

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
FEBRUARY 20, 2007**

ITEM 5

SUBJECT

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

DISCUSSION

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 Water Board). The City's current regional treatment 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 Water Board. The Plant is also hydraulically overloaded during winter months.

The purpose of this Project is to upgrade the existing wastewater treatment plant to meet the North Coast 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: a new influent pump station, 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, three new rotating biological contactors (RBCs), 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 spring 2004 Value Engineering process. Additionally, the preferred alternative changed from placement of the Wastewater Treatment Plant at a new location to rehabilitation and expansion of the current Wastewater Treatment 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); USDA, Natural Resources Conservation Service; and the California Coastal Commission, Federal Consistency (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 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 has 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 is pending the SHPO concurrence letter.

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.

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

Based on the Project Report, the construction cost of the Project is \$16,814,000, and the total eligible Project cost, including engineering allowances, is estimated to be \$19,648,000.

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 \$19.6 million 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

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 September 3, 2007, and sign the SRF loan agreement by December 17, 2007? 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 1/22/07)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$533,353,932	\$206,405,593	\$304,156,960	\$361,274,497	\$472,853,610
Estimated Repayments	\$177,112,494	\$181,270,804	\$191,270,804	\$201,270,804	\$211,270,804
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	\$34,137,619	\$8,549,850	\$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
Estimated Disbursements	(\$528,180,941)	(\$169,520,893)	(\$87,422,521)	(\$61,100,000)	(\$25,964,254)
Subtotal	\$228,905,593	\$333,556,960	\$382,722,497	\$475,853,610	\$632,870,481
Crescent City, 4699-110		(\$11,000,000)	(\$5,648,000)	(\$3,000,000)	
Reserve for Small Community Wastewater Grant Projects	(\$22,500,000)	(\$18,400,000)	(\$15,800,000)		
Balance	\$206,405,593	\$304,156,960	\$361,274,497	\$472,853,610	\$632,870,481

REGIONAL WATER BOARD IMPACT

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

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan commitment of \$19.6 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 City does not issue a NTP to construction by September 3, 2007, and sign the SRF loan agreement by December 17, 2007. 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 -**

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

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*," 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; and
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).
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. Approves a SRF preliminary loan commitment of \$19.6 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 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; and
3. Directs the Division to allocate \$19.6 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 February 20, 2007.

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Clerk to the Board