

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION -- DIVISION OF FINANCIAL ASSISTANCE
OCTOBER 11, 2006**

ITEM 3

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT FOR THE CITY OF REDDING (CITY) CLEAR CREEK WASTEWATER TREATMENT PLANT (PLANT) REHABILITATION AND EXPANSION PHASE I (PROJECT); SRF LOAN PROJECT NO. C-06-4971-110

DISCUSSION

The City is seeking a SRF loan from the State Water Resources Control Board (State Water Board) to upgrade and expand treatment capacity to the City's Clear Creek Plant located south of Redding. The Plant provides advanced secondary level treatment for sewage collected from the City and some surrounding areas near the Plant. The City's current Clear Creek Plant has a design dry weather flow treatment capacity of 8.8 million gallon per day (MGD). The current average dry weather influent flow to the Plant is 6.5 MGD and the Plant is expected to reach its existing treatment capacity of 8.8 MGD by 2010.

The purpose of this project is to upgrade and expand treatment capacity for the existing Plant to meet the Central Valley Regional Water Quality Control Board (Central Valley Regional Water Board) Waste Discharge Requirements (WDRs) No. R5-2003-0130 and National Pollution Discharge Elimination System (NPDES) Permit No. CA0079731. The proposed Project will be constructed in two phases. After Phases I and II are constructed, the average dry weather Plant treatment capacity will increase to 9.4 MGD. The Plant's effluent will continue to be discharged to the Sacramento River.

Phase I of the proposed Project, the phase being approved by this Preliminary Loan Commitment, provides the City with necessary Plant upgrades for safety, odor control facilities, and the facilities for increased hydraulic capacity during wet weather influent flows. Phase I will include construction of the following new Plant improvements: toxic gas scrubber, foul air biofilter, and chemically enhanced primary treatment facilities. The following existing equipment will be modified to provide improved performance and to accommodate increased Plant influent flows during Phase I of the Project: headworks, grit chambers, screening, influent pumping station No. 2, chlorination/dechlorination disinfection facilities, and related instrumentation and control systems, power supplies and distribution facilities.

At a Redding City council meeting on March 7, 2006, the City authorized staff to apply for a SRF loan for the proposed Project. The City filed a Notice of Exemption (NOE) with the Shasta County Clerk on April 12, 2006, for the project. A categorical exemption from the California Environmental Quality Act (CEQA) requirements was applied to the Project because it consists only of the construction, installation and modification of limited numbers of new and existing small facilities and structures for an existing utility [Class 3: New construction of limited small new facilities; installation of small, new equipment and facilities in small structures; and conversion of the use of small existing structures, CEQA Guidelines Section 15303]. State Water Board staff have reviewed and considered the NOE and determined that the Project will not result in any significant adverse water quality impacts.

On May 22, 2006, State Water Board staff distributed the NOE to the following federally designated agencies: United States Environmental Protection Agency, Region 9; U.S. Army Corps of Engineers; United States Fish and Wildlife Service (USFWS); Federal Emergency Management Agency, Region IX,

United States Department of Agriculture Natural Resource Conservation Service; and the United States National Marine Fisheries Service. The federal review period ended on June 26, 2006. On June 23, 2006, after verifying that no project activities will occur within 100 feet of any elderberry bushes, the USFWS concurred with the State Water Board's finding, that the proposed Project is "not likely to adversely affect" any federally listed species. No other agencies responded.

On July 28, 2006, the State Historic Preservation Officer concurred with the Division of Financial Assistance's (Division) finding that no historic properties will be affected by the project. There are no special conditions.

The Project site is located in Shasta County and is within the Shasta County Air Quality Management District, which is currently in unclassified attainment for all criteria pollutants. Thus, no conformity analysis is required for this Project. 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 issuance of a Project Facilities Plan Approval (FPA). On July 24, 2006, the Division issued the FPA for the City's Project. The City agreed in writing on July 25, 2006, with the FPA. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List (SRF Priority List), which included the City's Project.

The City has provided the Division with a schedule containing project milestones. These dates are included in the Division's FPA. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the preliminary funding commitment: October 9, 2006, for issuing a "Notice-to-Proceed" (NTP) to construction, and December 20, 2006, for signing the SRF loan agreement. The Division may approve up to a 90-day extension for good cause for both dates.

Based on the engineer's cost estimate, the construction cost of the Project is \$5.4 million. The total eligible project cost, including engineering and administration allowances, is estimated to be \$4.1 million. The City requests an SRF loan of \$4.1 million for the Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.

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 City does not issue a NTP to construction by October 9, 2006, and sign the SRF loan agreement by December 20, 2006? 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 7/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$535,391,979	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747
Estimated Repayments	\$176,527,973	\$177,416,185	\$187,416,185	\$197,416,185	\$207,416,185
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	\$0	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$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
<u>Estimated Disbursements</u>	(\$533,443,015)	(\$193,384,730)	(\$102,024,727)	(\$50,000,000)	(\$25,964,254)
Subtotal	\$221,844,058	\$120,077,905	\$139,532,702	\$242,286,747	\$398,448,999
LACSD, Proj. Nos. 4701-110 through 4701-520	(\$28,600,665)	(\$13,636,915)	(\$2,252,449)		
Sonoma Valley CSD, Proj. No. 4823-110	(\$3,680,000)	(\$3,000,000)			
Redding, City of, Proj. No. 4971-110	(\$3,700,000)	(\$400,000)			
Santa Margarita Water District, Proj. No. 4825-210	(\$1,535,000)	(\$3,617,000)	(\$1,018,000)		
Nevada Co. San. Dist., Cascade Shores, Proj. No. 4967-110	(\$1,500,000)	(\$1,600,000)			
Reserve for Small Community Wastewater Grant Projects	(\$22,500,000)	(\$18,400,000)	(\$15,800,000)		
Balance	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747	\$398,448,999

Notes:

Estimated Repayments include repayments from existing and future loans.

Local match credits consist of General Obligation (G.O.) Bond funds used as state match with previous Capitalization Grants but not disbursed due to previous local agency expenditures for local match loans funded with federal funds from those previous Capitalization Grants.

Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated on loans executed for projects with existing commitments. The Division revises the estimated disbursements total monthly as cash draw forecasts are updated.

REGIONAL WATER BOARD IMPACT

The Central Valley Regional Water Board has prescribed NPDES Permit No. CA0079731 and WDRs Order No. R5-2003-0130 for the Clear Creek Plant. The proposed Project will ensure continued compliance with the NPDES Permit and WDRs.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$4.1 million for the City's Project with a repayment period of 20 years, and 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 October 9, 2006, and sign the SRF loan agreement by December 20, 2006? 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. 2006-**

APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN COMMITMENT FOR THE CITY OF REDDING (CITY) CLEAR CREEK WASTEWATER TREATMENT PLANT REHABILITATION AND EXPANSION PHASE I (PROJECT); SRF LOAN PROJECT NO. C-06-4971-110

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* (Policy), 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 D;
3. The Division of Financial Assistance (Division) approved the Facilities Plan for the City's Project on July 24, 2006, and the City agreed with the approval on July 25, 2006; and
4. The City has adopted a Notice of Exemption (NOE) for the project. State Water Board staff have reviewed and considered the NOE and determined that the project will not result in any significant adverse water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$4.1 million for the City's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan commitment will expire if the City does not issue a Notice-to-Proceed to construction by October 9, 2006, and sign the SRF loan agreement by December 20, 2006. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Direct the Division to allocate \$4.1 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 October 11, 2006.

Song Her
Clerk to the Board