

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. 2011-0006**

ADOPTION OF A CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM  
PRELIMINARY FUNDING COMMITMENT (PFC) FOR THE  
SUSANVILLE SANITARY DISTRICT (DISTRICT), FILTRATION AND ULTRAVIOLET  
DISINFECTION PROJECT (PROJECT), CWSRF PROJECT NO. C-06-5727-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the “*Policy for Implementing the Clean Water State Revolving Fund for Construction of Wastewater Treatment Facilities*,” (Policy) and amended it on March 17, 2009;
2. The State Water Board, on June 15, 2010, adopted the State Fiscal Year (SFY) 2010/2011 CWSRF Program Priority List, which includes the District’s Project in Priority Class A;
3. The State Water Board, on August 3, 2010, adopted the CWSRF *Intended Use Plan* (IUP) for SFY 2010/2011, including \$72,747,939 in principal forgiveness available to disadvantaged communities in California;
4. The Division of Financial Assistance (Division) issued the Facility Plan Approval (FPA) for the District’s Project on December 21, 2010, and the District accepted the FPA on December 27, 2010;
5. The District serves a small (less than 20,000 persons), disadvantaged (median household income [MHI] less than 80 percent of the Statewide MHI) community, and is eligible for up to 50 percent (50%) of the Project costs, up to a maximum of \$3.0 million in principal forgiveness as the District’s wastewater rates are less than 1.5 percent of the community’s MHI;
6. There is ongoing litigation against the District for an approximate one (1) million gallon sewage spill from the District’s collection system, which occurred in December 2008, and the District’s legal counsel provided an opinion that the anticipated litigation will not jeopardize the District’s net revenues, or the District’s ability to repay the CWSRF financing agreement;
7. The District requests a waiver of the CWSRF Policy’s Water Conservation Requirement because the District is not the water purveyor for their service area and is unable to meet the CWSRF’s Policy’s Water Conservation Requirement;
8. The District adopted a Notice of Exemption (NOE) (State Clearinghouse No. 2010078061) on May 1, 2010, for the Project; and filed the NOE with the Lassen County Clerk on July 1, 2010, and the Governor’s Office of Planning and Research on July 9, 2010;
9. The State Water Board staff reviewed and considered the information contained in the NOE and applicable documents, and determined that the Project will not result in any significant adverse water quality impacts; and
10. A credit review was completed on November 16, 2010, recommending a maximum CWSRF financing agreement amount of \$3.6 million for the Project, assuming a 20-year term at an interest rate of 2.70 percent (estimated one-half the general obligation [GO] bond rate).

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a CWSRF PFC of \$2.464 million for the District's Project with a 20-year repayment period at an interest rate of one-half the GO bond rate obtained by the State Treasurers Office as of the date of the PFC, with up to \$1.232 million in principal forgiveness. The first repayment shall be due one year after completion of construction. Per Section X(F) of the Policy, if at any time the requested financing amount exceeds the PFC amount by more than fifty percent (50%) or the credit limit, whichever is less, the Project must receive re-approval of the PFC;
2. Directs Division staff to allocate \$2.464 million consistent with the construction schedule and availability of funds;
3. Conditions this approval by withdrawing the CWSRF PFC if the District does not sign the CWSRF financing agreement by March 30, 2011. In accordance with Section IX(K)(3) of the Policy, the Deputy Director of the Division or designee may approve up to a 120-day extension for good cause;
4. Conditions this approval to require the District to provide immediate notification to the State Water Board Project Manager if the ongoing litigation will jeopardize the District's ability to repay the CWSRF financing, and shall provide the State Water Board Project Manager with a copy of any settlement agreement or court ruling within 15 days of such event;
5. Waives the CWSRF Policy's Water Conservation Requirement for the District's Project;
6. Conditions this approval to withhold construction disbursements (i.e., the amended financing agreement shall not be executed) until the Division receives adequate documentation regarding the District's completion of a successful Proposition 218-compliant process to set wastewater rates at no lower than those existing;
7. Conditions this approval such that if during the Proposition 218 process, the District receives more than five percent (5%) opposition to the wastewater rate increase, the District will be required to implement a public education program for two (2) years following the adoption of the new wastewater rate schedule;
8. Conditions the financing agreement, as determined by the District's credit review, with the following items:
  - a. The District shall establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.10 times the total debt service;
  - b. A reserve fund, equal to one-year's debt service, must be established by the District prior to the completion of construction date; and
  - c. The financing agreement shall be limited to a maximum of \$3.6 million in financing (assuming an interest rate of 2.70 percent [estimated one-half the GO bond rate] and a financing term of 20 years), unless information supporting the credit review changes, and a supplemental credit review is performed; and

9. Conditions this approval such that the District must meet the deadlines established in the CWSRF Program's IUP to be eligible for principal forgiveness.

### 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 February 1, 2011.

AYE: Chairman Charles R. Hoppin  
Vice Chair Frances Spivy-Weber  
Board Member Tam M. Doduc  
Board Member Dwight P. Russell

NAY: None

ABSENT: None

ABSTAIN: None



---

Jeanine Townsend  
Clerk to the Board