical/archaeological resources record search, historical background search, contact of Native American representatives, and field survey were conducted related to the proposed changes for Addendum No. 2. State Water Board staff reviewed both updated cultural resources studies, and determined that the proposed changes documented in Addenda Nos. 1 and 2 are within the scope of the Project reviewed by the SHPO.

The BOR initiated informal consultation under Section 7 of the federal Endangered Species Act (ESA) with the United States Fish and Wildlife Service (USFWS) on April 16, 2012, and determined that the Project will have no effect to the federally threatened desert tortoise. Although the USFWS did not respond to the BOR, the BOR determined that sufficient consultation was completed under Section 7 of the federal ESA with the USFWS.

The District updated the biological information for the Project on March 2013. State Water Board staff review the updated biological documents and determined that the Project will have no effect to federal special-status species and their habitats. In November 2014, additional biological review was done with a focus on the desert tortoise. These studies resulted in the determination that no desert tortoises were present in the areas studied, and no signs of desert tortoise were observed. From the updated information, it was determined that there were no new impacts to any biological resources under the ESA.

The State Water Board will file an NOD with the OPR following funding approval.

## **FISCAL IMPACT**

A credit review was completed to analyze the District's ability to enter into a financing agreement for an amount of \$142,349,314 for the POTW Project. The District has requested \$19,448,264 in CWSRF financing for the Expanded Use Project, approval of which will be considered at a later date. The credit review provides recommendations regarding the maximum CWSRF financing amount, financing terms, financial capacity, and reserve fund requirements of the financing agreement for the POTW Project.

The 2009-2013 American Community Survey (in 2013 inflation-adjusted dollars) median household income (MHI) for the Town is \$41,804, approximately 68% of the statewide average MHI. The District estimates there are approximately 12,570 people in Phase 1, and a total of approximately 19,595 in all three phases.

The proposed single family residential wastewater rate is \$36 per month and the anticipated assessment fee per Equivalent Dwelling Unit (EDU) is \$18,283. For single family residences in Phase 1, total wastewater rates and assessments are estimated at \$100 per month. As a small disadvantaged community with total wastewater rates and assessment fees more than two percent (2%) of the community MHI, the District qualifies for CWSRF Category 1 principal forgiveness (PF) and/or grants; however, no such funding is available at this time.

The District has requested a reduced interest rate to help make the Project affordable. Given the estimated cost per household, the relatively low median household income of the Town, and the fact that no principal forgiveness or grant funds are available, Division of Financial Assistance (Division) staff recommends a reduced interest rate of one percent (1%).

The District shall dedicate Assessment District 2014-1 and the net revenues of the Wastewater Fund to repayment of the proposed \$142,349,314 CWSRF financing agreement. After allowing for operations and maintenance costs (O&M) budgeted at \$1,497,101 for fiscal year 2019/20, the net revenues available for debt service are projected to be \$7,765,501 in fiscal year 2019/20. The District has no existing wastewater debts.

A financing agreement for the amount of \$142,349,314, with a thirty-year term and an interest rate of one percent (1%) will have an annual debt service of \$5,515,767. When the proposed debt service is compared to net revenues, the result is a debt service coverage ratio of 1.18, which exceeds the CWSRF Policy requirement that net revenues be at least 1.10 times the total debt service.

The District will be required to establish a reserve fund equal to one year's debt service prior to the construction completion date. The reserve fund shall be maintained for the full term of the financing agreement.

Wastewater revenues and expenses of the District are summarized on the following page.

### District Wastewater Revenues and Expenses

Fiscal Year	2015/16 Projections	2016/17 Projections <sup>(2)</sup>	2017/18 Projections <sup>(3)</sup>	2018/19 Projections	2019/20 Projections	2020/21 Projections	2021/22 Projections
Wastewater Service Charges (Based on 5,920 EDUs <sup>(1)</sup> )	\$0	\$825,301	\$1,650,601	\$2,104,048	\$2,557,494	\$2,557,494	\$2,557,494
POTW Assessments Phase 1 (Based on a total of 7,198 EDUs)	\$0	\$0	\$2,737,070	\$4,719,078	\$4,719,078	\$4,719,078	\$4,719,078
POTW Assessments Phases 2 & 3 (Based on 4,851 EDUs)	\$0	\$0	\$526,813	\$908,298	\$908,298	\$908,298	\$908,298
Expanded Use Assessments (Phase 1 residential only – based on estimated 4,289 EDUs)	\$0	\$0	\$625,084	\$1,077,732	\$1,077,732	\$1,077,732	\$1,077,732
<b>Total Revenues</b>	<b>\$0</b>	<b>\$825,301</b>	<b>\$5,539,569</b>	<b>\$8,809,156</b>	<b>\$9,262,602</b>	<b>\$9,262,602</b>	<b>\$9,262,602</b>
Operating Expenses	\$0	\$395,882	\$792,364	\$1,497,101	\$1,497,101	\$1,497,101	\$1,497,101
Net Revenues Available for Debt Service	\$0	\$429,419	\$4,747,205	\$7,312,055	\$7,765,501	\$7,765,501	\$7,765,501
POTW Proposed Debt Service #5295-110 (30 Year Term @ 1.0% Rate) <sup>(4)</sup>	\$0	\$0	\$0	\$0	\$5,515,767	\$5,515,767	\$5,515,767
Expanded Use Proposed Debt Service #7860-110 (20 Year Term @ 1.0% Rate)	\$0	\$0	\$0	\$0	\$1,077,732	\$1,077,732	\$1,077,732
<b>Total Debt Service (POTW and Expanded Use Project)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,593,499</b>	<b>\$6,593,499</b>	<b>\$6,593,499</b>
Debt Coverage					1.18	1.18	1.18

EDU = Equivalent Dwelling Unit  
 POTW = Publicly Owned Treatment Works  
 BA = Benefit Area

(1) While there are a total of 7,198 EDUs in Phase 1, the 1,278 vacant or deferred properties will not pay monthly wastewater service charges. Wastewater service charge collection will begin upon initiating operation, estimated at 1/2017. Revenues from wastewater service charges ramp up over the next two years, as the rest of the Phase 1 connections are completed by an estimated date of 6/2018.

(2) Wastewater service charge collection anticipated to begin 1/2017.

(3) Assessment collection anticipated to begin 12/2017.

(4) Repayment estimated to begin 6/2019, one year after completion of construction.

**Fiscal Impact on the CWSRF Program:**

as of March 6, 2015	SFY	SFY	SFY	SFY	SFY
	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Balance:	\$361,819,680	\$449,479,498	\$209,260,552	\$115,085,911	\$230,839,040
Estimated Repayments	\$233,307,988	\$243,307,988	\$253,307,988	\$263,307,988	\$273,307,988
Debt Service on Revenue Bonds	(\$14,713,300)	(\$14,323,300)	(\$13,808,100)	(\$9,980,925)	(\$7,600,725)
Estimated Capitalization Grants	\$96,265,920	\$70,000,000	\$28,800,000	\$28,800,000	\$0
Local Match Credits	\$705,992	\$1,216,238	\$1,217,135	\$0	\$0
Est. SMIF Interest:	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Estimated Disbursements	(\$207,200,097)	(\$447,974,353)	(\$254,104,031)	(\$111,811,770)	(\$22,766,791)
<b>Subtotal</b>	<b>\$471,686,183</b>	<b>\$303,206,071</b>	<b>\$226,173,544</b>	<b>\$286,901,203</b>	<b>\$475,279,512</b>
Pending Commitments	SFY	SFY	SFY	SFY	SFY
	2014-15	2015-16	2016-17	2017-18	2018-19
Hi Desert Water District, #5295-110 (2/6/15)	\$0	(\$36,694,488)	(\$51,772,969)	(\$28,469,862)	(\$25,411,995)
Burlingame Hills Sewer Maintenance District, #7810-110 (2/4/15)	(\$233,068)	(\$947,598)	(\$956,796)	(\$162,538)	
City of Fresno, #7893-110 (12/29/14)	(\$6,321,144)	(\$15,003,633)	(\$15,475,899)	(\$6,757,078)	(\$5,485,582)
Carlsbad Municipal Water District, #7899-110 (11/20/14)	(\$4,435,928)	(\$9,308,892)	(\$8,740,744)	(\$3,998,892)	(\$3,015,544)
Rodeo Sanitary District, #8004-110 (12/15/2014)	(\$358,515)	(\$1,169,896)	(\$1,222,733)	(\$79,256)	
Los Cameros Water District, #8005-110 (01/02/2015)	(\$2,151,910)	(6,804,128)	(5,779,410)	(5,246,552)	
City of Davis, #8010-110 (01/12/2015)	(\$8,706,120)	(\$24,016,884)	(\$27,139,082)	(\$11,347,985)	(\$9,846,929)
	<b>\$449,479,498</b>	<b>\$209,260,552</b>	<b>\$115,085,911</b>	<b>\$230,839,040</b>	<b>\$431,519,462</b>

**REGIONAL BOARD IMPACT**

The proposed financing agreement will enable the District to comply with Phase 1 of the Regional Water Board’s prohibition on discharges from septic systems, as outlined in Resolution No. R7-2011-0004.

**POLICY ISSUE**

Should the State Water Board approve the proposed Resolution to:

1. Authorize the Deputy Director of the Division of Financial Assistance to:
  - a. Enter into an agreement with the District to provide CWSRF financing for the POTW Project at an interest rate of one percent (1%) in an amount of up to \$142,349,314, and
  - b. Increase the financing agreement amount for good cause, subject to a determination that such increase is consistent with the financing limit determined by subsequent financial review

2. Condition the approval, as determined by the environmental review, with the following:
  - a. The District shall comply with the applicable mitigation measures of the October 7, 2009 MMRP, including but not limited to the following:
    - Mitigation measures 4.1-1 through 4.1-13 for air quality,
    - Mitigation measures 4.11-1 through 4.11-2 for cultural resources,
    - Mitigation measures 4.2-1 through 4.2-7 for hydrology and water quality, and
    - Mitigation measures 4.6-1 through 4.6-11 for natural resources – biological resources?
  
3. Condition the approval, as determined by the financial review, with the following:
  - a. The Pledged Assessments, Revenues and Funds Resolution must be adopted by the District and approved by the State Water Board prior to the execution of the agreement. The District shall pledge Assessment 2014-1 and the net revenues of the District's Wastewater Fund for repayment of the proposed CWSRF financing agreement. The pledged assessments, revenues and funds shall be subject to lien and pledge as security of the obligation;
  - b. The District must adopt a Reimbursement Resolution, setting forth the maximum POTW Project amount. The Reimbursement Resolution must be received and approved by the State Water Board prior to execution of the agreement;
  - c. The District must adopt a Rate Adoption Resolution, which must be received and approved by the State Water Board prior to execution of the agreement;
  - d. The District must provide a legal opinion(s) satisfactory to the State Water Board's counsel to certify valid property-owner approval of the proposed assessment district and monthly service charge/fees prior to execution of the financing agreement by the State Water Board's designee;
  - e. The District must initiate the collection of assessments to ensure sufficient funds to establish a reserve fund equal to one year's debt service prior to the construction completion date. The 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;
  - f. The District must establish and maintain assessments and monthly service charges/fees sufficient to meet the required debt service ratio of 1.10 times the total annual debt service for the term of the agreement. Prior to the first disbursement, the financial staff must receive a final adopted assessment roll;
  - g. The District may not incur future senior debt. The District's future debt may be on parity with CWSRF debt if the Policy conditions of Section IX.B.4.c are met;
  - h. If the District contracts with a private entity for operations, the District must submit a draft version of the proposed agreement with such private entity for review for consistency with the State Water Board's tax-exempt revenue bond program, and Division staff must approve such contract prior to District execution; and
  - i. Disbursement of construction funds for the POTW Project will be contingent upon the District's submittal of a legal opinion satisfactory to the State Water Board's counsel that the District has sufficient property rights in the land associated with the POTW Project?

4. Condition this approval on the District approval and execution of the financing agreement by September 30, 2015, unless Division staff approves an extension of up to 120 days for good cause? Any extension may include additional provisions necessary to satisfy state and federal requirements.

#### **STAFF RECOMMENDATION**

The State Water Board should adopt the proposed Resolution.

State Water Board action on this item will assist the Water Boards in reaching Goals 2, 3, and 4 of the Strategic Plan Update: 2008-2012:

Goal 2. Improve and protect groundwater quality in high-use basins by 2030.

Goal 3. Increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate water flows for fish and wildlife habitat.

Goal 4. Comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change throughout California's water planning processes.



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## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2015-

TO APPROVE CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM FINANCING FOR THE HI-DESERT WATER DISTRICT (DISTRICT) WASTEWATER TREATMENT AND WATER RECLAMATION FACILITY PROJECT (PUBLICLY-OWNED TREATMENT WORKS [POTW] PROJECT), CWSRF PROJECT NO. C-06-5295-110

### WHEREAS:

1. The State Water Resources Control Board's (State Water Board) Division of Financial Assistance (Division) implements the CWSRF Program pursuant to the "Policy for Implementing the Clean Water State Revolving Fund" (Policy), last amended by the State Water Board on February 17, 2015;
2. The POTW Project is listed on the CWSRF Project List;
3. The Policy authorizes the Deputy Director of the Division to execute a financing agreement for routine and non-controversial projects;
4. The POTW Project is considered non-routine because the District is requesting a reduced interest rate, and proposes to establish the assessments and wastewater service charges that will be dedicated to repayment of the proposed CWSRF financing agreement after receiving conditional funding approval;
5. This District is working to address a Colorado River Regional Water Quality Control Board prohibition on septic tank discharges. The current funding request will allow the District to construct the Phase 1 Project (Project), which includes two CWSRF projects:
  - a. Project number C-06-5295-110, the publicly-owned treatment works project (POTW Project), which will construct a sewer collection system in the central portion of the Town, a wastewater treatment facility consisting of a membrane bioreactor treatment process and ultraviolet disinfection, and water reclamation recharge ponds;
  - b. Project number C-06-7860-110, the expanded use project (Expanded Use Project), which will decommission individual septic systems on private property and install private laterals to connect customers to the new sewer system;
6. Funding approval for the Expanded Use Project will be considered at a later date;
7. The District is the lead agency under the California Environmental Quality Act (CEQA), and the United States Department of the Interior, Bureau of Reclamation (BOR) is the lead agency under the National Environmental Policy Act (NEPA). The District and the BOR jointly prepared an Initial Study and Mitigated Negative Declaration (IS/MND; State Clearinghouse No. 2009061035) and an Environmental Assessment (EA) for the Project. The District and the BOR complied with CEQA and NEPA and the CEQA Guidelines by circulating the IS/MND and EA to the public and through the State Clearinghouse for review and comments;
8. The District adopted the final IS/MND and a Mitigation Monitoring and Reporting Program (MMRP) on August 5, 2009, and approved the Project on October 7, 2009;

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9. The District filed a Notice of Determination with the San Bernardino County Clerk on October 13, 2009 and the Governor's Office of Planning and Research (OPR) on October 14, 2009;
10. The BOR completed a Finding of No Significant Impact (FONSI; No. 12-SCAO-002-FONSI) for the Project on May 14, 2012;
11. The District prepared an addendum to the IS/MND (Addendum No. 1) March 2013 identifying no new significant potential adverse environmental impacts from implementation of the modified Project;
12. The District approved Addendum No. 1 on April 17, 2013 and filed an NOD with the San Bernardino County Clerk on April 19, 2013 and the OPR on April 23, 2013;
13. The District prepared a second addendum to the IS/MND (Addendum No. 2) in November 2014 identifying no new significant potential adverse environmental impacts from implementation of the modified Project;
14. The District approved the final Addendum No. 2 on December 18, 2014 and filed an NOD with the San Bernardino County Clerk on December 22, 2014 and the OPR on December 23, 2014;
15. The BOR initiated informal consultation under Section 7 of the federal Endangered Species Act (ESA) with the United States Fish and Wildlife Service (USFWS) on April 16, 2012, and determined that the Project will have no effect to the federally threatened desert tortoise (refer to the *April 16, 2012 BOR memorandum; No. SCAO-1500, ENV-700*). Although the USFWS did not respond to the BOR, the BOR determined that sufficient consultation was completed under Section 7 of the federal ESA with the USFWS. The Project will have no effect to federal special-status species;
16. The BOR initiated consultation with the State Historic Preservation Officer (SHPO) under Section 106 of the National Historic Preservation Act with the determination of "no historic properties affected" on November 15, 2011 (for the Wastewater Treatment Plant and Water Reclamation Facility) and on December 5, 2011 (for the sewer collection system). The SHPO responded to both consultations on August 13, 2012, with a concurrence of "no historic properties affected";
17. The District prepared an updated cultural resources study in March 2013, during which an historical/archaeological resources record search, historical background search, contact of Native American representatives, and field survey were conducted related to the proposed changes for Addendum No. 1. The District prepared another updated cultural resources study in January 2015, during which an historical/archaeological resources record search, historical background search, contact of Native American representatives, and field survey were conducted related to the proposed changes for Addendum No. 2. State Water Board staff has reviewed both updated cultural resources studies, and determined that the proposed changes documented in Addenda Nos. 1 and 2 are within the scope the Project reviewed by the SHPO;
18. The District's environmental documents provided an adequate disclosure of the environmental relationships of all water quality aspects of the Project. Mitigation measures or alterations incorporated into the Project will avoid or substantially reduce potentially significant environmental impacts;

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19. The Project will not result in any significant adverse water quality impacts;
20. The District has not completed property acquisitions for the Project;
21. The District is a small disadvantaged community with proposed combined assessments and rates exceeding two percent of the community's median household income (MHI);
22. The State Water Board may set interest rates for CWSRF financing at or below one-half of the most recent general obligation bond rate (CWSRF standard interest rate); and
23. The current CWSRF standard interest rate is 1.5%.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Authorizes the Deputy Director of the Division of Financial Assistance to:
  - a. Enter into an agreement with the District to provide CWSRF financing for the POTW Project at an interest rate of one percent (1%) in an amount of up to \$142,349,314, and
  - b. Increase the financing agreement amount for good cause, subject to a determination that such increase is consistent with the financing limit determined by subsequent financial review.
2. Conditions the approval, as determined by the environmental review, with the following:
  - a. The District shall comply with the applicable mitigation measures of the October 7, 2009 MMRP, including but not limited to the following:
    - Mitigation measures 4.1-1 through 4.1-13 for air quality,
    - Mitigation measures 4.11-1 through 4.11-2 for cultural resources,
    - Mitigation measures 4.2-1 through 4.2-7 for hydrology and water quality, and
    - Mitigation measures 4.6-1 through 4.6-11 for natural resources – biological resources.
3. Conditions the approval, as determined by the financial review, with the following:
  - a. The Pledged Assessments, Revenues and Funds Resolution must be adopted by the District and approved by the State Water Board prior to the execution of the agreement. The District shall pledge Assessment 2014-1 and the net revenues of the District's Wastewater Fund for repayment of the proposed CWSRF financing agreement. The pledged assessments, revenues and funds shall be subject to lien and pledge as security of the obligation;
  - b. The District must adopt a Reimbursement Resolution, setting forth the maximum POTW Project amount. The Reimbursement Resolution must be received and approved by the State Water Board prior to execution of the agreement;
  - c. The District must adopt a Rate Adoption Resolution, which must be received and approved by the State Water Board prior to execution of the agreement;

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- d. The District must provide a legal opinion(s) satisfactory to the State Water Board's counsel to certify valid property-owner approval of the proposed assessment district and monthly service charge/fees prior to execution of the financing agreement by the State Water Board's designee;
  - e. The District must initiate the collection of assessments to ensure sufficient funds to establish a reserve fund equal to one year's debt service prior to the construction completion date. The 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;
  - f. The District must establish and maintain assessments and monthly service charges/fees sufficient to meet the required debt service ratio of 1.10 times the total annual debt service for the term of the agreement. Prior to the first disbursement, the financial staff must receive a final adopted assessment roll;
  - g. The District may not incur future senior debt. The District's future debt may be on parity with CWSRF debt if the Policy conditions of Section IX.B.4.c are met;
  - h. If the District contracts with a private entity for operations, the District must submit a draft version of the proposed agreement with such private entity for review for consistency with the State Water Board's tax-exempt revenue bond program, and Division staff must approve such contract prior to District execution; and
  - i. Disbursement of construction funds for the POTW Project will be contingent upon the District's submittal of a legal opinion satisfactory to the State Water Board's counsel that the District has sufficient property rights in the land associated with the POTW Project.
4. Conditions this approval on the District approval and execution of the financing agreement by September 30, 2015, unless Division staff approves an extension of up to 120 days for good cause. Any extension may include additional provisions necessary to satisfy state and federal requirements.

## 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 March 17, 2015.

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Jeanine Townsend  
Clerk to the Board