

STATE OF CALIFORNIA  
REGIONAL WATER QUALITY CONTROL BOARD  
CENTRAL COAST REGION

STAFF REPORT FOR REGULAR MEETING OF MARCH 24, 2006

Prepared on March 2, 2006

ITEM: 16

SUBJECT: 2006-07 STATE REVOLVING FUND LOAN PROGRAM PRIORITY LIST

**SUMMARY**

Annually, the State Water Resources Control Board's (State Water Board) Division of Water Quality requests input from each of the Regional Boards regarding priorities for State Revolving Fund (SRF) projects. Staff updated our priority list and recommends the attached updated list be forwarded to the State Board. The recommended list differs from the 2005/2006 list as follows:

Additions

Jointly, the City of Morro Bay and the Cayucos Sanitary District submitted a funding request as did the Goleta Sanitary District. These agencies intend to upgrade their wastewater treatment plants to a secondary treatment level in order to comply with settlement agreements reached between those agencies and the Central Coast Regional Water Quality Control Board (Water Board).

Deletions

The City of Paso Robles completed the three projects that were on the 2005/2006 list. Therefore, those projects have been removed. The San Miguel Community Services District will complete its expansion project using development dollars and have also been removed.

The Water Board receives requests, compiles a non-prioritized list, and recommends the list to the State Board. After receiving recommendations from the Regional Boards, the State Water Board prioritizes their compilation, using the SRF Policy's priority system, and creates the 2006/2007 SRF Priority List.

**BACKGROUND**

The Federal Water Pollution Control Act (Clean Water Act or CWA), as amended in 1987, provides for establishment of a State Revolving Fund (SRF) loan program. The purpose of the SRF loan program is to implement the CWA and various State laws by providing low-interest loan funding for construction of publicly-owned wastewater treatment facilities, local sewers, sewer interceptors, water reclamation facilities, as well as expanded use projects such as implementation of nonpoint source (NPS) projects or programs, development and implementation of estuary Comprehensive Conservation and Management Plans, and storm water treatment.

The United States Environmental Protection Agency provided an initial grant to capitalize the SRF loan program, with State Bond funds augmenting that capitalization. Substantial flexibility is available to project applicants, subject to the requirement that the loan must be repaid without exception. Thus, loans are typically granted only to qualified applicants that have the ability to assess fees for loan repayment, such as municipal governments and sanitary districts. Borrowers repay the loans at interest rates below market rates, and the State Board again loans out the money for new projects, thus "revolving" the funds.

In California, the State Water Board administers the SRF program. During the past 20 months the SRF loan program has not been taking new applications or processing existing loan projects that did not have a preliminary funding commitment from the State Water Board. The reason for this was that the funds available to the program had been committed to projects.

The State Water Board is now preparing to proceed with a Revenue Bond issuance to further leverage the SRF program to make more funds available. In anticipation of funds being available in the near future, the State Water Board will immediately begin accepting new applications and resume processing those applications that were previously under review.

Part of the SRF program entails maintaining, and annually updating, a list of projects that have requested funding. For our Region, staff has updated the priority list, and describes the added projects in more detail below.

## DISCUSSION

The Executive Officer issued a letter to our "state revolving fund" interested party list, requesting those parties to review our priority list and recommend modifications, additions, and deletions. In response, we received two new funding requests. The requests are summarized as follows:

➤ Morro Bay/Cayucos Wastewater Treatment Plant

The City of Morro Bay and Cayucos Sanitary District's jointly owned wastewater treatment plant is one of two in the Central Coast Region to operate under a Clean Water Act Section 301(h)-modified NPDES permit. Monitoring data indicates that the current discharge is not adversely affecting receiving water, but Morro Bay and Cayucos have decided to upgrade their facility as a proactive measure. The upgraded facility will ensure the receiving water is protected, improve treatment reliability, and possibly produce recycled water.

Morro Bay and Cayucos are currently developing a facility plan to determine whether the upgrade will be to full secondary, partial tertiary, or full tertiary treatment standards. Staff, Morro Bay and Cayucos have drafted a settlement agreement to require the upgrade within 9.5 years. Project planning, environmental review, permitting, financing, and design will take several years. Construction is scheduled to begin in January 2013 and end in January 2015. The preliminary project cost estimate is \$25 million. Staff strongly supports SRF funding for this project.

➤ Goleta Sanitary District Wastewater Treatment Facility

The Goleta Wastewater Treatment Facility (Facility) is the second facility in the Central Coast Region currently operating under a Clean Water Act Section 301(h)-modified NPDES permit. The Facility currently treats only a portion of its wastewater to secondary treatment standards. The upgrade will provide full secondary treatment for the Facility's ocean discharge, enhancing both the protection of water quality and the existing production of recycled wastewater.

In November 2004, the Central Coast Water Board and the Goleta Sanitary District (District) executed a settlement agreement requiring full compliance with secondary treatment standards by November 1, 2014. The District achieved the first three tasks on the settlement agreement's Conversion Schedule on time. These preliminary activities included the submittal of a detailed conversion schedule and timeline and the issuance of requests for environmental and consulting engineering proposals.

Goleta must demonstrate its acquisition of all necessary construction financing by December 31, 2010, with construction scheduled to commence by April 30, 2011. The project's estimated cost is \$40 million. Central Coast Water Board staff strongly recommends this project's consideration for State Revolving Fund financial support.

After receiving recommendations from the Regional Water Boards, State Water Board staff will rank projects in accordance with the SRF Policy (available at [www.swrcb.ca.gov/funding/docs/srf/srfpolicyonly.pdf](http://www.swrcb.ca.gov/funding/docs/srf/srfpolicyonly.pdf)). The State Water Board will adopt a priority list, (at its June 21, 2006 public meeting), including projects recommended by this Water Board.

## RECOMMENDATION

Adopt the Central Coast Region SRF list (attached) with the modifications identified above.

**ATTACHMENT**

Central Coast Water Board FY 2006/2007 SRF Priority  
List

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