



State Water Resources Control Board

**DIVISION OF FINANCIAL ASSISTANCE (DIVISION)
FACILITY PLAN APPROVAL (FPA)
CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM
MISSION SPRINGS WATER DISTRICT (DISTRICT)
AD-12 AREA F & M-1 SEWER CONSTRUCTION PROJECT (PROJECT)
CWSRF PROJECT NO.: C-06-4250-310**

CERTIFIED MAIL NO.: 7003-3110-0003-0771-2111
Return Receipt Requested

Mr. Arden Wallum
General Manager
Mission Springs Water District
66575 Second Street
Desert Hot Springs, CA 92240

Division staff prepared this FPA based on the District's CWSRF Program application and supporting documents. The FPA documents our understanding of the District's Project, and the conditions that will apply to the financing agreement for the Project. You must agree with the FPA findings and conditions before we can proceed with funding the Project.

This FPA constitutes a final staff decision. The FPA does not reserve funds for your Project and it is not the financing agreement. After the Division receives the District's agreement on the eligibility decisions, schedule, and conditions in this FPA, the Project Manager will request approval of a CWSRF Preliminary Funding Commitment (PFC) for your Project by the State Water Resources Control Board (State Water Board). After the State Water Board approves the PFC, the initial financing agreement will be prepared and sent to the District for execution. To expedite this process, please sign in the space provided below and return to your CWSRF Program Project Manager immediately at:

Ms. Diana Conkle
State Water Resources Control Board
Division of Financial Assistance
P.O. Box 944212
Sacramento, CA 94244-2120
Phone: (916) 341-5660
E-mail: dconkle@waterboards.ca.gov

For your convenience, the "DRAFT CWSRF Contract Template" is available online at:
http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/cwsrf/cwsrf_cntrct_tmplte.pdf.

If you do NOT agree with this FPA, then you must request a Final Division Decision within ten working days from the receipt of this FPA. Your request should specify the items of disagreement and suggest the exact changes with which you will agree. Please send the request to:

Ms. Elizabeth L. Haven, Deputy Director
State Water Resources Control Board
Division of Financial Assistance
P.O. Box 944212
Sacramento, CA 94244-2120

DIVISION STAFF APPROVAL

Sign _____
Here: James B. Maughan, Assistant Deputy Director
Division of Financial Assistance
Date _____

APPLICANT AGREEMENT

Using the authority delegated by the District on February 17, 2009, in Resolution No. 2009-5, I hereby agree, on behalf of the District, with the content and conditions of this CWSRF FPA for Project No. C-06-4250-310, and have reviewed the draft financing agreement template.

Sign _____
Here: Arden Wallum, General Manager
Mission Springs Water District
Date _____

POLICY

Policy for Implementing the Clean Water State Revolving Fund (CWSRF) for Construction of Wastewater Treatment Facilities (Policy) amended on March 17, 2009.

TYPE OF FUNDING REQUESTED

The District is requesting financing at one-half the General Obligation (GO) bond rate, and principal forgiveness, as available through the CWSRF Program.

TOTAL PROJECT COST
\$10,319,367

TOTAL CWSRF FUNDING REQUEST
\$10,319,367

AUTHORIZED REPRESENTATIVE

Mr. Arden Wallum
General Manager
Missions Springs Water District
66575 Second Street
Desert Hot Springs, CA 92240
760-329-6448

PROJECT DIRECTOR

Mr. Brent Gray
Director of Engineering Projects
Missions Springs Water District
66575 Second Street
Desert Hot Springs, CA 92240
760-329-5169 ext 131

TECHNICAL REVIEW

PROJECT LOCATION

The Project is located in the City of Desert Hot Springs and adjacent unincorporated lands in eastern Riverside County, approximately 13 miles north of Palm Springs. Assessment District No. 12 (AD-12) was established in 2004 to fund the District's continued efforts to abandon individual septic systems and connect users to the municipal sewer system. AD-12 is comprised of 13 service areas referred to as Areas A through M. The current Project will construct sewers in AD-12 Areas F and M-1.

EXISTING FACILITIES

Mission Springs Water District (District) is a California special district that was formed in 1953 after the consolidation of two smaller mutual water companies. The District currently provides water service to approximately 36,000 people, as well as sewer services to approximately 15,450 people. The first sewers were installed in the early 1970's using revenue generated by Assessment District (AD) fees. AD's-1, 3, 4 & 7 were completed beginning in 1985. AD-11 was approved by voters in 2000, and completed in 2006. AD-12 was approved by voters in 2004, with a 10-year completion goal. The first AD-12 project, Area L, was completed in 2010.

The District currently operates two wastewater treatment plants. The Alan Horton Wastewater Treatment Plant (Horton WWTP) was installed in 1972, and has been expanded four times to the current treatment capacity of 2 million gallons per day (mgd). The Horton WWTP currently serves 6,372 sewer connections, some of which are multi-family and/or apartments serving multiple dwelling units. The primary treatment process for the plant is extended aeration with disposal of treated effluent to percolation ponds. The smaller Desert Crest Wastewater Treatment Plant (DCWWTP) has a capacity of 0.18 mgd, and serves approximately 450 people in the community of Desert Crest and surrounding areas.

Approximately 5,760 parcels currently rely on septic systems for wastewater disposal.

PROJECT OBJECTIVES

The purpose of the proposed Project is to mitigate the risk of groundwater contamination due to septic system usage. The population served by the District relies solely on groundwater for their water supply. A study was conducted in 1996 by the U.S. Geological Survey to identify the migration of septic system discharges, and the potential effects on regional groundwater resources. The study concluded that wastewater discharge from onsite septic systems poses a significant threat to the groundwater supply in the greater Desert Hot Springs area, and recommended the abatement of onsite septic systems. The current Project is part of an ongoing effort to prevent groundwater contamination by decommissioning individual septic systems and connecting residents to the District's municipal sewer system.

PROJECT DESCRIPTION

The Project consists of installation of sewer pipeline and laterals in the existing right-of-way in AD-12 Area F. Installation of sewer pipeline and laterals in AD-12 Area M-1 will be incorporated into the Plans and Specification (P&S) for the Project as additive bid items. The District will make a determination regarding whether to proceed with work in AD-12 Area M-1 prior to submitting the Approval of Award (AOA) request to the Division.

AD-12 Area F involves construction of approximately 44,200 linear feet (LF) of 8", 10", and 12" vitrified clay pipe (VCP) sewer main pipeline, and 30,940 feet of 4" and 6" VCP sewer lateral pipeline in public right-of-way to connect 1,187 parcels in northwest Desert Hot Springs.

AD-12 Area M-1 involves construction of approximately 15,000 LF of 8", 15", 21" & 24" VCP sewer main pipeline, and 9,900 LF of 4" VCP sewer lateral pipeline in public right-of-way to connect 336 parcels in southeast Desert Hot Springs.

Wastewater will be conveyed to the Horton WWTP.

The Project is listed on the CWSRF Project Priority List.

The Project is listed in the CWSRF Intended Use Plan (IUP).

Water Code Section 5103, Statement of Diversion and Use of Water, does not apply to the District.

The Project is not routine and non-controversial based on documents and communications with the District: X Yes No

Due to pending litigation related to a potential rate rollback initiative, approval of the PFC for this Project will be considered by the State Water Board.

CWSRF PROJECT COSTS

The following table outlines the District's estimated Project cost:

TYPE OF WORK	Estimated Costs
A. Construction	\$9,900,000
B. Allowances (Soft Costs)	
1. Planning	\$22,700
2. Design	\$196,667
3. Construction Management	\$100,000
4. Administration	\$100,000
5. Value Engineering	\$0
Subtotal of Allowances	\$419,367
TOTAL	\$10,319,367

The costs associated with the installation of sewer laterals on private property and the decommissioning of septic systems are not eligible under this agreement. In 1995, the District approved Resolution 95-26, establishing a financial assistance program for those homeowners needing financial assistance to connect to the municipal sewer system.

ELIGIBLE COSTS

The items listed below are eligible for CWSRF financing. Detailed Project component eligibility and eligible component size will be determined during the review of the final P&S as part of the AOA, will be consistent with this FPA, and will be included in the CWSRF financing agreement.

- Site preparation, access, or security improvements
- Traffic control during construction
- Allowances (soft costs) for planning, design, construction management and administration
- Mitigation measures mandated by State and/or Federal agencies
- Construction of approximately 44,200 LF of sewer main pipeline, and 30,940 LF of sewer lateral pipeline in public right-of-way to connect 1,187 parcels in AD-12 Area F
- Construction of approximately 15,000 LF of sewer main pipeline, and 9,900 LF of sewer lateral pipeline in public right-of-way to connect 336 parcels in AD-12 Area M-1

INELIGIBLE COSTS

- Construction costs incurred prior to issuance of the PFC
- Any items that replace/repair facilities that were previously constructed with State or the United States Environmental Protection Agency (USEPA) grant funds
- Construction change orders and claims exceeding the amount of the CWSRF financing agreement
- Engineering costs included as part of the construction bid
- Decorative items (artwork, sculptures, reflective ponds, etc.)
- License fee(s) for proprietary treatment processes
- Construction contingencies
- Operation and maintenance (O&M) costs and extended warranties for equipment
- Act of God insurance costs
- Portable furniture and appliances
- All other items not included in the construction contract except allowances

- Demolition of existing facilities NOT required to provide space for eligible new facilities
- Decommissioning existing septic tanks
- Private house laterals or any in house facilities

ELIGIBLE DESIGN PARAMETERS

The Project's eligible design parameters will be consistent with Statewide General Waste Discharge Requirements for Sanitary Sewer Systems Order No. 2006-003-DWQ and Monitoring and Reporting Program No. 2006-0003-DWQ, issued by the State Water Resources Control Board, Division of Water Quality, and with Colorado River Basin Regional Water Quality Control Board (Regional Water Board) Waste Discharge Requirements (WDR) Order No. R7-01-020 for the Horton WWTP and Wastewater Collection and Disposal Systems.

A table of eligible design parameters is provided below:

PARAMETER	VALUE
Estimated Population Served by the Current Project (AD-12 Areas F and M-1)	3,144 persons ¹
Average Daily Dry Weather Flow	200 gpd/EDU or 0.21 mgd ²
Peak Wet Weather Flow	458 gpd/EDU or 0.48 mgd ³
mgd million gallons per day gpd gallons per day EDU equivalent dwelling unit	
1 Data provided in email correspondence from District staff dated January 11, 2012.	
2 District Wastewater Master Plan, 2007, Table 2-7 (200 gallon per day & 1,048 EDU).	
3 District Wastewater Master Plan, 2007, Table 2-12 (PWWF factor 2.29 & 1,048 EDU).	

PROJECT SCHEDULE

This tentative schedule does not supersede any regulatory enforcement schedule. Special attention to the Project milestones schedule is critical. Schedules must be compatible with requirements of the Colorado River Basin Regional Water Quality Control Board enforcement actions related to the planned facilities. Approval of a schedule not compatible with the Colorado River Basin Regional Water Quality Control Board requirements does not relieve the District of its responsibility to achieve compliance.

DISTRICT MILESTONES	SCHEDULED DATE
Advertise for Bids	July 2012
Open Bids	August 2012
Submit AOA Package	August 2012
Start Construction (Notice to Proceed)	September 2012
Submit Construction Status Reports	Due Quarterly During Construction of Project
Completion of Construction (of sewer and laterals in public right of way)	September 2013
Initiation of Operations (upon completion of house lateral connections)	March 2014 ¹
Performance Certification & Project Performance Report	May 2015
1 Per District Ordinance No, 2009-3, the District will issue a Notice to Connect that requires the owner(s) of each house, building, or property to connect within 90-days after completion of the public sewer line. The District may approve an extension of 60 days. The District expects that approximately 50 percent of owners will connect within 90 to 150 days.	

GREEN PROJECT ANALYSIS

No less than 20 percent of the Federal Fiscal Year 2010 and 2011 funds appropriated to California's CWSRF Program are to be provided for water or energy efficiency, green infrastructure, or other environmentally innovative activities (Green Projects).

An entire project may be considered a Green Project or larger projects with appropriate identifiable components may qualify as a partial Green Project. The projects or project components that are deemed Green Projects, or components thereof, must clearly advance the objectives articulated in the specific categories outlined in USEPA guidance documents:

- Water Efficiency – The use of improved technologies and practices to deliver equal or better services with less water.
- Energy Efficiency – The use of improved technologies and practices to reduce the energy consumption of water quality projects, including projects to reduce energy consumption or produce clean energy used by a treatment works.
- Green Infrastructure – Green Infrastructure includes a wide array of practices at multiple scales that manages and treats storm water and that maintains and restores natural hydrology by infiltrating, evapotranspiring, and capturing and using storm water.
- Environmentally Innovative – Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal with reduced costs and projects that foster adaptation of water protection programs and practices to climate change.

Based on the above, the Project is zero percent eligible as a Green Project.

ENVIRONMENTAL REVIEW

State Water Board staff conducted a Tier II environmental review, reviewed the environmental documents provided by the District, and determined that the Project will not result in any significant adverse water quality impacts.

The District prepared an Initial Study and Mitigated Negative Declaration (IS/MND; State Clearinghouse No. 1998091062) for a larger project (the Project is a subset of the larger project). The District adopted the IS/MND and a Mitigation Monitoring and Reporting Program and approved the larger project (which includes the Project) on February 16, 1999, and filed a Notice of Determination (NOD) with the Governor's Office of Planning and Research (OPR) on March 1, 1999 and the Riverside County Clerk on March 4, 1999.

The District prepared an addendum to the IS/MND (Addendum No. 1) to provide an updated environmental analysis and address the Project. The District adopted the Addendum No.1 and approved the Project updates on March 7, 2011, and filed an NOD with the Riverside County Clerk on March 8, 2011, and OPR on March 9, 2011.

State Water Board staff will file an NOD with the OPR following funding approval.

FINANCIAL AND FISCAL REVIEW

FISCAL IMPACT ON APPLICANT

A credit review analyzed the District's ability to enter into a financing agreement for a total of \$10,319,367 for construction and allowances. The credit review provided recommendations regarding the financing agreement terms, maximum CWSRF financing amount, financial capacity, and reserve fund requirements for the financing agreements.

The Project area is located in the City of Desert Hot Springs. Although the City's population exceeds 20,000, the total sewered population after construction of the proposed project will be approximately 18,594. The District's 2011 MHI is estimated at \$31,293, approximately 53 percent of the State of California MHI.

The most recent sewer rate increases were adopted on November 18, 2010. The current monthly single-family residential rate is \$31.23, effective January 1, 2012. A total assessment fee of \$3,588.00 or \$179.40 per year for a term of 20 years will be assessed on each parcel in the project area. Combined sewer rates and assessment fees equal approximately 1.8 percent of the District's 2011 MHI.

The District qualifies as a small severely disadvantaged community under Category 1.

After allowing for operating expenses projected to be \$2,274,438 for fiscal year 2011/12, the net revenues of the sewer system are projected at \$2,605,032 for fiscal year 2011/12. As of June 30, 2011, the District has five (5) outstanding debts that will be on parity with the CWSRF debt. Parity debt may be issued if net revenues equal at least 1.25 times the total debt service, and a reserve fund is established.

The outstanding debts are summarized below:

Debt Name & Issue Date	Maturity Date	Annual Debt Service	Balance as of 6/30/11
LaSalle Bank 9/2007 (AD-12 Phase 2)	9/21/27	\$127,690	\$1,421,183
LaSalle Bank 6/2006 (AD-12 Phase 1)	6/26/26	\$180,334	\$1,845,151
LaSalle Bank 7/2003 (Little Morango) *	12/17/13	\$654,848	\$1,538,609
LaSalle Bank 7/2003 (AD-11 Phase 2)	7/28/15	\$190,984	\$778,310
LaSalle Bank 12/2001 (AD-11 Phase 1) *	12/26/13	\$203,559	\$473,654
Total		\$1,357,415	\$6,056,907

* Two LaSalle Bank debts will be paid in full in December 2013, therefore, the annual debt service on the existing debt, as of the first CWSRF payment date (estimated to be August 2014), will be \$499,008.

SECURITY AND SOURCE OF FINANCING REPAYMENT

The District shall dedicate the special assessment district funds, charges, and fees assessed and collected from AD-12, and net revenues of the sewer system to the repayment of the proposed financing agreement.

A financing agreement for \$10,319,367, with \$5,159,684 in principal forgiveness and a term of twenty years at an estimated interest rate of 2.20 percent, will have an annual debt service of \$321,684. When added to the existing debt service of \$1,357,415 for fiscal year 2011/12, the total debt service would be \$1,679,099. When compared to the projected net revenues of the sewer system for fiscal year 2011/12 plus annual assessments for AD-12 Area F, the debt service coverage would be 1.55. This exceeds both the CWSRF policy requirement that net revenues be at least 1.10 times the total debt service, and existing debt covenants that net revenues be equal to at least 1.25 times the total debt service.

As discussed more in the next section, the District is involved in litigation related to an initiative to roll back rates to 2009 levels. If rates were rolled back, projected debt service coverage would be 2.17, which would meet existing debt covenants that require net revenues to be at least 1.25 times the total debt service.

COMPARATIVE REVENUES AND EXPENSES ANALYSIS

Revenues and expenses for fiscal years 2008/09 through 2010/11, and projections for future fiscal years are summarized below. The last column indicates the District's debt coverage if rates were reduced to 2009 levels.

Mission Springs Sewer System Revenues & Expenses

Fiscal Year	2008/09	2009/10	2010/11	2011/12 Projections	2012/13 Projections	2013/14 Projections	2014/15 Projections	Roll Back to 2009 Rates ²
Assessment AD-12 ¹	\$ -	\$ -	\$ -	\$212,948	\$212,948	\$212,948	\$212,948	\$212,948
Operating Revenues	\$2,256,829	\$2,572,542	\$2,833,081	\$3,368,158	\$3,867,756	\$4,055,511	\$4,059,259	\$2,572,542
Property Taxes	\$383,311	\$391,494	\$311,673	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Interest Revenues	\$307,087	\$370,686	\$312,528	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Backup & Front Footage Fees	\$65,660	\$126,154	\$174,799	\$748,364	\$960,661	\$960,661	\$960,661	\$960,661
Total Revenues	\$3,012,887	\$3,460,876	\$3,632,081	\$4,879,470	\$5,591,365	\$5,779,120	\$5,782,868	\$4,296,151
Operating Expenses	\$2,147,275	\$2,447,894	\$2,290,105	\$2,274,438	\$2,352,010	\$2,433,010	\$2,516,667	\$2,516,667
Net Revenues Available for Debt Service	\$865,612	\$1,012,982	\$1,341,976	\$2,605,032	\$3,239,355	\$3,346,110	\$3,266,201	\$1,779,484
Existing Debt Service ³	\$1,858,049	\$1,911,451	\$1,997,929	\$1,357,415	\$1,357,415	\$1,357,415	\$499,008	\$499,008
Proposed Debt Service with 50% PF	\$0	\$0	\$0	\$321,684	\$321,684	\$321,684	\$321,684	\$321,684
Total Debt Service	\$1,858,049	\$1,911,451	\$1,997,929	\$1,679,099	\$1,679,099	\$1,679,099	\$820,692	\$820,692
Debt Service Coverage ⁴	0.47	0.53	0.67	1.55	1.93	1.99	3.98	2.17
Proposed Debt Service with 0% PF	\$0	\$0	\$0	\$643,345	\$643,345	\$643,345	\$643,345	\$643,345
Total Debt Service	\$1,858,049	\$1,911,451	\$1,997,929	\$2,000,760	\$2,000,760	\$2,000,760	\$1,142,353	\$1,142,353
Debt Service Coverage	0.47	0.53	0.67	1.30	1.62	1.67	2.86	1.56

- 1) Only assessment fees from AD-12 Area F were used in the calculation since AD-12 Area M-1 will be bid as an additive item. AD-12 revenues will increase by \$179.40 per year for each additional parcel sewered in AD-12 Area M-1. Any additional connections in AD-12 Area M-1 will increase assessment revenues and improve debt coverage.
- 2) Based on Prop 218 documentation, the 2009 rates were in effect through December 31, 2010, therefore, the 2009/10 operating revenues were used in the rate rollback calculation.
- 3) One of the existing LaSalle loans was paid in September 2011, which dropped the 2011/12 projected existing debt amount. Two other LaSalle loans will be paid in full in December 2013, dropping the existing debt amount to \$499,008.
- 4) Potential upfront legal fees estimated at \$100,000, and additional legal fees of \$20,000 for a few years would not affect the District's ability to meet required debt service coverage based on current projections.

The District shall fund a restricted Reserve Fund equal to one year's debt service from available cash. A restricted Reserve Fund in the amount of one year's debt service is maintained so that in the event of non-payment, there are funds available to make the payment.

It is recommended that the State Water Board approve the Preliminary Funding Commitment (PFC) for the maximum amount of \$10,319,367, with \$5,159,684 in principal forgiveness.

PRINCIPAL FORGIVENESS ANALYSIS

As outlined in the Amended CWSRF IUP for SFY 2010/2011, adopted by the State Water Board on May 17, 2011, \$97,770,482 in FFY 2010 and FFY 2011 principal forgiveness is available to two (2) categories of communities: 1) Small, Disadvantaged Communities with Substantial Water Quality Investment; and 2) Other Communities. It is anticipated that an additional \$8.4 million in FFY 2012 principal forgiveness will be available to these categories.

The District qualifies for principal forgiveness under Category 1. The District's Median Household Income (MHI) is estimated at \$31,293, approximately 53 percent of the State of California MHI. The District estimates that they will provide sewer service to approximately 18,594 persons upon completion of the Project, including AD-12 Area F and additive bid item AD-12 Area M-1. As of January 1, 2012, the District's single-family residential wastewater rate is \$31.23/month. The monthly wastewater rate plus the assessment fee of \$14.95/month equals approximately 1.8 percent of the District's MHI. As a small severely disadvantaged community with total wastewater user rates more than 1.5 percent of the District's MHI, the District may receive 50 percent principal forgiveness for eligible Project costs up to \$6 million in principal forgiveness. With an estimated eligible cost of \$10,319,367, the Project qualifies for \$5,159,684 in principal forgiveness.

The District submitted an evaluation regarding how the Project addresses the "Livability Principles" established by the United States (US) Department of Housing and Urban Development, US Department of Transportation, and US Environmental Protection Agency.

The final principal forgiveness amount may be modified based on the AOA determination, and the final financing agreement will be updated accordingly.

FISCAL IMPACT ON THE CWSRF PROGRAM

(as of 04/23/2012)	SFY	SFY	SFY	SFY	SFY
	2011-12	2012-13	2013-14	2014-15	2015-16
Beginning Balance:	\$432,604,699	\$265,670,528	(\$37,300,368)	(\$78,393,927)	\$68,500,275
Estimated Repayments	\$222,133,150	\$232,133,150	\$242,133,150	\$252,133,150	\$262,133,150
Debt Service on Revenue Bonds	(\$30,228,204)	(\$27,714,204)	(\$23,821,829)	(\$20,966,279)	(\$19,356,506)
Estimated Capitalization Grants	\$68,764,114	\$97,036,800	\$28,800,000	\$28,800,000	\$28,800,000
Local Match Credits	\$2,558,295	\$3,489,111	\$910,884	\$952,288	\$1,076,500
Est. SMIF Interest:	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Estimated Disbursements	(\$415,661,526)	(\$548,275,633)	(\$271,934,862)	(\$113,979,091)	(\$36,424,772)
Subtotal	\$281,670,528	\$23,839,752	(\$59,713,025)	\$70,046,141	\$306,228,646
Pending Preliminary Funding Commitments	Estimated Disbursements				
Mission Springs Water District, #4250-310 (02/23/2012)		(\$5,159,683)			
City of San Clemente, #4516-110 (10/17/2011)		(\$7,422,003)	(\$4,948,002)		
City of San Diego, #4905-120 (02/10/2012)		(\$2,460,000)	(\$1,728,200)		
South Bayside System Authority, #5216-120 (11/10/2011)	(\$13,000,000)	(\$19,000,000)	(\$4,329,000)		
City of Redding, #5380-110 (11/15/2011)	(\$500,000)	(\$11,500,000)	(\$600,000)		
City of Vista, #5700-110 (04/18/2012)		(\$7,500,000)			
City of Vista, #6110-110 (04/18/2012)		(\$973,000)			
Santa Clarita Valley Sanitation District, #7045-110 (01/23/2012)	(\$2,500,000)	(\$2,250,000)			
Valley Center MWD, #7454-110 (11/08/2011)		(\$437,268)	(\$1,083,204)	(\$180,528)	
Valley Center MWD, #7454-120 (11/08/2011)		(\$4,003,166)	(\$4,095,996)	(\$1,365,338)	
Valley Center MWD, #7454-130 (11/08/2011)		(\$435,000)	(\$1,896,500)		
	\$265,670,528	(\$37,300,368)	(\$78,393,927)	\$68,500,275	\$306,228,646

Notes:

- The State Water Board approved the sale of up to \$300 million in Revenue Bonds in September 2005 for the CWSRF Program to cover any shortfall of funds.
- Estimated repayments include repayments from existing and future financing.
- Estimated disbursements include disbursements remaining on executed financing and planned disbursements on projects with preliminary funding commitments.
- Local match credits are the anticipated funds that will be contributed for local match financing included in "Estimated Disbursements."
Excludes 2010, 2011, and 2012 Principal Forgiveness funds

FISCAL IMPACT ON CWSRF PROGRAM PRINCIPAL FORGIVENESS/SCG FUND

(as of 04/23/2012)	Principal Forgiveness			
	Category 1	Category 1	Category 2	Total
		SCG fees		
Beginning Balance	\$57,662,289	\$2,000,000	\$40,108,193	\$99,770,482
City of Williams, #4049-110 (final)	(\$6,000,000)			
Mission Springs Water District, #4250-310	(\$5,159,684)			
City of San Diego, #4905-110 (final)			(\$3,000,000)	
City of San Diego, #4905-120			(\$3,000,000)	
City of Tulelake, #4930-110	(\$3,626,150)			
City of Redding, #4971-240 (final)			(\$3,000,000)	
Graton Community Services District, #4986-110	(\$6,000,000)			
City of Modesto, #5175-210 (final)			(\$3,000,000)	
Russian River County Sanitation District, #5201-110 (final)	(\$1,942,225)			
San Luis Obispo (Los Osos), #5230-110	(\$7,500,000)			
Calaveras County Water District, #5249-110 (final)	(\$4,420,880)			
Placer County Sewer Maintenance District 1, #5275-110 (final)	(\$6,000,000)			
Heber Public Utility District, #5302-110 (final)	(\$6,000,000)			
Victor Valley Wastewater Rec Authority, #5376-110 (final)			(\$3,000,000)	
City of Tehachapi, #5563-110 (final)			(\$2,121,030)	
Susanville Sanitary District, #5727-110 (final)			(\$1,392,595)	
City of Redding, #5835-110 (final)			(\$1,233,052)	
City of East Palo Alto, #5956-110 (final)			(\$268,321)	
The Bay Foundation of Morro Bay, #6701-110			(\$368,926)	
City of Los Angeles, #7055-110			(\$3,000,000)	
City of Stockton, #7085-110 (final)			(\$1,625,000)	
City of Yuba City, #7113-110 (final)			(\$3,000,000)	
Santa Nella County Water District, #7132-110 (final)			(\$2,146,875)	
Earlimart Public Utility District, #7190-110 (final)			(\$359,707)	
Eastern Municipal Water District, #7203-110			(\$5,000,000)	
City of Rio Dell, #7401-110	(\$6,000,000)			
City of Redding, #7456-110 (final)			(\$1,682,280)	
City of Anaheim, #7620-110 (final)			(\$937,464)	
City of Anaheim, #7622-110 (final)			(\$374,383)	
City of Anaheim, #7630-110 (final)			(\$391,337)	
Planada CSD, #7649-110		(\$380,000)		
City of Yuba City, #7668-110			(\$3,000,000)	
Sutter County, #7732-110 (final)	(\$400,180)	(\$1,000,000)		
City of Anaheim, #7800-110 (final)			(\$923,344)	
City of Colfax, #7806-110 10	(\$3,319,000)			
City of Dunsmuir, #7820-110 (final)	(\$3,737,500)	(\$620,000)		
Subtotal	(\$60,105,619)	(\$2,000,000)	(\$42,824,314)	(\$104,929,933)
Ending Balance	(\$2,443,330)	\$0	(\$2,716,121)	(\$5,159,451)

* The negative balance in Category 2 will be covered by the estimated \$8.4 million in FFY 2012 principal forgiveness. Financing agreements for Yuba City's Project No. 7113-110 and San Diego's Project No. 4905-120 are contingent upon receipt of the FFY 2012 capitalization grant.

DISTRICT REPRESENTATIONS

The District's attorney represents that the District complied with Proposition 218 requirements for setting rates. The District's bond counsel represents that the District's existing debt obligations do not conflict with the proposed CWSRF financing.

Several of the District's ratepayers collected the required signatures to put an initiative on the ballot to roll rates back to 2009 levels, and to limit the District's ability to impose future increases. In July 2011, the District filed a complaint with the Superior Court of California in Riverside County questioning the legality of the initiative. The parties of interest in that case filed a motion to strike the District's complaint, which was denied; however, that decision is being appealed. Hearings on the District's initial complaint are being postponed until the appeal is resolved and, therefore, most likely will not occur until summer 2012 or later. Due to the pending litigation, the PFC for the Project cannot be approved by the Deputy Director of the Division, and must go before the State Water Board.

Should the State Water Board authorize funding, the Division will not amend the financing agreement to incorporate the bid costs or disburse funds for construction until the District provides a legal opinion (1) explaining the status of and providing the anticipated timeline for resolution of the pending litigation, and (2) certifying that there is no pending or anticipated litigation or dispute that will detrimentally affect (a) the District's payment source, (b) the ability of the District to agree to pay the CWSRF financing, or (c) the ability of the District to manage and implement the Project.

SPECIAL CONDITIONS

1. This FPA includes only the Project described above and does not include any associated projects that may have been referred to in the District's Project Report, dated June 1997. This approval does not guarantee that a CWSRF financing agreement will be awarded for this Project.
2. As determined by the District's credit review, the financing agreement is subject to the following conditions:
 - The financing agreement shall be secured on parity with all outstanding debt listed in the summary above.
 - The District shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.25 times the total annual debt service.
 - The District shall establish a restricted Reserve Fund equal to one year's debt service prior to the construction completion date. The Reserve Fund shall be maintained for the full term of the Financing Agreement.
 - Recipient may not incur future senior debt. Recipient's future debt may be issued on parity with CWSRF debt if policy conditions are met. (Section X, G1)

- The financing agreement shall be limited to the maximum amount of \$10,319,367, with \$5,159,684 in principal forgiveness; unless new information supporting the credit review changes and a supplemental credit review is performed.
3. In accordance with the Migratory Bird Treaty Act, the District shall complete pre-construction survey 30 days prior to construction activities to avoid potential impacts to migratory birds. This condition will be included in Exhibit D of the District's CWSRF financing agreement.
 4. In accordance with Section 106 of the National Historic Preservation Act, the District shall comply with the following:
 - Require archaeological monitoring for all excavation into undisturbed soils in Service Area F east of Palm Drive.
 - Prepare a monitoring plan that includes implementation procedures for inadvertent discoveries prior to any trenching east of Palm Drive in Service Area F.
 - Notify the State Water Resources Control Board Cultural Resources Officer (CRO) of any discoveries of cultural material and consult with the CRO on any subsequent resource evaluation and treatment. Consultation with the State Historic Preservation Officer may be necessary if a newly discovered resource meets the criteria of eligibility for the National Register of Historic Places.
 5. The District may jeopardize CWSRF financing if construction begins prior to the PFC. Construction after the PFC and prior to issuance of the CWSRF financing agreement is eligible for funding.
 6. The District will submit an Approval of Award (AOA) package after Project bid opening. The Division, through the AOA package, will use the Project bid results accepted by the District along with the final Project P&S to review final Project eligible costs and Performance Standards. After review and approval, the Division will prepare a CWSRF financing agreement consistent with the final eligibility determination. Signature of the amended agreement by the District will constitute agreement with the Division's eligibility decisions for the AOA package.
 7. The District must comply with the Disadvantaged Business Enterprises and Davis-Bacon requirements, and certify compliance with all applicable federal laws.
 8. The District is required to implement a public education program for two years beginning no later than January 2013 because of rate payer opposition to their last wastewater rate increase.
 9. The District must sign financing agreement on or before October 31, 2012. Division staff may approve up to a 120-day extension for good cause.
 10. Due to pending litigation, the PFC for the Project is subject to State Water Board approval. Should the State Water Board authorize financing and approve an initial financing agreement, the financing agreement will not incorporate bid costs or authorize the disbursement of funds for construction until the District provides the following:
 - An updated legal opinion certifying (1) that the District has sufficient property rights in the land used for all portions of the Project to enable it to access, construct, operate, maintain, repair, monitor, and allow for outside inspections

of the Project throughout the useful life of the Project and/or the CWSRF financing term, whichever period is longer, and (2) that the District has obtained all encroachment permits necessary to implement the Project.

- A legal opinion (1) explaining the status of and providing the anticipated timeline for resolution of the pending litigation, and (2) certifying that there is no pending or anticipated litigation or dispute that will detrimentally affect (a) the District's payment source, (b) the ability of the District to agree to pay the CWSRF financing, or (c) the ability of the District to manage and implement the Project.
11. The District shall provide periodic updates on the status of the pending litigation relating to rollback of sewer rates.
 12. The final amount of principal to be forgiven may be modified based on the AOA determination, and the final financing agreement will be updated accordingly. The total amount of principal to be forgiven will not exceed \$5,159,684.
 13. Unless the upper limit is modified in the future, the amount of principal that may be forgiven is capped at \$10 million per agency over the next three (3) SFY (July 1, 2011 – June 30, 2014).
 14. The District's application was complete and ready for a commitment prior to the March 20, 2011, adoption of the FFY 2012 CWSRF IUP. Therefore, the amount of principal forgiveness is based on criteria in the previous CWSRF IUP for SFY 2010/11, amended May 17, 2011.

DISTRIBUTION

Jose Angel, AEO

Colorado River Basin Regional Water Quality Control Board (via email)