

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION -- DIVISION OF FINANCIAL ASSISTANCE
JUNE 7, 2006**

ITEM 8

SUBJECT

CONSIDERATION OF A RESOLUTION AUTHORIZING ISSUANCE OF A \$3,000,000 INSTALLMENT SALES AGREEMENT (ISA) AND AMENDMENTS THERETO FROM THE AGRICULTURAL DRAINAGE MANAGEMENT LOAN PROGRAM (ADMLP) TO THE SAN BENITO COUNTY WATER DISTRICT (DISTRICT) FOR AN IRRIGATION SYSTEM IMPROVEMENT PROJECT (PROJECT)

DISCUSSION

The District is located within San Benito County, and services an area that encompasses approximately 35,000 acres of irrigated cropland. The District has applied for \$3,000,000 in ADMLP financing assistance to convert less efficient, furrow, gated pipe, portable sprinklers, and surface irrigation systems to more efficient, micro sprinkler, and drip irrigation systems. As part of these systems, the District also intends to install back flush water recycling systems that treat rinse water used to clean and maintain the new irrigation filter equipment. This treated rinse water will then be recycled for other purposes.

By replacing and improving less efficient irrigation systems, the District will reduce irrigation drainage discharge and contaminants (including boron, salts, nitrogen, and sediment) to Tres Pinos Creek, Santa Ana Creek, and the San Benito River, which drain to the Pajaro River. These actions will help meet sediment and nutrient Total Maximum Daily Loads for the Pajaro River. The project will also contribute to conservation efforts that assist the Pajaro River Watershed.

The Central Coast Regional Water Quality Control Board (Central Coast Water Board) has adopted a Conditional Waiver of Waste Discharge Requirements for Discharges from Irrigated Lands (Conditional Agricultural Waiver) that addresses non-point source pollution from irrigated agricultural lands. Growers individually enroll with the Central Coast Water Board and are required to complete 15 hours of water quality education, develop a water quality management plan within three years, and implement management practices to protect water quality. All of the District's acreage, which meets the necessary conditions, is covered under the Conditional Agricultural Waiver.

The Safe, Clean, Reliable Water Supply Act of 1996 (1996 Bond Law), provides funding assistance through the ADMLP for agricultural 'drainage water management units'. These units include surface impoundments, conveyance facilities, drainage treatment facilities, and any other facilities or works to reduce the amount of agricultural drainage discharged. The proposed Project will fund acquisition of agricultural drainage water management units, assist growers in complying with the Conditional Agricultural Waiver, and may be funded under the 1996 Bond Law.

California Environmental Quality Act (CEQA)

The District filed a Notice of Exemption (SCH# 2006028287) with the San Benito County Clerk on February 16, 2006, for the proposed Project. The District identified two categorical exemptions from California Environmental Quality Act (CEQA) [Class 1 and 4 Exemptions: operation, repair or minor alteration of existing structures or facilities, and minor alterations in the condition of the land, such as grading that do not affect sensitive resources. CEQA Guidelines Section 15301 and 15304]. State Water Resources Control Board (State Water Board) staff have reviewed and considered the Notice of Exemption and determined that the Project qualifies for the Class 1 and 4 exemptions.

Public Participation

The District has demonstrated that adequate opportunity for public participation regarding the ISA has been provided. Such opportunities include opportunity to review and comment on the District's Notice of Exemption for the project consistent with CEQA, needs assessment and outreach to growers regarding their interest in participating in this program, and the District's public adoption of a resolution authorizing submittal of an application to request funds for the Project.

ADMLP Repayment

The dedicated source of repayment for the ADMLP funding assistance will come from money set aside by the District's Board of Directors through their general fund, as well as through lease payments, loan application fees, and/or increases in the interest rate for loans to growers.

POLICY ISSUE

Should the State Water Board authorize issuance of a \$3,000,000 ISA and amendments thereto from the ADMLP to the District for the Project?

FISCAL IMPACT

The total cost of the Project is \$3,000,000. The following table is a summary of the funding available in the ADLMP.

ADMLP (1996 Bond)	FUND AVAILABILITY – JUNE 2006
Initial Amount Available for Local Assistance	\$24,829,775
Previous Loan Project Expenditures and Commitments	\$(9,000,000)
Feasibility Study Loan Project Expenditures	\$(0)
Subtotal Currently Available for Local Assistance	\$15,829,775
FUNDING APPROVAL REQUESTED	
San Benito County Water District	\$3,000,000
Balance Remaining for Future Local Assistance	\$12,829,775

REGIONAL WATER BOARD IMPACT

Yes. Central Coast Water Board.

STAFF RECOMMENDATION

That the State Water Board authorize issuance of a \$3,000,000 ISA and amendments from the ADMLP to the District for the Project.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2006 -**

AUTHORIZING ISSUANCE OF A \$3,000,000 INSTALLMENT SALES
AGREEMENT (ISA) AND AMENDMENTS THERETO FROM THE
AGRICULTURAL DRAINAGE MANAGEMENT LOAN PROGRAM (ADMLP) TO THE SAN
BENITO COUNTY WATER DISTRICT (DISTRICT) FOR AN IRRIGATION SYSTEM
IMPROVEMENT PROJECT (PROJECT)

WHEREAS:

1. The Project is eligible for funding under the Safe, Clean Reliable Water Supply Act of 1996;
2. The District will reduce agricultural drainage discharges to waters of the State through the Project by purchasing high efficiency irrigation equipment and leasing that equipment to growers converting furrow, gated, portable sprinklers, and surface irrigation to micro sprinkler and drip irrigation;
3. The Project will help meet water quality objectives for sediment and other constituents of concern in the Pajaro River and will help meet sediment and nutrient Total Maximum Daily Loads for the Pajaro River by reducing agricultural drainage discharge, as well as contributing to conservation efforts that help the Pajaro River Watershed;
4. The Project will help the District to achieve compliance with the Central Coast Regional Water Quality Board's Conditional Waiver of Waste Discharge Requirements for Discharges from Irrigated Lands;
5. The District has filed a Notice of Exemption (SCH# 2006028287), which has been reviewed and considered, and State Water Resources Control Board (State Water Board) staff has determined that the project qualifies for Class 1 and 4 categorical exemptions from CEQA requirements; and
6. The District has demonstrated that an adequate opportunity for public participation regarding the ISA has been provided.

THEREFORE BE IT RESOLVED THAT:

The State Water Board authorizes issuance of a \$3,000,000 ISA and amendments from the ADMLP to the District for the Project.

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 Board held on June 7, 2006.

Song Her
Clerk to the Board