

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
MARCH 4, 2014**

ITEM 3

SUBJECT

CONSIDERATION OF A RESOLUTION FOR PROJECT PLACEMENT ON THE WATER RECYCLING FUNDING PROGRAM (WRFP) COMPETITIVE PROJECTS LIST, AND AUTHORITY FOR THE DEPUTY DIRECTOR OF THE DIVISION OF FINANCIAL ASSISTANCE TO EXECUTE A WRFP GRANT AGREEMENT FOR THE INLAND EMPIRE UTILITIES AGENCY, CENTRAL AREA RECYCLED WATER PROJECT: WINEVILLE RECYCLED WATER PIPELINE EXTENSION; WRFP PROJECT NO. 3849-030

DISCUSSION

The District is seeking financial assistance from the State Water Resources Control Board (State Water Board) WRFP to construct approximately 33,700 lineal feet of recycled water pipeline to deliver an estimated demand of 1,275 AFY for landscape irrigation and groundwater recharge. The Project will also upgrade the Groundwater Recharge Supervisory Control and Data Acquisition (SCADA) system to transition to the Agency's new communication backbone. The WRFP Construction Grant is limited to \$4,000,000, but not to exceed 25% of eligible construction costs. The Project will also receive funding from the Clean Water State Revolving Fund (Project No. C-06-5318-110) for \$26,500,000.

On November 11, 2013, the Agency submitted a complete application for a WRFP construction grant. In accordance with the WRFP Guidelines (amended July 15, 2008), projects must be in a fundable category on the WRFP Competitive Project List (CPL), adopted on January 20, 2005, ([Resolution No. 2005-0002](#)). The Agency's Project is not listed on the current WRFP CPL. Division staff determined that the Project meets the WRFP funding requirements and will benefit the state's water supply. Therefore, Division staff recommends the State Water Board add the Agency's Project to the WRFP CPL and approve \$4,000,000 in WRFP construction grant funding.

ENVIRONMENTAL IMPACT

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

The Agency is the lead agency under the California Environmental Quality Act (CEQA), and has complied with CEQA and CEQA Guidelines. The Agency prepared a Program Environmental Impact Report (PEIR) for the Facilities Master Plans in June 2002, that also included the Project. The PEIR was distributed to the public and circulated through the State Clearinghouse (SCH; No. 2002011116) from April 29, 2002, through June 12, 2002. The Agency received 27 comment letters. The Agency responded to all comments and made changes to the PEIR where appropriate.

The Agency certified the PEIR, adopted a Mitigation Monitoring and Reporting Program (MMRP), and approved the Project on June 28, 2002. The Agency filed a Notice of Determination (NOD) with the San Bernardino County Clerk and the Governor's Office of Planning and Research (OPR) on June 28, 2002.

The City of Fontana (City) prepared an addendum to the PEIR (Addendum) for the Project, and approved on July 23, 2008. The Agency adopted the City's Addendum on April 18, 2012. The Agency filed a NOD for the Addendum with the San Bernardino County Clerk on April 25, 2012, and with the OPR on April 27, 2012.

The State Water Board Cultural Resources Coordinator (CRC) reviewed the documents submitted by the Agency for the Project. The CRC determined that the Project will have no effect to historic properties. The CRC sought concurrence with the State Historic Preservation Officer (SHPO) on November 16, 2012. On January 16, 2013, SHPO responded with a conditional concurrence. SHPO concurred with a finding of "No Adverse Effects to Historic Properties" with the condition that an archaeological monitor be present for all ground-disturbing events.

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

FISCAL IMPACT

Financial Analysis

A financial overview was completed to determine the Agency's ability to enter into an agreement for a Water Recycling Grant in the amount of \$4,000,000 for construction and allowance costs. The credit review provided recommendations regarding the maximum grant amount.

The total Project costs are \$30,500,000, with the Agency receiving a financing agreement from the Clean Water State Revolving Fund for the balance of \$26,500,000 in costs.

The Agency's estimated 2013 median household income (MHI) is \$60,929, approximately one hundred and four percent (104%) of the State of California MHI. The Agency's estimated 2013 population is 782,567. The Agency does not qualify as a small disadvantaged community.

The operations and maintenance costs for fiscal year 2012/13 were \$62,624,167. The Agency has outstanding debt totaling \$340,959,845 as of June 30, 2013. Debt service for 2012/13 was \$21,959,512. The debt service coverage requirement for outstanding debt is 1.25. The Agency's Cash Reserves totaled \$111,647,533 as of June 30, 2013.

Comparative Revenues and Expenses Analysis

The audited financial statements for the Agency for the prior three fiscal years are summarized in the following table:

Inland Empire Utilities Agency					
Fiscal Year	Audited 2009/10	Audited 2010/11	Audited 2011/12	Audited 2012/13	2013/14 Budget
Service Charges	\$44,544,852	\$44,775,957	\$46,467,428	\$52,153,314	\$57,403,000
Recycled Water Sales	\$4,162,140	\$4,352,800	\$6,009,468	\$7,951,605	\$9,230,000
Interest Income	\$1,715,274	\$1,178,505	\$963,196	\$818,784	\$1,001,000
Property Tax Revenue	\$34,355,385	\$33,419,237	\$32,694,517	\$48,086,946	\$30,684,000
Connection Fees	\$7,753,057	\$5,398,047	\$7,686,126	\$14,614,387	\$9,013,000
Other Non-Operating Revenue	\$7,637,808	\$6,089,725	\$8,562,035	\$7,510,242	\$2,264,000

Total Revenues	\$100,168,516	\$95,214,271	\$102,382,770	\$131,135,278	\$109,595,000
Operating Expenses	\$60,711,008	\$60,885,564	\$62,803,280	\$62,624,167	\$61,756,005
Net Revenues	\$39,457,508	\$34,328,707	\$39,579,490	\$68,511,111	\$47,838,995
Existing Debt Service (includes pending #7885-110)	\$23,032,335	\$12,257,207	\$13,844,331	\$23,703,083	\$21,959,512
Proposed Debt Service #5318-110 (30 Year Term)	\$0	\$0	\$0	\$0	\$1,199,554
Total Debt Service	\$23,032,335	\$12,257,207	\$13,844,331	\$23,703,083	\$23,159,066
Debt Service Coverage	1.71	2.80	2.86	2.89	2.07

The Agency has sufficient cash reserves and available revenues of approximately \$45 million after allowing for operations and maintenance costs and debt service; that can be used for the Agency's share of the Project if that should become necessary.

It is recommended that the Division approve a WRFP construction grant agreement for the maximum amount of \$4,000,000.

Fiscal Impact on the WRFP Program

Loan repayments from the Water Recycling Revolving Fund are deposited into the Water Recycling Sub-accounts and provide funds for new construction grants, loans, planning and research projects. Construction grant funds are appropriated each year during the state budget process. The available balance for construction grants can be found in the fiscal impact table below:

Proposition 50	
Construction Grants	
	Appropriation Balance
Balance as of 1/31/2014	\$7,792,861
Proposed Commitments	
Inland Empire Utilities Agency #3849-030	-\$4,000,000
Balance after New Commitments	\$3,792,861

REGIONAL WATER BOARD IMPACT

The Project will be consistent with the Agency's water quality monitoring requirements as described within the Agency's Waste Discharge Requirements, Order No. R8-2009-0021, and National Pollution Discharge Elimination System Permit No. CA8000409, issued by the Santa Ana Regional Water Quality Control Board.

POLICY ISSUE

Should the State Water Board:

1. Add the Project to the WRFP CPL?
2. Authorize the Deputy Director of the Division of Financial Assistance to execute a \$4,000,000 WRFP construction grant funding agreement for the proposed Project?
3. Condition this approval by withdrawing the Resolution if the Agency does not sign the grant agreement by September 4, 2014? Division staff has the discretion to approve up to a 90-day extension for good cause.

STAFF RECOMMENDATION

The State Water Board should:

1. Add the Project to the WRFP CPL;
2. Authorize the Deputy Director of the Division of Financial Assistance to execute a \$4,000,000 WRFP construction grant funding agreement for the proposed Project; and
3. Condition this approval by withdrawing the Resolution if the Agency does not sign the grant agreement by September 4, 2014. Division staff has the discretion to approve up to a 90-day extension for good cause.

State Water Board action on this item will assist the Water Boards in reaching Goal 3 of the Strategic Plan Update: 2008-2012 to increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate flows for fish and wildlife habitat. In particular, approval of this item will assist in fulfilling Objective/Action 3.2 to increase the acceptance and promote the use of recycled water and the reuse of stormwater as locally available, sustainable water supplies consistent with the Climate Change Draft Scoping Plan developed pursuant to the California Global Warming Solutions Act of 2006 (AB 32) and other relevant State and regional efforts.

D R A F T
STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2014-

PROJECT PLACEMENT ON THE WATER RECYCLING FUNDING PROGRAM (WRFP)
COMPETITIVE PROJECTS LIST, AND AUTHORITY FOR THE DEPUTY DIRECTOR
OF THE DIVISION OF FINANCIAL ASSISTANCE TO EXECUTE A WRFP GRANT
AGREEMENT FOR THE INLAND EMPIRE UTILITIES AGENCY, CENTRAL AREA RECYCLED
WATER PROJECT: WINEVILLE RECYCLED WATER PIPELINE EXTENSION; WRFP
PROJECT NO. 3849-030 (PROJECT)

WHEREAS:

1. The State Water Resources Control Board (State Water Board) adopted the "*Water Recycling Funding Program Guidelines*" and amended them on July 15, 2008 (Guidelines);
2. The Project is a Category I project according to the Guidelines, but is not included on the WRFP Competitive Projects List (CPL), adopted January 20, 2005;
3. An independent credit review was completed on January 21, 2014;
4. The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) was approved by the voters on November 5, 2002 (Water Code, Division 26.5, Sections 79500 et seq.). Section 79550(g) in Chapter 7 of Proposition 50 allocates funding for urban and agricultural water conservation, recycling, and other water use efficiency projects;
5. The Project is a routine and non-controversial project that is consistent with the policies, regulations, and agreements the State Water Board adopted for implementation of the WRFP;
6. The Agency is the lead agency under the California Environmental Quality Act (CEQA), and has complied with CEQA Guidelines by preparing a Program Environmental Impact Report (PEIR) for the Facilities Master Plans in June 2002, that also included the Project;
7. Adequate public participation was provided through the CEQA review process. The PEIR was circulated through the State Clearinghouse (No. 2002011116) from April 29, 2002, through June 12, 2002, for public review and comments. The Agency received 27 comment letters. The Agency responded to all comments and made changes to the PEIR where appropriate;
8. The Agency certified the PEIR, adopted a Mitigation Monitoring and Reporting Program, and approved the Project on June 28, 2002. The Agency filed a Notice of Determination (NOD) for the PEIR with the Governor's Office of Planning and Research (OPR) and San Bernardino County Clerk on June 28, 2002;
9. The City of Fontana (City) prepared an addendum to the PEIR (Addendum) for the Project, which the City approved on July 23, 2008. The Agency adopted the City's Addendum on April 18, 2012. The Agency filed an NOD for the Addendum with the San Bernardino County Clerk on April 25, 2012, and with the OPR on April 27, 2012;

D R A F T

10. Per the January 16, 2013 letter from the State Office of Historic Preservation, the Agency shall ensure that a qualified archaeological monitor is present during earth-moving and ground-disturbing operations associated with the Project;
11. The Agency's environmental documents provided an adequate disclosure of the environmental relationships of all water quality aspects of the Project. Mitigation measures and design measures incorporated into the Project will avoid or substantially reduce other potentially significant environmental impacts. The Project will not result in any significant adverse water quality impacts;
12. The Agency submitted an Urban Water Management Plan to the Department of Water Resources (DWR) in accordance with Section 10644 of the Water Code. The District meets the definition of an Urban Water Supplier as defined in Section 10617 of the Water Code;
13. Water Code Section 10631.5 requires the DWR to determine if an urban water supplier is implementing water-demand management measures described in Section 10631 of the Water Code. The Agency submitted the required documentation to DWR on March 11, 2009, and requested that DWR make an eligibility determination. On May 5, 2009, DWR determined the Agency to be in compliance, and therefore eligible to receive water management grant funds; and
14. As of January 1, 2010, Water Code section 529.5 requires an urban water supplier that applies for financial assistance from the state for a wastewater treatment project, drinking water treatment project, or water use efficiency project, or a permit for a new or expanded water supply, to demonstrate that the applicant meets the water metering requirements of Division 1, Chapter 8, Article 3.5 of the Water Code. On April 18, 2011, the Agency certified that it is an urban water supplier, as that term is understood pursuant to the provisions of Section 529.5 of the Water Code and that it complied with Division 1, Chapter 8, Article 3.5 of the Water Code.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Adds the Project to the WRFPL CPL;
2. Authorizes the Deputy Director of the Division of Financial Assistance to execute a \$4,000,000 WRFPL construction grant funding agreement for the proposed Project; and
3. Conditions this approval by withdrawing the Resolution if the Agency does not sign the grant agreement by September 4, 2014. Division staff has the discretion to approve up to a 90-day extension for good cause.

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 March 4, 2014.

Jeanine Townsend
Clerk to the Board