

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2011-0027**

TO ADD INLAND EMPIRE UTILITIES AGENCY (AGENCY) SOUTHERN AREA RECYCLED WATER SYSTEM IMPROVEMENTS PROJECT (PROJECT) TO THE WATER RECYCLING FUNDING PROGRAM (WRFP) COMPETITIVE PROJECT LIST AND TO AUTHORIZE FUNDING FROM THE WRFP AND THE CLEAN WATER STATE REVOLVING FUND TO THE AGENCY'S PROJECT; CWSRF PROJECT NO. 5319-110.; WRFP PROJECT NO. 3845-030

WHEREAS:

1. The State Water Resources Control Board (State Water Board) amended the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," (Policy) on March 17, 2009;
2. The State Water Board, on June 15, 2010, adopted the state fiscal year 2010/2011 CWSRF Program Priority List which included the Agency's Project in Priority Class C;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the Agency's Project on May 4, 2011, and the Agency agreed with the approval on May 9, 2011;
4. On March 7, 2000, the voters approved the Costa-Machado Water Act of 2000 (2000 Bond Law), and provided authorization for the State Water Board to issue WRFP construction grants;
5. 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;
6. The State Water Board, on October 21, 2004, adopted the "*Water Recycling Funding Program Guidelines*," (Guidelines) and amended them on July 15, 2008;
7. The Project is a Category I project according to the Guidelines, but is not included on the WRFP 2005 Competitive Project List, adopted December 23, 2004;
8. The Agency prepared a Program Environmental Impact Report (PEIR; State Clearinghouse No. 2002011116) for a larger project (the Project is a subset of the larger project);
9. The Agency certified the PEIR, adopted a Mitigation Monitoring and Reporting Program (MMRP) and a Statement of Overriding Consideration (SOC) and approved the larger project (which includes the Project) on June 28, 2002;
10. 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;

11. The Agency prepared an addendum to the PEIR (Addendum PEIR) to provide Project updates and determined that the Project will not result in any unavoidable significant impacts. Thus, the SOC does not apply to the Project. The Agency identified specific mitigation measures from the adopted MMRP associated with the PEIR that are applicable to the Project;
12. The Agency adopted the Addendum PEIR, and approved the Project on February 17, 2010;
13. The Agency filed an NOD with the San Bernardino County Clerk on February 18, 2010 and OPR on February 22, 2010, for the Addendum PEIR;

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a CWSRF Preliminary Funding Commitment (PFC) and WRF \$4 million Construction Grant (not to exceed 25% of eligible project costs) for the Agency's Project with a repayment period of 20-years and interest rate of one half the general obligation bond rate obtained by the State Treasurer's Office as of today's date. The first repayment shall be due one year after completion of construction;
2. As determined by the credit review, condition the CWSRF financing agreement as follows:
 - The Financing Agreements shall be secured on parity with the outstanding Series 2005 A Revenue Bonds, Series 2008 A Revenue Bonds, 2008 B Variable Rate Revenue Bonds, and the 2010 Revenue Bonds;
 - The Agency shall establish a Reserve fund equal to one year's debt service for the project prior to the construction completion date as listed in the Project's Financing Agreement;
 - The Agency shall covenant to establish rates and charges in amounts sufficient to generate net revenues of the Enterprise Funds equal to at least 1.25 times the total annual debt service; and
 - The Financing Agreements for CWSRF projects No. 5333-110, 5319-110 and 5318-110 shall be limited to a combined maximum of \$76,338,000, unless new information supporting the credit review changes and a supplemental credit review is performed.
3. Condition this approval by withdrawing this CWSRF PFC if the Agency does not sign the CWSRF financing agreement by November 30, 2011, and in accordance with Section IX. (K) of the Policy, allow Division staff the discretion to approve up to a 120-day extension of this PFC expiration date for good cause;
4. Condition this approval that a final certification from the Agency's attorney, acceptable to the Division, regarding access and ownership to land on which the Project will be constructed is needed before the final financing agreement is amended and construction funds are disbursed;

5. Condition this approval that the users identified in the Recycled Water User Connection Schedule are to be connected by the Initiation of Operations Date. If users are not connected, or changes occur, the Division shall be notified; and
6. Condition this approval that when the Project begins operation, it will be monitored for progress in delivering recycled water. The Agency shall submit annual reports for five years after the first full year of operation. These reports shall contain information on the actual deliveries of recycled water, and be submitted by the end of February.

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 June 21, 2011.

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

NAY: None

ABSENT: None

ABSTAIN: None



Jeanine Townsend
Clerk to the Board