

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
MAY 22, 2007**

ITEM 4

SUBJECT

CONSIDERATION OF A RESOLUTION FOR A FUNDING INCREASE FOR A STATE REVOLVING FUND (SRF) PRELIMINARY LOAN COMMITMENT TO THE CITY OF CRESCENT CITY (CITY) FOR THE WASTEWATER TREATMENT PLANT UPGRADE PROJECT (PROJECT); SRF LOAN PROGRAM PROJECT NO. C-06-4699-110

DISCUSSION

The State Water Board approved a Preliminary Funding Commitment of \$19.6 million for the City's Project on February 20, 2007, in Resolution 2007-0006. On March 20, 2007, the Division received a letter from the City requesting an increased loan commitment amount for the Project because the construction bid received was substantially higher than the original engineer's estimate. As the revised total eligible costs for the Project now exceed the original Preliminary Loan Commitment by more than 50 percent (\$29.4 million), the Project must receive a re-approval of the Preliminary Loan Commitment in accordance with Section XV. D. of the State Water Board *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), as amended on September 22, 2005. Therefore, the City is requesting an increase in the Preliminary Loan Commitment.

The Crescent City Wastewater Treatment Plant (Plant) provides wastewater treatment for the City and several areas in Del Norte County. The City is located in Del Norte County, and is within the jurisdiction of the North Coast Regional Water Quality Control Board (North Coast Regional Water Board). The City's current Plant has a design average dry weather flow treatment capacity of approximately 1.8 million gallons per day (MGD), and the peak weather design flow is 4.0 MGD. Currently, the average dry weather flow is approximately 1.28 MGD and peak wet weather flow is 8.0 MGD. The Plant effluent is discharged to the ocean via the new 42-inch diameter outfall.

The Plant was originally constructed in the 1950's and consisted of head works, an influent wet well, a pump house, a clarigester, and gravity outfall facilities. The first major Plant expansion occurred in 1973 when additional primary clarification, disinfection, and solids handling facilities were added. Secondary treatment for biological removal of organic material was added in 1978, the last major upgrade to the Plant. The upgrade included the addition of rotating biological contactors and secondary clarifiers.

The Plant has already exceeded its organic treatment capacity and is unable to consistently meet the Biological Oxygen Demand (BOD) portion for its Waste Discharge Requirements, which has resulted in issuance of Cease and Desist Orders from the North Coast Regional Water Board. The Plant is also hydraulically overloaded during winter months.

The purpose of this Project is to upgrade the existing Plant to meet the North Coast Regional Water Board's Waste Discharge Requirements provided in the National Pollutant Discharge Elimination System Permit (NPDES Permit No. CA 0022756).

The proposed Project, when constructed, will expand the Plant's average dry weather flow treatment capacity to 3.5 MGD, and the peak wet weather flow treatment capacity to 8 MGD. The proposed Project includes construction of the following facilities: upgrades to solids handling, various piping upgrades, rehabilitation of headworks, a new membrane bioreactor (MBR), a new operations building, a new dewatering building, an ultraviolet (UV) disinfection system, odor control upgrades, digester improvements, a new on-site laboratory building, and a new grit removal system.

The City prepared a Draft Environmental Impact Report (EIR) in 2000 for the proposed Project. A Final EIR (SCH# 2000102115) was adopted and certified by the City Council on April 30, 2001. The City filed a Notice of Determination with the State Clearinghouse May 7, 2001. The City prepared a Draft Supplemental EIR in 2004 to address recommendations from a November 2003 Facilities Plan and a May 2004 Value Engineering process. Additionally, the preferred alternative changed from placement of the Plant at a new location to rehabilitation and expansion of the current Plant. The City Council approved the updated Project, certified the Final Supplemental EIR, and adopted a Mitigation Monitoring Program on February 22, 2005. A Notice of Determination was filed with the Del Norte County Clerk and the Governor's Office of Planning and Research on February 28, 2005. 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 August 25, 2006, State Water Board staff distributed the Supplemental EIR to the following federally designated agencies: United States Environmental Protection Agency (USEPA), U.S. Army Corps of Engineers, U.S. Fish and Wildlife Service (USFWS), U.S. Department of Agriculture (USDA), Natural Resources Conservation Service, and the California Coastal Commission, Federal Consistency Unit (CCC). The federal review period concluded on October 16, 2006. The CCC responded in writing on September 8, 2006, requesting additional information. The letter was forwarded to the applicant and the City responded in writing on October 2, 2006. State Water Board staff contacted the CCC on November 2, 2006, to confirm that the City's response was adequate. State Water Board staff have determined that federal consultation has been sufficient and that no issues have been raised which would require further consultation with federal agencies.

The State Water Board's Cultural Resources Officer sent a "Request for Concurrence on Section 106 Compliance" with a finding of "no historic properties affected" to the State Historical Preservation Office (SHPO) on November 6, 2006. No special conditions are proposed. Final clearance was issued by the SHPO on December 4, 2006.

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

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

The City received one construction bid for \$37.7 million. The construction bid received appears competitive and higher than the original engineer's estimate due to the following factors:

1. The original engineer's estimate was completed in January 2005. Since then, the costs of materials, including concrete, steel, asphalt, aggregate and fuel have escalated significantly;
2. Higher costs for the installation of a new Membrane Bioreactor (MBR) for secondary treatment; and
3. The City is a small city (7,542 people in 2006), isolated on the California coast from any population centers. The nearest city with a population greater than 30,000 residents is Redding, California, which is 212 miles away. Due to a remote location, certified contractors were reluctant to bid. Excess travel and hours inflated labor costs. Additionally, sending materials to a remote location affected construction costs.

The City is requesting that the State Water Board withdraw the previous loan commitment for \$19.6 million and commit \$43.814 million in SRF funds for the Project. Based on the bid received, the construction cost of the Project is \$37,739,453 and the total eligible Project cost, including engineering allowances, is estimated to be \$43,814,176.

The City 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: September 1, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and December 15, 2007, for signing the SRF loan agreement. The Division may approve up to a 90-day extension for good cause for both dates.

The City has applied for the full estimated eligible SRF loan amount of \$43,814,176 for the Project. The City requests a 20-year repayment period, with the first SRF loan repayment due one year after completion of construction.

POLICY ISSUE

Should the State Water Board:

1. Withdraw the Preliminary Loan Commitment issued on February 20, 2007, and approve a new 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. 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 September 3, 2007, and sign the SRF loan agreement by December 17, 2007?
3. 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 3/19/07)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223
Estimated Repayments	\$177,117,663	\$181,815,880	\$191,815,880	\$201,815,880	\$211,815,880
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	\$34,294,794	\$8,549,850	\$4,610,358	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$17,000,000	\$12,000,000	\$7,000,000	\$4,000,000	\$2,000,000
Estimated Disbursements	(\$515,981,162)	(\$193,007,093)	(\$114,742,423)	(\$68,538,325)	(\$25,964,254)
Subtotal	\$256,267,717	\$368,477,959	\$300,307,264	\$311,031,820	\$407,785,170
Withdraw Crescent City February 20, 2007 Commitment, 4699-110		\$11,000,000	\$5,648,000	\$3,000,000	
Crescent City, 4699-110		(\$19,200,000)	(\$14,614,176)	(\$10,000,000)	
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)		
LACSD, 4916-110		(\$15,719,000)	(\$25,000,000)	(\$25,000,000)	(\$25,000,000)
Reedley, City of, 5051-110		(\$14,363,271)	(\$12,195,132)	(\$1,508,597)	
Fontana, City of, 4897-110, -210, -220		(\$29,229,135)			
Colfax, City of, 4470-110		(\$6,800,000)	(\$2,500,000)		
Ventura Co. Water Works Dist. 16, 4946-110		(\$4,500,000)	(\$2,900,000)		
Reserve for Small Community Wastewater Grant Projects	(\$2,000,000)	(\$10,000,000)	(\$15,000,000)	(\$7,500,000)	
Balance	\$254,267,717	\$243,516,553	\$201,345,956	\$247,223,223	\$378,195,090

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 North Coast Regional Water Board has prescribed NPDES Permit No. CA0022756 and WDR Order No.R1-2000-71. The proposed Project will upgrade the existing Plant to meet the North Coast Regional Water Board's Waste Discharge Requirements provided in the NPDES Permit.

STAFF RECOMMENDATION

1. Withdraw the Preliminary Loan Commitment of \$19.6 million for the City's Project, approved by the Board on February 20, 2007;
2. Approve an SRF Preliminary Loan Commitment of \$43,814,176 for the City's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction; and
3. In accordance with the SRF Policy, condition this approval by withdrawing the SRF Preliminary Loan Commitment if the City does not issue a NTP to construction by September 3, 2007, and sign the SRF loan agreement by December 17, 2007.
4. 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 -**

RESOLUTION FOR A FUNDING INCREASE FOR A STATE REVOLVING FUND (SRF)
PRELIMINARY LOAN COMMITMENT TO THE CITY OF CRESCENT CITY (CITY) FOR THE
WASTEWATER TREATMENT PLANT UPGRADE PROJECT (PROJECT); SRF LOAN
PROGRAM PROJECT NO. C-06-4699-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board) 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 C;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the City’s Project on January 24, 2007, and the City agreed with the approval on January 26, 2007;
4. The City prepared and adopted a Supplemental Environmental Impact Report (EIR) in 2005 for the Crescent City Wastewater Project;
5. The City Council approved the Project, certified the Final Supplemental EIR and adopted a Mitigation Monitoring Program on February 22, 2005. A Notice-of-Determination was filed with the Del Norte County Clerk and the Governor’s Office of Planning and Research on February 28, 2005 (SCH# 2000102115); and
6. 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. Withdraws the Preliminary Loan Commitment of \$19.6 million for the City’s Project approved on February 20, 2007;
2. Approves a SRF Preliminary Loan Commitment of \$43,814,176 for the City’s Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
3. Directs the Division to allocate \$43,814,176 consistent with the construction schedule and availability of funds; and

4. Includes a condition that this SRF Preliminary Loan Commitment will expire if the City does not issue a "Notice-to-Proceed" to construction by September 3, 2007, and sign the SRF loan agreement by December 17, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates.

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 May 22, 2007.

Song Her
Clerk to the Board