

July 31, 2019

Katie DiSimone California Regional Water Quality Control Board - Central Coast Region 895 Aerovista Place, Suite 101 San Luis Obispo, CA 93401

Subject: Time Schedule Order No. R3-2018-0019 2019 Second Quarter Progress Report

Dear Ms. DiSimone:

In accordance with Table 3 (Compliance Schedule) of Time Schedule Order No. R3-2018-0019 dated June 27, 2018, the City of Morro Bay (City) is submitting the 2019 Second Quarter Progress Report. Per Table 3, the progress report shall include the following:

"The quarterly progress reports shall detail the Discharger's actions implemented towards achieving compliance with Order No. R3-2017-0050, including but not limited to studies, installation/construction progress, evaluation of measures implemented, recommendations for additional measures as necessary to achieve full compliance by the final date of this TSO, completion of any required actions, failures to comply with any action required and related corrective actions. Quarterly progress reports shall also include as attachments any documentation demonstrating compliance, such as RFPs, EIRs, rate studies, contract awards, or hearing agendas. Where such materials are publicly available via the Discharger's website, the Discharger's quarterly report may instead provide web links if approved by Central Coast Water Board staff."

#### Background

The City currently jointly owns and operates a wastewater treatment plant (WWTP) with the Cayucos Sanitary District (CSD). The WWTP was built in 1954 and blends primary-treated effluent with secondary-treated effluent when flows exceed 1 million gallons per day (mgd). The City is currently operating under Waste Discharge Requirements Order No. R3-2017-0050 (Order No. R3-2017-0050), which requires the City to discontinue the blending process as part of the planned new water reclamation facility (WRF) project, and all flows will meet at least full secondary treatment standards.

Since 2013, the City has been developing a WRF project through the completion of several key planning milestones including completion of the Draft Water Reclamation Facility Master Plan and Draft Master Water Reclamation Plan. These planning documents along with City Council-adopted goals for the project have outlined a project that includes the following major components:

- Onsite tertiary treatment facility with a capacity of approximately 1 mgd;
- Onsite full advanced treatment facilities capable of meeting the Division of Drinking Water's requirements for potable reuse via groundwater augmentation;
- Offsite recycled potable reuse facilities including pipelines and injection wells necessary for groundwater augmentation in the Morro groundwater basin; and
- Offsite raw wastewater conveyance facilities including pipelines and pump station(s) to convey raw
  wastewater, tertiary-treated wastewater, and brine between the existing WWTP site and the City's
  preferred site located at Highway 1 and South Bay Boulevard.



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### **Summary of Recent Activities**

Since delivery of the last quarterly update on April 29, 2019, the City has continued to make major strides in moving the WRF project towards achieving full compliance with Order No. R3-2017-0050 by February 28, 2023. These milestones include approval of the Coastal Development permit application by the California Coastal Commission, placement on the Clean Water State Revolving Fund (CWSRF) Fundable List for \$105 million, continued design of the WRF facility with the DB team, continued the Phase 2 hydrogeological work with GSI, and continued the design of the conveyance facilities. A summary of major milestones, dates of their completion, and critical supporting documentation is also identified in the table below. Additional discussion is also provided following the table.

Activity	Completion Date	Supporting Documentation	Links to WRF Website or Attached
WRF Onsite Design-Build Request for Proposals	January 24, 2018	RFP	http://morrobaywrf.com/reque st-proposals-design-build- services-wrf-onsite- improvements/
Release of Public Draft Environmental Impact Report (EIR)	March 30, 2018	Draft EIR	http://www.morrobayca.gov/D ocumentCenter/View/11684/W RF-Draft-EIRAll-Chapters- Combined
City Council Selection of the Preferred WRF Onsite Design- Build Team	June 13, 2018	Agenda	<u>http://www.morro-</u> bay.ca.us/ArchiveCenter/View <u>File/Item/4648</u>
Final EIR	July 03, 2018	Final EIR	http://www.morrobayca.gov/D ocumentCenter/View/11985/W <u>RF-Final-EIR</u>
Recommendation to Certify Final EIR by Planning Commission/WRFCAC	July 03, 2018	Agenda	<u>http://www.morro-</u> <u>bay.ca.us/ArchiveCenter/View</u> <u>File/Item/4682</u>
Draft Financial Plan and Rate Analysis	July 05, 2018	Draft Report	http://morrobaywrf.com/site/w p-content/uploads/Morro-Bay- WRF-Financing-Plan-Rates- Draft-7-5-18.pdf
City Council Approval of Proposition 218 Notice	July 10, 2018	Agenda	<u>http://www.morro-</u> <u>bay.ca.us/ArchiveCenter/View</u> <u>File/Item/4685</u>
Submission of the EPA WIFIA Application	July 13, 2018	Application	http://morrobaywrf.com/site/w p-content/uploads/WIFIA- Loan-Application-main-July- 2018.pdf
City Council Certification of the Final EIR	August 14, 2018	Resolution	Included as part of Third Quarter Progress Report (October 25, 2018)

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Activity	Completion Date	Supporting Documentation	Links to WRF Website or Attached
Adoption of New Rates to Support the WRF Program	September 11, 2018	Resolution	Included as part of Third Quarter Progress Report (October 25, 2018)
Award Contract for the Next Phase of the Hydrogeological Work	September 25, 2018	Staff Report	Included as part of Third Quarter Progress Report (October 25, 2018)
Award of the WRF Onsite Improvements Design-Build Contract	October 23, 2018	Staff Report	Included as part of Third Quarter Progress Report (October 25, 2018)
Progress Update Meeting with the Regional Water Quality Control Board	November 01, 2018	Presentation	Included as part of Fourth Quarter Progress Report (January 30, 2019)
Submit the Notice to Proceed to Filanc/Black & Veatch to being design of the WRF onsite improvements	November 28, 2018	Kick-Off Meeting Agenda	Included as part of Fourth Quarter Progress Report (January 30, 2019)
Submit the Notice to Proceed to GSI to initiate the next phase of hydrogeological work to finalize injection quantity, well location, and well design criteria	December 05, 2018	Kick-Off Meeting Agenda	Included as part of Fourth Quarter Progress Report (January 30, 2019)
Submit the Final Clean Water State Revolving Fund Program Application	January 17, 2019	Final Scoring Sheet/Score Confirmation Email	Included as part of Fourth Quarter Progress Report (January 30, 2019)
Presentation from the Status Update Meeting with H. Packard and P. Hammer from the RWQCB	April 16, 2019	Presentation	Included as part of First Quarter Progress Report (April 29, 2019)
Draft Phase 1 Hydrogeological Study (GSI)	April 19, 2019	Draft Report	Included as part of First Quarter Progress Report (April 29, 2019)
Clean Water State Revolving Fund Draft Intended Use Plan	June 18, 2019	Draft Plan Adopted by the State Water Board on June 19, 2019	Attachment 1
California Coastal Commission Coastal Development Permit Application Staff Report	July 18, 2019	Staff Report Presented to the California	Attachment 2
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Activity	Completion	Supporting	Links to WRF		
	Date	Documentation	Website or Attached		
Coastal Commission					

#### **Clean Water SRF Status**

On June 18, 2019 the State Water Board adopted the Draft Intended Use Plan (Attachment 1) for the CWSRF program for the upcoming fiscal year. The Draft Intended Use Plan included funding for the WRF up to \$105 million including \$5 million in grants. The City has been actively working with the State Water Board on review of the CWSRF application, which consists of three (3) components: Environmental, Technical, and Financial Packages. In order to begin construction, the State Water Board must complete their review of the Environmental Package and finalize the environmental checklist. The City anticipates that this review is completed in August 2019.

#### **WIFIA Status**

The City has been working with EPA staff at the Water Infrastructure Finance and Innovation Act (WIFIA) program for nearly a year to facilitate completion of their review of the City's application and develop a final loan agreement. On June 25, 2019, the City also established the Morro Bay Public Facilities Corporation (MBPFC) necessary to manage the debt associated with the WRF. WIFIA has nearly completed their review of the City's application and anticipates completing the final loan agreement in August 2019.

#### **Coastal Development Permitting Process Status**

On July 18, 2019, the CCC unanimously voted to support staff's recommendation and approve the City's application for a CDP for the WRF. This major milestone is the culmination of nearly a year of coordination between City and CCC staff. The special conditions of the permit are included in the CCC staff report (Attachment 2).

#### Summary of Planned, Near-Term Activities

In addition to continuing to progress the preliminary design of both the WRF onsite improvements and the offsite lift station(s) and pipelines, the City is planning to complete the following major activities before the end of the second quarter of 2019:

Planned Activity	Proposed Date
Issue a construction notice to proceed (NTP) to the WRF design- build team	September 15, 2019
Access the Vistra property to complete the pump testing necessary to characterize the West injection location	October 31, 2019

#### **Conformance with the Compliance Schedule**

Table 3 in the TSO identifies the final and intermediate required actions that must be satisfied to demonstrate full compliance with the TSO. The table below lists the required actions, compliance due dates, actual completion dates for those actions already completed, and planned completion dates for those not

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yet completed.

Required Actions	Compliance Due Dates	Actual Completion Date	Planned Completion Date
Release of Public Draft EIR	March 30, 2018	March 30, 2018	March 30, 2018
Release of Updated Rate Study	June 30, 2018	July 05, 2018	June 30, 2018
Proposition 218 Hearing	August 30, 2018	September 11, 2018	September 11, 2018
Certification of Final EIR	June 30, 2018	August 14, 2018	August 14, 2018
Award of Contract for WRF Onsite Improvements	September 30, 2018	October 23, 2018	September 25, 2018
Develop, Implement, and Submit Pollution Prevention Plan	December 01, 2018	TBD (See additional discussion below)	December 01, 2018
Award of Contract for Construction of Lift Station and Offsite Pipelines	November 30, 2019	TBD	July 22, 2022
Completion of WRF Improvements with Completion Report	December 30, 2022	TBD	November 30, 2021
Full Compliance with Final Effluent Limits	February 28, 2023	TBD	November 30, 2021
Quarterly Progress Reports on TSO Compliance	1st Quarter: May 01, 2018 2nd Quarter: August 01, 2018 3rd Quarter: November 01, 2018 4th Quarter: February 01, 2019 1st Quarter: May 01, 2019 2nd Quarter: August 01, 2019	NA August 01, 2018 November 01, 2018 February 01, 2018 April 30, 2019 July 31, 2019	NA August 01, 2018 November 01, 2018 February 01, 2018 April 30, 2019 August 31, 2019

#### **Pollution Prevention Plan**

The TSO stipulates that the City was to complete a Pollution Prevention Plan (PPP) pursuant to California Water Code Section 13263.3 for biochemical oxygen demand (BOD) and total suspended solids (TSS) by December 01, 2018. Since the WRF project includes the production of purified water for indirect potable reuse (IPR) for Groundwater Replenishment Reuse Projects (GRRPs), the regulations are clearly defined in the June 2014 revised Title 22 regulations. The Title 22 regulations include the requirement for an Engineer's Report, which will go through extensive regulatory and public review. As part of the Engineer's Report, the City will be preparing a mandatory Enhanced Source Control Program (ESCP). The City is requesting that that the ESCP be considered acceptable in lieu of the PPP identified in the TSO. The ESCP will address BOD

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and TSS as well as a number of other constituents aimed at protecting the quality of the purified water produced by the WRF. The City anticipates that the ESCP will be completed by the end of 2019.

#### Award of Contract for Construction of Lift Station and Offsite Pipelines

The City has been working with the design engineer, Water Works Engineers (Water Works), for the lift stations and pipelines (i.e., Conveyance Facilities) since the beginning of 2018. In November 2018, Water Works delivered the Concept Design Report (30-percent design) and has continued to develop the detailed design since that time. The next major milestone is the 60-percent design submittal, which will be delivered to the City in August 2019. Over the last several months, the City and Water Works have struggled to gain access to several properties in order to complete the geotechnical field investigations and surveying necessary to advance the final design. The final geotechnical borings will be completed in August 2019 and the City is making every effort to try and reduce the design schedule and begin construction of this portion of the project earlier in 2020. While the TSO establishes an intermediate milestone for award of a construction contract by November 30, 2019, the delay for this specific portion of the project does not impact the City's ability to achieve full secondary treatment compliance by February 28, 2023.

The City will continue to work diligently to come into compliance with Order No. R3-2017-0050 by February 28, 2023 and meet the intermediate actions in Table 3. If you have questions about this progress report or need assistance accessing any of the supporting documentation, please do not hesitate call or email at your earliest convenience.

Sincerely,

CAROLLO ENGINEERS, INC.

Eric Casares, P.E. WRF Program Manager

ETC:sm

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Attachment 1

Clean Water State Revolving Fund Draft Intended Use Plan



# State of California

# CLEAN WATER STATE REVOLVING FUND

and

The Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Prop 1)

and

The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Prop 68)

# **INTENDED USE PLAN**

STATE FISCAL YEAR 2019-20 (FEDERAL FISCAL YEAR 2019 CAPITALIZATION GRANT)

Division of Financial Assistance • 1001 I Street • Sacramento, CA 95814

Approved by: State Water Resources Control Board June 18, 2019 - Resolution No. 2019-XXXX

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# I. INTRODUCTION

Water is one of the most essential natural resources in California. The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively the Water Boards, protect and improve water quality in California through several regulatory and financial assistance programs.

The federal <u>Clean Water Act</u> (CWA) established the Clean Water State Revolving Fund (CWSRF) program to finance the protection and improvement of water quality. The CWSRF program has protected and promoted the health, safety, and welfare of Californians since 1989. Many of the projects funded by the CWSRF program address wastewater discharge violations or enforcement orders issued by the Regional Water Boards. Every project is directly related to protecting or improving public health, water quality, or both.

The State of California also periodically allocates funding to the State Water Board for financing programs that help protect and improve water quality. Many of these programs can be used in conjunction with the CWSRF program.

This Intended Use Plan (IUP) describes the State Water Board's plan for implementing the CWSRF and its complementary financing programs for State Fiscal Year (SFY) 2019-20.

# A. Highlights for SFY 2019-20 IUP

California's CWSRF program continues to evolve, primarily due to the ongoing high demand created by the program's attractive terms. In addition, the level of CWSRF and complementary financing has been below average in SFY 2018-19 due to the implementation of California's new, statewide accounting and budgeting system, the Financial Information System for California or "FI\$Cal." The Division of Financial Assistance (DFA) expects that the slower pace of financing will continue into SFY 2019-20, but that the overall pace of financing will return to a level similar to previous levels after FI\$Cal is fully implemented.

Stakeholders should note that the SFY 2019-20 IUP reflects several changes from the amended <u>CWSRF Policy</u> approved by the State Water Board on November 28, 2018, highlighted briefly below, to better manage the program.

- Establishing a "funding target" based on a sustainable financing level to maintain the CWSRF on a sound financial basis.
- Scoring applications and the selection of a "Cut-Off" score to select new applications for addition to the "Fundable List," and limiting eligibility during the fiscal year to new applications with a score equal to the Cut-Off or higher with the exception of small Severely Disadvantaged Communities (SDAC)s, small Disadvantaged Communities (DAC)s, and projects rolling over from the SFY 2018-19 Fundable List.
- Partial funding of selected projects to make the Fundable List consistent with the Funding Target.
- Reimbursing construction costs incurred prior to approval of financing under limited conditions.
- Use of the newly developed "Credit/Financial Guidelines," <u>Appendix N</u>, to the CWSRF Policy.

Given the ongoing high demand on the CWSRF, the State Water Board will not be able to fund all the projects currently requesting funding in SFY 2019-20. Applicants whose projects are not on the Fundable List are encouraged to evaluate the CWSRF's finances and competing demands on the program as described in this IUP and any updates during the year, and evaluate all viable, alternative financing options for their projects considering any deadlines they must meet.

# B. Authority and Past Achievements

In 1987, the United States Congress and the President amended the CWA to replace the longstanding, federal Construction Grants Program (Title II) with the more flexible CWSRF program (Title VI). In 2014, Congress and the President approved the <u>Water Resources Reform and</u> <u>Development Act of 2014 (WRRDA)</u>, changing the requirements and eligibilities in Title VI of the CWA. California's CWSRF program is authorized under California <u>Water Code Sections 13475-13485</u>, and operates pursuant to an <u>Operating Agreement</u> between the State Water Board and the United States Environmental Protection Agency (U.S. EPA) Region 9.

The CWSRF functions as an environmental infrastructure bank capitalized by federal and state funds – providing a sustainable source of funds for water quality protection and improvement. The CWSRF's capital and its earnings are used to provide financial assistance to a wide variety of water quality projects. States can target specific water quality problems, offer a variety of financing options, and customize terms to meet their water quality needs. Financing options include loans, refinancing debt, purchasing or guaranteeing local debt, and purchasing bond insurance<sup>1</sup>. Interest rates must be below the market rate. Repayment periods are generally the lesser of 30 years or the expected useful life of the financed asset. Since 2009, federal CWSRF appropriations and California law have also authorized grants, negative interest rates, and principal forgiveness (PF) on a limited basis.

All 50 states and Puerto Rico are currently operating successful CWSRF programs. The total CWSRF financing <u>nationwide</u> exceeds \$133 billion. California's CWSRF has grown since financing its first project in 1989 and has executed more than \$11.0 billion in financial assistance agreements with over 350 unique recipients. The program has funded a broad range of projects. Approximately 96 percent (96%) of funds have been used for publicly owned wastewater infrastructure, and about four percent (4%) of funds have been used for nonpoint source or estuary projects.

# C. Connections to Other Plans, Goals, and Programs

The CWSRF program supports the following goals from the State Water Board's most recent <u>Strategic Plan Update.</u>

- Goal 1: Implement strategies to fully support the beneficial uses for all 303(d) listed water bodies by 2030.
- Goal 2: Improve and protect groundwater quality in high-use basins by 2030.

<sup>&</sup>lt;sup>1</sup> Throughout this document, the word "loan" is used expansively and may include bonds, installment sale agreements, and other types of repayable financing.

- Goal 3: 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.
- Goal 4: Comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes.
- Goal 5: Improve transparency and accountability by ensuring that State Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creation of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute.
- Goal 6: Enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.
- Goal 7: Ensure that the Water Boards have access to information and expertise, including employees with appropriate knowledge and skills, needed to effectively and efficiently carry out the Water Boards' mission.

The CWSRF program supports the three goals of the <u>California Water Action Plan</u> (Updated 2016): more reliable water supplies; the restoration of important species and habitat; and a more resilient, sustainably managed water resources system (water supply, water quality, flood protection, and environment) that can better withstand inevitable and unforeseen pressures in the coming decades.

The State Water Board administers several programs authorized by the <u>Water Quality, Supply</u>, and Infrastructure Improvement Act of 2014 (Prop 1) and the <u>California Drought</u>, <u>Water</u>, <u>Parks</u>, <u>Climate</u>, <u>Coastal Protection</u>, and <u>Outdoor Access for All Act of 2018 (Prop 68)</u> and may have funding available from other bond measures and funding sources. Projects eligible for four Prop 1 programs administered by the State Water Board, (i) Small Community Wastewater, (ii) Water Recycling, (iii) Stormwater, and (iv) Groundwater Sustainability, are also potentially eligible for CWSRF funds. Projects eligible for other state sources of funds may also be eligible for CWSRF funds. The State Water Board manages its funding programs to maximize its ability to fund projects that support the State Water Boards' water quality goals and by coordinating CWSRF financing with the State Water Board's other funding sources.

In establishing the terms of this CWSRF IUP, the State Water Board considered <u>Resolution No.</u> 2016-0010, Adopting the Human Right to Water as a Core Value and Directing its <u>Implementation in Water Board Programs and Activities</u> and statewide policy set forth in section 106.3 of the Water Code. Specifically, Subdivision (a) declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." Subdivision (b) requires the State Water Board to consider this state policy when "revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water."

Finally, the State Water Board also considered the objectives and requirements of the <u>Comprehensive Response to Climate Change Resolution</u><sup>2</sup> during development of this IUP. The Climate Change Resolution describes near-term actions and policy changes to support the state's key climate priorities as identified in the AB 32 Scoping Plan, Safeguarding California Plan, and Water Action Plan.

# D. IUP and Federal Guidance

This IUP contains elements required under federal law. The State Water Board will submit this IUP as part of its application package for the federal fiscal year (FFY) 2019 Capitalization Grant for the CWSRF program.

This IUP also establishes the State Water Board's business plan for California's CWSRF program for State Fiscal Year (SFY) 2019-20. It discusses DFA's approach and ability to successfully carry out that business plan with the available financial and programmatic resources. It also discusses how DFA will operate the CWSRF program in conjunction with other financing programs, including, but not limited to, Prop 1, Prop 68, or sources of funding outside the State Water Board that may be used to jointly finance projects.

This IUP includes a forecast of the CWSRF cash flow and other funds available to the State Water Board (Appendix A, page 43) for the next several years and identifies projects (Appendix B – the Fundable List, page 43) the State Water Board anticipates financing in SFY 2019-20. This IUP also analyzes the effect these projects would have on the CWSRF's cash flow and other sources of funds if financed and includes performance measures to track the effectiveness of the CWSRF program.

The State Water Board will continue to implement the CWSRF and complementary financing programs consistent with applicable state and federal statutes, regulations, policies, and guidelines. These include, but are not limited to:

- The <u>Policy for Implementing the Clean Water State Revolving Fund</u> (CWSRF Policy) and funding guidelines related to any complementary financing sources;
- The <u>Operating Agreement</u> between the State Water Board and U.S. EPA;
- <u>The Clean Water and Drinking Water State Revolving Funds Debt Management Policy</u> (SRF Debt Management Policy) and agreements related to outstanding CWSRF revenue bonds;
- The State Water Board's Clean Water and Drinking Water Capacity Development Strategy;
- <u>U.S. EPA Interpretive Guidance</u> regarding the WRRDA amendments;
- Any additional federal requirements in the 2019 budget appropriation, the 2019 Capitalization Grant agreement, and/or guidance from U.S. EPA

<sup>&</sup>lt;sup>2</sup> State Water Board Resolution No. 2017-0012

The State Water Board or the Executive Director may amend this IUP, but only after the public and interested parties are given an opportunity to comment on the proposed amendment. The Executive Director, or designee, may update stakeholders during SFY 2019-20 on DFA's progress implementing this IUP and the current capacity of the CWSRF and its complementary programs to provide financing to applicants.

# II. WATER QUALITY FINANCING NEEDS

# A. Clean Watersheds Needs Survey

California needs significant funding to achieve its clean water goals. The most recent Clean Watersheds Needs Survey in 2012 shows that California needs an estimated \$26.2 billion for wastewater treatment and collection, wastewater recycling, and stormwater pollution prevention over the next 20 years. This includes an estimated \$24.4 billion to update aging infrastructure.

# B. State Water Board Guidance

## 1. Small and/or Disadvantaged Communities (DACs)

On July 1, 2008, the State Water Board adopted Resolution No. 2008-0048 to assist small and/or DACs with their wastewater needs. Resolution No. 2008-0048 referred to a Small Community Wastewater Strategy, which was subsequently updated and expanded in the Spring of 2016 to incorporate public water systems and was renamed the Clean Water and Drinking Water Capacity Development Strategy (Capacity Development Strategy). The strategy provides an overview of the challenges facing these communities. Regarding wastewater, these include both failing septic systems and failing outdated and undersized wastewater treatment plants. Small and/or DACs generally have higher per capita costs. Disadvantaged (median household income [MHI] of less than 80 percent [80%] of the statewide MHI) and severely disadvantaged (MHI of less than 60 percent [60%] of the statewide MHI) small communities typically face the additional burden of lower household incomes. The result is higher, sometimes prohibitive, sewer and water rates. In 2017, the Drinking Water Capacity Development program, required by the Safe Drinking Water Act, was moved from DFA to the Division of Drinking Water (DDW). To preserve the distinction between the capacity development program implemented by DDW and the capacity development strategy implemented by DFA, the strategy implemented by DFA will be renamed the Small Community Capacity Development Strategy. This strategy is scheduled to be updated in SFY 2019-20. The updated strategy will focus on the priorities of the Office of Sustainable Water Solutions (Office), focusing on the financial and technical needs of small disadvantaged and small severely disadvantaged communities, over the next three fiscal years.

The Office was statutorily established on March 27, 2015 and is part of DFA. The Office was created to promote permanent and sustainable drinking water and wastewater treatment solutions to ensure effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services, focusing on addressing financial and technical assistance needs, particularly for small disadvantaged communities. The Office provides low interest loans and grants utilizing state and federal funding sources.

2. San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta)

Staff from the State Water Board and the Central Valley and San Francisco Bay Regional Water Boards coordinate the Water Boards' activities in the San Francisco Bay and Sacramento-San Joaquin River Delta (Bay-Delta). The Bay-Delta Team is charged with developing the Water Boards' short and long-term efforts for addressing impacts to the beneficial uses of water in the Bay-Delta. In December 2018, the State Water Board adopted a Bay-Delta Water Quality Control Plan for the lower San Joaquin River and Southern Delta. The State Water Board is in the process of developing and implementing updates to the Bay-Delta Water Quality Control Plan for the Sacramento River and tributaries, and the Central Valley and San Francisco Bay Regional Water Boards continue with their efforts to protect beneficial uses in the Bay-Delta watershed. The CWSRF program can help with these efforts by funding point and nonpoint source projects such as:

- Measures identified in Total Maximum Daily Loads;
- Stormwater and dry weather runoff reduction from Municipal Separate Storm Sewer Systems;
- Conservation measures to reduce sediment and non-point discharges;
- Ammonia discharge reduction from publicly-owned treatment works (POTWs);
- Urban and agricultural water use efficiency to reduce demands on the Delta and reduce runoff of pesticides to the Delta;
- Implementation of non-point source projects under the state's Section 319 program;
- Implementation of watershed projects;
- Implementation of measures under the San Francisco Estuary Blueprint; and
- Measures to promote water conservation, efficiency, or reuse that can decrease demands on the Delta.
- 3. Sustainability and Climate Change

The State Water Board adopted <u>Resolution No. 2008-0030</u> on May 6, 2008, emphasizing sustainability as a core value for all the Water Boards' activities and programs. Resolution No. 2008-0030 directed the State Water Board staff to take actions that may affect the CWSRF program such as:

- Promote recycled water use, water conservation, and low-impact development (LID);
- Assign a higher priority to climate-related and LID projects; and
- Coordinate with government agencies, non-profit organizations, and private sector businesses to enhance and encourage sustainable activities.

The State Water Board adopted <u>Resolution No. 2017-0012</u> on March 7, 2017, outlining a comprehensive response to climate change for all the Water Boards' activities and programs. Resolution No. 2017-0012 directed the State Water Board staff to take actions that affect the CWSRF program IUP. Specifically:

- Include climate change mitigation and adaptation objectives in the IUP.
- Ensure that applications and environmental reviews for potential projects account for impacts related to climate change, including potential effects of climate change on the viability of funded projects.

On May 16, 2017, the State Water Board adopted an emergency regulation to implement provisions of the Sustainable Groundwater Management Act (SGMA). SGMA created a framework for sustainable, local groundwater management for the first time in California history, and requires the formation of local groundwater sustainability agencies (GSAs) in California's high- or medium-priority groundwater basins or the submittal of an alternative that demonstrates a basin is already sustainable. The CWSRF can potentially fund projects that would assist GSA's with achieving groundwater sustainability.

# C. Application Demand

As of February 2019, the State Water Board had in process 256 complete and partially complete applications, requesting approximately \$7.1 billion in financing in SFY 2019-20. All applications in process as of February 2019 are listed on the Comprehensive List in Appendix C (page 56). The applications on the Comprehensive List represent a wide variety of project types from communities of various sizes throughout California. The applications on the Comprehensive List and their statuses are summarized in Table 1 below.

The largest number of new applications comes from small communities – many of them eligible to receive grant or principal forgiveness funds due to their status as disadvantaged communities. The new applications also include 10 projects, each greater than \$100 million, collectively requesting approximately \$3.9 billion in financing.

Application Status	# of Applications	Requested Amount <sup>3</sup>
Projects Currently on Fundable List (Rollovers from SFY 2019-20 IUP)	77	\$1,479
New Small SDAC and Small DAC Projects (Automatically Added to Fundable List)	70	\$164
Projects Subject to Scoring (Requesting Placement on the Fundable List)	97	\$5,258
Projects Not Subject to Scoring (Not Requesting Placement on the Fundable List)	12	\$219
Totals	256	\$7,120

# Table 1: Status of Applications on Comprehensive List (\$ in Millions)

<sup>&</sup>lt;sup>3</sup> Amount requested includes total project cost irrespective of funding source.

# III. FUNDING CAPACITY AND DISTRIBUTION OF FUNDS

# A. General Funding Approach

This IUP updates for SFY 2019-20 the Fundable List (Appendix B, page 43) of projects. The Fundable List was updated to reflect those projects DFA believes will achieve the most favorable water quality results in California during SFY 2019-20 with the financial and programmatic resources available to the CWSRF and its complementary financing programs. DFA's goal is to execute financing agreements for all projects on the Fundable List by June 30, 2020.

All new applications from small SDACs and small DACs received since November 2018, the most recent update of the Fundable List, were added to the Fundable List in this IUP. An SDAC or DAC<sup>4</sup> application not shown on the Fundable List in this IUP will be added automatically to the Fundable List when the applicant starts an application. SDAC and DAC projects may be funded at any time provided they submit a complete application and meet all other eligibility requirements. Other projects were added to the Fundable List as discussed in Section III.D. of this IUP. Projects that are not small SDAC projects or not small DAC projects, but are identified on the Fundable List in this IUP may receive financing during SFYs 2018-19 and 2019-20. Projects that are not small SDAC or not small DAC projects that are not included on the Fundable List are ineligible for financing unless otherwise directed by the State Water Board but may be eligible for financing in a future year.

Funding will be consistent with the <u>CWSRF Policy</u><sup>5</sup>, the <u>SRF Debt Management Policy</u>, the <u>Operating Agreement</u>, applicable federal and state statutes, regulations, and guidance, and any guidelines or requirements applicable to the complementary funding sources that may be used to fund a project separately or jointly with CWSRF funds. In addition, funding will be consistent with the requirements of the program's Master Trust Indenture and associated bond documents to ensure compliance with Securities and Exchange Commission, Internal Revenue Service, and Municipal Securities Rule Making Board (MSRB) rules and regulations and ensure that all CWSRF revenue bonds are secure and repaid in full and on time.

The funds available to the CWSRF program during SFY 2019-20 generally consist of:

- Repayments of CWSRF principal and interest on past loans and investment earnings;
- Capitalization Grants from U.S. EPA, potentially including PF;
- Proceeds from the Series 2018 Green Bonds, which closed in March 2018, and potential future bond sales.

A more detailed financial analysis is described in Section III.B.

<sup>&</sup>lt;sup>4</sup> All references to "SDAC" and "DAC" in this IUP are understood to mean small, severely disadvantaged and small, disadvantaged communities with populations less than or equal to 20,000 and median household incomes less than or equal to 60% and less than or equal to 80% of the statewide median household income respectively.

 <sup>&</sup>lt;sup>5</sup> Please refer to Section IV.L. of this IUP for an important precaution regarding reimbursement of eligible construction costs.

The State Water Board's financial priorities for the CWSRF in order of importance during SFY 2019-20 will be:

- Liquidating the Series 2018 Green Bond proceeds and any future revenue bond proceeds to meet applicable commitments;
- Liquidating Capitalization Grants once awarded; and
- Liquidating repayments and investment earnings.

The funding priorities in SFY 2019-20 will also be influenced by the complementary sources of funds available to the State Water Board. Specifically, these additional funding sources may include but not be limited to: (i) Prop 1, Prop 68, and the Costa-Machado Water Act of 2000 (Prop 13) funds for SDAC and DAC wastewater, water recycling, stormwater, groundwater, and other authorized projects; (ii) PF funds; and (iii) Small Community Grant (SCG) funds provided through fees in lieu of interest.

DFA may also sell revenue bonds to the extent authorized and approved by the State Water Board,<sup>6</sup> regulate project commitment or cash disbursement levels, suspend project approvals, or do some combination of these actions to ensure prior commitments are fulfilled.

The State Water Board directs DFA to manage the CWSRF so that sufficient funds are available under all circumstances to meet the repayable financing needs of SDACs and DACs for wastewater projects.

Without restricting the approach described in this IUP, the Executive Director (or designee), should update the State Water Board members and the public at State Water Board meetings or by other appropriate communications regarding the finances of the CWSRF and complementary financing programs. They should also recommend appropriate adjustments to this IUP or other changes in policy or procedure necessary to achieve the maximum water quality results in California.

General provisions applicable to financing projects in SFY 2019-20 may include, but are not limited to:

1. Best Use of Available Financing Sources and Terms

DFA will consider the requirements associated with all available sources of funds and match up available funds with projects to achieve the maximum water quality benefit. This includes the use of reduced interest rates, match financing, partial financing, PF, the SCG Fund, other state sources of funds appropriated to the State Water Board, and other state and federal funding sources managed by other agencies, to the extent they are available and compatible with the State Water Board's funding, to maximize the financing of water quality projects.

<sup>&</sup>lt;sup>6</sup> On October 3, 2017, the State Water Board approved <u>Resolution No. 2017-0057</u> increasing the leveraging ceiling for the CWSRF program from \$1.2 billion to \$2.2 billion bonds (par value). Currently, approximately \$1.24 billion of the total (par value) is outstanding.

## 2. Green Project Reserve (GPR)<sup>7</sup>

Based on the information currently available to DFA, the FFY 2019 appropriation is expected to require a minimum of 10 percent (10%) of the 2019 Capitalization Grant (or an estimated GPR of approximately \$11 million) be provided to projects that meet the GPR criteria. To ensure that California meets or exceeds the minimum GPR requirement for SFY 2019-20, the State Water Board will prioritize the review and approval of GPR projects until the minimum is met. GPR projects must meet <u>U.S. EPA's FFY 2012 Guidance</u> or any subsequent guidance issued by U.S. EPA.

As shown in Appendix C (page 56) the CWSRF has significantly more GPR demand than the minimum GPR requirement anticipated in SFY 2019-20; therefore, the State Water Board does not plan to solicit additional GPR projects during SFY 2019-20.

#### 3. Match Financing Option

California is required to contribute at least one dollar of matching funds for every five federal dollars contributed to the CWSRF program. California's CWSRF program has matched its federal capitalization grants in excess of the matching requirement for approximately two years' worth of capitalization grants from U.S. EPA at the currently expected levels. Section IV.H. provides a more detailed discussion of California's matching contribution to the CWSRF. Offering match financing in accordance with Section V of the <u>CWSRF Policy</u> to CWSRF applicants, where the applicant provides the funds to match the federal grants, is one way California meets the match requirement. Other methods of providing match include state appropriations and match bonds. Currently there are no foreseeable state appropriations of matching funds and providing match loans is financially preferable to issuing match bonds. Given the lead time necessary to identify applicants willing and able to take the match financing option, execute the agreements, and disburse funds that can be counted as match, the State Water Board resumed offering the match financing option to CWSRF recipients whose agreements are executed after July 1, 2017, and will continue to offer the match option until further notice.

- 4. Interest Rates
  - a. Standard Rates

The State Water Board's standard interest rate for CWSRF (repayable) planning financing is 50 percent (50%) of the rate obtained by the State Treasurer for California's most recent general obligation bond sale. The standard term for repayable planning financing is five or ten years, at the applicant's option.

The State Water Board's standard interest rate for CWSRF (repayable) construction financing is 50 percent (50%) of the rate obtained by the State Treasurer for California's most recent general obligation bond sale. The standard term for repayable construction financing is a maximum of 30 years or the useful life of the financed facilities.

<sup>&</sup>lt;sup>7</sup> GPR projects may also be eligible to receive PF as noted in Section III.C.2 and Appendix D (Page 69).

b. Short-Term Financing Incentive

Applicants for CWSRF repayable construction financing will receive a 0.25% reduction to the standard interest rate in exchange for selecting a 20-year financing term rather than a 30-year financing term, but the resulting interest rate will not be less than zero percent.

c. SDAC and DAC Reduction

If the total amount of CWSRF financing to be repaid by an SDAC or DAC qualifying for SCG funds (see Appendices F and G, pages 70 and 71) is less than \$10 million, and the community is unable to afford all or a portion of the interest payments, DFA may approve a reduced interest rate (not less than zero percent).

d. Non-Point, Stormwater, and Estuary Reduction

If the total amount of CWSRF financing to be repaid by a non-point source, stormwater, or estuary management applicant is less than \$10 million, DFA may approve a reduced interest rate (not less than zero percent) if the applicant is unable to afford all or a portion of the interest payments.

# B. Recent Financing Activity<sup>8</sup>

From July 1, 2018 to March 1, 2019, the State Water Board has provided the following financing from the CWSRF and complementary financing programs.

	CWSRF	SCG	WRFP	SWGP	GWQF	Totals
Number of Agreements <sup>9</sup>	7	3	4	5	11	28
\$ of Agreements, millions	232.5	14.1	32.0	23.7	45.8	348.1

# Table 2: SFY 2018-19 CWSRF and Complementary Financing

DFA estimates that cumulative, SFY 2018-19 financing by the CWSRF and complementary financing programs will be less than \$450 million.

CWSRF and complementary financing for the three previous years is shown in the table below.

## Table 3: Recent CWSRF and Complementary Financing

SFY	Number of Agreements	\$ of Agreements, millions
2015-16	69	\$1,074
2016-17	110	\$1,693
2017-18	105	\$1,106

<sup>8</sup> Historical CWSRF financing activity can be seen at <u>http://www.waterboards.ca.gov/water\_issues/programs/grants\_loans/srf/docs/cwsrf/fncng\_actvty.pdf</u>. Prop 1 funding activity can be found at http://www.waterboards.ca.gov/water\_issues/programs/grants\_loans/srf/docs/cwsrf/fncng\_actvty.pdf. Prop 1

http://www.waterboards.ca.gov/water\_issues/programs/grants\_loans/proposition1.shtml.

<sup>&</sup>lt;sup>9</sup> Two projects received funding from more than one source. Therefore, the number of unique financing agreements was 28.

# C. Financial Outlook

1. CWSRF Cash Flow<sup>10</sup> and Funding Target

Appendix A (page 42) shows the forecasted cash flow (sources and uses) of the CWSRF program as of February 2019. Except for capitalization grants, the future cash flow of the CWSRF program can be predicted with reasonable certainty. The estimated cash flow includes:

- The cash balance at the beginning of SFY 2018-19 (July 1, 2018)<sup>11</sup>;
- U.S. EPA capitalization grants<sup>12</sup>;
- Principal and interest payments on outstanding receivables;
- Investment earnings;
- Matching funds;
- Disbursements to projects with executed financing agreements;
- Debt service payments;
- Estimated proceeds of probable bond sales in 2020 and 2021, and
- Program administrative costs

Including future forecasted revenue bond sales authorized by the State Water Board, the CWSRF estimated year-end cash balances through June 30, 2023 generally range from \$450 million to \$550 million as seen in Appendix A (page 42).

The CWSRF's Municipal Advisor, in cooperation with DFA staff, has estimated the CWSRF's lending capacity. Given current capitalization and debt levels, and assuming conservative future capitalization, loan terms and earnings levels, and bond and coverage terms, the CWSRF can operate at an estimated sustainable financing level of approximately \$1.0 billion per year. The capacity is the amount of new lending that could be done per year with the existing loan pool and new loans pledged to potential bonds. The annual capacity is a level amount that could be originated each year for the next 20 years. The Funding Target, therefore, for SFY 2019-20 will be \$1.0 billion in new financing.

<sup>&</sup>lt;sup>10</sup> The overall cash flow includes the available PF funds.

<sup>&</sup>lt;sup>11</sup> The Beginning Balance includes the proceeds of the 2018 Green Bonds sale.

<sup>&</sup>lt;sup>12</sup> Based on the recent adoption of the federal budget for FFY 2019 the estimate used for the FFY 2019 Capitalization Grant is \$117 million and is subject to change. Future capitalization grants are conservatively estimated at \$70 million per year.

### 2. CWSRF Principal Forgiveness<sup>13</sup>

Per the CWA, states have the option to select a PF level that ranges from zero percent to a maximum percentage established by the CWA. The maximum percentage is established by the total national appropriation for the CWSRF program each year<sup>14</sup>. Additionally, the FFY 2019 federal appropriation may require, as was done in the FFY 2016, 2017, and 2018 appropriations, that a mandatory percentage of the capitalization grant be provided as PF. This mandatory amount would be in addition to the optional allocation established by the CWA.

The State Water Board will provide the maximum amount allowed from the FFY 2019 Capitalization Grant as PF. Based on the information DFA currently has regarding the FFY 2019 appropriation, the maximum amount of PF allowed from the FFY 2019 Capitalization Grant is estimated to be approximately \$47 million. As of April 19, 2019, approximately \$37 million in PF from the 2017 Capitalization Grant and approximately \$45 million in PF from the 2018 Capitalization Grant remains uncommitted. Therefore, with the addition of an estimated \$47 million in PF from the FFY 2019 Capitalization Grant, the State Water Board would have a maximum of approximately \$130 million in PF to commit during SFY 2019-20.<sup>15</sup>

As discussed below in Section III.C.3, all Prop 1 SCG funds are committed to SDAC and DAC projects and Prop 68 funds have been allocated for Drinking Water SDAC and DAC projects. The Deputy Director of DFA will make PF from the FFY 2018 and 2019 Capitalization Grants available to SDAC and DAC wastewater projects consistent with the conditions and limitations in Appendices F, G, and H (pages 70-72) during SFY 2019-20 to provide non-repayable financing to DAC and SDAC projects.

PF will continue to be available in SFY 2019-20 from the FFY 2017 Capitalization Grant for addressing water and energy efficiency, mitigation of stormwater runoff, and sustainable planning, design, and construction until the available PF is fully committed. Eligible applicants and project types must meet the GPR criteria and the conditions and limitations for PF in the CWA and in Appendix D (page 69). Projects listed on the Fundable List in the SFY 2018-19 IUP that are eligible for PF will be awarded the PF from the FFY 2017 Capitalization Grant until all available PF is committed. If any PF remains after all eligible and Fundable Projects from the SFY 2018-19 IUP are awarded PF, then eligible projects that are added to the Fundable List by the SFY 2019-20 IUP may receive PF for their GPR projects.

<sup>&</sup>lt;sup>13</sup> Under federal law, principal forgiveness may be provided to "a municipality or intermunicipal, interstate, or State agency" if the recipient meets the State's affordability criteria, or if the project will address water or energy efficiency, mitigate stormwater runoff, or encourage sustainable project planning, design, and construction.

 <sup>&</sup>lt;sup>14</sup> Per the CWA, if the national appropriation is equal to \$1.0 billion or less, no optional PF is allowed. If the national appropriation is \$1.3 billion or more, the maximum optional PF is 30%. If the national appropriation is between \$1.0 and \$1.3 billion, the maximum optional PF is equal to the percentage the national appropriation exceeds \$1.0 billion; for example, if the national appropriation is \$1.16 billion, the maximum optional PF is 16%.

<sup>&</sup>lt;sup>15</sup> The PF available during SFY 2018-19 may include PF from previously approved projects that finish under budget.

- 3. Prop 1, Prop 68, and Other Appropriated State Funds
  - a. Small Community Grant Fund

Section 13477.6 of the Water Code authorizes the SCG Fund. The SCG Fund allows the State Water Board to help finance communities with the most need in California, helping those that cannot otherwise afford a loan or similar financing to move forward with water quality improvements. The SCG Fund receives revenue generated by a fee on CWSRF financing agreements deposited into the SCG Fund separate from the CWSRF.<sup>16</sup> Other funds may also be appropriated to the SCG Fund, including general obligation bond funds available because of Prop 1 and any available residual general obligation bond funds (including those specifically identified in State Water Board Resolution No. 2013-004) that become available. Approximately \$78 million will be available for wastewater projects during fiscal year 2019-2020.<sup>17</sup>

All money deposited into the SCG Fund is provided in the form of grants to small SDACs and small DACs for CWSRF-eligible wastewater projects. State law requires the State Water Board to give grant priority to projects that serve small SDACs, defined as communities with an MHI of less than 60 percent (60%) of the statewide MHI.

The procedures for providing grants from the SCG Fund to small SDACs and small DACs are largely the same procedures used for standard CWSRF financing, specified in the CWSRF Policy. Projects that receive only state general obligation bond funds may be exempted by the Deputy Director from having to comply with certain federal cross-cutting requirements.

This IUP specifies the grant amounts available for SCG projects, and how the Prop 1, Prop 68, SCG, and CWSRF requirements will be coordinated for projects receiving these funding sources.

Chapter 5 of Prop 1 allocated \$260 million to the SCG Fund for wastewater projects<sup>18</sup>. Of the \$260 million allocated, the California Legislature has appropriated \$241.2 million<sup>19</sup> to the State Water Board for grants to eligible SCG wastewater projects. As of March 1, 2019, the State Water Board has executed approximately \$169.9 million in Prop 1 funding for wastewater projects. An additional \$47.6 million in Prop 1 funding has been approved and is awaiting execution of a funding agreement. Additional funds may be appropriated to the SCG Fund in future years. At least 10 percent (10%) of the SCG funds available from Prop 1 will be provided to SDACs. The projected revenue and SCG Fund balances through December 31, 2019 are shown in Appendix E (page 69).

<sup>&</sup>lt;sup>16</sup> Like the administrative service charge (see Section III.G.3. below), the SCG charge is also a fee "other than program income not included as principal in CWSRF financing" for federal purposes. The SCG charge is collected, as is the administrative service charge, in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement so that the annual payment stays the same.

<sup>&</sup>lt;sup>17</sup> This includes approximately \$23 million remaining under Prop 1, \$8 million in SCG Fee Funds, and \$47 million in principal forgiveness.

<sup>&</sup>lt;sup>18</sup> Wat. Code, § 79723.

<sup>&</sup>lt;sup>19</sup> An additional \$19.6 million is available this fiscal year. The balance of the Prop 1 funds is for administration and bond sale expenses.

All SCG funds authorized for SFY 2019-20, SCG funds that become available from prior SFYs (e.g., any funds de-obligated from previously approved projects that finish under budget), and any SCG funds appropriated in future years, will be used consistent with Appendices F, G, and H (pages 70-72) of this IUP until otherwise directed by the State Water Board.

In anticipation of the declining balance of SCG fee funds and Prop 1 SCG funds in the SCG Fund over the next few years, the State Water Board will begin applying an SCG fee-in-lieu of interest charge in SFY 19-20 to eligible CWSRF repayable financings at a rate that does not exceed the standard CWSRF interest rate. The SCG fee will be applied to generate sufficient revenue to meet the anticipated demand once Prop 1 SCG funds are fully encumbered. The SCG fee will be collected in an amount that does not jeopardize the long-term growth of the CWSRF, the State Water Board's ability to leverage the CWSRF, or the State Water Board's ability to collect sufficient fee revenue to administer the CWSRF.

In addition to capital projects, DFA is authorized to direct up to 15 percent (15%) of the funds available from Prop 1 to a multi-disciplinary technical assistance (TA) program. The State Water Board adopted the Prop 1 TA Funding Plan on November 4, 2015. The Plan outlines the general process to administer Prop 1 TA funds. The TA efforts are focused on helping small DACs develop, fund, and implement capital improvement projects. This is a multidisciplinary approach, intended to address small DACs drinking water, wastewater, groundwater quality, and stormwater needs under one program.

b. Water Recycling Funding Program (WRFP)

The State Water Board has authority to commit and spend all available Prop 1 WRFP loan and grant funds during SFY 2019-20<sup>20</sup>. As of March 1, 2019, the State Water Board had not yet committed approximately \$2.2 million in Prop 1 grant funds and approximately \$105.3 million in Prop 1 loan funds for WRFP construction projects. The State Water Board also has authority to commit approximately \$24.3 million in Prop 13 grant funds.

Chapter 11.6 of Prop 68 allocated \$80 million<sup>21</sup> to the WRFP. These funds have not been appropriated but may be appropriated in the SFY 2019-20 budget. If appropriated, it is anticipated the funds will be allocated at 50 percent for grants (\$40 million) and 40 percent for loans (\$32 million) for water recycling construction projects, and \$2 million for water recycling planning grants, pursuant to Chapter 9 of Division 26.7 of the Water Code and the WRFP Guidelines.

<sup>&</sup>lt;sup>20</sup> This does not include Prop. 1 loan repayments that may be used for future grants. These must be appropriated by the Legislature.

<sup>&</sup>lt;sup>21</sup> The Prop 68 allocation includes administration (5%) and bond sale costs (2.5%).

Funding Type	Prop 13	Prop 1	Prop 68 (contingent)	Total
Planning Grant	\$17.7 million	\$ 0	\$ 2.0 million	\$ 19.7 million
<b>Construction Grant</b>	\$ 6.6 million	\$ 2.2 million	\$40.0 million	\$ 48.8 million
Construction Loan	\$ O	\$105.3 million	\$32.0 million	\$137.3 million
Total	\$24.3 million	\$107.5 million	\$74.0 million	\$205.8 million

Table 4: Anticipated WRFP Funds Available to Fundable List Projects

This IUP specifies the grant limitations for WRFP projects. Although the Fundable List identifies projects that appear to be eligible for the available WRFP grant funds, additional projects on the Fundable List may also be eligible for a grant. WRFP grant funds will be awarded to projects as they are ready to proceed to a financing agreement until all WRFP grant funds are committed.

The WRFP guidelines specify project eligibility for loans and grants and how to coordinate with CWSRF requirements for projects receiving funding from both sources. Any water recycling project also eligible for SCG grant funding or PF may receive a combination of grant or PF funding, but the cumulative grant and PF may not exceed the maximums listed in Appendices F, G, H (pages 70-72) in the case of small SDAC and small DAC, and Appendix I (page 72) for all others. These limitations are applicable for water recycling projects receiving an executed agreement after June 5, 2018.

All WRFP funds available, including funds authorized for SFY 2019-20, funds that become available from prior SFYs (e.g., any funds de-obligated from previously approved projects that finish under budget), and any funds appropriated in future years, will be used consistent with Appendix I (page 72) of this IUP until otherwise directed by the State Water Board.

Projects that receive only general obligation bond funds or other non-federally sourced funding may be exempted by the Deputy Director from having to comply with certain federal cross-cutting requirements.

## c. Stormwater Grant Program (SWGP)

Chapter 7 of Prop 1 allocated \$200 million for grants for multi-benefit stormwater management projects.<sup>22</sup> Projects may include, but are not limited to, green infrastructure, rainwater and stormwater capture, and stormwater treatment facilities. During the first solicitation, grants were awarded to 27 planning projects and 29 implementation projects. A second solicitation for implementation projects will be conducted in 2019 to award the remaining funds (approximately \$95 million).

The SWGP guidelines specify the grant amounts available for stormwater projects. Stormwater projects may also be eligible for CWSRF financing, and DFA will coordinate with applicants to address the applicable requirements of both programs if applicants request funding from both sources. Applicants are advised to review the <u>Prop 1 SWGP</u> <u>Guidelines</u> for information on applying for the Prop 1 SWGP, including requirements for projects to be included in <u>Storm Water Resource Plans</u>.

<sup>&</sup>lt;sup>22</sup> Note that this figure includes administration and bond sale costs.

d. Groundwater Grant Program (GWGP)

Chapter 10 of Prop 1 provides \$800 million to the State Water Board for grants for projects to prevent or clean up the contamination of groundwater that serves or has served as a source of drinking water.<sup>23</sup> Applicants are advised to review the <u>Prop 1</u> <u>GWGP Guidelines</u>, which were updated in December 2017. Round 1 awards were completed in early 2018, for a total of approximately \$125 million awarded to approximately 25 projects. The round 2 project solicitation has closed and awards are anticipated in late 2019. The third and final solicitation is planned for 2020.

Septic-to-sewer projects that prevent or reduce contamination of municipal or domestic wells are potentially eligible for GWGP grants in addition to grants or principal forgiveness awarded through the CWSRF/SCG. Regardless of the criteria listed in Appendix G (page 71), GWGP funds may be available for projects benefitting large SDACs, and large DACs with wastewater rates at least 1.5% of MHI. DFA staff will coordinate with applicants to determine if septic-to-sewer projects meet the applicable requirements for GWGP funds.

e. Other Programs

Other sources of funds may become available to the State Water Board that are similar in nature to the CWSRF and its complementary funding sources. These additional funding sources will be committed consistent with the CWSRF and its complementary funding sources and with any guidelines or requirements associated with their authorization.

# D. Project Scoring and Evaluation of Potential Cut-Off Scores

New projects submitted by December 31, 2018, from applicants that are not small SDACs or small DACs, that were potentially eligible to be added to the Fundable List were scored in accordance with the criteria in the CWSRF Policy. DFA scored all projects subject to scoring for potential addition to the Fundable List; the Priority Scores for all projects subject to scoring are shown on the Comprehensive List (Appendix C, page 56).

1. Cut-Off Score Scenarios

DFA compiled the project scores and evaluated four Cut-Off Scoring scenarios, based on Section IV.B of the <u>CWSRF Policy</u>, to help establish the Cut-Off Score and identify additions to the Fundable List for SFY 2019-20. The total CWSRF repayable financing associated with each scenario is summarized in Table 5 (page 21). (Note that Table 5 also includes estimates of Drinking Water State Revolving Fund (DWSRF) financing that would be needed for two scenarios.) The scenarios are described and evaluated in further detail below the table (pages 21-23).

<sup>&</sup>lt;sup>23</sup> Note that this figure includes administration and bond sale costs.

Table 5:	Cut-Off	Scoring	<b>Scenarios</b>	(\$ in	Millions)	
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Scenario	Cutoff Score	# of New Fundable Projects	Est'd Total CWSRF Repayable Financing, M <sup>24</sup>	Est'd Total DWSRF Repayable Financing, M	Comments
х	16	0	\$40	\$0	Highest Possible Priority Score. (Note: The Estimated Repayable CWSRF Financing represents the estimated total CWSRF repayable financing that may be needed for new small SDAC & small DAC projects being added to the Fundable List.)
А	15	1	\$319	\$0	Fully Fund California American Water Desalination project @ 100% of Total Project Costs with CWSRF repayable financing
В	14	10	\$1,250	\$0	Partially Fund 2 Projects receiving Water Infrastructure Financing and Innovation Act (WIFIA) financing (San Diego Pure Water, San Mateo- Foster City Plant Upgrade) plus fund California American Water project at 52.4% of Total Project Costs; Fully Fund 7 Others @ 100% of Total Project Costs with CWSRF repayable financing
С	13	29	\$1,250	\$442	Partially Fund 5 Projects, each > \$90 M, @ 31.2% of Total Project Costs (San Diego Pure Water, San Mateo-Foster City Plant Upgrade, California American Water, IEUA RP-5 Expansion, SFPUC Headworks) & 24 Others @ 100% of Total Project Costs with CWSRF repayable financing; provide remaining funding for 2 Projects (San Diego Pure Water, California American Water) from DWSRF repayable financing
D	12	40	\$1,677	\$925	Partially Fund 5 Projects receiving WIFIA @ 51% of Total Project Costs (San Mateo-Foster City Plant Upgrade, Morro Bay New Plant, IEUA RP-5 Expansion, SFPUC Headworks, LA Tillman Purification Plant) with CWSRF repayable financing and fully fund San Diego Pure Water (51% of Total Project Cost, \$646 M) and California American Water (100% of Total Project Cost, \$279 M) with DWSRF repayable financing

a. Scenario X – Cut-Off Score = 16

Scenario X is shown for reference purposes only. No project applications subject to scoring received 16 Priority Points, the highest possible score. DFA estimates that approximately \$40 million may be needed for the repayable financing needs of small SDAC and small DAC projects.<sup>25</sup> Therefore, this loan demand is included in the cumulative repayable financing needs of the four Scoring scenarios discussed below to estimate the total demand for CWSRF repayable financing.

<sup>&</sup>lt;sup>24</sup> Each Estimated Total CWSRF Repayable Financing amount includes an estimated \$40 million in repayable financing needed for new small SDAC and small DAC projects.

<sup>&</sup>lt;sup>25</sup> Repayable financing would be offered to small SDACs and small DACs only to the extent that they can afford repayment.

b. Scenario A – Cut-Off Score = 15

One project received a Priority Score of 15 and is requesting approximately \$279 million in repayable CWSRF financing. Selecting a Cut-Off Score of 15 would result in a Fundable List equal to approximately \$319 million, well below the Funding Target. Therefore, a lower Cut-Off must be selected according to Section IV.B of the <u>CWSRF</u> <u>Policy</u>.

c. Scenario B – Cut-Off Score = 14

There are nine projects with a Priority Score of 14. Therefore, if 14 is selected as the Cut-Off Score, 10 projects will be added to the Fundable List. These 10 projects are requesting approximately \$2,156 million in repayable CWSRF financing. Approximately 92% of this amount is requested by three applicants, City of San Diego (\$1,267 million), California American Water Company (\$279 million), and San Mateo-Foster City Public Financing Authority (\$440 million). Three applicants in this Scenario, San Diego, San Mateo-Foster City, and Morro Bay, have been invited to submit full applications to WIFIA.

As a Cut-Off Score of 14 would result in total financing greater than 125% of the Funding Target if the projects were financed at the amounts requested, DFA evaluated these nine projects separately for placement on the Fundable List based on their community economic status. All of the communities are greater than 20,000 population and none of them were severely disadvantaged (<60% of statewide median household income) or disadvantaged (<80% of statewide median household income). Therefore, partial funding for one or more projects would be necessary to develop a Fundable List consistent with the Funding Target if 14 is selected as the Cut-Off Score.

Financing the three WIFIA-eligible projects at 51% of their total project costs<sup>26</sup> and the other seven projects at 100% of requested financing would require approximately \$1,420 million in CWSRF repayable financing.

As three of the projects (San Diego Pure Water, California American Water, and San Mateo-Foster City) are all considerably larger than any of the other financing requests with a score of 14 or greater<sup>27</sup>, and the applicants have either secured the remaining financing or appear capable of securing the necessary financing, partial financing should be feasible for them. Financing these three projects at 52.4% of their total project costs, along with financing the other seven projects at 100% of requested financing, would require an estimated \$1,250 million in CWSRF repayable financing.

Selection of a Cut-Off Score of 14 is feasible and can be done if selected projects are limited to partial financing. A Score of 14, however, would result in adding 10 additional scored projects to the Fundable List. The number of new CWSRF loans per year has in recent years typically been in the range of 35 to 45. Although adding only 10 new projects to the Fundable List would help reduce the present backlog of new commitments more quickly, adding 10 new projects is well below the usual number of new CWSRF loans annually.

<sup>&</sup>lt;sup>26</sup> WIFIA can provide 49% of total project costs.

<sup>&</sup>lt;sup>27</sup> The next largest project has an estimated cost of \$66 million.

### d. Scenario C – Cut-Off Score = 13

An additional 19 projects received a Priority Score of 13. Collectively, these 19 are requesting approximately \$890 million in financing. Two of these projects have also been invited to submit full WIFIA applications – Inland Empire Utilities Agency, 8173-210, and San Francisco Public Utilities Commission, 8286-110.

To provide a broader distribution of subsidized CWSRF financing, the State Water Board could select a Cut-Off Score of 13. It would be necessary, however, to limit the financing to several projects. Five projects with a Cut-Off Score of 13 or higher are each requesting between \$279 million and \$1,267 million (San Diego, California American Water, San Mateo-Foster City, Inland Empire Utilities Agency and San Francisco Public Utilities Commission.) Each of the five is significantly larger than any other individual project<sup>28</sup> with a score of 13 or higher. If financing were limited to 31.2% of the requested amounts for these five large projects, the total requested financing for the 29 projects with a Cut-Off Score of 13 or higher would be an estimated \$1,250 million.

Two projects under this Scenario, San Diego Pure Water and California American Water, are also eligible as water supply projects for the Drinking Water State Revolving Fund. Approximately \$442 million in DWSRF funding would be needed to provide the remaining funding for San Diego and California American Water. Selection of a Cut-Off Score of 13 is feasible and can be done if selected projects are limited to partial financing. A Score of 13 would result in adding 29 additional scored projects to the Fundable List. This is closer to the typical number of CWSRF loans. financed annually.

e. Scenario D – Cut-Off Score = 12

Eleven projects received a Priority Score of 12, and they are requesting approximately \$909 million in repayable financing. One project with a Score of 12 has been invited to submit a full WIFIA application – City of Los Angeles, 8063-110.

San Diego's and California American Water Company's projects could be financed solely with the DWSRF. The estimated DWSRF repayable financing would be approximately \$925 million (San Diego Pure Water at 51% of total project cost and California American Water at 100% of total project costs). If the five WIFIA-eligible projects named in Table 5 above were financed at 51% of their total project costs, then the CWSRF repayable financing would be an estimated \$1,677 million. If the five WIFIA-eligible projects were financed at 36.2%, total CWSRF repayable financing would be an estimated \$1,250 million.

Selection of a Cut-Off Score of 12 is feasible and can be done if selected projects are limited to partial financing. A Score of 12 would result in adding 40 new projects to the Fundable List.

<sup>&</sup>lt;sup>28</sup> The next largest project is requesting \$90 million.

### 2. Recommended Cut-Off Score and the Fundable List

Given the significant carry over of Fundable List projects and new SDAC and DAC projects for SFY 2019-20, DFA recommends the selection of 13 as the Cut-Off Score. Although it would be possible financially to select a Cut-Off Score of 12, DFA may not be able to meet its objective to finance all Fundable List projects by June 30, 2020 with the addition of 40 new projects. In addition, funding the San Diego Pure Water and California American Water projects solely with DWSRF exceeds the DWSRF's Funding Target by a factor of two; it would represent an immediate and significant increase in demand for DWSRF funds on top of the demand from other projects eligible for DWSRF loan funds. A Cut-Off Score of 13 will result in a fairly wide distribution of funds to high scoring projects with a moderate demand on the DWSRF, and the recommended scenario appears achievable.

Appendix B (page 43) is the Fundable List for SFY 2019-20. It includes the associated, estimated costs requested by the applicants by anticipated funding source<sup>29</sup> for applications under Scenario C. The applications on the Fundable List are organized into Groups based on the State Water Board's due diligence reviews. Projects within each Group are sorted by Region and then alphabetically by Applicant. The Fundable List includes a combination of planning, design, and construction projects<sup>30</sup>.

Consistent with Section III.A. above, all SDAC and DAC projects that have started an application have been included on the SFY 2019-20 Fundable List and will be fundable during SFYs 2018-19 and 2019-20 provided they submit a complete application, meet all other eligibility requirements, and sufficient funds are available to make the project affordable. All new SDAC or DAC applicants that start an application during SFYs 2018-19 and 2019-20 will be added automatically to the Fundable List and be fundable during SFYs 2018-19 and 2019-20, provided they submit a complete application, meet all other eligibility requirements, and sufficient funds are available to make the project affordable. All non-SDAC and non-DAC projects that were approved for the Fundable List in the SFY 2018-19 IUP that have not received an executed financing agreement as of February 2019 roll over and remain on the Fundable List. Projects subject to scoring in this IUP with a Priority Score of 13 or greater have also been placed on the Fundable List and will be fundable during SFYs 2018-19 and 2019-20 provided they meet all eligibility requirements<sup>31</sup>.

<sup>&</sup>lt;sup>29</sup> CWSRF funds may include available principal forgiveness.

<sup>&</sup>lt;sup>30</sup> Water and energy conservation assessments, audits, or planning applications eligible for 100 percent (100%) PF up to \$35,000 are Fundable at any time provided they submit a complete application, meet all applicable eligibility requirements, and that sufficient PF is available.

<sup>&</sup>lt;sup>31</sup> The amounts on the Fundable List for projects or interrelated programs that are recommended for partial repayable funding are maximum CWSRF repayable amounts. The total for each project or interrelated program may be allocated or reallocated to multiple financing agreements at the request of the applicant as long as the total CWSRF funding does not exceed the total on the Fundable List for the project or interrelated program. The Deputy Director of DFA is authorized to coordinate or limit the cash draws for projects or interrelated programs identified for partial funding to limit the collective impact of these financing agreements on the CWSRF. The Deputy Director of DFA is also authorized to coordinate or limit the cash draws for projects or interrelated programs identified for funding with a combination of the CWSRF and DWSRF to control the impact of these financing agreements on those programs. The funding amounts are subject to potential increase in a future IUP. Each applicant recommended for partial funding appears capable of obtaining the remaining financing necessary to successfully complete the projects or interrelated programs.

All projects on the Fundable List are fundable at any time during SFYs 2018-19 and 2019-20 provided they meet all eligibility requirements. Projects may receive a financing agreement as soon as it is determined the application meets all eligibility requirements. DFA will review the applications on the Fundable List with the objective of executing agreements quickly and efficiently, giving priority to SDACs and DACs, so that all applications on the Fundable List have executed agreements by June 30, 2020. Projects on the Fundable List that are not financed by June 30, 2020, will be carried over to the SFY 2020-21 Fundable List unless directed otherwise by the State Water Board or an applicant withdraws its application.

Note: Placement on the Fundable List does not constitute a financing agreement, a guarantee of financing, a guarantee of the order of financing, a guarantee that sufficient funds from the anticipated sources of funds will be available for the project, or a determination of eligibility. Neither do position on the Fundable List, estimated agreement date, nor anticipated funding sources guarantee funding, order of funding, funding timing, funding amount, or eligibility.

The Fundable List only includes applications that are fundable during SFYs 2018-19 and 2019-20, and a financing agreement will be executed only if the application meets all applicable eligibility requirements.

SDAC and DAC projects will be added to the Fundable List automatically. Therefore, Appendix B (page 43) is not a limitation on financing SDAC and DAC projects. Any SDAC and DAC projects may receive funding during SFYs 2018-19 and 2019-20, provided they submit complete applications and meet all applicable eligibility requirements, and provided that sufficient funds are available.

The State Water Board expects DFA to expeditiously finance the projects on the Fundable List. The Deputy Director of DFA is authorized to remove non-SDAC or non-DAC projects from the Fundable List if the applicant is non-responsive to DFA's request for information or consultation after notifying the applicant and giving the applicant a reasonable opportunity to respond. Applicants removed from the Fundable List by the Deputy Director may be placed on the SFY 2020-21 Fundable List, provided that Policy requirements for placement have been satisfied.

# E. Financing Forecast

The SDAC and DAC projects on the Fundable List are requesting approximately \$257 million in grant or PF funds and \$84 million in loan/repayable funds. As discussed in Section III.C.3.a above, there are approximately \$78 million in grant and PF funds available to reduce the financing costs for SDACs and DACs. The available grant and PF funds are insufficient to fulfill all the grant and PF requests from the SDAC and DAC projects on the Fundable List. There are sufficient CWSRF loan funds for all SDAC and DAC projects, and no additional leveraging would be needed to finance all SDAC and DAC projects. Therefore, DFA anticipates that all available grant and PF funds will be committed to small SDAC and small DAC projects by June 30, 2020.

Some of the non-SDAC and non-DAC applications on the Fundable List are eligible for WRFP grant and loan funds or PF. As noted earlier, if Prop 68 water recycling funds are appropriated to the State Water Board for SFY 2019-20, there will be approximately \$87.3 million in grant and PF funds for water recycling and other green projects, and there will be approximately \$137.3 million in WRFP loan funds. The projects on the Fundable List eligible for these funds are requesting \$235 million. Therefore, DFA anticipates that all available WRFP grant and loan funds and all PF can be committed by June 30, 2020 with a combination of eligible water recycling projects.

The remaining projects on the Fundable List, composed of rollovers and new scored projects, represent a combination of CWSRF repayable financing totaling approximately \$2.4 billion for 56 projects. Although the total commitment, assuming all the agreements are executed by June 30, 2020, appears higher than the sustainable financing level, the long-term average of new CWSRF repayable financing is still below the Funding Target.

The actual level of new financing discussed in this IUP may be higher or lower than the amount predicted by the Fundable List, and some projects on the Fundable List may remain unfinanced by the end of SFY 2019-20. Some projects may be financed in a future year or not at all for various reasons. Projects on the Fundable List that are not financed by June 30, 2020, will be carried over to the SFY 2020-21 Fundable List unless directed otherwise by the State Water Board or an applicant withdraws its application.

DFA plans to update applicants and stakeholders once during SFY 2019-20 on its progress implementing this IUP, its financial outlook, and its financing forecast, so that applicants can continue to evaluate the possibility of receiving CWSRF financing in the future.

# F. Future Financing Trends

Demand for CWSRF financing remains high as indicated by the Comprehensive List, and DFA expects the demand to remain high for the foreseeable future given the CWSRF's attractive terms and the large water related infrastructure needs in California as noted in Section II.A. Although the level of CWSRF financing will be below average in SFY 2018-19 and 2019-20 due to the implementation of the state's new accounting system, FI\$Cal, DFA expects that the overall pace of financing will return to a level similar to previous levels after FI\$Cal is fully implemented.

Given the lower level of new commitments and slowed pace of disbursements, the current leveraging limit of \$2.2 billion is sufficient for future cash flow, and DFA will not request that the State Water Board increase the leveraging limit for the CWSRF at the present time. Although the current leveraging authority is sufficient, additional leveraging authority may be needed in the future to finance all the projects on the Fundable List. The exact amount and timing of any additional leveraging, over and above the current limit of \$2.2 billion, would continue to depend on the total costs of the projects financed and the timing of the approvals. In addition, the costs identified in Appendix B (page 43) are estimated project costs that may be higher or lower than estimated. Additional debt may be necessary for projects in the future depending on DFA's success executing applications on the Fundable List by June 30, 2020. Future cash flow forecasts - considering actual lending and disbursements, future capitalization grants, and earning levels - will determine the need for additional leveraging and may affect future lending levels. Potential increases in future leveraging authority will be consistent with the <u>SRF Debt</u> <u>Management Policy</u>.

DFA is unaware of any significant impending federal or state CWSRF capitalization increases.

Consistent with this IUP, the CWSRF Policy, and available staff resources, DFA will continue to accept and review documents related to applications that are not on the Fundable List, as well as continue to accept and review new documents, time permitting, to develop applications that can be scored and funded in future years.

# G. CWSRF Resources and Workload

1. Organization, Program Resources, and Skills

Approximately 45.8 Personnel Years (PYs) are budgeted for the CWSRF program<sup>32</sup> in SFY 2019-20 and the number of positions is not expected to change substantially. These positions are distributed between DFA and the Office of Chief Counsel (OCC) as follows:

- 4.0 PYs for Environmental Scientists to ensure compliance with state and federal environmental and cultural resources requirements (DFA);
- 16.3 PYs for Water Resources Control Engineers and Sanitary Engineers to manage project applications (DFA), with one unit of approximately five staff dedicated to processing applications from SDACs and DACs<sup>33</sup>
- 10.6 PYs for administrative support (DFA);
- 10.4 PYs for Program management and staff oversight (DFA);
- 3.0 PYs for legal support (OCC); and
- 1.5 PYs for other environmental and engineering support of project eligibility reviews

Additional indirect cost support is provided by accounting, personnel, budget, and contract support staff in the Division of Administrative Services.

The CWSRF program relies on some contracted services that (i) cannot be provided economically by Water Boards staff, (ii) require skills not available in the State Water Boards, or (iii) require independence from the CWSRF program. Approximately \$700,000 is budgeted for the following contract services:

- Independent accounting firm for annual audits;
- Outside legal counsel for specialized tax and bond advice;
- Vendor to provide maintenance for the Loans and Grants Tracking System (LGTS); and
- Independent Municipal Advisor

<sup>&</sup>lt;sup>32</sup> In addition to positions funded directly by the CWSRF, the State Water Board has other state-funded positions associated with complementary programs closely aligned with the CWSRF as noted earlier. Many projects, such as SDAC and DAC wastewater, water recycling, and storm water projects may be financed by a combination of CWSRF and state sources of funds. Staff is trained to help applicants receive financing for their projects regardless of the funding sources; therefore, state-funded positions indirectly provide benefit to the CWSRF program and vice versa.

<sup>&</sup>lt;sup>33</sup> These CWSRF staff members are part of the Office of Sustainable Water Solutions within DFA, which includes two supervising engineers, six senior engineers, one senior specialist, and 32 technical staff dedicated to processing applications from SDACs and DACs.

2. Loan Servicing and Program Administration

Servicing existing agreements and fulfilling ongoing program requirements represents a significant workload for the CWSRF staff. There are approximately 433 CWSRF agreements in repayment. Payments on these agreements are collected throughout the year, and DFA conducts regular surveillance on many of these recipients. At present, the CWSRF is servicing approximately 114 agreements in disbursement. On average, staff process approximately 462 CWSRF disbursement requests per year. Staff also oversee and perform periodic construction inspections of financed projects to ensure that work is performed consistent with previous approvals, and to ensure that work is being performed in conformance with program requirements, including but not limited to, Davis-Bacon wage rates, American Iron and Steel procurement requirements, disadvantaged business solicitation rules, and environmental special conditions.

The CWSRF program's outstanding revenue bonds require separate accounting of payments from pledged obligations, semi-annual bond payments, and create specific monitoring, reporting, and continuing disclosure actions. The CWSRF program prepares annual financial statements that are audited independently. The CWSRF program is subject to yearly review by U.S. EPA and is periodically subject to audit or oversight by other federal or state agencies.

3. Administrative Funding

Administrative funding for the CWSRF comes from two sources, the capitalization grants awarded yearly by U.S. EPA and the State Water Pollution Control Revolving Fund Administrative Fund (Administrative Fund). Administrative spending for the CWSRF is limited to fees collected by the State Water Board for administering the CWSRF, plus the greatest of: (a) four percent of cumulative Capitalization Grants, (b) \$400,000 per year, or (c) 0.20 percent per year of the current valuation of the CWSRF program. Section 13477.5(c)(1) of the California Water Code allows the State Water Board to apply an annual service charge<sup>34</sup> on a financing agreement. The revenue generated by this service charge goes into the Administrative Fund and may be used for administration. The Administrative Fund and the capitalization grants provide reliable administrative funding to the CWSRF program.

Under state law, the service charge rate cannot exceed one percent (1%) of the outstanding balance of a financing agreement. Once the service charge is applied to an agreement, the rate remains unchanged for the duration of the agreement. Since the service charge is a percentage of the outstanding principal on each agreement, it produces a declining amount of revenue each year. Each year, the State Water Board must evaluate the need for the service charge revenue and establish an appropriate rate. The service charge will then be applied to additional agreements to maintain the Administrative Fund revenue consistent with the administrative budget established by the Governor and the Legislature for the CWSRF.

<sup>&</sup>lt;sup>34</sup> For federal purposes, the Administrative Fund service charge is a fee "other than program income not included as principal in CWSRF financing." The service charge is collected in lieu of an equal amount of interest that would otherwise be due on the outstanding balance of the financing agreement. The service charge is offset by the reduction in the interest rate so that financing recipients' payments remain the same whether or not they pay the service charge.
The State Water Board will use the Administrative Fund as its primary source of administrative funding for the CWSRF. The Administrative Fund can only be used for CWSRF program administration, while the administrative allowance from the capitalization grants may be used for administration, local assistance, or a combination of the two. The federal administrative allowance serves as a backup source of administrative funding. If cash flow conditions warrant in SFY 2019-20, the State Water Board will disburse 100 percent (100%) of its federal capitalization grants for local assistance. The authority to spend the administrative allowance from the 2019 Capitalization Grant will be retained for potential use in future years.

For SFY 2019-20, the State Water Board continues the Administrative Service charge rate of one percent; this shall be the effective rate until the State Water Board establishes a different rate. Based on the budgeted positions for the program for SFY 2019-20 and the projected Administrative Fund balances through December 31, 2019, (Appendix J, page 73), which are declining because of decreasing existing fee-in-lieu of interest payments, the State Water Board anticipates applying this charge to additional agreements during SFY 2019-20. The State Water Board also anticipates applying this charge to additional agreements in SFY 2019-20 because of declining Prop 1 SCG and Prop 1 Water Recycling administration funds and the need to continue supporting the administration of projects jointly funded by Prop 1 and CWSRF.

### H. Risks

The following are financial or programmatic risks to the CWSRF program. DFA management will focus on identifying potential problems and acting early to maintain the integrity and success of the CWSRF program.

1. Application Demand vs. Resources

Demand for financing exceeds the administrative resources needed to review, approve, and finance all complete applications. Staff resources are the most inflexible aspect of the CWSRF program. Additional staff cannot be quickly added to address high demand because they must be approved through the State's budget process. In addition, hiring may be frozen or work hours reduced due to State budget concerns. DFA will prioritize applications consistent with this IUP and the CWSRF Policy. DFA may also adjust its review procedures and work with U.S. EPA or other agencies to resolve delays, schedule financing with applicants, or seek additional resources. DFA can also work with stakeholders to evaluate changes to the CWSRF Policy or further adjustments to its application and the application review process.

2. Applicants' Schedule Changes or Delays in Executing Agreements

Beneficial and eligible projects may not be financed if the applicants' schedules change or are delayed. To minimize and avoid delays, CWSRF program staff will coordinate regularly with applicants identified in this IUP, and with others that submit applications during the year, to maintain a consistent demand on the program. As project schedules shift, lower priority projects may be funded if they are ready for financing, bearing in mind the PF and GPR requirements established in this IUP. This funding flexibility maximizes the use of the CWSRF and increases the number of projects funded.

Beneficial and eligible projects may not be financed if DFA encounters delays completing its reviews of the applications. To minimize and avoid delays, CWSRF program staff will coordinate its internal review efforts regularly during the year to expeditiously complete its reviews and maintain consistent progress toward the goal of executing agreements for all projects on the Fundable List by June 30, 2020. As delays are encountered, other projects on the Fundable List should continue to move forward, bearing in mind the PF and GPR requirements established in this IUP and the amount of leveraging authority approved by the State Water Board. This funding flexibility maximizes the use of the CWSRF and increases the number of projects funded.

After financing is approved, the recipient must start and complete construction promptly. Applicants are required by their financing agreements to report delays to DFA staff so that appropriate action can be taken to address those delays.

#### 3. Cash Balance

The amount of disbursements requested may exceed the CWSRF's cash balance. DFA staff will maintain accurate account balances and prepare forecasts regularly to identify potential cash shortages in advance. If additional cash is needed, the CWSRF has several options. The CWSRF program has considerable assets it can leverage through revenue bond sales in the municipal bond market to obtain additional cash. The State Water Board can prioritize or limit new commitments or potentially negotiate disbursement schedules with applicants. The CWSRF program can also investigate alternative financing (e.g., providing bond insurance) to reduce cash outlays.

Excess cash may accumulate if applications, and the associated disbursements, are too low. Excess cash provides no water quality benefit for California. DFA will use its marketing, customer assistance, and project development resources to maintain a pipeline of projects ready for financing. It will closely monitor undrawn balances on outstanding financing agreements to ensure that financing recipients request funds expeditiously.

4. Defaults and Late Payments

Pursuant to the CWSRF Policy, DFA will implement prudent lending standards and borrower surveillance practices that safeguard the CWSRF program's equity. The State Water Board also typically contracts with a professional Municipal Advisor to provide additional financial expertise.

The CWSRF program has many tools to reduce the risk of default, including loan monitoring and surveillance, as well as enforcement remedies. For example, DFA collects and reviews audited financial statements of all borrowers for the first five years of repayment and may request audited financials for some borrowers for longer periods of time. DFA has an agreement with independent accounting firm CliftonLarsonAllen to audit select borrowers identified as having a higher risk of experiencing financial difficulties. These audits can be conducted to evaluate the financial and management capacities of an entity and provide recommended solutions. The State Water Board will also continue to provide SCG funds in SFY 2019-20 to reduce debt service and default risk for SDACs and DACs or projects that regionalize wastewater infrastructure. Additionally, the State Water Board can offer wastewater-related TA to SDACs and DACs in areas such as evaluating project alternatives, financial management, rate setting, and operation and maintenance.

5. Accountability and Oversight

The CWSRF is capitalized with public funds, and the State Water Board is responsible for using them lawfully and effectively.

The State Water Board regularly reports to U.S. EPA through the National Information Management System (NIMS) and the CWSRF Benefits Reporting (CBR) system on use of the funds. In addition, U.S. EPA reviews the management and performance of the CWSRF annually. The results are summarized in its annual <u>Program Evaluation Reports</u>. The CWSRF program produces an <u>annual report and audited financial statements</u>.

Additional actions are required of the State Water Board staff to comply with provisions of the Internal Revenue Code applicable to the CWSRF outstanding bond debt. The CWSRF program's <u>Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues</u> provides further detail about actions required of the program's staff to help ensure that its bonds remain exempt from federal income taxes. Additional reporting is required by the program's Continuing Disclosure Agreement; information on the program's bonds can be found on the Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

DFA staff will continue to oversee projects to ensure that they meet the terms of the financing agreements by conducting periodic site visits during construction or implementation. All projects are subject to a "Final Project Inspection," and a final summary report is submitted on each project to confirm that it was completed. DFA maintains copies of inspection and final summary reports in the project files.

# IV. FINANCING AND PROGRAMMATIC REQUIREMENTS

# A. Davis-Bacon Requirements

Federal Davis-Bacon rules apply to the construction of treatment works "carried out in whole or in part with assistance made available by a State water pollution control revolving fund." The State Water Board, therefore, will continue to require that applicants for treatment works projects comply with Davis-Bacon rules. Recipients of CWSRF financing must agree to provide information necessary to show compliance with Davis-Bacon requirements.

## B. Generally Accepted Accounting Principles (GAAP)

The CWA requires that recipients of CWSRF financing maintain project accounts in accordance with generally accepted government accounting standards, including standards relating to the reporting of infrastructure assets. Recipients must agree to comply with GAAP. For governmental entities, the Government Accounting Standards Board establishes these standards. The State Water Board, therefore, will require as a condition of financing that governmental applicants maintain project accounts in accordance with generally accepted government accounting standards.

## C. Cost and Effectiveness Analysis

Effective October 1, 2015, the CWA requires CWSRF recipients that are municipal, intermunicipal, interstate, or State agencies to certify they have conducted a cost and effectiveness analysis. This analysis includes an evaluation of the costs and effectiveness of the proposed project, and selection of a project that, to the maximum extent practicable, maximizes the potential for energy conservation, and efficient water use, reuse, recapture, and conservation, considering construction, operation and maintenance, and replacement costs. This certification must be provided before CWSRF assistance is provided for final design or construction.

# D. Procurement for Architectural and Engineering (A/E) Contracts

Beginning with the FFY 2015 Capitalization Grant, the CWA requires that A/E contracts for equivalency projects (i.e., CWSRF-financed projects specifically identified by DFA that total an amount at least equal to the capitalization grant from U.S. EPA) comply with the qualificationsbased procurement process described in 40 United States Code section 1101 et seq. or an equivalent state requirement. For all equivalency projects, these procurement requirements apply to any CWSRF-funded A/E contracts<sup>35</sup>, including any new solicitation, significant contract amendments, and contract renewals for A/E services initiated on or after October 1, 2014. Potential equivalency projects for the FFY 2019 Capitalization Grant are identified in Appendix C (page 56). Equivalency projects will be required to certify that A/E contracts were procured in accordance with federal guidelines or the equivalent state process.

<sup>&</sup>lt;sup>35</sup> A/E contracts include but are not necessarily limited to those for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying or mapping.

# E. Fiscal Sustainability Plan (FSP)

The CWA requires CWSRF recipients for POTW projects to develop and implement an FSP, which includes an inventory and evaluation of critical assets, evaluation and implementation of water and energy conservation efforts, a plan for maintaining, repairing, and replacing the treatment works, and a plan for funding such activities. Applicants can self-certify that the FSP, or its equivalent, has been developed and implemented, or for applicants without an FSP, or its equivalent, the CWSRF financing agreement will include a condition setting a deadline for FSP certification, which must be prior to the final CWSRF disbursement for the project. FSPs will typically be reviewed during the final inspection.

# F. American Iron and Steel (AIS)

The CWA requires CWSRF assistance recipients, absent an exclusion or waiver, to use iron and steel products that are produced in the United States for treatment works projects. U.S. EPA implementation of these provisions is described on its <u>State Revolving Fund American</u> Iron and Steel (AIS) Requirement website.

## G. Payment and Draw Schedules

Appendix K (page 73) shows the State Water Board's requested payment schedule for the 2019 Capitalization Grant funds from the U.S. Treasury and the estimated draws of the 2019 funds and the CWSRF remaining federal funds ("unliquidated obligations").

## H. State Match and Cash Draw Ratio

The State Water Board must provide one dollar of match for each five dollars received through U.S. EPA capitalization grants. Cumulatively, the CWSRF has been awarded approximately \$2.98 billion in capitalization grants as of December 31, 2018, that must be matched. The total matching requirement, therefore, through the estimated FFY 2019 Capitalization Grant is approximately \$596.2 million. The CWSRF program has already provided a total of \$638.3 million in matching funds as of June 30, 2018, leaving an estimated \$42.1 million in match funds for future grants. This excess match amount is sufficient to match approximately \$210.7 million in capitalization grants, or approximately two years' worth of grants at the current rate of federal capital contributions. Since the CWSRF is overmatched at this point, the State Water Board's cash draw ratio for the 2019 Capitalization Grant will be 100 percent (100%) federal funds.

# I. Types of CWSRF Assistance and Financing Terms

The State Water Board will provide funding for all eligible categories of projects using loans, installment sale agreements/purchase of debt. The State Water Board will also provide separate planning, design, or planning and design financing during SFY 2019-20 to SDACs and DACs and those projects specifically identified for planning, design, or planning and design financing on the Fundable List provided the applicants can legally accept such financing.

Principal forgiveness, if available, will be provided to those applicants that meet the conditions specified in Appendix D (page 69) and Section III.C.2 above.

The terms associated with CWSRF financial assistance vary by applicant and financing approval date. Planning and design financing is amortized over five or ten years, at the discretion of the applicant, unless rolled into a construction or implementation financing agreement. Construction or implementation financing agreements are generally amortized for periods up to 30 years or the useful life of the financed assets whichever is shorter. The interest rate applied to a financing agreement is established at the time the financing agreement is prepared for approval or financing is approved by the State Water Board. The interest rate will generally be one-half of the State's most recent general obligation bond rate rounded up to the nearest one-tenth of a percent, except as described in Section III.A.4 above. Construction costs incurred prior to approval of financing are reimbursable. However, no construction costs may be reimbursed until all eligibility requirements are met and a financing agreement has been executed or amended to establish a final budget in accordance with the CWSRF policy.

# J. Federal Cross-Cutters and Environmental Reviews

Projects funded by the CWSRF must comply with certain federal laws known as "cross-cutters." The State Water Board will ensure that CWSRF program financing recipients comply with applicable federal cross-cutter requirements, as identified to the State Water Board in the federal capitalization grant.

CWSRF financing agreements include a list of applicable federal statutes and requirements identified in the most recent capitalization grant. CWSRF financing recipients agree to comply with these federal requirements by signing the financing agreement.

The State Water Board will use its <u>State Environmental Review Process</u> (SERP) to ensure compliance with CWSRF environmental requirements during SFY 2019-20. While the SERP generally follows the requirements of the California Environmental Quality Act, each applicant must also complete and submit an <u>Environmental Package</u> and associated supporting documents. The State Water Board staff will review environmental documents received from applicants to ensure completeness/adequacy and determine if consultation with relevant federal agencies is necessary, consistent with the <u>Operating Agreement</u> between the State Water Board and the U.S. EPA.

In addition to the federal requirements discussed in paragraphs A through F in this section, the State Water Board requires compliance with Disadvantaged Business Enterprise (DBE) requirements for CWSRF financing, except planning and design financing.<sup>36</sup> It also requires that CWSRF funding recipients comply with federal audit requirements (Uniform Grant Guidance, 2 CFR, § 200(f)).

The State Water Board will use the Federal Funding Accountability and Transparency Act (FFATA) reporting system to report on all equivalency projects (i.e., projects that meet all of the federal cross-cutting requirements, the combined assistance amounts of which projects are at least equal to or greater than the capitalization grant amount).

<sup>&</sup>lt;sup>36</sup> Planning and design financing agreements may be funded with capitalization grants to provide PF for water, energy, and sustainable planning and design. DFA does not intend to apply DBE requirements to such agreements, or to other agreements that do not finance POTWs, but will ensure DBE compliance for all other construction and implementation projects totaling an amount at least equivalent to the capitalization grant from U.S. EPA.

# K. Capitalization Grant Conditions and Other Federal Requirements

The State Water Board will comply with all conditions included in the 2019 Capitalization Grant agreement. Provisions specific to the FFY 2019 appropriation will take effect only if the State Water Board receives the FFY 2019 Capitalization Grant and will apply only as directed by Congress or U.S. EPA. The State Water Board will require that CWSRF financing recipients also comply with applicable federal pass-through requirements. Recipients of CWSRF financing must agree to provide information necessary to show compliance with all applicable federal requirements.

## L. Other State Requirements

Other state laws not specific to the CWSRF may also apply. These may include but are not limited to laws affecting urban water suppliers, charter cities, agricultural water users, projects located in the Sacramento-San Joaquin Delta, labor regulations, prevailing wages, and debt reporting.

Although the CWSRF Policy authorizes reimbursement of eligible construction costs for projects on the Fundable List going back to the notice to proceed date for the project, applicants should note that <u>CONSTRUCTION COSTS INCURRED BEFORE EXECUTION OF A FINANCIAL</u> <u>ASSISTANCE AGREEMENT ARE AT THE APPLICANT'S RISK.</u> Various factors may restrict reimbursement of costs incurred prior to execution of a funding agreement, including, but not limited to failure of the applicant to adopt a satisfactory reimbursement resolution, appropriations limits of funding sources, and other factors. <u>Further, starting construction</u> <u>before the State Water Board has completed its environmental review may render the</u> <u>project ineligible for funding.</u> Additionally, changes to laws or requirements that occur prior to execution of a financial assistance agreement may affect some or all funding eligibility.

For all loans, the applicant will be expected to submit a resolution authorizing the transaction prior to execution of the agreement by DFA.

# M. Timely and Expeditious Expenditure

The State Water Board will ensure timely and expeditious expenditure of all funds during SFY 2019-20. This IUP establishes as a goal during SFY 2019-20 to overcommit cash and undrawn federal grant funds to continually disburse 100 percent (100%) of those funds less a minimum cash balance of \$25 million plus any assets restricted for other uses, (i.e., bond payments and administration). The State Water Board will continue to use and refine its existing procedures. These procedures are designed to quickly identify and approve projects, execute financing agreements, and disburse funds to recipients. As of April 19, 2019, the State Water Board has disbursed 97.5 percent (97.5%) of all federal grants awarded. These results are consistent with recent trends and indicate that the State Water Board can quickly and productively use federal funds once awarded.

# N. Cross-Collateralization

The State Water Board will implement cross-collateralization between the CWSRF and the DWSRF loan programs as necessary to support the goals and objectives of the State Water Board as documented in the <u>Operating Agreement between the California State Water Resources Control Board and the United</u>

<u>States Environmental Protection Agency Region IX for Activities and Functions in Managing the State</u> <u>Water Pollution Control Revolving Fund Program</u>, as amended March 2019.

# V. OUTCOMES, GOALS, ACTIVITIES, AND MEASURES

# A. Sound Finances

The State Water Board, the CWSRF program's stakeholders, and the owners of CWSRF bonds expect the CWSRF to be financially sound.

#### Long-Term Goals:

- Maximize non-restricted and restricted cash flows: For maximum benefit, CWSRF disbursements of non-pledged assets should equal non-restricted receipts, less a minimum balance necessary to meet six month's forecasted disbursements. Disbursement of pledged receipts should ensure timely and full payment of all bond payments and reserve requirements. Excess pledged receipts should be periodically evaluated to determine if they should be used to originate a new pledged loan or released from the lien of the Master Indenture.
- 2. Use revenue and capital effectively: California faces significant water quality needs. The CWSRF repayment stream is sizeable, and the CWSRF program continues to receive new capital from U.S. EPA. The CWSRF program's net position may make additional debt to finance water quality projects feasible and desirable. Additional debt, though, should be consistent with the SRF Debt Management Policy and the federal requirement to maintain the CWSRF in perpetuity.
- 3. **Maintain financial integrity**: Financial integrity is a core value of the CWSRF program. Effective internal controls ensure that the program's finances are dependable and trustworthy. Prudent lending practices and reasonable interest rates ensure the stability and continued growth of the CWSRF program.

#### Key Short-Term Activities:

- 1. **Prepare and review cash management reports regularly**: Ensuring that sufficient cash is available to fulfill project disbursement requests, make bond payments, fulfill reserve requirement, if necessary, and pay for other program expenses requires careful and regular oversight of the cash flows. (*Completed quarterly*)
- 2. Continue regular staff level finance/audit coordination meetings:
  - a. Review cash flow forecasts of existing and potential commitments and upcoming expenses to assess the CWSRF program's ability to meet its commitments and to evaluate the need for leveraging or other actions to regulate cash outflows. (*Completed quarterly*)
  - b. Compare actual performance with target performance measures. (Completed quarterly)
  - c. Review audit issues, program control issues, and plan for upcoming audits. (Completed quarterly)

- Apply for and accept FFY 2019 Capitalization Grant: The 2019 Grant application will be formally submitted to U.S. EPA after approval of this IUP by the State Water Board. For 2019, a capitalization grant application will be submitted for \$150 million<sup>37</sup> in federal assistance. (*Complete July 2019*)
- 4. Maintain compliance with the SRF Debt Management Policy. (Ongoing Annually)
- 5. **Prepare Annual Report and Audited Financial Statements for SFY 2018-19**. (Complete October 30, 2019)
- 6. Comply with all reporting requirements and compliance obligations associated with outstanding revenue bonds, as set forth in the related continuing disclosure agreements, the Post-Issuance Tax Compliance Policy for Tax-Exempt Bond Issues, the Amended and Restated Master Payment and Pledge Agreement, and the Amended and Restated Master Trust Indenture. (*Ongoing Through the Year*)

#### Performance Measurements:

- 1. Total executed financing agreements > 120 percent (120%) of federal grants.
- 2. Disbursement rate = 100 percent (100%) of available funds less minimum six-month's disbursement balance and restricted funds.
- 3. Federal funds disbursement rate = 100 percent (100%) of federal payments.
- 4. Default ratio = 0.

#### B. Fund the Most Beneficial Projects

The CWSRF program has finite funds and resources. These limitations require the State Water Board to prioritize so that the most pressing water quality problems are addressed first.

#### Long-Term Goals:

- 1. Achieve compliance statewide with water quality objectives.
- 2. Achieve sustainable water resource management consistent with the <u>Human Right to</u> <u>Water</u>.
- 3. Finance infrastructure that will achieve or maintain compliance with federal and state water quality requirements: Support the <u>California Water Action Plan</u>, <u>State Water</u> <u>Board's Strategic Plan</u>, and <u>U.S. EPA's Strategic Plan</u>, Goal 1 (Core Mission), Objective 1.2 (Provide for Clean and Safe Water).

<sup>&</sup>lt;sup>37</sup> This number is preliminary, and subject to change. The FFY 2019 capitalization grant application will be submitted for a higher amount (\$150 million) than the estimated grant award to avoid amending this IUP and resubmitting the application should the actual award be greater than the currently estimated capitalization grant of \$114 million. If the actual 2019 grant award is less than the grant application, then the award can be made by U.S. EPA without the State Water Board submitting an amended IUP and grant application.

- 4. Assist with the State Water Board's <u>*Plan for California's Nonpoint Source Pollution</u></u> <u><i>Control Program* and Estuary Comprehensive Conservation and Management Plans.</u></u>
- 5. Invest in small SDACs and small DACs disproportionately affected by pollution and water contamination consistent with the Capacity Development Strategy.
- 6. Support the State's greenhouse gas reduction and climate adaptation goals to the maximum extent practicable consistent with State Water Board <u>Resolution No. 2017-0012</u>.

#### Key Short-Term Activities:

- 1. **Provide funds for high-priority projects**: Appendix B, the Fundable List, (page 43) identifies projects that the CWSRF program anticipates funding in SFY 2019-20 that support the Water Boards' and U.S. EPA's priorities along with their expected executed agreement dates.
- Adopt the SFY 2019-20 IUP: The SFY 2019-20 IUP will guide marketing and assistance efforts targeting the Water Board and U.S. EPA's highest priorities in SFY 2019-20. (*Complete June 2019*)
- 3. Report activities supporting the <u>California Water Action Plan</u>, <u>State Water Board's</u> <u>Strategic Plan</u>, and <u>U.S. EPA's Strategic Plan</u> in the CWSRF Annual Report, CBR, NIMS, and the FFATA Reporting System. (Completed annually)

#### Performance Measurements:

- 1. Fund utilization rate (U.S. EPA Program Reporting Measure WQ-17 Fund Utilization) > 105 percent (105%) of available funds.
- 2. Execute financing agreements for 100 percent (100%) of projects with complete applications listed on the Fundable List, Appendix B (page 43) of this IUP, by June 30, 2020.
- 3. At least 25 percent (25%) of the number of projects executed during SFY 2019-20 should assist SDACs or DACs.
- 4. FFY 2019 funds committed as PF = maximum allowed by 2019 appropriation.
- 5. Percentage of FFY 2019 funds committed to GPR projects > minimum GPR percentage established by FFY 2019 appropriation.

# C. Efficient Service, Up-to-Date Policies and Procedures, and Recognizable Products

Applicants have several choices for their financing needs. The CWSRF program should attract high-value projects that support the policies and goals of the State Water Board.

#### Long-Term Goals:

- 1. Provide good customer service with a special emphasis on assisting SDACs and DACs.
- 2. Ensure that the application forms and review procedures are clear, flexible, up-todate, and efficient.
- 3. Clearly communicate to applicant their statuses and expectations for funding.
- 4. Ensure staff is well trained and ready to help applicants resolve technical, legal, environmental, and financial issues needed to receive financing.

#### Key Short-Term Activities:

- 1. Continue regular internal coordination meetings to identify and resolve delays affecting applications on the Fundable List, coordinate and prioritize application reviews, and ensure all projects with complete applications on the Fundable List receive an executed agreement by June 30, 2020. (*Completed monthly*)
- 2. Provide a Mid-Year Informational Update to stakeholders on DFA's progress implementing the SFY 2019-20 IUP. (Complete November 2019)

#### Performance Measurements:

- 1. Execute financing agreements for all projects with complete applications identified on the Fundable List before July 1, 2020.
- 2. In 45 days or less<sup>38</sup>, fulfill 100 percent (100%) of complete disbursement requests.
- 3. Amend financing agreements to establish final project budget no later than 90 days after receipt of complete Final Budget Approval Package.

<sup>&</sup>lt;sup>38</sup> Disbursement fulfillment time is the time from receipt of a complete disbursement request to warrant date.

# VI. SCHEDULE

The estimated schedule for public comment and State Water Board adoption of the SFY 2019-20 IUP, and the application, award, and acceptance of the 2019 Capitalization Grant is as follows:

Draft IUP posted for public comment	April <mark>X,</mark> 2019
Informational Workshop/Webinar	April 30, 2019
Deadline for Public Comments on Draft IUP	May <mark>X</mark> , 2019
State Water Board adopts IUP at regularly scheduled meeting	June 18, 2019
State Water Board adopts IUP at regularly scheduled meeting Submit FFY 2019 Capitalization Grant application to U.S. EPA	June 18, 2019 May 15, 2019

# VII. APPENDICES

# APPENDIX A: Current Sources and Uses of the CWSRF<sup>39</sup>

	Projected SFY 2018-19	Projected SFY 2019-20	Projected SFY 2020-21	Projected SFY 2021-22	Projected SFY 2022-23
Beginning Balance	\$1,290,047,415	\$747,136,871	\$975,816,259	\$496,587,279	\$390,371,815
Estimated Principal Payments + Interest Earnings	\$300,159,536	\$315,009,536	\$329,859,536	\$344,709,536	\$359,559,536
Estimated SMIF <sup>40</sup> Interest Earnings	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Revenue Bond Proceeds <sup>41</sup>		\$500,000,000	\$500,000,000		
Debt Service- 2016, 2017 & 2018 Revenue Bonds	(\$122,155,500)	(\$136,471,900)	(\$138,406,425)	(\$138,972,200)	(\$139,991,250)
Debt Service – 2019 & 2020 Revenue Bonds (preliminary)		(\$25,000,000)	(\$55,000,000)	(\$79,000,000)	(\$97,000,000)
Federal Capitalization Grants Received <sup>42</sup>	\$114,792,000	\$90,000,000	\$70,000,000	\$70,000,000	\$70,000,000
Administration Allowances <sup>43</sup>	(\$4,591,680)	(\$3,600,000)	(\$2,800,000)	(\$2,800,000)	(\$2,800,000)
Estimated Disbursements <sup>44</sup>	(\$811,535,075)	(\$991,991,697)	(\$663,452,017)	(\$297,154,394)	(\$95,713,769)
Estimated Year-End Balances <sup>45</sup>	\$768,216,696	\$496,582,810	\$1,017,517,353	\$394,870,221	\$485,926,332
	SFY 2018-19	SFY 2019-20	SFY 2020-21	SFY 2021-22	SFY 2022-23
Estimated Yearly Cash Flows <sup>46</sup>	(\$521.830.719)	(\$250.554.061)	\$41,701,094	(\$101.717.058)	\$95.554.517

<sup>&</sup>lt;sup>39</sup> Forecast dated April 2019. These amounts are preliminary and subject to change.

<sup>&</sup>lt;sup>40</sup> SMIF means Surplus Money Investment Fund.

<sup>&</sup>lt;sup>41</sup> DFA will determine based on the CWSRF cash flow needs if future revenue bond sales are necessary. The 2019-20 and 2020-21 Revenue Bond sales are only estimated projections and subject to change.

<sup>&</sup>lt;sup>42</sup> These numbers include a final amount for the FFY 2018 grant that the State Water Board received on September 17, 2018. The amounts for all grants after FFY 2018 are estimated. The forecasted capitalization grants are listed in the aggregate amounts. Principal forgiveness, if available, is included in the aggregate grant amount in the forecast.

<sup>&</sup>lt;sup>43</sup> These numbers include a final amount for the FFY 2018 grant that the State Water Board received on September 17, 2018. The amounts allowed for administration from all grants after FFY 2018 are based on estimates of the future grant amounts. The numbers reflect the percentage of the capitalization grants that may be used for program administration. The primary source of administrative funds for the CWSRF is the Administrative Fund. See Section III.G.3. (Administrative Funding) for further discussion. Funds from the Administration Allowance that are not used for program administration may be used to finance projects.

<sup>&</sup>lt;sup>44</sup> Estimated disbursements are a forecast of the cash disbursements for projects with executed financing agreements. The estimated cash disbursements include the local match credits on past projects that used match financing. Local match credits are contributions made by financing recipients in exchange for using match financing; match credits are used to meet the federal capitalization grants matching requirement.

<sup>&</sup>lt;sup>45</sup> Estimated Year End Balances represent a running total based on the previous year's ending balance.

<sup>&</sup>lt;sup>46</sup> Estimated Yearly Cash Flows represent the projected difference between revenues and capitalization grants (inflows) and disbursements and expenses (outflows) for each year, and do not include the previous year's ending balance. Positive numbers indicate that inflows are projected to be greater than outflows for that year. Negative numbers indicate that outflows are projected to be greater than inflows for that year.

# APPENDIX B: CWSRF Project Financing Forecast for SFY 2019-20 – Fundable List

Rollover Projects are highlighted yellow. Projects from Small DAC/SDAC Automatically Eligible for the Fundable List are Highlighted in

green.
Projects that received a Priority Score are shown in White.

																Green Pr	oject Reser	ve
Region	Project Number <sup>1</sup>	Agency	Project Name	$Population \leq 20,000^{2.4}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFY	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grani <sup>9</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDE SWUDR Permit Number	Proposed Equivalency & FFATA $\operatorname{Projects}^{\mathrm{S}}$	Federal Year 2019	Green Project Type <sup>s</sup>	Determination Categorical (C) Orical Business Case (BC)
Group	1 - Financing Agreemer	nt Mailed to Applicant for I	ts Signature															
9	8059-110	Escondido, City of	Recycled Water Easterly Agricultural Reverse Osmosis Facility and Pump Station	No	No	\$24,000,000	\$0	\$0	\$0	\$5,000,000	\$0	\$0	\$29,000,000	R9-2010-0032	Yes	\$24,000,000	w	с
Subto	tal Group 1 =	1				\$24,000,000	\$0	\$0	\$0	\$5,000,000	\$0	\$0	\$29,000,000			\$24,000,000		
Group	2 - Agreement Routing	for Division Management	Approval and Subsequent Mailing to	Applicant														
1	8272-110	Arcata, City of	City of Arcata Wastewater Treatment Compliance Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2012-0031		\$0		
1	8389-110	Dorris, City of	City of Dorris Wastewater Collection System and Lift Station Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$310,000	\$0	\$310,000	R1-1998-0004		\$0		
5	8160-210	American Valley Community Services District	Quincy - East Quincy Wastewater Treatment Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$12,680,000	\$0	\$12,680,000	R5-2016-0049		\$0		
5	8392-110	Avenal, City of	Solar Photovoltaic Generation System at WWTP	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$4,815,000	\$0	\$4,815,000	R5-2000-0231		\$0		
5	8411-110	Big Sandy Rancheria of Western Mono Indians of California	Big Sandy Rancheria Wastewater System Installation and Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$374,000	\$0	\$374,000	N/A		\$0		
5	8479-110	Colfax, City of	Sewer Collection System and Wastewater Treatment Plant Improvement	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	CA0079529		\$0		
5	8124-210	Firebaugh, City of	Wastewater Treatment Plant Improvements	Yes	SDAC	\$1,074,871	\$0	\$0	\$0	\$0	\$5,783,129	\$0	\$6,858,000	R5-1998-0230				
5	8052-210	Housing Authority of the County of San Joaquin	Housing Authority Thornton Wastewater Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$4,727,500	\$0	\$4,727,500	R5-1994-0001		\$0		
5	7886-110	Isleton, City of	Wastewater Treatment System Improvements Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$485,000	\$0	\$485,000	R5-1990-0186		\$0		
5	8424-110	Kerman, City of	Sewer Collection System and WWTP Improvements	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-2007-0115		\$0		

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFV	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>8</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>13</sup>	Estimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) or Business Case (BC)
5	7887-210	Live Oak, City of	WWTP Solar Installation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$1,680,000	\$0	\$1,680,000	R5-2016-0039		\$0		
5	8142-110	Patterson, City of	Wastewater Treatment Plant Expansion Phase III - Administration Building	No	No	\$1,563,633	\$0	\$520,367	\$0	\$0	\$0	\$0	\$2,084,000	R5-2007-0147		\$2,084,000	E	с
5	8215-110	Roseville, City of	Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project	No	No	\$12,998,896	\$68,563,948	\$4,000,000	\$0	\$0	\$0	\$0	\$85,562,844	CA0084573	Yes	\$0		
5	8215-210	Roseville, City of	Pleasant Grove Wastewater Treatment Plant Expansion Project	No	No	\$0	\$32,748,824	\$0	\$0	\$0	\$0	\$0	\$32,748,824	CA0084574	Yes	\$0		
5	8397-110	Sacramento Area Sewer District	Freeport Septic Conversion Project	Yes	SDAC	\$0	\$0	\$0	\$5	\$0	\$3,350,319	\$0	\$3,350,324	R5-2015-0133		\$0		
5	8085-310	Shasta, County of	CSA 17 Collection System Improvement Project	Yes	DAC	\$0	\$709,000	\$0	\$0	\$0	\$2,127,000	\$0	\$2,836,000	R5-2016-0066		\$0		
5	8408-110	Twain Harte Community Services District	Inflow/Infiltration Identification and Reduction Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1986-0021		\$0		
7	7860-110	Hi-Desert Water District	Septic System Abatement & Private Lateral Installation	Yes	DAC	\$29,200,000	\$0	\$0	\$0	\$0	\$8,000,000	\$8,000,000	\$45,200,000	R7-2009-0059		\$0		
8	8364-110	Eastern Municipal Water District	Automated Metering Infrastructure Replacement	No	No	\$0	\$0	\$4,000,000	\$0	\$0	\$0	\$0	\$4,000,000	CA8000188		\$4,000,000	w	с
8	8336-110	Elsinore Valley Municipal Water District	Regional Water Reclamation Facility Upgrades	No	No	\$0	\$37,087,040	\$3,500,000	\$0	\$0	\$0	\$0	\$40,587,040	CA0800024		\$40,587,040	E	с
Subtot	al Group 2 =	20				\$44,837,400	\$139,108,812	\$12,020,367	\$5	\$0	\$46,331,948	\$8,000,000	\$250,298,532			\$46,671,040		
Group	3 - Staff Has Complete	d Review of 4 Application	Packages and Legal Consultation Is i															
4	8035-110	Santa Clarita Valley Sanitation District	Santa Clarita Valley Sanitation District UV Project (Phase 1)	No	No	\$0	\$16,985,376	\$4,000,000	\$0	\$0	\$0	\$0	\$20,985,376	CA0054313		\$20,064,676	E	с
Subtot	al Group 3 =	1				\$0	\$16,985,376	\$4,000,000	\$0	\$0	\$0	\$0	\$20,985,376			\$20,064,676		
Group	roup 4 - Staff Has Completed Review of 4 Application Packages but Legal Consultation Has Not Started				ed													
6	8426-110	Markleeville Public Utility District	MPUD Sewer Pump Station Relocation Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$330,000	\$0	\$330,000	R6-1995-0022		\$0		
Subtot	al Group 4 =	1				\$0	\$0	\$0	\$0	\$0	\$330,000	\$0	\$330,000			\$660,000		
Subclar Group 4 = 1 Subclar Group 4 = 1 Subclar Group 5 - Staff Has Not Completed Review of 4 Application Packages but Legal Consultation Is Completed																		

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recording Funding Program Grant <sup>1</sup>	Estimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>s</sup>	Determination Categorical (C) Business Case (BC)
1	8400-110	Chester Public Utility District	Chester Public Utility District 2017 Wastewater Collection System Evaluation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$340,970	\$0	\$340,970	CA0077747		\$0		
1	8309-110	Hoopa Valley Public Utilities District	Agency Sewage Treatment System	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$387,200	\$0	\$387,200	WDR: 021161		\$0		
1	8429-110	Mendocino Unified School District	MUSD Grant Assistance and Master Planning - Recycled Water System	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2015-0039		\$0		
5	8225-210	Williams, City of	City of Williams Wastewater Collection System Improvement Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$5,500,000	\$0	\$5,500,000	CA0077933		\$0		
8	8235-110	Inland Empire Utilities Agency	2015 Drought Relief - RP- 1158 Recycled Water Pump Station Upgrades	No	No	\$0	\$0	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$4,000,000	CA8000409		\$2,000,000	w	с
8	8235-120	Inland Empire Utilities Agency	2015 Drought Relief - RP-5 Recycled Water Pipeline Bottleneck	No	No	\$0	\$0	\$1,377,500	\$1,377,500	\$0	\$0	\$0	\$2,755,000	CA8000409		\$1,377,500	w	с
8	8235-150	Inland Empire Utilities Agency	2015 Drought Relief - Baseline Extension Project	No	No	\$0	\$208,709	\$2,500,000	\$2,708,708	\$0	\$0	\$0	\$5,417,417	CA8000409		\$2,708,708	w	С
Subto	al Group 5 =	7				\$0	\$208,709	\$5,877,500	\$6,086,208	\$0	\$6,728,170	\$0	\$18,900,587			\$6,086,208		
Group	6 - Staff Has Not Comp	leted Review of 4 Applica	tion Packages and Legal Consultation	n Is in Proc	ess										-			
2	8244-110	Napa Sanitation District	Browns Valley Road Sewer Interceptor and West Napa Pump Station Improvements	No	No	\$0	\$20,000,000	\$0	\$0	\$0	\$0	\$0	\$20,000,000	CA0037575		\$0		
2	8371-110	San Francisco, Public Utilities Commission of the City & County of	CWWSIPTPOP03 OSP Digester Gas Utilization Upgrade	No	No	\$0	\$50,387,339	\$4,000,000	\$0	\$0	\$0	\$0	\$54,387,339	CA0037681		\$54,387,339	E	С
2	8372-110	San Francisco, Public Utilities Commission of the City & County of	CWWSIPDP01 SEP Biosolids Digester Facilities Project (BDFP)	No	No	\$0	\$128,000,000	\$4,000,000	\$0	\$0	\$0	\$0	\$132,000,000	CA0037664		\$132,000,000	E	С
4	8154-110	Los Angeles County Sanitation District No. 2	Carson JWPCP - Effluent Outfall Tunnel Project	No	No	\$0	\$127,230,000	\$0	\$0	\$0	\$0	\$0	\$127,230,000	CA0053813		\$0		
5	8095-110	Brentwood, City of	Wastewater Treatment Plant Expansion - Phase II	No	No	\$0	\$59,303,000	\$0	\$0	\$0	\$0	\$0	\$59,303,000	CA0082660		\$0		
5	8108-210	Burney Water District	Burney Water District Wastewater Treatment Plant Improvement Project	Yes	SDAC	\$0	\$337,101	\$0	\$0	\$0	\$5,810,899	\$0	\$6,148,000	R5-2017-0050		\$0		
8	8167-110	Inland Empire Utilities Agency	Joint IEUA - JCSD Regional Water Recycling Program Phase I	No	No	\$0	\$11,000,000	\$0	\$16,000,000	\$5,000,000	\$0	\$0	\$32,000,000	R8-2015-0036		\$11,000,000	w	с

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only)	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>12</sup>	Eslimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) or Business Case (BC)
8	8167-120	Jurupa Community Services District	Joint IEUA - JCSD Regional Water Recycling Program	No	No	\$0	\$6,844,100	\$0	\$10,230,000	\$3,385,900	\$0	\$0	\$20,460,000	CA8000316		\$6,844,100	w	с
8	8290-110	Orange County Water District	Groundwater Replenishment System Final Expansion	No	No	\$0	\$84,579,590	\$0	\$51,898,292	\$5,000,000	\$0	\$0	\$141,477,882	R8-2004-0002		\$84,579,590	w	с
8	8307-110	Orange County Water District	Water Production Flow Enhancement Project	No	No	\$0	\$12,820,059	\$0	\$7,820,059	\$5,000,000	\$0	\$0	\$25,640,118	R8-2004-0003		\$12,820,059	w	с
9	8277-110	San Diego, City of	Advanced Metering Infrastructure (AMI) Project	No	No	\$0	\$38,032,242	\$4,000,000	\$0	\$0	\$0	\$0	\$42,032,242	CA0107409		\$42,032,242	w	с
Subto	al Group 6 =	11				\$0	\$538,533,431	\$12,000,000	\$85,948,351	\$18,385,900	\$5,810,899	\$0	\$660,678,581			\$343,663,330		
Group	7 - Staff Has Not Comp	leted Review of 4 Applica	ation Packages and Legal Consultation	n Has Not :	Started													
1	8405-110	Forestville Water District	2018 Sewer System Improvements	Yes	DAC	\$0	\$712,615		\$0	\$0	\$2,137,844	\$0	\$2,850,459	R1-2012-0012		\$0		
1	8335-110	Graton Community Services District	Graton CSD Sewer Repair and Rehabilitation Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2012-0016		\$0		
1	8484-110	Point Arena, City of	Point Arena Infiltration, Inflow and Pipeline capacity Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$435,000	\$0	\$435,000	R1-2003-0001		\$0		
1	8387-110	Russian River County Sanitation District	Headworks and Lift Stations Condition Assessment Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$465,000	\$0	\$465,000	R1-2016-0022		\$0		
1	8390-110	Russian River County Sanitation District	Condition Assessment/Force Main System	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2016-0022		\$0		
1	8428-110	Trinity County Waterworks District #1	TCWW Waste Water Treatment Plant Upgrade to Produce Reclaimed Water	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2012-0105		\$0		
1	8487-110	Ukiah, City of	Recycled Water Project Phase 4	No	DAC	\$0	\$9,325,000	\$0	\$9,325,000	\$0	\$0	\$0	\$18,650,000	CA0022888		\$9,325,000	w	с
1	8448-110	Weaverville Sanitary District	Weaverville Sanitary System Upgrade	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-2018-0004		\$0		
1	8430-110	Weed, City of	Wastewater Treatment Facilities Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R6-1996-0070		\$0		
2	8238-110	Burbank Sanitary District	Scott Street and Backyard Easements Sanitary Sewer Rehabilitation Project	No	No	\$0	\$1,950,000	\$0	\$0	\$0	\$0	\$0	\$1,950,000	TBD		\$0		
2	8489-110	Central Contra Costa SD	Solids Handling Facilities Improvements, DP 7348	No	No	\$0	\$89,625,000	\$0	\$0	\$0	\$0	\$0	\$89,625,000	CA0037648		\$0		

<Draft Date>, 2019

Region	Project Number <sup>1</sup>	Agency	Project Name	$Population \leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFY 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>4</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recording Funding Program Grant <sup>12</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type⁴	Determination Categorical (C) or Business Case (BC)
2	8356-110	East Bay Municipal Utility District	South Interceptor 3rd Street Rehabilitation Project Phase 2	No	No	\$0	\$27,301,000	\$0	\$0	\$0	\$0	\$0	\$27,301,000	CA0037702		\$0		
2	8377-110	Palo Alto, City of	Regional Water Quality Control Plant Discharge Infrastructure Improvements	No	No	\$0	\$11,760,000	\$0	\$0	\$0	\$0	\$0	\$11,760,000	R2-2014-0024		\$0		
2	8490-110	Palo Alto, City of	Regional Water Quality Control Plant Primary Sedimentation and Electrical Upgrade	No	No	\$0	\$16,368,000	\$0	\$0	\$0	\$0	\$0	\$16,368,000	R2-2014-0024		\$0		
2	8258-110	Richmond, City of	Wastewater Treatment Plant Critical Improvements Project	No	No	\$0	\$28,700,000	\$0	\$0	\$0	\$0	\$0	\$28,700,000	CA0038539		\$0		
2	8286-110 <sup>7</sup>	San Francisco, Public Utilities Commission of the City & County of	CWWSIPSE02 SEP New Headworks (Grit) Replacement	No	No	\$0	\$112,036,181	\$0	\$0	\$0	\$0	\$0	\$112,036,181	CA0037664	Yes	\$0		
2	8297-110 <sup>7</sup>	San Mateo-Foster City Public Financing Authority	The San Mateo Clean Water Program - Wastewater Treatment Plant	No	No	\$0	\$137,456,000	\$0	\$0	\$0	\$0	\$0	\$137,456,000	CA0037541	Yes	\$0		
2	8264-110	Silicon Valley Clean Water	Conveyance and Treatment Reliability Improvements Project	No	No	\$0	\$169,000,000	\$0	\$0	\$0	\$0	\$0	\$169,000,000	CA0038369		\$0		
3	7844-110 <sup>7</sup>	California American Water	Monterey Peninsula Water Supply Project	No	No	\$0	\$87,222,080	\$0	\$0	\$0	\$0	\$0	\$87,222,080	Pending	Yes	\$87,222,080	W	С
3	8440-110	El Paso de Robles, City of	Paso Robles Recycled Water Distribution System	No	No	\$0	\$8,457,000	\$2,500,000	\$5,957,000	\$2,500,000	\$0	\$0	\$19,414,000	CA0047953		\$10,957,000	w	с
3	8423-110	Freedom County Sanitary District	Freedom Sewer Rehabilitation Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$6,000,000	\$0	\$6,000,000	2006-0003-DWQ		\$0		
3	8185-210	Morro Bay, City of	Water Reclamation Facility Project	No	No	\$0	\$64,228,305	\$0	\$35,876,862	\$5,000,000	\$0	\$0	\$105,105,167	CA0047881		\$64,228,305	w	С
3	8436-110	Santa Cruz County Sanitation District	Valencia Creek Sewer Relocation Project	No	No	\$0	\$2,154,000	\$0	\$0	\$0	\$0	\$0	\$2,154,000	CA0048194		\$0		
4	8354-110	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - Lynwood	No	No	\$0	\$4,165,700	\$2,500,000	\$6,665,700	\$0	\$0	\$0	\$13,331,400	R4-1987-0050		\$6,665,700	w	с
4	8354-210	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - South Gate	No	No	\$0	\$4,580,560	\$2,290,283	\$2,290,283	\$0	\$0	\$0	\$9,161,126	R4-1987-0050		\$6,870,843	w	С
4	8354-310	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - Bell Gardens	No	No	\$0	\$2,546,896	\$1,273,448	\$1,273,448	\$0	\$0	\$0	\$5,093,792	R4-1987-0050		\$3,820,344	w	с
4	8398-110	Downey, City of	Green Street Project in Four Arterial Streets	No	No	\$0	\$9,789,248	\$0	\$0	\$0	\$0	\$0	\$9,789,248	R4-2001-0182		\$9,789,248	w	с

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recording Funding Program Grant <sup>12</sup>	Estimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) Business Case (BC)
4	8495-110	Long Beach Water Dept	Sewer Collection Systems Improvements	No	No	\$0	\$2,600,000	\$0	\$0	\$0	\$0	\$0	\$2,600,000	CA0140001		\$0		
4	8433-110	Oxnard, City of	City of Oxnard Treatment Plant Rehabilitation Projects	No	No	\$0	\$66,700,000	\$0	\$0	\$0	\$0	\$0	\$66,700,000	CA0054097		\$0		
4	8137-110	Pasadena, City of	Pasadena Non-Potable Water Project	No	No	\$0	\$7,662,500	\$0	\$12,662,500	\$5,000,000	\$0	\$0	\$25,325,000	CA0053953		\$7,662,500	w	с
5	8155-210	Biola Community Services District	Improvements Project at Wastewater Treatment Plant	Yes	SDAC	\$0	\$175,000	\$0	\$0	\$0	\$5,675,000	\$0	\$5,850,000	R5-1996-0288		\$0		
5	8108-310	Burney Water District	Burney Water District Collection System Improvement Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$1,775,000	\$0	\$1,775,000	R5-2017-0050		\$0		
5	8409-110	Buttonwillow County WD	Buttonwillow Wastewater Collection Lines Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1985-0303		\$0		
5	8391-110	Earlimart Public Utility District	Interceptor and Sewer Relief Pipelines Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1998-0140		\$0		
5	8359-110	Kettleman City Community Services District	Kettleman City Waste Water Improvement Project	Yes	TBD	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1979-0143		\$0		
5	8276-110	McFarland, City of	City of McFarland Wastewater Treatment Plant Expansion	Yes	SDAC	\$0	\$6,000,000	\$0	\$0	\$0	\$6,000,000	\$0	\$12,000,000	R5-2008-0072		\$0		
5	8473-110	Mokelumne Hill Sanitary District	MHSD Wastewater Improvement Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1991-0098		\$0		
5	5039-110	Orange Cove, City of	Orange Cove WWTP Tertiary Treatment & Recycled Water Project	Yes	SDAC	\$0	\$1,300,000	\$0	\$0	\$0	\$6,000,000	\$0	\$7,300,000	R5-2004-0008		\$0		
5	8050-120	Paradise Irrigation District	Process Water Recycling Planning Project	Yes	TBD	\$0	\$2,200,000	\$0	\$0	\$0	\$0	\$0	\$2,200,000	R5-2010-0057		\$0		
5	8193-210	Parlier, City of	WWTP Improvements Project	Yes	SDAC	\$0	\$2,328,987	\$0	\$0	\$0	\$5,704,013	\$0	\$8,033,000	R5-1995-0103		\$0		
5	8135-210	Riverdale Public Utility District	Wastewater Treatment Plant Improvement Project	Yes	SDAC	\$0	\$5,160,000	\$0	\$0	\$0	\$5,500,000	\$0	\$10,660,000	R5-2018-0028		\$0		
5	8452-110	Sutter Creek, City of	Pre-Design for Wastewater Treatment Replacement Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$425,000	\$0	\$425,000	R5-1994-0152		\$0		
5	7878-210	Woodlake, City of	The City of Woodlake Sewer Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$5,500,000	\$0	\$5,500,000	2006-0003-DWQ		\$0		

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>12</sup>	Estimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type⁴	Determination Categorical (C) or Business Case (BC)
6	8125-110	Palmdale Recycled Water Authority	Recycled Water Line Phase 2	No	No	\$0	\$7,500,000	\$0	\$0	\$0	\$0	\$0	\$7,500,000	R6-2012-0002		\$7,500,000	w	с
6	8102-110	Palmdale Water District	Palmdale Regional Groundwater Recharge and Recovery Project	No	No	\$0	\$57,400,000	\$0	\$0	\$0	\$0	\$0	\$57,400,000	R6-2012-0002		\$57,400,000	w	с
7	8199-110	Borrego Water District	Wastewater Treatment Plant Upgrade	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$478,000	\$0	\$478,000	R7-2007-0053		\$0		
7	8470-110	Coachella Valley Water District	CVWD 2017/18 Non-Potable Water Connections Project	No	DAC	\$0	\$16,500,000	\$0	\$11,500,000	\$5,000,000	\$0	\$0	\$33,000,000	CAS617002		\$16,500,000	w	с
7	8445-110	Salton Community Services District	Salton CSD Wastewater Collection System Evaluation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$300,000	\$0	\$300,000	R7-2014-0007		\$0		
7	8472-110	Twentynine Palms, City of	Wastewater Treatment System Feasibility and Preliminary Design	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$987,000	\$0	\$987,000	Pending		\$0		
8	8251-110	Corona, City of	Corona Reclaimed Source Delivery Main (WRCRWA line)	No	No	\$0	\$1,281,600	\$0	\$0	\$0	\$0	\$0	\$1,281,600	CA8000395		\$1,281,600	w	с
8	8396-110	Hemet, City of	Sewer Main Replacement Project	No	No	\$0	\$8,000,000	\$0	\$0	\$0	\$0	\$0	\$8,000,000	R8-2010-033		\$0		
8	8173-2107	Inland Empire Utilities Agency	RP-5 Expansion Construction Project	No	No	\$0	\$101,530,000	\$0	\$0	\$0	\$0	\$0	\$101,530,000	R8-2015-0036	Yes	\$0		
8	8260-110	Inland Empire Utilities Agency	Distribution System/Wineville/Jurupa/RP -3 Recharge Improvements (PID 23a)	No	No	\$0	\$11,742,550	\$0	\$0	\$0	\$0	\$0	\$11,742,550	R8-2015-0036		\$11,742,550	w	с
8	8414-110	Inland Empire Utilities Agency	Lower Day Basin Improvement Project	No	No	\$0	\$2,855,332	\$0	\$0	\$0	\$0	\$0	\$2,855,332	R8-2015-0036		\$2,855,332	w	с
8	8415-110	Inland Empire Utilities Agency	Montclair Basin Improvement Project	No	No	\$0	\$1,273,857	\$0	\$0	\$0	\$0	\$0	\$1,273,857	R8-2015-0036		\$1,273,857	w	с
8	8236-110	Ontario, City Of	City of Ontario Recycled Water Distribution System Project	No	No	\$0	\$11,319,542	\$0	\$6,319,542	\$5,000,000	\$0	\$0	\$22,639,084	CA8000409		\$11,319,542	w	с
8	8322-110	Santa Ana, City of	San Lorenzo Sewer Lift Station	No	No	\$0	\$4,000,000	\$0	\$0		\$0	\$0	\$4,000,000	WDR 2006-0003- DWQ		\$0		
8	8321-110	Santa Ana, City of	Sewer Collection System Improvements	Yes	No	\$0	\$9,500,000	\$0	\$0	\$0	\$0	\$0	\$9,500,000	WDR 2006-0003- DWQ		\$0		
8	8162-110	Yucaipa Valley Water District	Calimesa Recycled Water Conveyance Project	No	No	\$0	\$0	\$2,500,000	\$3,120,525	\$0	\$0	\$0	\$5,620,525	CA0105619		\$2,500,000	w	с

Region	Project Number <sup>1</sup>	Kanage	Project Name	$Population \leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only)	Estimated Water Recycling Funding Program Loan	Estimated Water Recording Funding Program Grant <sup>1</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) or Business Case (BC)
9	8112-110	Escondido, City of	Recycled Water Easterly Agriculture Distribution System	No	No	\$0	\$4,300,000	\$0	\$0	\$0	\$0	\$0	\$4,300,000	R9-2010-0032		\$4,300,000	w	с
9	8394-110	La Mesa, City of	Parkway Drive and Alvarado Road Trunk Sewer Phase 3 Upgrade Project	Yes	No	\$0	\$7,000,000	\$0	\$0	\$0	\$0	\$0	\$7,000,000	R9-2007-2005		\$0		
9	8419-110 <sup>7</sup>	San Diego, City of	Pure Water North City Morena Blvd Pump Station & Pipeline (Wastewater Portion)	No	No	\$0	\$89,658,800	\$0	\$0	\$0	\$0	\$0	\$89,658,800	CA0107409	Yes	\$0		
9	8419-210 <sup>7</sup>	San Diego, City of	Pure Water North City Water Reclamation Plant Expansion	No	No	\$0	\$54,982,400	\$0	\$0	\$0	\$0	\$0	\$54,982,400	CA0107409	Yes	\$54,982,400	w	С
9	8419-310 <sup>7</sup>	San Diego, City of	Pure Water North City Metropolitan Biosolids Center Improvements	No	No	\$0	\$14,508,000	\$0	\$0	\$0	\$0	\$0	\$14,508,000	CA0107409	Yes	\$0		
9	8419-410 <sup>7</sup>	San Diego, City of	Pure Water North City Water Reclamation Plant Expansion and Influent Conveyance	No	No	\$0	\$12,496,000	\$0	\$0	\$0	\$0	\$0	\$12,496,000	CA0107409	Yes	\$12,496,000	w	С
9	8419-510 <sup>7</sup>	San Diego, City of	Pure Water North City Pure Water Pump Station	No	No	\$0	\$5,310,800	\$0	\$0	\$0	\$0	\$0	\$5,310,800	CA0107409	Yes	\$5,310,800	w	С
9	8419-610 <sup>7</sup>	San Diego, City of	Pure Water North City Pure Water Pipeline	No	No	\$0	\$33,739,200	\$0	\$0	\$0	\$0	\$0	\$33,739,200	CA0107409	Yes	\$33,739,200	w	С
9	8419-710 <sup>7</sup>	San Diego, City of	Pure Water North City Pure Water Facility	No	No	\$0	\$172,757,200	\$0	\$0	\$0	\$0	\$0	\$172,757,200	CA0107409	Yes	\$172,757,200	w	С
9	8419-810 <sup>7</sup>	San Diego, City of	Pure Water North City Morena Blvd Pump Station & Pipeline (Water Portion)	No	No	\$0	\$12,808,400	\$0	\$0	\$0	\$0	\$0	\$12,808,400	CA0107409		\$12,808,400	w	С
9	8196-110	San Elijo Joint Powers Authority	SEJPA Recycled Water Phase II Project	No	No	\$0	\$600,000	\$2,500,000	\$3,100,000	\$0	\$0	\$0	\$6,200,000	TBD		\$3,100,000	w	с
Subtot	al Group 7 =	70				\$0	\$1,522,567,753	\$13,563,731	\$98,090,860	\$22,500,000	\$51,881,857	\$0	\$1,708,604,201			\$618,407,901		
Group	8 - Application is Incom	plete	1	1			[	1	1	[	1	1	1	1	1			
1	8466-110	Gualala CSD	Wastewater Planning Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R1-1992-0120		\$0		
1	8138-210	Klamath Community Services District	Klamath CSD Wastewater System Renovation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$5,500,000	\$0	\$5,500,000	R1-2006-0003		\$0		
1	8373-110	Laytonville County Water District	Laytonville Wastewater Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$250,000	N/A		\$0		
1	8036-210	Loleta Community Services District	Sanitary Sewer Collection System Rehabilitation Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$1,163,978	\$0	\$1,163,978	R1-2014-0013		\$0		

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFY 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recording Funding Program Grant <sup>13</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) Or Business Case (BC)
1	8036-310	Loleta Community Services District	Loleta Wastewater Treatment and Disposal System Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$5,103,192	\$0	\$5,103,192	R1-2014-0013		\$0		
1	5924-110	Orick Community Services District	Orick Wastewater System Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$157,210	\$0	\$157,210	N/A		\$0		
1	8413-110	Redway Community Services District	RCSD Waste Water Improvements Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$498,414	\$0	\$498,414	R1-2017-0006		\$0		
1	8403-110	Rio Dell, City of	Rio Dell Sanitary Sewer Evaluation Study	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	WDR: 021161		\$0		
1	8467-110	Scotia Community Services District	Scotia WWTF Replacement Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	CA0006017		\$0		
1	8451-110	Sonoma County Water Agency	Monte Rio and Villa Grande Sewage Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	TBD		\$0		
1	8231-210	Yreka, City of	City of Yreka Wastewater Collection System Improvements	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$5,500,000	\$0	\$5,500,000	R1-2003-0047		\$0		
3	8370-110	Castroville Community Service District	Moss Landing Wastewater Upgrades	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	TBD		\$0		
3	8224-110	Gonzales, City of	Natural Treatment and Reclamation at City of Gonzales WWTP	Yes	DAC	\$0	\$6,927,386	\$0	\$0	\$0	\$0	\$0	\$6,927,386	R3-2006-0005		\$0		
3	8385-110	Gonzales, City of	Sewer Extension to Alpine Court	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$250,000	TBD		\$0		
3	8399-110	San Miguel Sanitary District	San Miguel Wastewater Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$250,000	R3-1999-0046		\$0		
4	8156-110	Santa Clarita Valley Sanitation District	Chloride Compliance - Advanced Water Treatment Facility Project	No	No	\$0	\$88,737,000	\$0	\$0	\$0	\$0	\$0	\$88,737,000	CA0054313		\$0		
4	8468-110	Saticoy Sanitary District	Saticoy Sanitary District Collection System and Wastewater Treatment Plant Rehabilitation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$250,000	\$0	\$250,000	R4-2013-0092		\$0		
5	8306-110	Adin Community Services District	Preliminary Engineering for Renovation of Wastewater System	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$419,000	\$0	\$419,000	DWQ-2014-0153		\$0		
5	8476-110	Allensworth Community Services District	Allensworth Wastewater Collection, Treatment, and Disposal Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	N/A		\$0		
5	8444-110	Anderson, City of	Wastewater and Solar Energy Efficiency Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,900,000	\$0	\$2,900,000	Pending		\$0		

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Region	Project Number	Agency	Project Name	Population ≤ 20,000 <sup>24</sup>	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFY 2019/20	Estimated Principal Fordyveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>1</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NEDESWOR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>s</sup>	Determination Categorical (C) or Business Case (BC)
5	8425-110	Beckwourth County Services Area	CSA Sewer Lift Station Replacement, I/I Study, Associate Sewer Pond Valves	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$9,790	\$0	\$9,790	2014-0153-DWQ		\$0		
5	7850-210	Calaveras County Water District	West Point and Wilseyville Wastewater Treatment Facilities Consolidation Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$4,750,000	\$0	\$4,750,000	R5-1998-0044		\$0		
5	7896-310	Colusa, City of	Collection System Improvements Project	Yes	SDAC	\$0	\$2,800,000	\$0	\$0	\$0	\$2,000,000	\$0	\$4,800,000	R5-2016-0062		\$0		
5	8421-110	Colusa, City of	Walnut Ranch Construction Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,868,501	\$0	\$2,868,501	TBD		\$0		
5	8461-110	Dos Palos City of	Dos Palos Clean Water Planning Funding Assistance Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$355,900	\$0	\$355,900	TBD		\$0		
5	8493-110	Firebaugh, City of	Recycled Water Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	R5-1998-0230		\$0		
5	8325-110	Franklin County Water District	Solar Photovoltaic Generation at Franklin CWD WWTP	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$712,500	\$0	\$712,500	R5-1989-0171		\$0		
5	8410-110	Grenada Sanitary District	Grenada Sewer System	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$230,000	\$0	\$230,000	R5-1987-0121		\$0		
5	8480-110	Gridley, City of	Little Avenue Force Main and Lift Station	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$1,316,617	\$0	\$1,316,617	R5-2006-0127		\$0		
5	8109-210	Groveland Community Services District	Downtown Groveland and Big Oak Flat Sewer Collection System Improvements	Yes	DAC	\$0	\$1,461,392	\$0	\$0	\$0	\$4,384,176	\$0	\$5,845,568	R5-1987-0121		\$0		
5	8358-110	Gustine, City of	Water Meter Replacement Project	Yes	DAC	\$0	\$400,000	\$1,200,000	\$0	\$0	\$0	\$0	\$1,600,000	R5-1998-0039		\$1,600,000	w	с
5	7659-210	Kern, County of	South Shafter Sewer Project - Private Laterals and Septic Abandonment	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$3,397,320	\$0	\$3,397,320	R5-2009-0088		\$0		
5	8477-110	Lake Berryessa Resort Improvement District	Groundwater Inflow Mitigation	Yes	TBD	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$0	\$2,000,000	R5-2013-0114		\$0		
5	8065-110	Lake County Sanitation District	Middletown Wastewater Treatment Plant	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$1,600,000	\$0	\$1,600,000	R5-1997-0249		\$0		
5	8367-110	Lanare Community Services District	Lanare Wastewater Collection, Treatment, and Disposal Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$370,000	\$0	\$370,000	N/A		\$0		
5	8360-110	Lost Hills Utility District	Wastewater Treatment Plant Expansion	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$401,500	\$0	\$401,500	R5-1980-0160		\$0		

Region	Project Number <sup>1</sup>	Agency	Project Name	$Population \leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Gant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only) <sup>1</sup>	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>12</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>e</sup>	Determination Categorical (C) or Business Case (BC)
5	7211-210	Madera, County of	Fairmead Septic to Sewer Project	Yes	SDAC	\$0	\$2,094,837	\$0	\$0	\$0	\$7,500,000	\$0	\$9,594,837	Pending		\$0		
5	8369-110	Madera, County of	Madera CSA No. 3 - Parksdale Sewer Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	Pending		\$0		
5	8206-210	Maricopa, City of	Sewer Collection System Improvements Project	Yes	SDAC	\$0	\$1,878,169	\$0	\$0	\$0	\$5,500,000	\$0	\$7,378,169	R5-2000-0153		\$0		
5	8453-110	Midway Community Services District	Midway Community Services District Sewer Collection System Rehabilitation	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$222,250	\$0	\$222,250	TBD		\$0		
5	8145-210	Newman, City of	Newman Wastewater Facility Land Application Expansion for McPike 1 Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,685,000	\$0	\$2,685,000	R5-2018-0024		\$0		
5	8469-110	Orland, City of	Road MM Sanitary Sewer Improvement Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$985,563	\$0	\$985,563	R5-2010-0087		\$0		
5	8374-110	Placerville, City of	Solar Photovoltaic (PV) for the WWTP	Yes	DAC	\$0	\$1,296,000	\$0	\$0	\$0	\$2,475,000	\$0	\$3,771,000	CA0078956		\$1,296,000	E	с
5	8422-110	Redding, City of	Wood Acres North Wastewater Collection and Disposal System	TBD	TBD	\$0	\$1,820,000	\$0	\$0	\$0	\$0	\$0	\$1,820,000	N/A		\$0		
5	8454-110	Sacramento Area Sewer District	Hood Community Septic Conversion Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$7,790,425	\$0	\$7,790,425	R5-2015-0133		\$0		
5	8455-110	Sacramento Area Sewer District	Linda Manor Community Septic Conversion	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$4,280,995	\$0	\$4,280,995	R5-2015-0133		\$0		
5	8456-110	Sacramento Area Sewer District	Orange Park Cove Septic to Sewer Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,877,257	\$0	\$2,877,257	R5-2015-0133		\$0		
5	8457-110	Sacramento Area Sewer District	Old Florintown Septic to Sewer Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$6,800,341	\$0	\$6,800,341	R5-2015-0133		\$0		
5	8458-110	Sacramento Area Sewer District	Franklin Community Septic Conversion Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$8,000,000	\$0	\$8,000,000	R5-2015-0133		\$0		
5	8375-210	San Andreas Sanitary District	SASD Collection System Improvements Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,848,315	\$0	\$2,848,315	R5-2018-0075		\$0		
5	8427-110	South Dos Palos County Water District	South Dos Palos Wastewater Planning Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$147,470	\$0	\$147,470	TBD		\$0		

Region	Project Number <sup>1</sup>	Agency	Project Name	Population $\leq 20,000^{24}$	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only)	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>1</sup>	Estimated Small Community Wastewater	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>5</sup>	Federal Year 2019	Green Project Type <sup>s</sup>	Determination Categorical (C) Business Case (BC)
5	7767-210	Stratford Public Utility District	Wastewater Facilities Improvement Project	Yes	SDAC	\$0	\$1,067,850	\$0	\$0	\$0	\$5,500,250	\$0	\$6,568,100	2014-0153-DWQ		\$0		
5	8506-110	Sultana Community Services District	Sultana and Monson Wastewater Management Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	N/A		\$0		
5	8247-210	Tuolumne City Sanitary District	TCSD WWTP Improvement Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$0	\$2,000,000	R5-1995-0129		\$0		
5	8281-210	Tuolumne City Sanitary District	TCSD Collection System Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$6,000,000	\$0	\$6,000,000	R5-1995-0129		\$0		
5	8240-210	Tuolumne Utilities District	Sonora Regional Wastewater Treatment Facility Improvements	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$5,500,000	\$0	\$5,500,000	R5-1994-0192		\$0		
5	8401-110	Waterford, City of	City of Waterford Wastewater Treatment Plant Improvement Project	Yes	DAC	\$0	\$0	\$0	\$0	\$0	\$140,000	\$0	\$140,000	R5-1994-0273		\$0		
6	8313-110	Herlong Public Utility District	West Patton Sewer Collection System	Yes	DAC	\$0	\$0	\$2,624,583	\$0	\$0	\$0	\$0	\$2,624,583	R6T-2016-0036		\$0		
7	8463-110	Coachella Valley Water District	Sunbird/Martinez Septic to Sewer Conversion Project	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$5,000,000	\$0	\$5,000,000	R7-1997-0500		\$0		
7	8326-110	Coachella, City of	Mesquite Septic-to-Sewer Project	Yes	SDAC	\$0	\$925,000	\$0	\$0	\$0	\$0	\$0	\$925,000	CA01104493		\$0		
7	8431-110	Hi-Desert Water District	Phase II and III Planning Project	TBD	DAC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	R7-2009-0059		\$0		
7	8006-110	Pueblo Unido Community Development Corporation	St. Anthony's Mobile Home Park Onsite Sewer System	Yes	SDAC	\$0	\$1,875,000	\$0	\$0	\$0	\$0	\$0	\$1,875,000	R7-2002-0128		\$0		
7	8481-110	Seeley County Water District	Wastewater Treatment Plant Improvements	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$657,300	\$0	\$657,300	CA0105023		\$0		
8	8491-110	Elsinore Valley Municipal Water District	Sedco Hills Septic to Sewer Planning	Yes	SDAC	\$0	\$0	\$0	\$0	\$0	\$500,000	\$0	\$500,000	TBD		\$0		
Subto	al Group 8 =	64				\$0	\$111,282,634	\$3,824,583	\$0	\$0	\$128,548,264	\$0	\$243,655,481			\$2,896,000		

Donion	Project Number	Agency	Project Name	Population ≤ 20,000²4	SMALL DAC SDAC <sup>24</sup>	Estimated 2019 Capitalization Grant Projects	Estimated Other CWSRF Loan Funds SFV 2019/20	Estimated Principal Forgiveness (Cap Grant Funds Only)	Estimated Water Recycling Funding Program Loan	Estimated Water Recycling Funding Program Grant <sup>1</sup>	Estimated Small Community Wastewater Grant	Other Proposition Funding - Groundwater	Estimated Total Financing	NPDESWDR Permit Number	Proposed Equivalency & FFATA Projects <sup>6</sup>	Federal Year 2019	Green Project Type <sup>s</sup>	Determination Categorical (C) or Business Case (BC)
	Total =	175				\$68,837,400	\$2,328,686,715	\$51,286,181	\$190,125,424	\$45,885,900	\$239,631,138	\$8,000,000	\$2,932,452,758			\$1,062,449,155		

Notes:

2019 CWSRF Cap Grant estimated to be \$114,729,000. PF at 40% = \$45,891,600. Available for Loans = \$68,837,400.

Fundable List grouping status is as of March 7, 2019.

1. Project numbers are for administrative purposes only. DFA may assign or reassign project numbers as necessary to administer fiscally discrete but technically interrelated and interdependent phases of a project. New or reassigned project numbers for projects on a Fundable List approved by the State Water Board will be automatically added to the Fundable List without further action.

2. Small SDAC or Small DAC status to be confirmed during full application review.

3. Principal forgiveness and grant funds are proposed for projects that meet the criteria in Appendix D, F, G, H, and I of this IUP. Selected projects and final funding amounts to be determined during project review period.

4. Projects that are placed on the fundable list as a result of an initial disadvantaged status determination that are later determined to not be disadvantaged will not be eligible for any Grant or Principal Forgiveness financing but will remain on the Fundable List and continue to be Fundable at any time, provided they meet all eligibility requirements.

5. Proposed FFATA and Equivalency Projects will be selected up to an equivalent amount equal to the 2019 Cap Grant Award.

6. Green Project Types: W= Water Efficiency; E = Energy Efficiency; I = Innovative.

7. The amounts on the Fundable List for the five projects or interrelated programs that are recommended for partial repayable funding in Scenario C are maximum amounts. The total for each project or interrelated program may be allocated to multiple financing agreements at the request of the applicant as long as the total funding does not exceed the total on the Fundable List for the project or interrelated program. The funding amounts are subject to potential increase in a future IUP. Each of the applicants recommended for partial funding appears capable of obtaining the remaining financing necessary to successfully complete the projects or interrelated programs. See projects listed in red text. 8. All projects on the Fundable List are subject to verification of eligibility for all potential funding sources. 9. For the California American Water Co. and San Diego Pure Water projects, the Deputy Director of DFA may structure the cumulative amount of financing provided to these two projects using any combination of CWSRF and DWSRF Ioan funds so long as the cumulative CWSRF Ioan does not exceed the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF Fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF fundable List are subject to a financing the sum of the Ioan funds identified on the CWSRF fundable List are subject to a financing the subject

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2, 3, 4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
2018/	2019 Fundable List Rollovers		Sort Order = Total Priority Score, Agency Name, Project Number								
5	8160-210	American Valley Community Services District	Quincy - East Quincy Wastewater Treatment Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$12,680,000
1	8272-110	Arcata, City of	City of Arcata Wastewater Treatment Compliance Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8392-110	Avenal, City of	Solar Photovolatic Generation System at WWTP	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$4,815,000
5	8411-110	Big Sandy Rancheria of Western Mono Indians of California	Big Sandy Rancheria Wastewater System Installation and Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$373,982
7	8199-110	Borrego Water District	Wastewater Treatment Plant Upgrade	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$478,000
5	8095-110	Brentwood, City of	Wastewater Treatment Plant Expansion - Phase II	N/A	N/A	N/A	N/A	No	No	CWSRF	\$59,303,000
5	8108-210	Burney Water District	Burney Water District Wastewater Treatment Plant Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$6,148,000
5	8108-310	Burney Water District	Burney Water District Collection System Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$1,775,000
3	8370-110	Castroville Community Service District	Moss Landing Wastewater Upgrades	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$500,000
1	8400-110	Chester Public Utility District	Chester Public Utility District 2017 Wastewater Collection System Evaluation	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$340,970
7	8326-110	Coachella, City of	Mesquite Septic-to-Sewer Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF	\$925,000
5	7896-310	Colusa, City of	Collection System Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$4,800,000
1	8389-110	Dorris, City of	City of Dorris Wastewater Collection System and Lift Station Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$310,000
8	8364-110	Eastern Municipal Water District	Automated Metering Infrastructure Replacement	N/A	N/A	N/A	N/A	No	No	CWSRF	\$4,000,000
8	8336-110	Elsinore Valley Municipal Water District	Regional Water Reclamation Facility Upgrades	N/A	N/A	N/A	N/A	No	No	CWSRF	\$40,587,040
9	8059-110	Escondido, City of	Recycled Water Easterly Agricultural Reverse Osmosis Facility and Pump Station	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$29,000,000
1	8405-110	Forestville Water District	2018 Sewer System Improvements	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$1,700,000
1	8335-110	Graton Community Services District	Graton CSD Sewer Repair and Rehabilitation Project	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$500,000

# APPENDIX C: CWSRF Project Financing Forecast for SFY 2019-20 – Comprehensive List

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population ≤ 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
5	8109-210	Groveland Community Services District	Downtown Groveland and Big Oak Flat Sewer Collection System Improvements	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$5,845,568
5	8358-110	Gustine, City of	Water Meter Replacement Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF	\$1,600,000
6	8313-110	Herlong Public Utility District	West Patton Sewer Collection System	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF	\$2,624,583
7	7860-110	Hi-Desert Water District	Septic System Abatement & Private Lateral Installation	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$45,200,000
1	8309-110	Hoopa Valley Public Utilities District	Agency Sewage Treatment System	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$387,200
8	8167-110	Inland Empire Utilities Agency	Joint IEUA - JCSD Regional Water Recycling Program Phase I	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$32,000,000
8	8235-110	Inland Empire Utilities Agency	2015 Drought Relief - RP-1158 Recycled Water Pump Station Upgrades	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$4,000,000
8	8235-120	Inland Empire Utilities Agency	2015 Drought Relief - RP-5 Recycled Water Pipeline Bottleneck	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$2,755,000
8	8235-150	Inland Empire Utilities Agency	2015 Drought Relief - Baseline Extension Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$5,417,417
5	7886-110	Isleton, City of	Wastewater Treatment System Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$485,000
8	8167-120	Jurupa Community Services District	Joint IEUA - JCSD Regional Water Recycling Program	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$20,460,000
5	7659-210	Kern, County of	South Shafter Sewer Project - Private Laterals and Septic Abandonment	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$3,397,320
5	8359-110	Kettleman City Community Services District	Kettleman City Waste Water Improvement Project	N/A	N/A	N/A	N/A	Yes	TBD	SCG - WW	\$500,000
5	8065-110	Lake County Sanitation District	Middletown Wastewater Treatment Plant	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF	\$1,600,000
5	8367-110	Lanare Community Services District	Lanare Wastewater Collection, Treatment, and Disposal Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$370,000
1	8373-110	Laytonville County Water District	Laytonville Wastewater Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$250,000
4	8154-110	Los Angeles County Sanitation District No. 2	Carson JWPCP - Effluent Outfall Tunnel Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$127,230,000
5	7211-210	Madera, County of	Fairmead Septic to Sewer Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$9,594,837
5	8369-110	Madera, County of	Madera CSA No. 3 - Parksdale Sewer Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
5	8276-110	McFarland, City of	City of McFarland Wastewater Treatment Plant Expansion	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$12,000,000
2	8244-110	Napa Sanitation District	Browns Valley Road Sewer Interceptor and West Napa Pump Station Improvements	N/A	N/A	N/A	N/A	No	No	CWSRF	\$20,000,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population <u>≤</u> 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
8	8236-110	Ontario, City Of	City of Ontario Recycled Water Distribution System Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$22,639,084
8	8290-110	Orange County Water District	Groundwater Replenishment System Final Expansion	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$141,477,882
8	8307-110	Orange County Water District	Water Production Flow Enhancement Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$25,640,118
5	5039-110	Orange Cove, City of	Orange Cove WWTP Tertiary Treatment & Recycled Water Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$7,300,000
1	5924-110	Orick Community Services District	Orick Wastewater System Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$157,210
6	8125-110	Palmdale Recycled Water Authority	Recycled Water Line Phase 2	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$7,500,000
6	8102-110	Palmdale Water District	Palmdale Regional Groundwater Recharge and Recovery Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$57,400,000
5	8193-210	Parlier, City of	WWTP Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$8,033,000
4	8137-110	Pasadena, City of	Pasadena Non-Potable Water Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$25,325,000
5	8142-110	Patterson, City of	Wastewater Treatment Plant Expansion Phase III - Administration Building	N/A	N/A	N/A	N/A	No	No	CWSRF	\$2,084,000
5	8374-110	Placerville, City of	Solar Photovoltaic (PV) for the WWTP	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$3,300,000
7	8006-110	Pueblo Unido Community Development Corporation	St. Anthony's Mobile Home Park Onsite Sewer System	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF	\$1,875,000
2	8258-110	Richmond, City of	Wastewater Treatment Plant Critical Improvements Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$28,700,000
1	8403-110	Rio Dell, City of	Rio Dell Sanitary Sewer Evaluation Study	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$500,000
5	8135-210	Riverdale Public Utility District	Wastewater Treatment Plant Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$10,660,000
5	8215-110	Roseville, City of	Pleasant Grove Wastewater Treatment Plant Expansion and Energy Recovery Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$85,562,844
5	8215-210	Roseville, City of	Pleasant Grove Wastewater Treatment Plant Expansion Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$32,748,824
1	8387-110	Russian River County Sanitation District	Headworks and Lift Stations Condition Assessment Project	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$465,000
1	8390-110	Russian River County Sanitation District	Condition Assessment/Force Main System	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$500,000
5	8397-110	Sacramento Area Sewer District	Freeport Septic Conversion Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$3,350,324
9	8277-110	San Diego, City of	Advanced Metering Infrastructure (AMI) Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$42,032,242
9	8196-110	San Elijo Joint Powers Authority	SEJPA Recycled Water Phase II Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$6,200,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population ≤ 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
2	8371-110	San Francisco, Public Utilities Commission of the City & County of	CWWSIPTPOP03 OSP Digester Gas Utilization Upgrade	N/A	N/A	N/A	N/A	No	No	CWSRF	\$54,387,339
2	8372-110	San Francisco, Public Utilities Commission of the City & County of	CWWSIPDP01 SEP Biosolids Digester Facilities Project (BDFP)	N/A	N/A	N/A	N/A	No	No	CWSRF	\$132,000,000
4	8035-110	Santa Clarita Valley Sanitation District	Santa Clarita Valley Sanitation District UV Project (Phase 1)	N/A	N/A	N/A	N/A	No	No	CWSRF	\$20,985,376
4	8156-110	Santa Clarita Valley Sanitation District	Chloride Compliance - Advanced Water Treatment Facility Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$88,737,000
2	8264-110	Silicon Valley Clean Water	Conyeyance and Treatment Reliability Improvements Project	N/A	N/A	N/A	N/A	No	No	CWSRF	\$169,000,000
5	7767-210	Stratford Public Utility District	Wastewater Facilities Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$6,568,100
5	8247-210	Tuolumne City Sanitary District	TCSD WWTP Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$2,000,000
5	8281-210	Tuolumne City Sanitary District	TCSD Collection System Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$6,000,000
5	8401-110	Waterford, City of	City of Waterford Wastewater Treatment Plant Improvement Project	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$140,000
5	7878-210	Woodlake, City of	The City of Woodlake Sewer Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$5,500,000
8	8162-110	Yucaipa Valley Water District	Calimesa Recycled Water Conveyance Project	N/A	N/A	N/A	N/A	No	No	Water Recycling	\$5,620,525
								Projects =	72	Sub Total =	\$1,463,721,260
Proje	cts with Automatic Fundable List	Eligibility	Sort Order = Total Priority Score, Agency Name, Project Number								
5	8306-110	Adin Community Services District	Preliminary Engineering for Renovation of Wastewater System	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$419,000
5	8476-110	Allensworth Community Services District	Allensworth Wastewater Collection, Treatment, and Disposal Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8444-110	Anderson, City of	Wastewater and Solar Energy Efficiency Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$2,900,000
5	8425-110	Beckwourth County Services Area	CSA Sewer Lift Station Replacement, I/I Study, Associate Sewer Pond Valves	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$9,790
5	8155-210	Biola Community Services District	Improvements Project at Wastewater Treatment Plant	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$5,850,000
5	8409-110	Buttonwillow County WD	Buttonwillow Wastewater Collection Lines Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	7850-210	Calaveras County Water District	West Point and Wilseyville Wastewater Treatment Facilities Consolidation Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$4,750,000
7	8463-110	Coachella Valley Water District	Sunbird/Martinez Septic to Sewer Conversion Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$5,000,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population ≤ 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
5	8479-110	Colfax, City of	Sewer Collection System and Wastewater Treatment Plant Improvement	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
5	8421-110	Colusa, City of	Walnut Ranch Construction Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$2,868,501
5	8461-110	Dos Palos City of	Dos Palos Clean Water Planning Funding Assistance Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$355,900
5	8391-110	Earlimart Public Utility District	Interceptor and Sewer Relief Pipelines Project	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$500,000
8	8491-110	Elsinore Valley Municipal Water District	Sedco Hills Septic to Sewer Planning	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$500,000
5	8124-210	Firebaugh, City of	Wastewater Treatment Plant Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$6,858,000
5	8493-110	Firebaugh, City of	Recycled Water Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
5	8325-110	Franklin County Water District	Solar Photovoltaic Generation at Franklin CWD WWTP	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$712,500
3	8423-110	Freedom County Sanitary District	Freedom Sewer Rehabilitation Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$6,000,000
3	8224-110	Gonzales, City of	Natural Treatment and Reclamation at City of Gonzales WWTP	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF	\$6,927,386
3	8385-110	Gonzales, City of	Sewer Extension to Alpine Court	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$250,000
5	8410-110	Grenada Sanitary District	Grenada Sewer System	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$230,000
5	8480-110	Gridley, City of	Little Avenue Force Main and Lift Station	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$1,316,617
1	8466-110	Gualala CSD	Wastewater Planning Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
7	8431-110	Hi-Desert Water District	Phase II and III Planning Project	N/A	N/A	N/A	N/A	TBD	DAC	CWSRF SCG	\$1,000,000
5	8052-210	Housing Authority of the County of San Joaquin	Housing Authority Thornton Wastewater Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$4,727,500
5	8424-110	Kerman, City of	Sewer Collection System and WWTP Improvements	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
1	8138-210	Klamath Community Services District	Klamath CSD Wastewater System Renovation	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$5,500,000
5	8477-110	Lake Berryessa Resort Improvement District	Groundwater Inflow Mitigation	N/A	N/A	N/A	N/A	Yes	TBD	CWSRF SCG	\$2,000,000
5	7887-210	Live Oak, City of	WWTP Solar Installation	N/A	N/A	N/A	N/A	Yes	SDAC	SCG - WW	\$1,680,000
1	8036-210	Loleta Community Services District	Sanitary Sewer Collection System Rehabilitation Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$1,163,978

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
1	8036-310	Loleta Community Services District	Loleta Wastewater Treatment and Disposal System Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$5,103,192
5	8360-110	Lost Hills Utility District	Wastewater Treatment Plant Expansion	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$401,500
5	8206-210	Maricopa, City of	Sewer Collection System Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$7,378,169
6	8426-110	Markleeville Public Utility District	MPUD Sewer Pump Station Relocation Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$330,000
1	8429-110	Mendocino Unified School District	MUSD Grant Assistance and Master Planning - Recycled Water System	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8453-110	Midway Community Services District	Midway Community Services District Sewer Collection System Rehabilitation	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$222,250
5	8473-110	Mokelumne Hill Sanitary District	MHSD Wastewater Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8145-210	Newman, City of	Newman Wastewater Facility Land Application Expansion for McPike 1 Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$2,685,000
5	8469-110	Orland, City of	Road MM Sanitary Sewer Improvement Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$985,563
5	8050-120	Paradise Irrigation District	Process Water Recycling Planning Project	N/A	N/A	N/A	N/A	Yes	TBD	CWSRF	\$2,200,000
1	8484-110	Point Arena, City of	Point Arena Infiltration, Inflow and Pipeline capacity Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$435,000
5	8422-110	Redding, City of	Wood Acres North Wastewater Collection and Disposal System	N/A	N/A	N/A	N/A	TBD	TBD	CWSRF	\$1,820,000
1	8413-110	Redway Community Services District	RCSD Waste Water Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$498,414
5	8454-110	Sacramento Area Sewer District	Hood Community Septic Conversion Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$7,790,425
5	8455-110	Sacramento Area Sewer District	Linda Manor Community Septic Conversion	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$4,280,995
5	8456-110	Sacramento Area Sewer District	Orange Park Cove Septic to Sewer Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$2,877,257
5	8457-110	Sacramento Area Sewer District	Old Florintown Septic to Sewer Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$6,800,341
5	8458-110	Sacramento Area Sewer District	Franklin Community Septic Conversion Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$8,000,000
7	8445-110	Salton Community Services District	Salton CSD Wastewater Collection System Evaluation	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$300,000
5	8375-210	San Andreas Sanitary District	SASD Collection System Improvements Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$2,848,315
3	8399-110	San Miguel Sanitary District	San Miguel Wastewater Project	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$250,000
4	8468-110	Saticoy Sanitary District	Saticoy Sanitary District Collection System and Wastewater Treatment Plant Rehabilitation	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$250,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
1	8467-110	Scotia Community Services District	Scotia WWTF Replacement Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
7	8481-110	Seeley County Water District	Wastewater Treatment Plant Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$657,300
5	8085-310	Shasta, County of	CSA 17 Collection System Improvement Project	N/A	N/A	N/A	N/A	Yes	DAC	SCG - WW	\$2,836,000
1	8451-110	Sonoma County Water Agency	Monte Rio and Villa Grande Sewage Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
5	8427-110	South Dos Palos County Water District	South Dos Palos Wastewater Planning Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$147,470
5	8506-110	Sultana Community Services District	Sultana and Monson Wastewater Management Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8452-110	Sutter Creek, City of	Pre-Design for Wastewater Treatment Replacement Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$425,000
1	8428-110	Trinity County Waterworks District #1	TCWW Waste Water Treatment Plant Upgrade to Produce Reclaimed Water	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
5	8240-210	Tuolumne Utilities District	Sonora Regional Wastewater Treatment Facility Improvements	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$5,500,000
5	8408-110	Twain Harte Community Services District	Inflow/Infiltration Identification and Reduction Project	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$500,000
7	8472-110	Twentynine Palms, City of	Wastewater Treatment System Feasibility and Preliminary Design	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$987,000
1	8487-110	Ukiah, City of	Recycled Water Project Phase 4	N/A	N/A	N/A	N/A	No	DAC	Water Recycling	\$18,650,000
1	8448-110	Weaverville Sanitary District	Weaverville Sanitary System Upgrade	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
1	8430-110	Weed, City of	Wastewater Treatment Facilities Improvements	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$500,000
5	8225-210	Williams, City of	City of Williams Wastewater Collection System Improvement Project	N/A	N/A	N/A	N/A	Yes	SDAC	CWSRF SCG	\$5,500,000
1	8231-210	Yreka, City of	City of Yreka Wastewater Collection System Improvements	N/A	N/A	N/A	N/A	Yes	DAC	CWSRF SCG	\$5,500,000
								Projects =	67	Sub Total =	\$159,178,363
Proje	cts with Priority Scores		Sort Order = Total Priority Score, Agency Name, Project Number								
3	7844-110	California American Water	Monterey Peninsula Water Supply Project	9	2	4	15	No	No	CWSRF	\$279,200,000
8	8251-110	Corona, City of	Corona Reclaimed Source Delivery Main (WRCRWA line)	7	3	4	14	No	No	CWSRF	\$1,281,600
2	8356-110	East Bay Municipal Utility District	South Interceptor 3rd Street Rehabilitation Project Phase 2	8	3	3	14	No	No	CWSRF	\$27,301,000
9	8112-110	Escondido, City of	Recycled Water Easterly Agriculture Distribution System	7	3	4	14	No	No	CWSRF	\$4,300,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population ≤ 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
3	8185-210	Morro Bay, City of	Water Reclamation Facility Project	7	3	4	14	No	No	Water Recycling	\$105,105,167
4	8433-110	Oxnard, City of	City of Oxnard Treatment Plant Rehabilitation Projects	8	3	3	14	No	No	CWSRF	\$66,700,000
9	8419-110	San Diego, City of	Pure Water North City Morena Blvd Pump Station & Pipeline (Wastewater Portion)	7	3	4	14	No	No	CWSRF	\$287,000,000
9	8419-210	San Diego, City of	Pure Water North City Water Reclamation Plant Expansion	7	3	4	14	No	No	CWSRF	\$176,000,000
9	8419-310	San Diego, City of	Pure Water North City Metropolitan BioSolids Center Improvements	7	3	4	14	No	No	CWSRF	\$45,000,000
9	8419-410	San Diego, City of	Pure Water North City Water Reclamation Plant Expansion and Influent Conveyance	7	3	4	14	No	No	CWSRF	\$40,000,000
9	8419-510	San Diego, City of	Pure Water North City Pure Water Pump Station	7	3	4	14	No	No	CWSRF	\$17,000,000
9	8419-610	San Diego, City of	Pure Water North City Pure Water Pipeline	7	3	4	14	No	No	CWSRF	\$108,000,000
9	8419-710	San Diego, City of	Pure Water North City Pure Water Facility	7	3	4	14	No	No	CWSRF	\$553,000,000
9	8419-810	San Diego, City of	Pure Water North City Morena Blvd Pump Station & Pipeline (Water Portion)	7	3	4	14	No	No	CWSRF	\$41,000,000
2	8297-110	San Mateo-Foster City Public Financing Authority	The San Mateo Clean Water Program - Wastewater Treatment Plant	8	3	3	14	No	No	CWSRF	\$440,000,000
8	8322-110	Santa Ana, City of	San Lorenzo Sewer Lift Station	6	3	4	14	No	No	CWSRF	\$4,000,000
3	8436-110	Santa Cruz County Sanitation District	Valencia Creek Sewer Relocation Project	8	2	4	14	No	No	CWSRF	\$2,154,000
2	8238-110	Burbank Sanitary District	Scott Street and Backyard Easements Sanitary Sewer Rehabilitation Project	6	3	4	13	No	No	CWSRF	\$1,950,000
4	8354-110	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - Lynwood	7	2	4	13	No	No	Water Recycling	\$13,331,400
4	8354-210	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - South Gate	7	2	4	13	No	No	Water Recycling	\$9,161,126
4	8354-310	Central Basin Municipal Water District	Gateway Cities Regional Recycled Water System Expansion Project - Bell Gardens	7	2	4	13	No	No	Water Recycling	\$5,093,792
2	8489-110	Central Contra Costa SD	Solids Handling Facilities Improvements, DP 7348	8	3	2	13	No	No	CWSRF	\$89,625,000
7	8470-110	Coachella Valley Water District	CVWD 2017/18 Non-Potable Water Connections Project	7	2	4	13	No	DAC	CWSRF	\$33,000,000
4	8398-110	Downey, City of	Green Street Project in Four Arterial Streets	6	3	4	13	No	No	CWSRF	\$4,000,000
3	8440-110	El Paso de Robles, City of	Paso Robles Recycled Water Distribution System	7	3	3	13	No	No	Water Recycling	\$19,414,000

Clean Water Regional Board	Project Number	Agency	Project Name	Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
8	8396-110	Hemet, City of	Sewer Main Replacement Project	6	3	4	13	No	No	CWSRF	\$8,000,000
8	8173-210	Inland Empire Utilities Agency	RP-5 Expansion Construction Project	7	2	4	13	No	No	CWSRF	\$325,000,000
8	8260-110	Inland Empire Utilities Agency	Distribution System/Wineville/Jurupa/RP-3 Recharge Improvements (PID 23a)	7	2	4	13	No	No	CWSRF	\$11,742,550
8	8414-110	Inland Empire Utilities Agency	Lower Day Basin Improvement Project	7	2	4	13	No	No	CWSRF	\$2,855,332
8	8415-110	Inland Empire Utilities Agency	Montclair Basin Improvement Project	7	2	4	13	No	No	CWSRF	\$1,273,857
9	8394-110	La Mesa, City of	Parkway Drive and Alvarado Road Trunk Sewer Phase 3 Upgrade Project	6	3	4	13	Yes	No	CWSRF	\$7,000,000
4	8495-110	Long Beach Water Dept	Sewer Collection Systems Improvements	6	3	4	13	No	No	CWSRF	\$2,600,000
2	8377-110	Palo Alto, City of	Regional Water Quality Control Plant Discharge Infrastructure Improvements	6	3	4	13	No	No	CWSRF	\$11,760,000
2	8490-110	Palo Alto, City of	Regional Water Quality Control Plant Primary Sedimentation and Electrical Upgrade	6	3	4	13	No	No	CWSRF	\$16,368,000
2	8286-110	San Francisco, Public Utilities Commission of the City & County of	CWWSIPSE02 SEP New Headworks (Grit) Replacement	6	3	4	13	No	No	CWSRF	\$358,630,542
8	8321-110	Santa Ana, City of	Sewer Collection System Improvements	6	3	4	13	Yes	No	CWSRF	\$9,500,000
8	8462-110	Elsinore Valley Municipal Water District	Regional Water Reclamation Facility Expansion	6	3	3	12	No	No	CWSRF	\$129,860,229
5	8486-110	Hidden Valley Lake Community Services District	I&I Remediation	8	2	2	12	Yes	No	CWSRF	\$850,000
8	8170-110	Inland Empire Utilities Agency	City of Pomona, Monte Vista Water District & IEUA Recycled Water Intertie Project	7	3	2	12	No	No	CWSRF	\$144,604,000
4	8063-110	Los Angeles, City of	DCTWRP Advanced Water Purification Facility	7	3	2	12	No	No	CWSRF	\$451,000,000
2	8499-110	Milpitas, City of	City of Milpitas Recycled Water Pipeline Extension	7	3	2	12	No	No	Water Recycling	\$61,217,000
4	8501-110	Sanitation Districts of Los Angeles County	216th Street Replacement Trunk Sewer Phase 2	8	2	2	12	No	No	CWSRF	\$6,535,000
2	8264-310	Silicon Valley Clean Water	Menlo Park Pump Station Rehabilitation	6	2	4	12	No	No	CWSRF	\$25,000,000
2	8264-410	Silicon Valley Clean Water	Redwood City Pump Station Rehabilitation	6	2	4	12	No	No	CWSRF	\$28,000,000
2	8264-510	Silicon Valley Clean Water	Belmont Pipeline Rehabilitation	6	2	4	12	No	No	CWSRF	\$3,000,000
2	8264-610	Silicon Valley Clean Water	Belmont Pump Station Rehabilitation	6	2	4	12	No	No	CWSRF	\$11,000,000
Clean Water Regional Board	Project Number	Agency	Project Name		Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
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5	8447-110	Stockton, City of	Regional Wastewater Control Facilities Modifications	8	3	1	12	No	No	CWSRF	\$150,000,000
2	8497-110	Union Sanitary District	Primary Digester No. 7 Project	6	3	3	12	No	No	CWSRF	\$25,000,000
5	8037-210	Amador Water Agency	AWA Wastewater Treatment Plant Upgrade for Lake Camanche Village Unit 6	8	3	0	11	Yes	No	CWSRF SCG	\$5,665,000
2	8459-110	Association of Bay Area Governments	Nature-Based Shoreline Infrastructures: Design, Monitoring, and Technical Guidance	6	3	2	11	No	No	CWSRF	\$999,999
4	8442-110	Downey, City of	Fruman Park/Rio Honda Elementary School Recycled Water Extension and Irrigation	7	2	2	11	No	No	Water Recycling	\$1,200,000
8	8395-110	Hemet, City of	Automated Water Metering Infrastructure	4	3	4	11	No	No	CWSRF	\$3,400,000
9	8382-110	Laguna Beach, City of	Sewer System Replacement Project	6	3	2	11	No	No	CWSRF	\$2,150,000
9	8383-110	Laguna Beach, City of	pastal Treatment Plant Facility Improvement Project 4		3	4	11	No	No	CWSRF	\$6,250,000
4	8450-110	Long Beach Water Dept	utomated Meter Infrastructure 4		3	4	11	Yes	No	CWSRF	\$6,500,000
2	8494-110	Oro Loma Sanitary District	Wet Weather Basin Expansion Project	6	3	2	11	No	No	CWSRF	\$26,000,000
9	8504-110	San Diego, City of	Los Peñasquitos Lagoon Restoration Phase I	6	3	3	11	No	No	CWSRF	\$27,444,700
4	8500-110	Sanitation Districts of Los Angeles County	Main Street Trunk Sewer Rehabilitation	6	2	3	11	No	No	CWSRF	\$2,700,000
8	8435-110	Santa Ana, City of	Automated Water Metering Infrastructure	4	3	4	11	Yes	No	CWSRF	\$8,000,000
4	8434-110	Simi Valley, City of	Energy Updates - City of Simi Valley Water Quality Control Plant	4	3	4	11	No	No	CWSRF	\$4,000,000
9	8308-210	South Coast Water District	Monarch Beach Drive/ Stonehill Recycled Water Distribution	7	2	2	11	No	No	Water Recycling	\$4,332,000
2	8483-110	Sunnyvale, City of	Secondary Treatment and Dewatering Facilities	6	3	2	11	No	No	CWSRF	\$215,096,000
2	8498-110	Union Sanitary District	Standby Power Generation System Upgrade Project	6	3	2	11	No	No	CWSRF	\$28,000,000
4	8114-110	West Basin Municipal Water District	Recycled Water Supply for Palos Verdes Golf Course	7	2	2	11	No	No	Water Recycling	\$7,308,400
2	8293-110	West County Wastewater District	WPCP and Collection System Improvements - Phase I	6	2	3	11	No	No	CWSRF	\$35,960,846
5	8362-110	Yuba City, City of	Wastewater Treatment Facility Improvements 2017-18	6	3	2	11	No	No	CWSRF	\$22,800,000
2	8158-110	Benicia, City of	Benicia Water Reuse Project	7	3	0	10	No	No	CWSRF	\$27,101,543
5	8446-110	Biggs-West Gridley Water District	Infrastructure Modernization and Canal Operations Decision Support	7	2	1	10	Yes	No	CWSRF	\$734,364
2	8503-110	Delta Diablo	East County Bioenergy Project: Organics Co-digestion	7	3	0	10	No	No	CWSRF	\$30,000,000

Clean Water Regional Board	Project Number	Agency	Project Name		Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population $\leq 20,000$	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
5	8342-110	Hidden Valley Lake Community Services District	Hidden Valley Lake Community Services District water and energy conservation project	6	0	4	10	Yes	No	CWSRF	\$2,000,000
8	8194-110	San Bernardino, City	Clean Water Factory	7	3	0	10	No	No	CWSRF	\$248,780,000
2	8416-110	Silicon Valley Clean Water	Solar Energy and Energy Storage	4	2	4	10	No	No	CWSRF	\$4,000,000
2	8293-120	West County Wastewater District	WPCP and Collection System Improvements - Phase II	6	2	2	10	No	No	CWSRF	\$16,606,154
5	8420-110	Browns Valley Irrigation District	Tennessee Ditch Canal Modernization and Hydroelectric Project	4	3	2	9	No	No	CWSRF	\$4,319,000
2	8502-110	Daly City, City of	Vista Grande Drainage Basin Improvement Project	4	3	2	9	No	No	Water Recycling	\$93,651,134
4	8201-110	Las Virgenes Municipal Water District	AMR/AMI Implementation		2	3	9	No	No	CWSRF	\$7,837,066
3	8492-110	Monterey One Water	Vinter Recycled Water Use Efficiency Improvements		0	2	9	No	No	Water Recycling	\$7,034,705
8	8496-110	Redlands, City of	City of Redlands Wastewater Treatment Plant Rehabilitation Project	6	3	0	9	No	No	CWSRF	\$31,000,000
8	8478-110	Santa Ana, City of	Septic to Sewer Island	6	3	0	9	Yes	No	CWSRF	\$1,529,220
5	8384-110	Woodland, City of	Spring Lake Recycled Water Project	7	0	2	9	No	No	Water Recycling	\$2,600,000
6	8475-110	Eastern Sierra Community Service District	Plant Expansion and Nutrient Removal	8	0	0	8	Yes	No	CWSRF	\$6,512,335
5	8380-110	Lincoln, City of	Wastewater Treatment and Reclamation Facility (WWTRF) Phase 1 and Phase 2 Expansion Project	4	2	2	8	No	No	CWSRF	\$44,525,000
R2	8263-110	Santa Clara Valley Water District	South Santa Clara County Recycled Water Project (Phases 1B/2A)	7	0	1	8	No	No	CWSRF	\$6,999,000
3	8248-110	South San Luis Obispo County Sanitation District	Redundancy Project	6	0	2	8	No	No	CWSRF	\$19,040,000
7	8379-110	Brawley, City of	City of Brawley Automated Water Meter installation and Integration	4	3	0	7	No	TBD	CWSRF	\$8,852,994
2	8285-210	Central Marin Sanitation Agency	Cogeneration System Design and Construction	4	3	0	7	No	No	CWSRF	\$10,007,000
8	8343-110	Colton, City of	Colton Wastewater Systems Upgrade Planning Project	2	3	2	7	No	DAC	CWSRF	\$6,900,000
R4	8094-110	La Puente Valley County Water District	LPVCWD Recycled Water Project	7	0	0	7	No	No	CWSRF	\$6,430,875
9	8319-110	Laguna Beach, City of	Coastal Treatment Plant Export Sludge Force Main	4	3	0	7	No	No	CWSRF	\$1,743,253
2	8300-110	Novato Sanitary District	Novato CoGeneration Project	4	3	0	7	No	No	CWSRF	\$4,036,500

Clean Water Regional Board	Project Number	Agency	Project Name		Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population <u>≤</u> 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
3	8255-110	Pismo Beach, City of	Regional Groundwater Sustainability Project	7	0	0	7	No	No	CWSRF	\$33,682,000
3	8508-110	Santa Barbara, City of	El Estero Wastewater Treatment Plant Electrical Distribution Renewal Project	4	3	0	7	No	No	CWSRF	\$20,100,000
4	8216-140	Santa Clarita Valley Water Agency	CLWA Recycled Water Project - Phase 2A	7	0	0	7	No	No	CWSRF	\$24,210,000
2	8482-110	Sunnyvale, City of	Administration and Laboratory Building	2	3	2	7	No	No	CWSRF	\$49,500,000
2	7814-110	San Mateo County Fair Oaks Sewer Maintenance District	Collection System Improvement Project	6	0	0	6	No	No	CWSRF	\$5,400,000
2	8298-110	San Mateo, City of	The San Mateo Clean Water Program - Basin 1	2	3	0	5	No	No	CWSRF	\$39,000,000
5	8460-110	Georgetown Divide Public Utility District	itomated Meter Reading and Meter Replacement Project		0	0	4	Yes	No	CWSRF	\$1,745,800
4	8316-110	Sanitation Districts of Los Angeles County	int Water Pollution Control Plant Biogas Conditioning System		2	0	4	No	No	CWSRF	\$5,275,000
4	8098-110	Central Basin Municipal Water District	East Los Angeles Recycled Water Expansion Project		N/A	N/A	Not Scored	No	No	CWSRF	\$33,500,000
4	8099-110	Central Basin Municipal Water District	West San Gabriel Recycled Water Expansion Project	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$9,654,000
4	8340-110	Central Basin Municipal Water District	La Mirada Recycled Water Expansion Project	N/A	N/A	N/A	Not Scored	No	No	Water Recycling	\$18,700,000
5	8507-110	Del Puerto Water District	Del Puerto Water District Irrigation System Improvement Project II	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$5,000,000
2	8214-110	Las Gallinas Valley Sanitary District	Las Gallinas Rehabilitation and Recycled Water Project	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$35,500,000
2	8294-110	Marin County, Sanitary District No. 1 of	Large Diameter Gravity Sewer Rehabilitation Project II	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$8,417,000
2	8295-110	Marin County, Sanitary District No. 1 of	Pump Stations 12 and 13	N/A N/A N/A N/A Scor		Not Scored	No	No	CWSRF	\$7,662,400	
2	8296-110	Marin County, Sanitary District No. 1 of	FY 16/17 Gravity Sewer Improvement Project		N/A	N/A	Not Scored	No	No	CWSRF	\$17,895,000
8	8287-110	Monte Vista Water District	Phase 2 Recycled Water Distribution System Expansion Project	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$3,259,954
2	8381-110	Palo Alto, City of	Palo Alto Recycled Water Pipeline Project	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$48,677,054
2	8417-110	Palo Alto, City of	Advanced Water Purification System (AWPS) 1 MGD Project	N/A	N/A	N/A	Not Scored	No	No	CWSRF	\$20,992,000

Clean Water Regional Board	Project Number	Agency	Project Name		Primary Score	Secondary Score	Readiness Score	Total Priority Score <sup>2,3,4</sup>	Population <u>≤</u> 20,000	Initial DAC/SDAC Status <sup>1</sup>	Proposed Funding Source Program	Estimated Total Financing
8	8273-120	Riverside, City of	Jackson Street Recycled Water Pipeline, Phase II		N/A	N/A	N/A	Not Scored	No	No	Water Recycling	\$9,500,000
									Projects =	110	Sub Total =	\$5,561,130,891
									Total Projects =	249	Total =	\$7,184,030,514
2018/	2019 Fundable List Rollovers =	\$1,463,721,260										
Autor	matic Fundable List Eligibility =	\$159,178,363										
Proje	cts with Priority Scores =	\$5,561,130,891										

Notes:

Projects are shown with status as of 3/7/2019.

SDAC or DAC status to be confirmed during full application review.
Priority Score does not apply to 18/19 Fundable list rollover projects. Public Health projects, SDAC and DAC projects are not required to be scored.
Priority Score does not apply to 18/19 Fundable list as a result of an initial disadvantaged status determination that are later determined to not be disadvantaged will not be eligible for any Grant or Principal Forgiveness financing.
Applicants that requested to remain on the comprehensive list and not be considered for funding on the 2019/2020 IUP are shown as "Not Scored". These projects will be considered for the 2020/2021 IUP funding cycle.

# APPENDIX D: Principal Forgiveness Eligibility Criteria

Eligible Applicants:	Any municipality, intermunicipal, interstate, or state agency (regardless of population, MHI, or wastewater rates). <sup>47</sup>			
Project Types:	Any CWSRF eligible project consistent with the <u>Green Project Reserve: Guidance for Determining Project</u> <u>Eligibility</u> that implements a process, material, technique, or technology to address water-efficiency or energy-efficiency goals, mitigate stormwater runoff, or encourage sustainable planning, design, and construction. This includes, but is not limited to, water or energy conservation assessments, audits, or plans, water reuse, water or energy reducing devices, and water meters.			
PF Amount <sup>48</sup> :				
1.	For water or energy conservation assessments, audits, or planning, 100 percent (100%) of actual costs up to \$35,000 in PF.			
2.	For all other projects, 50 percent (50%) of total, actual costs associated with water or energy conservation or sustainable planning, design, or construction up to \$4.0 million in PF <sup>49</sup> .			
3.	Projects that implement a nationally designated estuary plan may receive PF up to 75 percent (75%) of eligible project costs. Cumulative PF shall not exceed \$1 million per estuary plan area in any state fiscal year.			

### APPENDIX E: SCG Fund Balance

	Projected 7/1/18 – 6/30/19	Projected 7/1/19 – 6/30/20
Beginning Balance	\$41,181,397	\$41,558,056
Collected	\$8,489,643	\$7,649,975
Spent	(\$8,112,984)	(\$10,000,000)
End Balance*	\$41,558,056	\$39,208,031

\*Ending Balance does not account for existing commitments

<sup>&</sup>lt;sup>47</sup> Municipality includes a federally recognized Indian tribe or an authorized Indian tribal organization.

<sup>&</sup>lt;sup>48</sup> No project, except SDAC and DAC projects, that receives CWSRF PF or grant may receive more than 50 percent (50%) combined PF and grant funding, regardless of the source of grant funding. Grant funding includes any funding that does not require repayment by the recipient.

<sup>&</sup>lt;sup>49</sup> GPR projects may receive separate planning or design PF financing at a rate of 75 percent (75%) of eligible GPR planning or design costs up to a maximum of \$500,000 if requested, but the combined planning, design, and construction/implementation costs eligible for PF may not exceed the lesser of 50 percent (50%) of total eligible GPR cost or \$4.0 million.

Eligible Applicants:	Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Heritage Commission consult list							
Eligible Project Type	CWSRF-eligible waste	water projects50						
	Affordability Criteria			Grant Amount				
Population <sup>51</sup>	Community MHI <sup>52</sup>	Wastewater Rates as a Percentage of MHI <sup>53</sup>	Percentage of Total Eligible Project Cost	Maximum Grant Amount Per Project <sup>54,</sup> 55, 56, 57	Maximum Cost Per Household / Project			
	MHI ≤ 100% Statewide MHI	≥4%	50%					
<20,000	DAC <80% of Statewide MHI	≥1.5%	75% <sup>58</sup>	\$6 million	\$30,000			
	SDAC <60% of Statewide MHI	NA	100%					

### APPENDIX F: SCG Construction Grant Eligibility Criteria

<sup>50</sup> SCG construction grants are limited to: a) projects approved for funding after June 19, 2019 (consistent with the CWSRF Policy, planning and design costs incurred prior to funding approval may be reimbursed upon execution of the funding agreement) or b) DFA-approved cost increases approved after June 19, 2019, for planning or construction projects approved prior to June 19, 2019, if such increases are consistent with the funding criteria and limitations herein.

<sup>51</sup> Projects must be primarily geared toward addressing residential needs of permanent residents, except that wastewater systems solely serving K-12 public schools are also eligible. At least 50 percent (50%) of the dwellings or dwelling units must be the primary dwelling of permanent residents for a community or community area. Permanent residents means residents who reside in the community at least six months out of the year, except that seasonal, migrant laborers can be counted.

<sup>52</sup> Wastewater systems that solely serve a K-12 public school are deemed to serve a SDAC, as the primary users are minor students with incomes below 60 percent (60%) of the statewide MHI. In the case of oversubscription, grants may be limited to Title I schools.

- <sup>53</sup> For the purposes of calculating rates as a percentage of MHI, service charges plus other costs specifically related to the wastewater system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees. If a CWSRF-eligible wastewater project consists of improvements to the drinking water system, the drinking water rates and charges may be considered in lieu of wastewater rates and charges. For systems serving facilities such as labor camps or mobile home parks, DFA may elect to approve up to 100 percent (100%) grant up to a maximum of \$6 million. Even if 100 percent (100%) grant is approved, DFA staff will review projected revenues and expenses to confirm adequate revenues to operate and maintain the project.
- <sup>54</sup> To ensure that available funds are distributed to a large cross-section of communities throughout California, a single community may not receive cumulatively more than \$8 million in SCG and PF funding in any given five-year period.

<sup>55</sup> For projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works consistent with the CWSRF Policy, SCG funds will be allocated to each community served by the project on a per community basis, rather than a per project basis.

- <sup>56</sup> Even if 100 percent (100%) grant is approved for a project, the recipient is required to demonstrate financial capacity to operate and maintain the wastewater system.
- <sup>57</sup> On a case-by-case basis, for good cause, the Deputy Director of DFA may approve additional construction grant funds over the maximum grant amount for interest and fees related to bridge loan financing. These fees will only be paid for active construction projects experiencing a delay of reimbursements exceeding 45 days.
- <sup>58</sup> For small DACs with wastewater rates at least two percent (2%) of community MHI, if the community's credit review shows inadequate revenues to afford repayment of the remaining project costs, the grant percentage may be increased to as high as 100 percent (100%), as necessary to approve financing for the project. In addition, for small DACs with wastewater rates at least 1.5 percent (1.5%) of community MHI, DFA has discretion to increase the grant percentage to as high as 100 percent (100%), if the community's unemployment rate is at least two percent (2%) higher than the statewide average, or if declining population trends or low population densities impact the community's ability to afford financing.

Eligible Applicants:	Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Commission consult list							
Eligible Project Type	Eligible Project Type CWSRF-eligible wastewater projects <sup>50</sup>							
Affordability Criteria Grant Amount								
Population <sup>51</sup>	Community MHI <sup>52</sup>	Wastewater Rates as a Percentage of MHI <sup>53</sup>	Percentage of Total Eligible Project Cost	Maximum Grant Amount Per Project <sup>54,</sup> 55, 56, 57	Maximum Cost Per Household / Project			
	MHI ≤100% Statewide MHI	≥4%	50%					
<20,000	DAC <80% of Statewide MHI	≥1.5%	75% <sup>58</sup>	\$8 million	\$75,000			
	SDAC <60% of Statewide MHI	NA	100%					

### APPENDIX G: SCG Construction Grant Eligibility Criteria for Septic to Sewer and Regional Projects

<sup>&</sup>lt;sup>50</sup> SCG construction grants are limited to: a) projects approved for funding after June 19, 2019 (consistent with the CWSRF Policy, planning and design costs incurred prior to funding approval may be reimbursed upon execution of the funding agreement) or b) DFA-approved cost increases approved after June 19, 2019, for planning or construction projects approved prior to June 19, 2019, if such increases are consistent with the funding criteria and limitations herein.

<sup>&</sup>lt;sup>51</sup> Projects must be primarily geared toward addressing residential needs of permanent residents, except that wastewater systems solely serving K-12 public schools are also eligible. At least 50 percent (50%) of the dwellings or dwelling units must be the primary dwelling of permanent residents for a community or community area. Permanent residents means residents who reside in the community at least six months out of the year, except that seasonal, migrant laborers can be counted.

<sup>&</sup>lt;sup>52</sup> Wastewater systems that solely serve a K-12 public school are deemed to serve a SDAC, as the primary users are minor students with incomes below 60 percent (60%) of the statewide MHI. In the case of oversubscription, grants may be limited to Title I schools.

<sup>&</sup>lt;sup>53</sup> For the purposes of calculating rates as a percentage of MHI, service charges plus other costs specifically related to the wastewater system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees. If a CWSRF-eligible wastewater project consists of improvements to the drinking water system, the drinking water rates and charges may be considered in lieu of wastewater rates and charges. For systems serving facilities such as labor camps or mobile home parks, DFA may elect to approve up to 100 percent (100%) grant up to a maximum of \$6 million. Even if 100 percent (100%) grant is approved, DFA staff will review projected revenues and expenses to confirm adequate revenues to operate and maintain the project.

<sup>&</sup>lt;sup>54</sup> To ensure that available funds are distributed to a large cross-section of communities throughout California, a single community may not receive cumulatively more than \$8 million in SCG and PF funding in any given five-year period.

<sup>&</sup>lt;sup>55</sup> For projects that connect previously unsewered areas or join communities to regionalize wastewater treatment works consistent with the CWSRF Policy, SCG funds will be allocated to each community served by the project on a per community basis, rather than a per project basis.

<sup>&</sup>lt;sup>56</sup> Even if 100 percent (100%) grant is approved for a project, the recipient is required to demonstrate financial capacity to operate and maintain the wastewater system.

<sup>&</sup>lt;sup>57</sup> On a case-by-case basis, for good cause, the Deputy Director of DFA may approve additional construction grant funds over the maximum grant amount for interest and fees related to bridge loan financing. These fees will only be paid for active construction projects experiencing a delay of reimbursements exceeding 45 days.

<sup>&</sup>lt;sup>58</sup> For small DACs with wastewater rates at least two percent (2%) of community MHI, if the community's credit review shows inadequate revenues to afford repayment of the remaining project costs, the grant percentage may be increased to as high as 100 percent (100%), as necessary to approve financing for the project. In addition, for small DACs with wastewater rates at least 1.5 percent (1.5%) of community MHI, DFA has discretion to increase the grant percentage to as high as 100 percent (100%), if the community's unemployment rate is at least two percent (2%) higher than the statewide average, or if declining population trends or low population densities impact the community's ability to afford financing.

## APPENDIX H: SCG Planning Grants Eligibility Criteria<sup>59</sup>

Eligible Applicants: Public agencies, 501(c)(3) non-profit organizations, federally recognized tribes and state tribes on Native American Heritage Commission consult list						
	Affordability Criteria	Grant Amount				
Population	Community MHI	Percent of Total Project Cost	Maximum Grant Per Project60			
<20,000	DAC <80 percent of Statewide MHI	100 percent	\$500,000			

### APPENDIX I: WRFP Grant and Loan Calculations

Eligible Applicants:	See WRFP Guidelines						
Funding Type	Eligible Project Costs <sup>61</sup>	Percentage of Total Eligible Project Cost	Maximum Grant or PF Amount Per Project <sup>62</sup>				
Planning Grant	Planning	50%	\$150,000				
Construction Grant	Construction, not including construction allowances <sup>63</sup>	35%	\$5,000,000				
Construction Loan	Planning, Design, and Construction <sup>64</sup>	50% <sup>65</sup>	N/A				
Note: Where the eligibility criteria and grant and loan calculations for the WRFP described in this IUP and appendices conflict with the WRFP Guidelines, the IUP and appendices will supersede.							

<sup>61</sup> Eligible project costs are defined in the WRFP Guidelines.

<sup>62</sup> Except for SDAC and DAC projects, no project receiving CWSRF PF or grant will receive more than 50 percent (50%) combined PF and grant funding, regardless of the funding source. Grant funding includes any funding that does not require repayment by the recipient.

<sup>63</sup> Construction allowances are defined as construction change orders, construction management, and engineering during construction and are not eligible for WRFP construction grant funding.

<sup>64</sup> Eligible planning, design, and construction costs as defined by WRFP Guidelines and CWSRF Policy.

<sup>65</sup> At least 50 percent local cost share match must be provided by the applicant, whether through repayable CWSRF financing, the applicant's own revenues, or other repayable financing. Local cost share match may be reduced for communities that meet the Small Disadvantaged Community criteria established in the CWSRF Policy and IUP.

<sup>&</sup>lt;sup>59</sup> Where an applicant cannot demonstrate financial capacity to operate and maintain the wastewater system, it may be eligible for a planning grant if the scope of planning work assists in establishing the financial capacity to operate and maintain the system, including a proposed infrastructure project, in preparation for an eventual construction funding agreement. Examples of tasks that assist in establishing financial capacity include wastewater rate studies, budget development, Proposition 218 technical assistance, and capital improvement planning.

<sup>&</sup>lt;sup>60</sup> For a regional planning project, the Deputy Director of DFA may approve more than \$500,000 in SCG funds, not to exceed \$500,000 in SCG funding per community included in the regional plan. A community may not receive more than \$1,000,000 in total planning costs (\$500,000 for treatment plant upgrades plus \$500,000 for collection system improvements). On a case-by-case basis, for good cause, the Deputy Director of DFA may approve additional planning grant funds. Upon the Deputy Director of DFA's determination of sufficient planning funding needs, more than 15 percent (15%) of the funds available per Prop 1 may be used to fund planning and technical assistance activities.

# APPENDIX J: Administration Fund Balance

	7/1/19 - 12/21/19	Projected	Projected		
	1/1/10 - 12/31/10	1/1/19 – 6/30/19	7/1/19 – 12/31/19		
Beginning Balance	\$15,300,323	\$15,271,362	\$12,968,563		
Collected	\$4,471,039	\$2,197,201	\$13,795,886		
Spent	(\$4,500,000)	(\$4,500,000)	(\$9,000,000)		
End Balance	\$15,271,362	\$12,968,563	\$17,764,449		

# APPENDIX K: CWSRF Capitalization Grant Payments and Draw Payments

	Payments*								
	SFY 19-20 Q1	SFY 19-20 Q2	SFY 19-20 Q3	SFY 19-20 Q4					
FFY 2019 Grant	\$117,000,000 (Date of Award)								
Draws *									
FFY 2017 Grant	\$5,142,957	\$5,930,936	\$12,310,198	\$3,169,523					
FFY 2018 Grant	\$0	\$0	\$0	\$0					
FFY 2019 Grant	\$0	\$0	\$0	\$0					
Cumulative Draws	\$5,142,957	\$5,930,936	\$12,310,198	\$3,169,523					

# VIII. ACRONYMS

A/E	Architectural and Engineering
AIS	American Iron and Steel
ARRA	American Recovery and Reinvestment Act of 2009
CalEPA	California Environmental Protection Agency
CBR	Clean Water State Revolving Fund Benefits Reporting
CFR	Code of Federal Regulations
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DAC	Disadvantaged Community
DBE	Disadvantaged Business Enterprise
DFA	Division of Financial Assistance
FFATA	Federal Funding Accountability and Transparency Act
FFY	Federal Fiscal Year
FI\$CAL	Financial Information System for California
FSP	Fiscal Sustainability Plan
GAAP	Generally Accepted Accounting Principles
GPR	Green Project Reserve
GWGP	Groundwater Grant Program
IUP	Intended Use Plan
LGTS	Loans and Grants Tracking System
LID	Low Impact Development
MHI	Median Household Income
NIMS	National Information Management System
000	Office of Chief Counsel
PF	Principal Forgiveness
POTW	Publicly Owned Treatment Works
PY	Personnel Years
SCG	Small Community Grant
SDAC	Severely Disadvantaged Community
SERP	State Environmental Review Process
SFY	State Fiscal Year
SWGP	Stormwater Grant Program
ТА	Technical Assistance
U.S. EPA	United States Environmental Protection Agency
WIFIA	Water Infrastructure Finance and Innovation Act
WRFP	Water Recycling Funding Program
WRRDA	Water Resources Reform and Development Act of
	2014

Katie DiSimone California Regional Water Quality Control Board - Central Coast Region July 31, 2019

> Attachment 2 Coastal Development Permit Staff Report



# CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE 725 FRONT STREET, SUITE 300 SANTA CRUZ, CA 95060 PHONE: (831) 427-4863 FAX: (831) 427-4877 WEB: WWW.COASTAL.CA.GOV



Th13a

Filed:	6/18/2019
Staff:	Kevin Kahn-SC
Staff report:	6/21/2019
Hearing date:	7/11/2019

# **STAFF REPORT: CDP HEARING**

Application Number:	3-19-0463
Applicant:	City of Morro Bay
Project Location:	The proposed water reclamation facility would be located on an undeveloped property inland of the intersection of South Bay Boulevard and Highway 1 in unincorporated San Luis Obispo County (APN 073-101-017); pump stations would be located within an existing City corporation yard at 170 Atascadero Road (APN 066-331-032) and on a City-owned lot at the intersection of Main Street and Highway 1 (APN 068-168-022), both in the City of Morro Bay; demolition of the existing wastewater treatment plant and restoration of that area would occur at that site at 160 Atascadero Road in Morro Bay (APN 066-331-034); new pipelines would extend from the two new pump stations to the water reclamation facility and to injection well sites along various road corridors in both the County and the City (primarily along the Quintana Road corridor adjacent to Highway 1); underground recycled water injection wells would be located at some eight locations in the lower Morro Valley, including adjacent to Lila Keiser Park, all in the City of Morro Bay; and outfall maintenance and modifications would take place in the Pacific Ocean some 2,900 feet offshore and near to Morro Rock.
Project Description:	Subdivision of an existing privately-owned 396-acre parcel into two parcels, including a 27.6-acre City-owned parcel; construction of new 0.97-million-gallon-per-day average daily flow tertiary- treated wastewater treatment and water reclamation facility on the new City-owned parcel; construction of associated pipelines and

two new lift stations; construction of new underground recycled water injection wells; maintenance of and modifications to the existing ocean outfall; operation of the new water reclamation facility and overall system, including groundwater injection and other related components, moving forward; and decommissioning and demolition of the existing wastewater treatment plant and related improvements, and restoration of all affected areas.

**Staff Recommendation:** Approval with Conditions

# SUMMARY OF STAFF RECOMMENDATION

The City of Morro Bay proposes to upgrade its wastewater treatment and water supply infrastructure, including to: construct a new water reclamation facility (WRF) on a to-be subdivided 27.6-acre lot just outside City limits in an agricultural area of unincorporated San Luis Obispo County; construct conveyance infrastructure comprised of new pipelines and pump stations, conveying raw wastewater to the new WRF and treated recycled water to new wells for groundwater injection/replenishment and potable reuse; make modifications to the existing ocean outfall; and decommission and demolish the existing City wastewater treatment plant (WWTP) and to restore the site.

The existing Morro Bay-Cayucos WWTP is located at 160 Atascadero Road in Morro Bay and is jointly owned and operated by the City and the Cayucos Sanitary District (CSD). The WWTP was originally built in 1954 in a low-lying area near the confluence of Morro Creek with the Pacific Ocean and it provides wastewater treatment services to the City and to the unincorporated community of Cayucos some six miles to the north. The WWTP was built before modern State and Federal water quality standards, and does not meet federal Clean Water Act (CWA) standards for full secondary treatment. Instead, the WWTP has been operating under a CWA waiver<sup>1</sup> for full secondary treatment requirements for biochemical oxygen demand and total suspended solids since 1984. In 2018, the City received a time schedule order (TSO) from the Central Coast Regional Water Quality Control Board (RWQCB or Regional Board) requiring compliance with full CWA secondary treatment requirements by February 28, 2023.

Because of the age of the existing WWTP, its failure to meet core CWA water quality standards, and the possibility of potential fines/penalties for failure to meet the Regional Board's TSO mandating CWA compliance by 2023, the City has been pursuing a new upgraded wastewater treatment facility for over a decade. The City and the CSD initially proposed to redevelop the WWTP at its current site, and the City approved a CDP for same in 2011. However, the City's CDP approval was appealed to the Coastal Commission by eleven different parties, and ultimately in 2013 the Commission denied the City's redevelopment-in-place proposal on the basis of LCP inconsistencies with respect to avoiding coastal hazards, land use priorities, recycled water provisions, and public view protections. Among the Commission's findings for its 2013 denial:

<sup>&</sup>lt;sup>1</sup> Pursuant to Clean Water Act Section 301(h).

The first issue raised by the proposed project is that a new WWTP is not an allowed use under the LCP's zoning at its existing location. The existing WWTP is a non-conforming use under the LCP's certified light-industrial zoning of the site, and construction of a new WWTP on this site is not an allowable use and is therefore inconsistent with the LCP. At a minimum, approval of a new WWTP at the proposed location would first require that the LCP be amended to allow such a use. However, given that the site is located in a prime visitor-serving redevelopment opportunity area for the City, and given the other constraints to WWTP development at this location, it is not clear that such an LCP amendment would be appropriate.

Second, with respect to coastal hazards, the WWTP site is located in a tsunami run-up zone in an area that would also be inundated in a 100-year storm event through flooding (associated with Morro Creek), which could be exacerbated by dune migration and sealevel rise over time. The project proposes to address these issues by elevating the new WWTP on roughly four acres of fill up to seven and a half feet high, estimated by the Applicant to amount to approximately 35,000 cubic yards of fill (equivalent to approximately 3,500 large truckloads of fill soil). The LCP requires that risks from coastal hazards be minimized, and appears to contemplate flood elevation as a means to do that in certain circumstances. However, given the significant potential flooding at this location, and the uncertainty of future long-term risks over the potential life of the project, staff does not believe that siting a large public infrastructure project in a flood zone by using a such a large fill slope, instead of siting the WWTP out of a hazardous area, is consistent with the LCP (including with LCP policies requiring that projects with excessive grading be denied, and with policies designed to maximize protection of the existing landform by fitting development to existing topography and natural grade). In a 100-year flooding event, the WWTP would be an island, and in a tsunami, it would be under water; neither of which conservatively minimize hazard risk as required by the LCP.

The WWTP project would produce tertiary treated wastewater, but it only includes a small reclamation component, one that is designed to use only a portion of the reclaimed water that could potentially be produced. The vast majority of the treated wastewater would be discharged to the ocean via the existing WWTP ocean outfall that extends some 2,900 feet into the ocean. The City's LCP not only requires the project to include reclamation, but also requires protection and enhancement, where feasible, of Morro and Chorro groundwater basins, as well as coastal streams, wetlands, and related freshwater resources. Read as a whole, the LCP thus directs a WWTP project to maximize reclamation so that such recycled water can be made available to both offset potable water use as well as to enhance freshwater resources (e.g., through use for agricultural irrigation, urban landscaping, groundwater replenishment, etc.). These concerns are especially important given that the City receives much of its water from the State Water Project and reclamation would provide an important contingency in the event that such water transfers are suspended, reduced, or otherwise impacted (e.g., increase in costs, etc.).

Finally, the WWTP site is located in an LCP-designated sensitive view area between Highway 1 and Morro Rock. The LCP requires the scenic and visual qualities of the coast to be protected and where feasible enhanced, and requires development to be sited and designed to protect views to and along the ocean and other coastal areas. The new WWTP would be in a similar location as the plant to be demolished, but would be taller, including because it would be elevated on a fill slope above flood levels. Although the development pattern and area of the WWTP is not currently significantly visually sensitive, given that this is a non-conforming use and the area could potentially be redeveloped to connect upcoast Morro Bay with the Embarcadero as a visitor-serving and public recreational access unit, the development of such a facility is problematic from a visual perspective as well.

In short, the proposed project is inconsistent with the City's LCP, including policies related to allowable uses and land use priorities, hazard avoidance and response, sustainable public infrastructure, and public viewshed protection, where these inconsistencies are largely related to the Applicant's chosen site; a site that is identified by the LCP for lower intensity industrial development than a WWTP, such as coastal-dependent commercial fishing related uses.

Following the CDP denial and given the Commission's direction to the City and the CSD on the appropriate path to upgraded wastewater and water reclamation functions, the City developed a Water Reclamation Facility Citizens Advisory Committee, identified 17 potential sites for plant relocation, and developed criteria for a potential water reclamation facility project, including coastal hazards avoidance through plant relocation inland, water quality improvement through compliance with applicable water quality standards, and water supply security through recycled water provision. Over the past six-and-a-half years, through significant public input that shaped this project, including making critical decisions in public forums regarding WRF facility siting (e.g., in town vs. outside of town), components/operations, recycled water end uses (e.g., agricultural uses only or full potable reuse), funding (e.g., through two Citywide votes to raise utility fees to pay for the project), and process (i.e., two public hearings to approve the project's EIR and two affirmative votes by the Morro Bay City Council and County Board of Supervisors to authorize a consolidated CDP approval process), the proposed project is the end result of a process that began when the Commission provided direction as part of its CDP denial for the prior project proposal in January 2013.<sup>2</sup>

As mentioned above, the proposed project includes a series of related components, including a new tertiary-treated wastewater treatment and water recycling facility located at an inland location away from coastal hazards, new pipelines and pump stations, new recycled water injection wells, and decommissioning of the existing oceanfront WWTP and restoration of the site. The primary intent is to replace the existing WWTP, which does not meet Clean Water Act standards for secondary treatment, and replace it with the new WRF designed to exceed such

<sup>&</sup>lt;sup>2</sup> It is worth noting that the Cayucos Sanitary District decided to separate its efforts from those of the City with respect to Cayucos' wastewater facility needs, but also considered the Commission's direction while undertaking its own project. Specifically, the CSD is in the middle of constructing its own WRF at an inland location out of harm's way nearer to Cayucos, where that plant is likewise designed to help Cayucos reach water supply sustainability through reclamation. The CSD WRF is currently scheduled to go online in 2020.

standards through tertiary treatment, and designed to provide for water reclamation for water supply security for the community. The City redesigned the proposed project at the Commission's direction to ensure that the WRF is sited away from coastal hazard threats at an inland and higher elevation, and to significantly enhance water quality protection in Morro Bay, including significantly through improved groundwater health and through much improved quality of discharge as compared to now. In addition and significantly, the proposed recycled water component of the project is estimated to provide the City, through groundwater replenishment and improved aquifer health, with some 825 acre-feet of water per year, or roughly 80 percent of its yearly water needs, thereby providing community water security in the face of climate change and scarcity.<sup>3</sup> And the City's proposal to decommission, demolish, and restore the existing WWTP site will remove a lower-priority industrial use from a prime oceanfront area that is adjacent to State and City public beaches, and near the City's Embarcadero tourist area. Put another way, *not* proposing the project as currently designed (i.e., not proposing to relocate the existing plant out of harm's way, not proposing water recycling and reuse, and not making higher and better use of prime oceanfront lands) were among the core reasons for the Commission's denial of the proposed CDP in 2013. And these issues have only become more significant since then with respect to Coastal Act consistency, including with respect to the guidance provided by the Commission on how to treat critical infrastructure along the shoreline in its 2015-adopted "Sea Level Rise Policy Guidance." Indeed, relocating critical wastewater infrastructure away from the shoreline and eliminating potential coastal hazard threats, which could have significant adverse impacts on coastal resources including water quality, is clearly warranted under the Coastal Act and the Commission's Guidance. And it also represents fundamental good planning and public policy by ensuring that expensive, sensitive, and critical public infrastructure is safe. Considering all of the above, this proposal meets numerous Coastal Act policies, including with respect to coastal hazards avoidance for critical public infrastructure (Sections 30235 and 30253), water supply and water quality (Sections 30230, 30231, and 30250), public access and recreation (Sections 30210 through 30224), and public views (Section 30251).

That said, a project of this magnitude and complexity is not without potential issues and coastal resource impacts. First and foremost, the proposed WRF at the City's selected location would result in the subdivision of an existing agricultural parcel, as well as the conversion and permanent loss of some 15 acres of agricultural land (i.e., the proposed new WRF parcel is 27.6 acres, but the development envelope would be 15 acres). The Coastal Act is protective of such lands, requiring the maximum amount of agricultural land to remain in agricultural use,<sup>4</sup> and it only allows conversion in limited circumstances, including if the conversion would be located within existing developed areas and would foster a logical infill community, or if continued agricultural use is infeasible. None of these circumstances apply in this case, including because the project is located in an unincorporated part of the County away from, and not contiguous with, existing developed areas, and because the site is currently used for agricultural

<sup>&</sup>lt;sup>3</sup> And as indicated above, the City's water portfolio is currently heavily reliant on State Water Project water, which is both very expensive and unreliable.

<sup>&</sup>lt;sup>4</sup> To both foster the continuance of the coastal zone's agricultural economy, but also to ensure that rural lands are protected from unwarranted development (and "sprawl"), including so as to facilitate stable urban growth boundaries.

grazing/rangeland purposes. Therefore, the proposed project is not consistent with the Coastal Act's agricultural protection policies. Such inconsistencies would normally require project denial.

However, denying this project would result in inconsistency with other core Coastal Act objectives (previously described) related to coastal hazards avoidance, water quality improvement, water supply resiliency, and public coastal access and recreation enhancement. In other words and as more fully explained in this report, project denial would cause a conflict between the Coastal Act's agricultural protection policies and its public access and recreation, water quality and water supply, and coastal hazards avoidance policies. Again, *not* proposing a project akin to this one (rather, instead, redeveloping the WWTP at its current low-lying risky site and not including a recycled water component, etc.) led to the Commission's 2013 CDP denial. Since then, and as described earlier, the City responded to the Commission's direction and developed the proposal before the Commission today. Denial of the proposed project (i.e., perpetuation of the status quo) would not be more protective of coastal resources, on balance, than approval due to the coastal resources inconsistencies implicated by the existing WWTP, and thus denial would not further the State's coastal zone management objectives specified in the Coastal Act.

In this type of case the Coastal Act provides that such conflict "be resolved in the manner which on balance is the most protective of significant coastal resources" (Section 30007.5). And it is clear to staff that *approval* of the project in this case would be the most protective of the various coastal resources at issue as compared to denial. With conditions to implement an agricultural mitigation program (as well as other conditions to ensure consistency with other Coastal Act policies, including in terms of maximizing recycled water and groundwater replenishment for improved aquifer health, requiring construction best management practices for coastal resource protection, and specifying how and when the existing WWTP is to be decommissioned and the site restored), the project as conditioned will be the most protective of significant coastal resources as directed by the Coastal Act. Thus, in resolving the identified Coastal Act conflicts, staff believes that the impacts related to coastal hazards, water quality and supply, and public access and recreation from denying this project (i.e., retaining the status quo) and not realizing the associated coastal resource benefits that would result from project approval will be more significantly adverse for coastal resources than the project's agricultural impacts, including when those impacts can be appropriately minimized and mitigated as is the case here. In short, approval of a CDP for the project as conditioned is, on balance, most protective of significant coastal resources.

Finally, opponents to the project have primarily been concerned about project costs, with some also concerned about the fact that the Commission is considering a consolidated CDP application. In both cases, certain opponents have claimed that those issues are also environmental justice issues, and are asking for the Commission to deny the project. With respect to project costs, these opponents argue that the proposed project is too expensive for Morro Bay and its 10,000 residents to afford, and that there are other less expensive viable alternatives that should be pursued. On the latter, no such viable alternatives have been identified. On the former, the City estimates that the project will cost \$125 million to construct, and that it could raise monthly household utility bills from an average of \$150 per month to an average of \$191 per month (i.e., an increase of \$41 per household per month). At the same time,

the City has been actively seeking grants and low-cost loans for the project,<sup>5</sup> and the City estimates that such efforts should decrease the costs to the community and reduce the \$41 surcharge. In addition, most of the City's current water supply is imported via the State Water Project, for which the City currently pays \$2,100 per acre-foot of water. This source has proven to be a volatile supply and most likely will increase in cost due to needed upgrades. Meanwhile, use of the City's existing groundwater supply only costs \$1,000 per acre-foot. The WRF will provide a stable, reliable, and clean groundwater supply source that is projected to satisfy up to roughly 80 percent of the City's water supply needs, thus leading to a less expensive water source. While that is not to suggest that project is without costs, it is to suggest that they are being constrained as much as is possible. In addition, *not* pursuing the project also has costs, not the least of which are environmental costs (including in terms of hazards risks, water quality impairment, lack of water supply sustainability, inappropriate oceanfront land use, etc.), but also in terms of Clean Water Act violation costs. The rate increases were subject to two Proposition 218 votes of all ratepayers in the City,<sup>6</sup> and both passed.

With respect to the consolidated CDP application being considered by the Commission, some have argued that public participation is compromised and thus the CDP application should not be consolidated for review in front of the Commission.<sup>7</sup> CDP application consolidation is a tool that the Coastal Act expressly provides to help avoid multiple overlapping CDP processes, including potential appeals to the Commission of local government CDP actions where the Commission also retains some direct CDP jurisdiction, and to help avoid complicating review due to different standards of review for different components of the same project that span multiple permitting jurisdictions. Because it spans three different CDP jurisdictions, and because appeals of any City/County CDPs are reasonably foreseeable, consolidation here is particularly appropriate provided that public participation is "not substantially impaired" as required by the Coastal Act, which, in this case, it is not. In fact, the City has fostered significant local public participation, including creating a citizens advisory committee, having over 50 public meetings on the project

<sup>&</sup>lt;sup>5</sup> For example, as of the time of publishing this report, the State Water Resources Control Board was recommending the City receive up to \$105 million in low-interest loans and grants, and the City has also received a favorable rating to receive funding from the United States Environmental Protection Agency's water infrastructure loan program as well.

<sup>&</sup>lt;sup>6</sup> Proposition 218 requires a vote of the people to raise certain government taxes, fees, and assessments. Under Proposition 218, property owners get to vote on proposed municipal utility rate increases, and if 50 percent plus one property owner objects to the increase, the increase cannot move forward.

<sup>&</sup>lt;sup>7</sup> The proposed project spans three CDP jurisdictions, requiring a CDP from San Luis Obispo County for the portion of the proposed project within the unincorporated County (i.e., the WRF itself and new pipelines and related development extending to/from the City), a CDP from the City for the portion of the proposed project within the City (i.e., new pipelines, pump stations, demolition and restoration of the existing WWTP site and related development in the City), and a CDP from the Commission for the portion of the proposed project in the Pacific Ocean in the Commission's retained/direct jurisdiction (i.e., modifications to the ocean outfall line). When proposed projects span the Commission's retained/direct CDP jurisdiction and the delegated CDP jurisdiction of one or more local governments, such as in this case, the Coastal Act allows for the CDP application to be heard as one "consolidated" Coastal Commission CDP application if the applicants, local governments, and the Commission (through its Executive Director) all agree to consolidate, and "provided that public participation is not substantially impaired by that review consolidation" (Section 30601.3). In this case the Applicant/City (through the City Council), the County (through the County Board of Supervisors), and the Commission (through its Executive Director) all agreed that the criteria for consolidation were met and agreed to consolidate the CDP application before the Commission.

in the past two years alone (including two City Council hearings to solicit public input and Council direction/discussion on the proposed project in the past few months) and making project changes based on such public input. In addition, both the City Council and the County Board of Supervisors expressly voted to authorize consolidation following public hearings in the past few months. And now, the Coastal Commission has scheduled the CDP hearing in San Luis Obispo, which is about a 20-minute drive from Morro Bay, as a means of making it easier for affected City residents and local interested parties to participate. Considering all of the above, the City's efforts to date with regard to public participation and CDP consolidation for the proposed project do not raise any significant environmental justice concerns.

Finally, regarding the environmental justice aspects implicated by the WRF, it is important to keep in mind that the proposed project is meant to serve numerous public and coastal resource benefits for all ratepayers in the City of Morro Bay, including in terms of relocating critical wastewater infrastructure out of a coastal hazards area, of improving water quality through tertiary treatment, and through drinking water security and reliability through water recycling, groundwater replenishment, and indirect potable reuse. All of these components are significant public goods and provide security, resiliency, and adaptation for the entire Morro Bay community in an era of uncertainty brought by climate change. In short, the proposed project will benefit <u>all</u> Morro Bay residents and visitors with essential public goods and further environmental justice principles in this regard.

In conclusion, this proposed project is an important project that meets Coastal At consistency on many fronts—for the protection and enhancement of coastal resources, for providing essential public services to Morro Bay residents and visitors, and for providing adaptation and resiliency in an era of increased hazards exacerbated by climate change. The Commission directed the City to propose a project of this type back in 2013, finding that a project that perpetuated the City's water and wastewater status quo was not appropriate or consistent with the Coastal Act. The City responded to the Commission's directive, and the proposed project is the end result that addresses the Coastal Act concerns previously raised by the Commission in a way that provides a more sustainable wastewater and water supply future for the City. As conditioned, the proposed project is consistent with the Coastal Act, and staff recommends approval of the CDP. The motion to implement this recommendation in found on page 10.

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### APPENDICES

Appendix A – Substantive File Documents Appendix B – Staff Contact with Agencies and Groups

#### **EXHIBITS**

- Exhibit 1 Proposed Project Location Maps and Area Photos
- Exhibit 2 City's Proposed Project Statement and Description
- Exhibit 3 City's Proposed Project Plans and Renderings
- Exhibit 4 City's Alternative Project Site Locations Map
- Exhibit 5 City's Cost Comparison for the WRF and Various Project Site Alternatives
- Exhibit 6 Coastal Commission Staff Comments Regarding WRF and Alternative Site Costs

Exhibit 7 – City's List of WRF Public Meetings and Input Opportunities

#### CORRESPONDENCE

Public Correspondence Received

#### **EX PARTE COMMUNICATION**

# I. MOTION AND RESOLUTION

Staff recommends that the Commission, after public hearing, **approve** a CDP for the proposed development. To implement this recommendation, staff recommends a **YES** vote on the following motion. Passage of this motion will result in approval of the CDP as conditioned and adoption of the following resolution and findings. The motion passes only by affirmative vote of a majority of the Commissioners present.

*Motion:* I move that the Commission *approve* Coastal Development Permit Number 3-19-0463 pursuant to the staff recommendation, and I recommend a *yes* vote.

**Resolution to Approve CDP:** The Commission hereby approves Coastal Development Permit Number 3-19-0463 and adopts the findings set forth below on grounds that the development as conditioned will be in conformity with the policies of Chapter 3 of the Coastal Act. Approval of the permit complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the development on the environment, or 2) there are no further feasible mitigation measures or alternatives that would substantially lessen any significant adverse impacts of the development on the environment.

# **II. STANDARD CONDITIONS**

This permit is granted subject to the following standard conditions:

- 1. Notice of Receipt and Acknowledgment. The permit is not valid and development shall not commence until a copy of the permit, signed by the Permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
- 2. Expiration. If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
- **3.** Interpretation. Any questions of intent of interpretation of any condition will be resolved by the Executive Director or the Commission.
- **4. Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
- **5.** Terms and Conditions Run with the Land. These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

# **III. SPECIAL CONDITIONS**

This coastal development permit is granted subject to the following special conditions:

- 1. Revised Final Plans. PRIOR TO ISSUANCE OF THE CDP, the Permittee shall submit two full size sets of Revised Final Plans with graphic scale to the Executive Director for review and approval. The Revised Final Plans shall be prepared by a licensed professional or professionals (i.e., architect, surveyor, geotechnical engineer, etc.), and shall be based on current professionally surveyed topographic elevations for the entire site. The Revised Final Plans shall be substantially in conformance with the proposed plans (prepared by Black & Veatch (dated February 2019) and dated received in the Coastal Commission's Central Coast District office on June 10, 2019) but shall be modified to achieve compliance with this condition, including that the Revised Final Plans shall show the following required changes and clarifications to the project:
  - a) Water Reclamation Facility (WRF) Approved Development Envelope. All WRF development (including but not limited to buildings, tanks, infrastructure, parking, walkways, fences, etc.) shall be located within the development envelope and in the general configuration shown on Exhibit 1. Development shall be prohibited outside of the approved development envelope except for habitat restoration and enhancement related development (see Special Condition 3 below) and access road related development. All development shall be identified on the Revised Final Plans.
  - b) Water Reclamation Facility Design. The design and appearance of all WRF development shall reflect a rural agricultural theme (i.e., simple and utilitarian lines and materials, including use of board-and-batten siding, corrugated metal, muted earth tone colors, etc.). The plans shall clearly identify all measures that will be applied to ensure such design aesthetic is achieved, including with respect to all structures and all other project elements within view of Highway 1 (including the access road itself, all drainage facilities, curbs, landscaping, screens, signs, etc.). Development shall be sited and designed so as to reduce its visibility from Highway 1 to the maximum extent possible. At a minimum, the plans shall clearly identify all structural elements, materials, and finishes (including through site plans and elevations, materials palettes and representative photos, product brochures, etc.). Development shall be minimized.
  - c) Pump Stations and Related Development Design. All pump stations and all related development, including all power boxes and buildings, shall be sited and designed to limit impacts on public views as much as possible, including through limiting their footprint, siting elements below ground, minimizing the scale of any necessary above-ground elements, limiting above-ground access components (including manhole/hatch entries), using surface treatment and structural design consistent with and compatible with the immediately surrounding environment, limiting lighting to that necessary for public safety, removing non-native invasive plant species and landscaping with appropriate native plant materials (see also Special Condition 1(d)) including so that landscaping can help soften the appearance of any elements that are unavoidably above ground and to ensure seamless connectivity to the surrounding habitat and vegetation as

much as possible.

- d) Landscaping. The Final Revised Plans shall include a landscape plan for the areas surrounding the WRF, pump stations, and other related development, where such landscaping shall be consist of native, non-invasive, and drought-tolerant species that provide appropriate screening and softening of development features in public views as much as possible. The landscape plan shall require all non-native plants on the site to be removed and the site kept free of such plants for as long as any portion of the approved development exists at this site. The landscape plan shall provide that all landscaped areas on the project site shall be maintained in a litter-free, weed-free, and healthy growing condition. No plant species listed as problematic and/or invasive by the California Native Plant Society, the California Invasive Plant Council, or as may be so identified from time to time by the State of California, and no plant species listed as a "noxious weed" by the State of California or the U.S. Federal Government shall be planted or allowed to naturalize or persist on the site.
- e) Lighting Minimized. Exterior lighting shall be wildlife-friendly, shall use lamps that minimize the blue end of the spectrum, and shall be limited to the minimum lighting necessary for pedestrian and vehicular safety purposes. All lighting (exterior and interior) shall be sited and designed so that it limits the amount of light or glare visible from Highway 1 to the maximum extent feasible (including through uses of lowest luminosity possible, directing lighting downward, etc.). The Revised Plans shall be submitted with documentation demonstrating compliance with these lighting requirements.
- **f)** Windows and Other Surfaces. All windows shall be non-glare glass, and all other surfaces shall be similarly treated to avoid reflecting light, and all windows shall be bird-safe (i.e., windows shall be frosted, partially frosted, or otherwise treated with visually permeable barriers that are designed to prevent bird strikes).
- **g**) **Utilities.** The Revised Final Plans shall clearly identify all utilities (e.g., water, stormwater, gas, electrical, telephone, data, etc.) and the way in which they will be connected to inland distribution networks. All such utilities shall be located underground.
- h) Stormwater and Drainage. The Revised Final Plans shall clearly identify all stormwater and drainage infrastructure and related water quality measures (e.g., pervious pavements, etc.), with preference given to natural BMPs (e.g., bioswales, vegetated filter strips, etc.). Such infrastructure and water quality measures shall provide that all project area stormwater and drainage is filtered and treated to remove expected pollutants prior to discharge and directed to existing stormwater inlets/outfalls as much as possible. Infrastructure and water quality measures shall retain runoff from the project onsite to the maximum extent feasible, including through the use of pervious areas, percolation pits and engineered storm drain systems. Infrastructure and water quality measures shall be sized and designed to accommodate runoff from the site produced from each and every storm event up to and including the 85th percentile 24-hour runoff event. In extreme storm situations (i.e., greater than the 85th percentile 24-hour runoff event storm) where such runoff cannot be adequately accommodated onsite through the project's stormwater and drainage infrastructure, any excess runoff shall be conveyed inland offsite in a non-

erosive manner. All drainage system elements shall be permanently operated and maintained, and the plans shall identify all maintenance parameters for all stormwater and drainage infrastructure and related water quality measures, including based on manufacturers recommendations, which shall be provided. At a minimum, all traps/separators and/or filters shall be inspected to determine if they need to be cleaned out or repaired prior to October 15th each year, prior to April 15th each year, and during each month that it rains between November 1st and April 1st. Clean-out and repairs (if necessary) shall be done as part of these inspections. At a minimum, all traps/separators and/or filters must be cleaned prior to the onset of the storm season, no later than October 15th of each year. Debris and other water pollutants removed from filter devices during clean-out shall be contained and disposed of in a proper manner. All inspection, maintenance and clean-out activities shall be documented in an annual report submitted to the City Public Works Department no later than June 30th of each year. It is the Permittee's responsibility to maintain the drainage system in a structurally sound manner and its approved state.

All requirements above and all requirements of the approved Revised Final Plans shall be enforceable components of this CDP. The Permittee shall undertake development in conformance with this condition and the approved Revised Final Plans.

- 2. Construction Plan. PRIOR TO ISSUANCE OF THE CDP, the Permittee shall submit two copies of a preliminary phased Construction Plan for each project component to the Executive Director for review and approval (see also **Special Condition 8** for additional construction requirements for any offshore development within the Pacific Ocean, including all work related to the ocean outfall). The Construction Plan shall, at a minimum, include and provide for the following:
  - a) **Grading.** The Construction Plan shall include a grading plan where site grading shall be limited to the minimum necessary to construct the project.
  - b) Construction Areas. The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view. All such areas within which construction activities and/or staging are to take place shall be minimized to the maximum extent feasible in order to have the least impact on riparian corridors and public views, as well as to employ best management practices (BMPs) to protect water resources onsite and in the surrounding area. Construction (including but not limited to construction activities, and materials and/or equipment storage) is prohibited outside of the defined construction, staging, and storage areas.
  - c) Construction Methods and Timing. The Construction Plan shall specify all construction methods to be used to avoid riparian resources and public view impacts as much as possible, including use of trenchless construction methods and other BMPs as much as possible. Construction work during nighttime is prohibited absent authorization from the Executive Director that such work will not adversely impact coastal resources and if lighting is minimized as identified in **Special Condition 1(e)**.

- d) **Traffic Control Plan.** The Construction Plan shall identify all roads that may be impacted during construction, and shall specify measures to ensure their continued operation and to avoid impacts to adjacent areas, including neighborhoods, businesses, and public recreational access destinations, to the maximum extent feasible, including in terms of potential emergency access and evacuation.
- e) **Property Owner Consent.** The Construction Plan shall be submitted with evidence indicating that the owners of any properties on which construction activities are to take place, including properties to be crossed in accessing the site, consent to such use of their properties.
- f) Best Management Practices. The Construction Plan shall clearly identify all construction BMPs to be implemented during construction, including their location and their specific use parameters. The plan shall also contain provisions for specifically identifying and protecting any natural drainage swales (i.e., with sand bag barriers, filter fabric fences, straw bale filters, etc.) to prevent construction-related runoff and sediment from entering into these natural drainage areas, which ultimately deposit runoff into the Morro Bay Estuary and the Pacific Ocean. Silt fences, straw wattles, or equivalent measures shall be installed at the perimeter of all construction areas. At a minimum, the plan shall also include provisions for stockpiling and covering of graded materials, temporary stormwater detention facilities, revegetation, and restricting grading and earthmoving during rainy/inclement weather. The Plan shall indicate that: (a) dry cleanup methods are preferred whenever possible and that if water cleanup is necessary, all runoff shall be collected to settle out sediments prior to discharge from the site, and that all dewatering operations shall include filtration mechanisms; (b) offsite equipment wash areas are preferred whenever possible; if equipment must be washed onsite, the use of soaps, solvents, degreasers, or steam cleaning equipment shall be prohibited; in any event, such wash water shall be collected and appropriately disposed offsite, and shall not be allowed to enter any natural drainage areas; (c) concrete rinsate shall be collected and appropriately disposed offsite, and shall not be allowed to enter any natural drainage areas; (d) good construction housekeeping shall always be required (e.g., clean up all leaks, drips, and other spills immediately; refuel vehicles and heavy equipment offsite and/or in one designated location; keep materials covered and out of the rain (including covering exposed piles of soil and wastes); dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather); and (e) all erosion and sediment controls shall be in place prior to the commencement of grading and/or construction as well as at the end of each day. Particular care shall be exercised to prevent foreign materials from making their way to natural drainage areas. Contractors shall insure that work crews are carefully briefed on the importance of observing the appropriate construction BMP precautions and reporting any accidental spills and/or other forms of discharge.
- **g**) **Post-Construction.** All construction areas shall be restored to their pre-construction state or better upon completion of work. Where appropriate and feasible, roads/sidewalks impacted by construction shall employ stormwater management infrastructure BMPs, including bioswales, pervious pavers, garbage traps, and vegetative strips.

- h) Construction Site Documents. The Construction Plan shall provide that a copy of the signed CDP and the approved Construction Plan be maintained in a conspicuous location at each construction job site at all times, and that such copies shall be available for public review on request. The signed CDP and approved Construction Plan shall also be retained in the project file at the Commission's Central Coast District office and be available for review by the public on request. All persons involved with the construction shall be briefed on the content and meaning of the CDP and the approved Construction Plan, and the public review requirements applicable to them, prior to commencement of construction.
- i) Construction Manager. The Construction Plan shall provide that a construction manager be designated to be contacted during construction should questions arise regarding the construction (in case of both regular inquiries and emergencies), and that his/her contact information (i.e., address, phone numbers, email address, etc.) including, at a minimum, a telephone number (with message capabilities) and an email that will be made available 24 hours a day for the duration of construction, is conspicuously posted at the job site where such contact information is readily visible from public viewing areas while still protecting public views as much as possible, along with indication that the construction manager should be contacted in the case of questions regarding the construction (in case of both regular inquiries and emergencies). The construction manager shall record the contact information (name, phone number, email, etc.) and nature of all complaints received regarding the construction, and shall investigate complaints and take remedial action, if necessary, within 24 hours of receipt of the complaint or inquiry. Any critical and/or significant complaints and related responses shall be reported to the Executive Director as soon as possible, and all complaints and all actions taken in response shall be summarized and provided to the Executive Director on a weekly basis.
- **j) Construction Specifications.** The construction specifications and materials (including all construction contracts) shall include appropriate penalty provisions to address non-compliance with the terms and conditions of this CDP and the approved Construction Plan, including provisions sufficient to offset the cost of retrieving or cleaning up improperly contained foreign materials, and provisions that require remediation for any work done inconsistent with the terms and conditions of this CDP and the approved Construction Plan.
- **k**) **Notification.** The Permittee shall notify planning staff of the Coastal Commission's Central Coast District Office at least 3 working days in advance of commencement of construction, and immediately upon completion of construction.

All requirements above and all requirements of the approved Construction Plan shall be enforceable components of this CDP. The Permittee shall undertake construction in accordance with this condition and the approved Construction Plan.

**3. Riparian Enhancement Plan.** PRIOR TO OPERATON OF THE WRF, the Permittee shall submit two copies of a Riparian Enhancement Plan (REP) to the Executive Director for review and approval. The REP shall provide for riparian enhancement within the unnamed

creek and riparian area adjacent to the water reclamation facility site as generally shown on page 5 of **Exhibit 1**, where the goal of the REP shall be enhancing and restoring the area to a self-sustaining natural habitat state that can also function to help reduce downstream sedimentation and other pollutant loading. The REP shall be prepared by a qualified restoration ecologist, and shall take into account the specific condition of the site (including soil, exposure, water flows, temperature, moisture, wind, etc.), as well as restoration and enhancement goals. At a minimum, the plan shall provide for the following:

- a) **Baseline.** A baseline assessment, including photographs, of the current physical and ecological condition of the creek and its riparian area, including a map demarcating the physical boundaries of the restoration program.
- **b) Success Criteria.** A description of the goals and measurable success criteria of the REP in light of the primary goal specified above that the REP shall enhance and restore the area to a self-sustaining natural habitat state that can also function to help reduce downstream sedimentation or other pollutant loading, including, at a minimum, the requirement that success be determined after a period of at least three years wherein the creek and its riparian area has been subject to no remediation or maintenance activities other than weeding, and that this condition be maintained in perpetuity.
- c) Non-Native and Invasive Removal. Removal of invasive and non-native plant species and planting of native species of local stock appropriate to riparian corridors in the Morro Bay area. Non-native and/or invasive plant species shall be prohibited. No plant species listed as problematic and/or invasive by the California Native Plant Society, the California Invasive Plant Council, or as may be so identified from time to time by the State of California, and no plant species listed as a 'noxious weed' by the State of California or the U.S. Federal Government shall be planted or allowed to naturalize or persist in the riparian area.
- d) Landscape Screening. The REP shall be coordinated with the Landscape Plan (see also Special Condition 1(d)), including so that riparian area enhancement serves the dual purpose of also helping to provide the required screening if feasible and appropriate consistent with riparian enhancement objectives.
- e) **Hydrologic Inputs.** The REP shall be coordinated with the post-construction drainage and erosion control system (see also **Special Condition 1(h)**), including so that any hydrologic inputs are consistent with riparian enhancement objectives.
- **f**) **Monitoring and Maintenance.** Monitoring and maintenance provisions, including a schedule of the proposed monitoring and maintenance activities to ensure that success criteria are achieved.
- **g) Reporting.** Provision for submission of annual reports of monitoring results to the Executive Director, beginning the first year after initial implementation of the REP and concluding once success criteria have been achieved. Each report shall document the condition of the creek and its riparian habitat with photographs taken from the same fixed points in the same directions, shall describe the progress towards reaching the success

criteria of the REP, and shall make recommendations, if any, on changes necessary to achieve success.

- h) Provision for Possible Further Action. If the final monitoring report indicates that the REP has been unsuccessful, in part or in whole, based on the approved success criteria, the Permittee shall submit within 90 days a revised or supplemental plan to compensate for those portions of the original plan which did not meet the approved success criteria. The Permittee shall implement the revised or supplemental plan as directed by the Executive Director.
- i) **Restoration Completion.** Restoration activities shall commence immediately upon completion of construction of the water reclamation facility, and shall be completed within six months.

The approved REP shall be implemented as directed by a qualified restoration ecologist. All requirements above and all requirements of the approved REP shall be enforceable components of this CDP. The Permittee shall undertake development in accordance with this condition and the approved REP.

- 4. Archaeological Protection. An archaeological monitor qualified by the Native American Heritage Commission shall be present during all ground disturbance (including grading activities), and shall be consulted to provide recommendations for subsequent measures for the protection and disposition of artifacts of historical or cultural significance in the event such artifacts are discovered. In the event that any article of historical or cultural significance is encountered, all activity that could damage or destroy these resources must cease and the Executive Director, the Native American Heritage Commission, and all appropriate local tribal representative(s) (as identified in the project's Cultural Resources Mitigation and Monitoring Program pursuant to EIR Mitigation Measures CUL-1 through 14) must be notified so that the articles may be suitably protected or flagged for future research. Mitigation measures shall be developed in accordance with Native American Heritage Commission and local tribal representative recommendations, and submitted to the Executive Director for review and approval, and such measures shall be required to address and proportionately offset the impacts of the project on such archaeological resources prior to recommencement of construction activity.
- **5.** Agricultural Mitigation Program. PRIOR TO OPERATION OF THE WRF, the Permittee shall submit an Agricultural Mitigation Program to the Executive Director for review and approval. The Program shall specify the measures to be taken to mitigate for project agricultural impacts by providing an agricultural conservation easement over agricultural property of a similar quality as the project site, and of a type that is potentially threatened by urban development, at a ratio of at least 2:1 for the loss of agricultural land associated with the approved project (i.e., the easement must cover at least 30 acres of such agricultural land). The Program may also specify other measures to satisfy this mitigation requirement, including, but not limited to, protecting agricultural lands and operations through measures that facilitate the success of agricultural operations over land of a similar quality/type and amount contemplated to be protected by the agricultural conservation easement (e.g., providing recycled water to serve agricultural operations in lieu of more expensive water

supply options, City policies prohibiting urban growth into agricultural lands, etc.). If the Program identifies other such measures in whole or in part to satisfy this mitigation requirement, then the Executive Director must determine that such alternative measures provide a commensurate amount of mitigation (to the 2:1 conservation easement) to protect agricultural lands and operations in the City of Morro Bay and/or in the closely surrounding area. The agricultural conservation easement shall be recorded in a form and content acceptable to the Executive Director, and/or other acceptable mitigation measures shall be realized, prior to operation of the WRF.

All requirements above and all requirements of the approved Agricultural Mitigation Program shall be enforceable components of this CDP. The Permittee shall undertake development in accordance with this condition and the approved Agricultural Mitigation Program.

6. Recycled Water Management Plan. PRIOR TO CONSTRUCTION OF THE WRF, the Permittee shall submit two copies of a Recycled Water Management Plan (RWMP) to the Executive Director for review and approval. The objective of the RWMP shall be to ensure that the maximum amount of tertiary-treated recycled water is produced, and the maximum amount of such water is used for beneficial reuse purposes, including injected underground in locations that will maximize its ability for groundwater replenishment and indirect potable reuse, including over the long term and taking into account potential sea level rise and increased aquifer seawater intrusion, and replacing existing potable water use with recycled water use where feasible and appropriate, including with respect to both urban and agricultural reuse (see also Special Condition 5). In addition, the Plan shall ensure that the sites designated for injection of treated wastewater are designed to maximize the long-term health and sustainability of groundwater and surface water and related resources (including wetlands, streams, creeks, lakes, riparian corridors, marshes, etc.) as much as possible, including with respect to potential sea level rise and increased aquifer seawater intrusion.

All requirements above and all requirements of the approved RWMP shall be enforceable components of this CDP. The Permittee shall undertake development in accordance with this condition and the approved RWMP.

7. Wastewater Treatment Plant Removal and Restoration Plan. PRIOR TO OPERATON OF THE WRF, the Permittee shall submit two copies of a Wastewater Treatment Plant Removal and Restoration Plan to the Executive Director for review and approval. The Plan shall indicate how the existing wastewater treatment plant located at 160 Atascadero Road will be decommissioned and demolished, including through removal of all plant components (e.g., buildings, fences, storage tanks, etc.), and the site restored to a safe and level configuration roughly matching the surrounding areas. The WWTP site shall be restored within one year of WRF and Cayucos CSD operation.

All requirements above and all requirements of the approved Wastewater Treatment Plant Removal and Restoration Plan shall be enforceable components of this CDP. The Permittee shall undertake development in accordance with this condition and the approved Wastewater Treatment Plant Removal and Restoration Plan. 8. Outfall Assessment Plan. PRIOR TO THE COMMENCEMENT OF ANY MARINE DEVELOPMENT, INCLUDING ANY OFFSHORE DEVELOPMENT ON THE OCEAN OUTFALL, the Permittee shall submit two copies of an Outfall Assessment Plan to the Executive Director for review and approval. The Plan shall specify the procedures for undertaking a complete inspection of the existing outfall line from the existing wastewater treatment plant connection point to the outfall line's termination point in the ocean so as to assess its integrity and long-term functioning, and to replace diffusers and remove sediment buildup as necessary, all prior to operation of the new WRF facility. The Plan shall also identify construction best management practices to avoid adverse impacts to coastal water quality to the maximum extent feasible.

At a minimum, the Plan shall include the following coastal water quality and marine habitat protection elements, and shall be implemented consistent with vessel and worker safety:

- a) Prior to the start of offshore activities the Permittee shall provide awareness training to all Project-related personnel and vessel crew, including viewing of an applicable wildlife and fisheries training video regarding the most common types of marine wildlife likely to be encountered in the Project area and the types of activities that have the most potential for affecting such wildlife.
- b) A minimum of two qualified marine mammal observers shall be located on the derrick barge or other nearby project vessel to conduct observations, with two observers on duty during all outfall inspection and maintenance activities. The Plan shall identify any scenarios that require an additional observer on the barge or other Project vessel and, in these cases, make recommendations as to where this person should be placed to ensure complete coverage of the surrounding marine environment.
- c) Shipboard observers shall submit a daily sighting report to the Executive Director no later than noon the following day that shall be of sufficient detail to determine whether observable effects to marine mammals are occurring.
- **d**) The observers shall have the appropriate safety and monitoring equipment adequate to conduct their activities (including night-vision equipment, when applicable).
- e) The observers shall have the authority to temporarily halt any project activity that could result in harm to a marine mammal, sea turtle or other special status species, and to suspend those activities until the animals have left the area. For monitoring purposes, the observers shall establish a 1,640-foot (500-meter) radius avoidance zone around the derrick barge and other Project vessels for the protection of large marine mammals (i.e., whales) and a 500-foot (152-meter) radius avoidance zone around the derrick barge and other Project vessels for the protection of smaller marine mammals (i.e., dolphins, sea lions, seals, etc.) or sea turtles.
- f) In the event that a whale becomes entangled in any cables or lines (e.g., vessel mooring lines), the observer shall immediately notify the National Marine Fisheries Service (NMFS) and the Executive Director, so appropriate response measures can be implemented. Similarly, if any take occurs, as that term is defined in the Federal Endangered Species Act, including to a marine mammal or sea turtle, the observer shall

immediately notify the Executive Director, NMFS and any other required regulatory agency.

- **g**) Propeller noise and other noises associated with pipeline removal and other decommissioning activities shall be reduced or minimized to the maximum extent feasible.
- h) In addition to onsite monitoring, the Plan shall describe measures to be taken during the transit of project vessels and equipment to the project site in order to minimize the risk of collisions with marine mammals and/or sea turtles. Such measures shall include, but are not limited to, restrictions on vessel speed.
- i) The captain of the derrick barge and the Permittee's project management team shall be responsible for ensuring that the Plan is implemented.
- **j**) A final report summarizing the results of monitoring activities shall be submitted to the Executive Director and other appropriate agencies no more than 90 days following completion of pipeline removal and other offshore activities. The report shall include: (a) an evaluation of the effectiveness of monitoring protocols and (b) reporting of (i) marine mammal, sea turtle, and other wildlife sightings (species and numbers); (ii) any wildlife behavioral changes; and (iii) any project delays or cessation of operations due to the presence in the project area of marine wildlife species subject to protection.
- k) There shall be no marine discharge of sewage or bilge/ballast water from project vessels during offshore project activities. A zero-discharge policy shall be adopted for all project vessels. All sediment from the outfall shall be collected and disposed of at an inland location. No discharge of any kind is allowed into marine waters.

The Plan shall also include provisions documenting the feasibility of outfall removal in the future, including defining triggers for when the outfall is no longer needed for effluent discharge, including full effluent beneficial reuse or through inland discharge.

All requirements above and all requirements of the approved Outfall Assessment Plan shall be enforceable components of this CDP. The Permittee shall undertake the outfall line assessment in accordance with this condition and the approved Outfall Assessment Plan.

- **9.** Wastewater Service Boundary. Wastewater service to properties outside of the City's wastewater service area as shown in page 14 of Exhibit 3 shall be prohibited without an amendment to this CDP. Expanded service area through a CDP amendment shall be prohibited unless, at a minimum, such expanded wastewater services will not lead to adverse coastal resource impacts, including that such amendment will not induce development growth within the County or the City inconsistent with either respective LCP, as applicable.
- **10. Coastal Hazards Risk**. By acceptance of this CDP, the Permittee acknowledges and agrees, on behalf of itself and all successors and assigns:
  - a) **Coastal Hazards.** That the site of certain project components (including pump stations and pipelines near the shoreline and at low-lying elevations, and including the ocean

outfall) is subject to coastal hazards including but not limited to episodic and long-term shoreline retreat and coastal erosion, high seas, ocean waves, storms, tsunami, tidal scour, coastal flooding, liquefaction, sea level rise, and the interaction of same.

- **b) Assume Risks.** To assume the risks to the Permittee and the property that is the subject of this CDP of injury and damage from such coastal hazards in connection with this permitted development.
- c) Waive Liability. To unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such coastal hazards.
- d) Indemnification. To indemnify and hold harmless the Coastal Commission, its officers, agents, and employees with respect to the Commission's approval of the development against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any injury or damage due to such coastal hazards.
- e) **Property Owners Responsible.** That any adverse effects to property caused by the permitted development shall be fully the responsibility of the Permittee and/or property owners.
- **11. Coastal Hazards Response**. By acceptance of this CDP, the Permittee acknowledges and agrees, on behalf of itself and all successors and assigns, that the intent of this approval is to allow for the approved project to be constructed and used consistent with the terms and conditions of this CDP for only as long as project components remain safe for use without additional measures beyond ordinary repair and/or maintenance as that term is defined in Section 30610(d) of the Coastal Act (including sealing and waterproofing repair and/or maintenance that does not involve extraordinary measures as that term is defined in Section 13252(a) of the Commission's regulations) and without reliance on a shoreline protective device or devices to protect them from coastal hazards. In lieu of shoreline protective devices, the intent of the CDP is that any project components that are threatened by coastal hazards shall require a CDP amendment to modify and/or relocate the threatened project components inland and away from the coastal hazards threat. By acceptance of this CDP, the Permittee agrees to waive any rights that it may have under Coastal Act Section 30235, the City's LCP, or other applicable laws, to shoreline protective devices to protect the development authorized by this CDP.
- **12. Public Rights.** By acceptance of this CDP, the Permittee acknowledges and agrees, on behalf of itself and all successors and assigns, that the Coastal Commission's approval of this CDP shall not constitute a waiver of any public rights that may exist on the properties involved. The Permittee shall not use this CDP as evidence of a waiver of any public rights that may exist on the properties now or in the future.
- **13. Other Authorizations.** PRIOR TO CONSTRUCTION OF THE WRF, the Permittee shall provide to the Executive Director written documentation of authorizations from the Central Coast Regional Water Quality Control Board, the State Water Resources Control Board, the

California Department of Fish and Wildlife, the California State Lands Commission, the National Marine Fisheries Service, and the U.S. Army Corps of Engineers, or evidence that no such authorizations are required. The Permittee shall inform the Executive Director of any changes to the project required by any other such authorizations. Any such changes shall not be incorporated into the project until the Permittee obtains a Commission amendment to this CDP, unless the Executive Director determines that no amendment is legally required.

- 14. Minor Changes. The Permittee shall undertake development in conformance with the terms and conditions of this CDP, including with respect to all Executive Director-approved plans and other materials, which shall also be enforceable components of this CDP. Any proposed project changes, including in terms of changes to identified requirements in each condition, shall either (a) require a CDP amendment, or (b) if the Executive Director determines that no amendment is legally required, then such changes may be allowed by the Executive Director if such changes: (1) are deemed reasonable and necessary; and (2) do not adversely impact coastal resources.
- **15. Future Permitting.** All future proposed development related to this CDP shall require a new CDP or a CDP amendment that is processed through the Coastal Commission, unless the Executive Director determines a CDP or CDP amendment is not legally required.
- 16. Indemnification by Permittee/Liability for Costs and Attorneys' Fees. By acceptance of this CDP, the Permittee agrees to reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys' fees including (1) those charged by the Office of the Attorney General, and (2) any court costs and attorneys' fees that the Coastal Commission may be required by a court to pay that the Coastal Commission incurs in connection with the defense of any action brought by a party other than the Permittee against the Coastal Commission, its officers, employees, agents, successors and/or assigns challenging the approval or issuance of this CDP. The Coastal Commission retains complete authority to conduct and direct the Commission's defense of any such action against the Coastal Commission, its officers, employees, agents, successors and/or assigns.

# IV. FINDINGS AND DECLARATIONS

### A. PROJECT LOCATION, BACKGROUND, AND DESCRIPTION

#### Project Location and Background

The City of Morro Bay is a seaside town of roughly 10,000 residents located along the central coast of California in San Luis Obispo County. The City was incorporated in 1964 and covers roughly five square miles, with the more urban portion of the community nearest to Morro Bay and the Pacific Ocean surrounded by open agricultural hills and Morro Bay State Park's protected parkland, coastal beaches, and the Morro Bay Estuary. The City's Department of Public Works provides wastewater services, and the wastewater service area is coincident with the City limit (see **Exhibit 1** for location maps and photos of the Morro Bay area, and page 14 of **Exhibit 3** for a map of the City's wastewater service boundary).

The existing Morro Bay-Cayucos Wastewater Treatment Plant (WWTP) is located at 160 Atascadero Road in Morro Bay and is jointly owned and operated by the City and the Cayucos Sanitary District (CSD). The WWTP was originally built in 1954 and provides wastewater treatment services to the City and to the unincorporated community of Cayucos some six miles to the north (see Exhibit 1 for photos of the existing WWTP). The City's proposed Water Reclamation Facility (WRF) is proposed to be located adjacent to the City in an unincorporated portion of the County on a 15-acre portion of an approximately 396-acre parcel along Highway 1, just north of the northern terminus of South Bay Boulevard. Other project components, including new pipelines, pump stations, and injection wells, will be located within the City, and the ocean outfall portion of the project extends from the shoreline of the City some 2,900 feet offshore in the Pacific Ocean. Specifically, the collection system modifications include two new lift stations, one adjacent to the existing WWTP in a City corporation yard and one located at the corner of Highway 1 and Main Street on a City-owned parcel. Multiple pipelines running along an alignment between the existing WWTP and the WRF site are also proposed, including two pipelines to convey raw wastewater from the two new pump stations to the WRF, a waste discharge pipeline to convey brine/excess treated wastewater to the existing ocean outfall, and a pipeline to convey WRF-purified water to groundwater injection locations in the City. See locations of all proposed project components in Exhibits 1 and 3.

The existing WWTP was built before modern State and Federal water quality standards were in place, and does not meet federal Clean Water Act (CWA) standards for full secondary treatment. Instead, the WWTP has been operating under a CWA waiver<sup>8</sup> for full secondary treatment requirements for biochemical oxygen demand and total suspended solids since 1984. In 2018, the City received a time schedule order (TSO) from the Central Coast Regional Water Quality Control Board (Regional Board) requiring compliance with full secondary treatment requirements by February 28, 2023.

Because of the age of the existing WWTP, its failure to meet core CWA water quality standards, and possibility of fines/penalties if the City fails to meet the Regional Board's TSO mandating CWA compliance by 2023, the City has been pursuing a new upgraded wastewater treatment

<sup>&</sup>lt;sup>8</sup> Pursuant to Clean Water Act Section 301(h).

facility for over a decade. The City and the CSD initially proposed to redevelop the WWTP at its current site at 160 Atascadero Road, and the City approved a CDP for same in 2011. However, the City's CDP approval was appealed to the Coastal Commission by eleven different parties (Appeal Number A-3-MRB-11-001), with the Commission finding "Substantial Issue" and taking jurisdiction over the CDP application in March 2011. Following significant back and forth between the City and Commission staff, particularly regarding potential project alternatives, in January 2013 the Commission denied a CDP for the City's redevelopment-in-place proposal on the basis of LCP inconsistencies with respect to avoiding coastal hazards, land use priorities, recycled water provisions, and public view protections. The Commission adopted findings for its denial, including those set forth in the summary of the adopted staff report:

The first issue raised by the proposed project is that a new WWTP is not an allowed use under the LCP's zoning at its existing location. The existing WWTP is a non-conforming use under the LCP's certified light-industrial zoning of the site, and construction of a new WWTP on this site is not an allowable use and is therefore inconsistent with the LCP. At a minimum, approval of a new WWTP at the proposed location would first require that the LCP be amended to allow such a use. However, given that the site is located in a prime visitor-serving redevelopment opportunity area for the City, and given the other constraints to WWTP development at this location, it is not clear that such an LCP amendment would be appropriate.

Second. with respect to coastal hazards, the WWTP site is located in a tsunami run-up zone in an area that would also be inundated in a 100-year storm event through flooding (associated with Morro Creek), which could be exacerbated by dune migration and sealevel rise over time. The project proposes to address these issues by elevating the new WWTP on roughly four acres of fill up to seven and a half feet high, estimated by the Applicant to amount to approximately 35,000 cubic yards of fill (equivalent to approximately 3,500 large truckloads of fill soil). The LCP requires that risks from coastal hazards be minimized, and appears to contemplate flood elevation as a means to do that in certain circumstances. However, given the significant potential flooding at this location, and the uncertainty of future long-term risks over the potential life of the project, staff does not believe that siting a large public infrastructure project in a flood zone by using a such a large fill slope, instead of siting the WWTP out of a hazardous area, is consistent with the LCP (including with LCP policies requiring that projects with excessive grading be denied, and with policies designed to maximize protection of the existing landform by fitting development to existing topography and natural grade). In a 100-year flooding event, the WWTP would be an island, and in a tsunami, it would be under water; neither of which conservatively minimize hazard risk as required by the LCP.

The WWTP project would produce tertiary treated wastewater, but it only includes a small reclamation component, one that is designed to use only a portion of the reclaimed water that could potentially be produced. The vast majority of the treated wastewater would be discharged to the ocean via the existing WWTP ocean outfall that extends some 2,900 feet into the ocean. The City's LCP not only requires the project to include reclamation, but also requires protection and enhancement, where feasible, of Morro and

Chorro groundwater basins, as well as coastal streams, wetlands, and related freshwater resources. Read as a whole, the LCP thus directs a WWTP project to maximize reclamation so that such recycled water can be made available to both offset potable water use as well as to enhance freshwater resources (e.g., through use for agricultural irrigation, urban landscaping, groundwater replenishment, etc.). These concerns are especially important given that the City receives much of its water from the State Water Project and reclamation would provide an important contingency in the event that such water transfers are suspended, reduced, or otherwise impacted (e.g., increase in costs, etc.).

Finally, the WWTP site is located in an LCP-designated sensitive view area between Highway 1 and Morro Rock. The LCP requires the scenic and visual qualities of the coast to be protected and where feasible enhanced, and requires development to be sited and designed to protect views to and along the ocean and other coastal areas. The new WWTP would be in a similar location as the plant to be demolished, but would be taller, including because it would be elevated on a fill slope above flood levels. Although the development pattern and area of the WWTP is not currently significantly visually sensitive, given that this is a non-conforming use and the area could potentially be redeveloped to connect upcoast Morro Bay with the Embarcadero as a visitor-serving and public recreational access unit, the development of such a facility is problematic from a visual perspective as well.

In short, the proposed project is inconsistent with the City's LCP, including policies related to allowable uses and land use priorities, hazard avoidance and response, sustainable public infrastructure, and public viewshed protection, where these inconsistencies are largely related to the Applicant's chosen site; a site that is identified by the LCP for lower intensity industrial development than a WWTP, such as coastal-dependent commercial fishing related uses...

In short, the Commission denied the proposed redeveloped WWTP because it did not conform with the allowable uses and land use priorities for the site in question designated under the LCP, and because such critical public infrastructure would be subject to the significant projected risks and uncertainties from coastal hazards, including because the site is located at the confluence of Morro Creek and the ocean. Furthermore, rebuilding in place would result in a critical lost opportunity for adaptation in the face of climate change, including in terms of both relocating essential public infrastructure away from coastal hazard risk areas as well as in terms of providing a new sustainable water source for the community.

Following the CDP denial and in response to the Commission's direction to the City and the CSD on the appropriate path to upgraded wastewater and water reclamation functions, the City began to study alternative site locations outside of the existing WWTP site inland and away from coastal hazard risk. From 2013 to the beginning of 2014, the City led a public community outreach process that sought to define project goals to guide the planning and design for a new wastewater facility. Some of the developed criteria included compliance with CWA treatment/effluent standards, distance to the City's existing sewer collection system, avoidance
of coastal hazards, potential noise/visual/smell impacts on adjacent neighborhoods, and sustainable use of public resources.

Based on these criteria, the City developed five comparative siting studies between 2013 and 2017, narrowing a total of 17 identified potential siting location options down to four: the Rancho Colina and Righetti sites, both in the Morro Valley off Highway 41; the Giannini site, located in the coastal foothills just east of and overlooking the City; and Tri-W site (now called the South Bay Boulevard site) in the Chorro Valley off Highway 1 (see **Exhibit 4** for these sites). By this time as well, the City and the CSD had decided to pursue different wastewater and water reclamation projects,<sup>9</sup> and the City's efforts focused on finding a suitable site to build a wastewater facility to serve its residents only.

In April 2016, the City Council directed further investigation of the four above-mentioned sites to address a variety of neighborhood compatibility and cost concerns, and officially developed the following project goals and objectives:

- Produce tertiary, disinfected water in accordance with Title 22<sup>10</sup> requirements for unrestricted urban irrigation in a cost-effective manner for all ratepayers.
- Design to be able to produce reclaimed wastewater for potential users, which could include public and private landscape areas, agriculture, or groundwater recharge. A master water reclamation plan should include a construction schedule and a plan for bringing on recycled water customers in a cost-effective manner.
- Allow for onsite composting.
- Design for energy recovery.
- Design to treat contaminants of emerging concern in the future.
- Design to allow for other possible municipal functions at the site (i.e., City corporation yard, as well as other potential uses such as a public park and education center).
- Ensure compatibility with neighboring land uses.
- Have a new WRF operational within five years.

In June 2016, the City selected the Tri-W/South Bay Boulevard site as the one that best met the Council's identified goals as well as the Commission's direction, including because it offered a site away from the shoreline and eliminated coastal hazards risk, would be located away from existing neighborhoods and thus avoided potential community impacts, and therefore offered a safe location for a long-term investment in critical public infrastructure. With a location selected,

<sup>&</sup>lt;sup>9</sup> In April 2015, the CSD decided to pursue an independent path from the City to build its own new wastewater and water reclamation facility located outside the coastal zone. The CSD's Cayucos Sustainable Water Project, a new 340,000-gallon-per-day tertiary-treated wastewater treatment and water reclamation facility, broke ground in 2018 and is currently under construction at an inland location out of harm's way nearer to Cayucos, where that plant is likewise designed to help Cayucos reach water supply sustainability through reclamation.

<sup>&</sup>lt;sup>10</sup> Title 22 refers to California's water quality laws/standards.

the City began undertaking more detailed planning analyses, including in terms of recycled water elements, engineering, and cost.

### **Project Description**

The proposed project can be broken down into the following components:

- Subdivision of an existing privately-owned 396-acre parcel into a 27.6-acre parcel to be owned by the City and a 368.4-acre parcel to remain in private ownership for continued grazing/agricultural use.
- Construction of a new 0.97 million-gallon-per-day (MGD) water reclamation facility (WRF) on 15 acres of the newly created City-owned parcel designed to treat wastewater to a tertiary level.<sup>11</sup>
- Construction of conveyance infrastructure, including pipelines carrying untreated wastewater to the WRF and pipelines carrying treated water away from the WRF, and two pump stations (one at an existing City corporation yard at 170 Atascadero Road and the other on a City-owned lot at the intersection of Main Street and Highway 1, both in the City of Morro Bay).
- Injection of treated water underground for future productive use, a process called indirect potable reuse (IPR), via a new series of up to eight injection wells located at various locations within the lower Morro Valley, including adjacent to Lila Keiser Park, all in the City of Morro Bay.
- Decommissioning and demolition of the existing WWTP upon WRF operation, and restoration of the WWTP site.
- Use, inspection, and maintenance/repairs/upgrades to the existing ocean outfall.
- Operation of the new water reclamation facility and overall system, including groundwater injection and other related components, moving forward.

Each of these proposed project components is described more fully below.

### Subdivision

The City proposes to site the new WRF on a portion of an existing 396-acre parcel located outside the City limits in unincorporated San Luis Obispo County. The parcel is located just north of the intersection of Highway 1 with South Bay Boulevard, and is locally known as the "Tri-W" site. The parcel is designated Agriculture pursuant to the County's LCP, and is currently used as non-irrigated rangeland for grazing. As proposed, the parcel would be subdivided into two parcels, one 27.6-acre parcel nearest the highway to be owned by the City,<sup>12</sup> with the remaining 368.4-acre parcel to remain in private ownership for continued grazing/agricultural use. See page 13 of **Exhibit 3** for the proposed subdivision map.

<sup>&</sup>lt;sup>11</sup> Tertiary refers to a treatment process whereby wastewater is chemically treated in a manner to disinfect pathogenic microorganisms and viruses, thereby allowing for potential potable use. It is also sometimes referred to as "advanced treatment" since it exceeds the CWA standard secondary treatment requirements.

<sup>&</sup>lt;sup>12</sup> The City plans to annex this property into the City's limits in the future following approval of the WRF.

### Water Reclamation Facility

The WRF is proposed to be built on 15 acres of the subdivided 27.6-acre City parcel, and is designed to provide tertiary treatment for wastewater produced within the City's service area, which is coincident with existing City limits (i.e., the City currently only provides wastewater service for development within its City limits). The WRF will be sized to treat a maximum average annual daily flow rate of 0.97 MGD and a peak wet-weather flow of 8.14 MGD. The facility design includes modern wastewater treatment operations, including primary treatment via influent screening and grit removal, secondary treatment through biological means, and tertiary treatment via a membrane bioreactor, reverse osmosis and ultraviolet disinfection with an advanced oxidation process. Solid residuals from the secondary and tertiary processes would be mechanically dewatered and disposed of offsite, and liquid residuals (as well as tertiary treated water that is not otherwise used) would be directed through the ocean outfall approximately 2,900 feet offshore. The site will also house related buildings, an access road, and parking. See **Exhibit 3** for plans for the WRF.

### **Conveyance Pipelines and Pump Stations**

Two new pipelines (one 12 inches in diameter and the other 16 inches in diameter) will convey raw wastewater from the existing collection system (which currently flows to the existing WWTP site) and, through two new pump stations,<sup>13</sup> will redirect such flows to the new WRF. In addition, a new 8-inch-diameter pipeline is proposed to convey treated water from the WRF to new injection wells located in the Morro Valley, and a proposed new 16-inch waste discharge pipeline will convey brine (and/or treated flows that cannot be injected for reuse) to the ocean outfall. The proposed pipeline route is approximately 3.6 miles and travels east from a new pump station located within an existing City-owned corporation yard along Atascadero Road, venturing south within the California Department of Transportation (Caltrans) right-of-way (ROW) around Lila Keiser Park before following an existing parkway/bike path across Morro Creek. It would continue southeast along the Main Street ROW until it joins and follows Quintana Road. Continuing in a southeast direction on Quintana Road, the pipelines would pass through the street crossings of Kennedy Way, Morro Bay Boulevard, then Kings Avenue, Bella Vista Drive, and La Loma Avenue to South Bay Boulevard. The proposed alignment then runs north on South Bay Boulevard, crosses under Highway 1 at the interchange overpass, and would continue north towards the proposed WRF site. With the exception of a new pipe bridge crossing over Morro Creek, the pipelines will be located underground. See page 7 of **Exhibit 1** for the locations and specifications of the proposed pipelines and pump stations, and pages 10 and 11 of **Exhibit 3** for the location of the pump stations (shown as "PS-B" and PS-A," respectively).

## **Recycled Water Program**

One of the proposed project's goals is to enhance the City's water supply portfolio. The proposed end use for recycled water produced at the WRF is indirect potable reuse (IPR), which would involve groundwater replenishment in the Morro Valley (see map of proposed locations on page 12 of **Exhibit 3**) via up to eight new injection wells. Once injected underground,<sup>14</sup> the City

<sup>&</sup>lt;sup>13</sup> One located in an existing City corporation yard on Atascadero Road and another located on Main Street at its intersection with Highway 1.

<sup>&</sup>lt;sup>14</sup> As discussed in more detail subsequently, recycled water must be underground for at least two months before it can be used for potable consumption purposes, per the requirements of the California Department of Public Health.

would use its existing infrastructure to extract the water and deliver it to Morro Bay residents as part of the City's water supply portfolio for unrestricted residential, commercial, and industrial use. The City indicates that approximately 825 acre feet per year (AFY) of purified water would be injected into the aquifer, and use of such water would meet approximately 80 percent of the City's potable water demand.

The injection wells would be located within various locations within the Morro Valley, including the Narrows, which is the area on the eastern end of the City along Highway 41 where Morro Creek and Little Morro Creek converge (also known as the IPR-East location), and an area west of Highway 1 near the City's existing corporation yard and Lila Keiser Park (identified as IPR-West). Injection wells would be located on vacant lands owned by the City or within the City ROW, and each would be enclosed with fencing and have footprints of approximately 200 square feet each. Once injected into the groundwater basin, the water would be extracted for potable use and domestic consumption using the City's existing extraction wells and storage, distribution, pumping, and delivery facilities.

### Wastewater Treatment Plant Decommissioning

Once the WRF (and the Cayucos CSD's wastewater facility) is operational and the existing WWTP is no longer needed, the City proposes to decommission and demolish it, and restore the site, leaving the site available for future uses. See **Exhibit 1** for the location and photos of the existing WWTP, and see **Exhibit 2** for the City's decommissioning, demolition, and restoration proposal.

### **Ocean Outfall**

The City and the CSD currently jointly own and use an ocean outfall that extends from the existing WWTP and passes under sand dunes and the beach and then extends some 2,900 feet into the ocean to discharge partially secondary-treated wastewater. The City would continue to use the outfall for discharge of brine (i.e., byproducts of tertiary treatment) and any excess tertiary-treated wastewater that cannot be injected underground.<sup>15</sup> Discharge water quality will be in accordance with applicable California Ocean Plan discharge requirements promulgated by the State Water Resources Control Board (State Water Board). To better accommodate the discharge, the City proposes to clean and replace 28 of the outfall's 34 existing diffusers that suffer from an estimated 30 cubic yards of sediment buildup. To do so, they will first conduct a condition-and-hydraulic assessment of the outfall, where divers will visually inspect the outfall's exterior, measure pipe thickness, identify any coating defects, and use a remotely operated vehicle to video the inside of the outfall to both quantify and characterize the sediment that must be removed. The City will then clean out and maintain the outfall, including through replacement of the diffusers if necessary, where such work would be staged from a barge offshore with no disturbance of the dunes, beach, or surf zone. All sediment removed from the outfall would be pumped onto the barge, transported to land, and disposed of at an appropriate inland location. See page 7 of Exhibit 1 for the location of the existing outfall and the City's proposed assessment, maintenance and repair/upgrade plans for the outfall.

<sup>&</sup>lt;sup>15</sup> Note that the CSD's WRF under construction would also use the outfall for disposal of brine and excess tertiary water, but the CSD is also currently looking at alternative discharge arrangements nearer to Cayucos.

# **B. STANDARD OF REVIEW**

If a CDP for a particular development is needed from both the Commission and a local government or governments with a certified LCP, Coastal Act Section 30601.3 allows the Commission to act on a single consolidated CDP (with the policies of Chapter 3 of the Coastal Act as the standard of review, and the certified LCPs as non-binding guidance), as long as the Commission's Executive Director, the local governments, and the applicant agree to such consolidation and if public participation would not be substantially impaired. In this case, the proposed project is located within three CDP permitting jurisdictions: the new WRF is located within unincorporated San Luis Obispo County subject to the County's LCP; the proposed pipelines, pump stations, injection wells, and the existing Plant are all located within the City of Morro Bay and subject to the City's LCP; and the existing ocean outfall is located within the Commission's original/retained jurisdiction and subject to the Coastal Act. All parties agreed (including through two affirmative votes by the Morro Bay City Council and the San Luis Obispo County Board of Supervisors) to consolidate the CDP application, and thus the standard of review for this consolidated CDP application is the policies of Chapter 3 of the Coastal Act. See additional discussion about the consolidation process in the Environmental Justice section of this report.

# **C. AGRICULTURAL RESOURCES**

## Applicable Policies

Sections 30241, 30242, and 30250 of the Coastal Act require the protection of agricultural lands within the coastal zone by, among other means, requiring that the maximum amount of prime agricultural land be maintained in agricultural production, that lands suitable for agricultural use not be converted to non-agricultural uses unless continued agricultural use is infeasible, and by otherwise requiring new development to be located within existing developed areas without adverse impacts to coastal resources, which include agriculture.

Section 30241. The maximum amount of prime agricultural land shall be maintained in agricultural production to assure the protection of the areas' agricultural economy, and conflicts shall be minimized between agricultural and urban land uses through all of the following:

- (a) By establishing stable boundaries separating urban and rural areas, including, where necessary, clearly defined buffer areas to minimize conflicts between agricultural and urban land uses.
- (b) By limiting conversions of agricultural lands around the periphery of urban areas to the lands where the viability of existing agricultural use is already severely limited by conflicts with urban uses or where the conversion of the lands would complete a logical and viable neighborhood and contribute to the establishment of a stable limit to urban development.
- (c) By permitting the conversion of agricultural land surrounded by urban uses where the conversion of the land would be consistent with Section 30250.

- (d) By developing available lands not suited for agriculture prior to the conversion of agricultural lands.
- (e) By assuring that public service and facility expansions and nonagricultural development do not impair agricultural viability, either through increased assessment costs or degraded air and water quality.
- (f) By assuring that all divisions of prime agricultural lands, except those conversions approved pursuant to subdivision (b), and all development adjacent to prime agricultural lands shall not diminish the productivity of such prime agricultural lands.

Section 30242. All other lands suitable for agricultural use shall not be converted to nonagricultural uses unless (1) continued or renewed agricultural use is not feasible, or (2) such conversion would preserve prime agricultural land or concentrate development consistent with Section 30250. Any such permitted conversion shall be compatible with continued agricultural use on surrounding lands.

Section 30250. New residential, commercial, or industrial development, except as otherwise provided in this division, shall be located within, contiguous with, or in close proximity to, existing developed areas able to accommodate it or, where such areas are not able to accommodate it, in other areas with adequate public services and where it will not have significant adverse effects, either individually or cumulatively, coastal resources. In addition, land divisions, other than lease for agricultural uses, outside existing developed areas shall be permitted only where 50 percent of the usable parcels in the area have been developed and the created parcels would be no smaller than the average size of surrounding parcels.

To protect the agricultural economy and to minimize conflicts between agricultural and other uses, Coastal Act Section 30241 identifies a series of measures, including establishing stable urban-rural boundaries, providing agricultural buffers, ensuring that non-agricultural development is directed first to lands not suitable for agriculture or to transitional lands on the urban-rural boundary, ensuring that adjacent development does not diminish agricultural productivity, restricting land divisions, and controlling public service or facility expansions. Other lands suitable for agricultural use and productivity of soils and timberlands are to be protected as well, with certain exceptions. These requirements are implemented in order to protect an area's agricultural economy, minimize conflicts between agricultural uses and other land uses, and concentrate development in and around existing developed areas. For example, non-prime agricultural lands often physically buffer the more valuable prime agricultural lands from conflicts with other uses. Thus, protection of non-prime agricultural lands also serves to protect agricultural production on prime lands. Conversion and fragmentation of any agricultural land not only diminishes opportunities for economies of scale, but also increases the exposure of the remaining farm operations to conflicts with nearby urban users over such matters as noise, odor, pesticide use, smoke, and animals.

Conversions of agricultural lands to non-agricultural uses are only allowed under limited circumstances, such as when they are surrounded by urban uses. Conversions of agricultural

lands around the periphery of urban areas may occur only where the viability of agricultural is severely limited or where conversion would complete a logical and viable neighborhood and contribute to a stable urban limit. Pursuant to Coastal Act Section 30242, conversions of "other lands suitable for agricultural use" (i.e., conversions other than those governed by Coastal Act Section 30241) are allowed only when continued or renewed agricultural use is infeasible, when they would preserve prime land, or where they would concentrate development.

Finally, Coastal Act Section 30250, cited in Sections 30241 and 30242, also protects rural agricultural lands by directing that new development be located in existing developed areas able to accommodate it and by requiring that land divisions outside of urban areas, other than for agricultural leases, not result in parcel sizes that can compromise agricultural viability.

## Proposed Project and Analysis

The fertile soils, moderate climate, and groundwater resources of San Luis Obispo County allow it to have unique, diverse, and valuable agricultural resources. From grazing/rangelands to rich irrigated croplands, agriculture is a significant part of the County's economy. According to the project's EIR, the gross value of the County's agricultural production for 2016 totaled nearly a billion dollars (\$914,724,000), an increase of ten percent from the previous year driven primarily by increases in production of wine grapes, strawberries, and avocados. The Chorro Valley, a long east-west valley extending from the Pacific Ocean through the City of San Luis Obispo, contains substantial areas of agricultural use, including grazing land along its gentle rolling hillsides north of Highway 1.

The WRF project site is located within the hillsides overlooking the Chorro Valley (as shown in **Exhibit 1**), and the site is currently used for grazing. According to the project's EIR:

The proposed WRF site is underlain by Cropley clay soils, which consist of clay overlying silty clay loam that is typically found at a depth of 36 to 60 inches (JFR Consulting, 2016). Those soils are designated by the Natural Resources Conservation Science (NRCS) as prime farmland if irrigated. Historically, that portion of the project area and its adjacent land has been used for rangeland and has not been irrigated (JFR Consulting, 2013). Currently, the WRF site is not irrigated. As a result, the property in which the proposed WRF is located on does not support Prime Farmland (JFR Consulting, 2016).

Because the property is not and historically has not been irrigated but rather is used as rangeland for grazing, and based on California Department of Conservation farmland mapping and designations, the EIR concluded the site's soils to be "Farmland of Local Potential." Farmland of Local Potential is defined as agricultural soils having the potential characteristics of prime soils or soils of statewide significance (a classification just below prime), but are not irrigated or used for cultivation purposes. Nonetheless, these soils are conducive to being used for grazing and other agricultural uses. The site currently and historically supports agricultural grazing activities, for which the Coastal Act requires protection.

The project proposes to subdivide an existing 396-acre parcel used for grazing into two parcels (see page 13 of **Exhibit 3**). A 368.4-acre parcel would remain privately owned and in agricultural use (i.e., continued grazing). The 27.6-acre parcel would be owned and annexed by

the City and the WRF would be constructed on a portion of this parcel. Specifically, of the 27.6 acres, a total of 15 acres would be needed to house the WRF and associated buildings, including the driveway and related ancillary facilities (i.e., all WRF-related development on the 27.6-acre subdivided parcel would be confined to a 15-acre development envelope). The remaining 12.6 acres would remain undeveloped. Thus, the project would subdivide an existing agricultural parcel and would convert 15 acres of it to non-agricultural use.<sup>16</sup> Such subdivision and conversion raises Coastal Act consistency issues as described above, including whether such agricultural conversion meets the Coastal Act's strict tests to allow for same.

As previously described, after the Commission's 2013 CDP denial of the then-proposed WWTP upgrade at the current Plant site, the City looked at some 17 alternative sites in its initial screening process (see a map of the 17 reviewed sites in **Exhibit 4**). While some sites were in existing urban areas within City limits that did not raise rural agricultural land issues, these were dismissed due to a variety of factors, primarily coastal hazards (for locations near the existing WWTP site) and neighborhood compatibility (e.g., noise, smell, and visual impacts that a wastewater facility would have on existing residential and commercial neighborhoods). The remaining sites were all located within rural areas outside of the City limits that were all designated for agricultural use. The City is surrounded by the Pacific Ocean, the Morro Bay Estuary, Morro Bay State Park, and agricultural lands. Therefore the City is limited in its ability to place such critical infrastructure outside the existing urban core in an area that would not have impacts on some other sensitive/protected coastal resources. Thus, the City selected the proposed site because it determined that on balance it would have the least impact on coastal resources, including because the site has not and does not serve as irrigated, prime agricultural soils supporting active row crop production and cultivation (which is prevalent in the Morro and Chorro valleys just outside of town), and is not within or surrounded by protected park land for which siting of the WRF could adversely impact public access and recreational opportunities. Furthermore, although not the standard of review, the County's LCP, which also serves as its General Plan, includes policies that explicitly allow for the siting of public infrastructure projects within agricultural lands, subject to certain findings and conditions. Specifically, Section 23.08.288(d) of the Coastal Zone Land Use Ordinance (CZLUO) (which serves as the LCP's Implementation Plan) addresses siting public utility facilities areas containing sensitive coastal resources, stating:

**CZLUO Section 23.08.288 – Public Utility Facilities.** The requirements of this section apply to Public Utility Facilities where designated as S-13 uses by Coastal Table 'O', Part I of the Land Use Element... d. Limitation on use, sensitive environmental areas. Uses shall not be allowed in sensitive areas such as on prime agricultural soils, Sensitive Resource Areas, Environmentally Sensitive Habitats, or Hazard Areas, unless a finding is made by the applicable approval body that there is no other feasible location on or offsite the property. Applications for Public Utility Facilities in the above sensitive areas shall include a feasibility study, prepared by a qualified professional approved by the Environmental Coordinator. The feasibility study shall include a constraints analysis, and analyze alternative locations.

<sup>&</sup>lt;sup>16</sup> As will be explained below, the County's LCP expressly allows for siting of public infrastructure projects within agricultural lands (CZLUO Section 23.08.288(d)), so no change in land use designation or zoning would be required for siting of the WRF on agricultural land.

### 3-19-0463 (Morro Bay Water Reclamation Facility)

The County's LCP defines "Public Utility Facilities" to include wastewater treatment plants, and the LCP's Coastal Table O, which lists all of the potentially allowable uses for each land use designation, lists public utility facilities as an allowed use in the Agriculture land use category (specifically, as an "S-13" use, meaning such use is subject to the special additional standards and findings in CZLUO Section 23.08.288). Thus, the County's LCP recognizes that agricultural lands are a finite and sensitive resource requiring strict protection, but also allows for public facility siting on such lands should such option be the least environmentally damaging feasible alternative. The intent is that these types of facilities serve broad public benefits that may outweigh the potential adverse impact to agricultural resources. It also recognizes that much of the County outside of existing developed areas is designated Agriculture, and an outright prohibition on allowing for this critical infrastructure on these rural lands would force their location within urban communities regardless of their potential resultant impacts on and incompatibilities with those communities. Indeed, the CZLUO's allowance for siting wastewater treatment plants on rural agricultural lands was central to the Commission's CDP approval for a wastewater plant in the Chorro Valley just outside of nearby Los Osos in 2010.<sup>17</sup> Based on the County's LCP/General Plan allowance, and based on the multi-year analysis of various potential sites within and outside of the City, including the project's potential impacts on sensitive/protected lands and/or on urban communities if sited elsewhere, the City determined that the South Bay Boulevard site was the least environmentally damaging alternative.

All that said, and while the Commission acknowledges the City's reasoning and constraints in terms of selecting a site with the least impact on coastal resources, including in terms of the County's LCP allowing for same in this type of situation, the proposed project at the City's selected location will still result in the subdivision of an existing agricultural parcel, as well as the conversion and permanent loss of some 15 acres of agricultural lands. As previously described, the Coastal Act, which is the standard of review for this project, is very protective of such lands, requiring the maximum amount of agricultural land to remain in agricultural use and only allowing conversion of agricultural land in limited circumstances, including if the conversion would be located within existing developed areas and would foster a logical infill community, or if continued agricultural use is infeasible.<sup>18</sup> None of these circumstances apply in this case, including because the project is located in an unincorporated part of the County away from and not contiguous with existing developed areas, and because the site currently is used for agricultural grazing. Therefore, the proposed project is not consistent with the Coastal Act's agricultural protection policies.

### Approvable Project – Conflict Resolution

Thus, as described above, the proposed project is inconsistent with the Coastal Act's agricultural protection policies. Such inconsistencies would normally require the project's denial. However, its denial would mean that other Coastal Act objectives related to coastal hazards avoidance,

<sup>&</sup>lt;sup>17</sup> The Los Osos Wastewater Project (CDP A-3-SLO-09-055/069), approved by the Commission in June 2010. The plant is now operational and provides tertiary-treated wastewater and recycled water for the unincorporated community of Los Osos.

<sup>&</sup>lt;sup>18</sup> The purpose of limiting the circumstances under which agricultural conversion can take place under the Coastal Act is to both foster the continuance of the coastal zone's agricultural economy, but also to ensure that rural lands are protected from inappropriate development (and 'sprawl'), including so as to facilitate stable urban growth boundaries.

water quality improvement, water supply resiliency, and public coastal access and recreation enhancement would not be met. In other words, and as more fully explained in the conflict resolution section of this report, denial would cause a conflict between Coastal Act Sections 30241, 30242, and 30250 (agricultural protection) and Sections 30210 through 30224 (public access and recreation), Sections 30230 and 30231 (water quality), and Sections 30235 and 30253 (coastal hazards). In this case, denial would preclude the decommissioning of an existing oceanfront plant (which does not treat wastewater to full secondary treatment standards) and would also preclude the associated development and operation of a new tertiary-treated wastewater treatment plant and recycled water facility. The existing oceanfront plant is located in a low-lying area that is subject to coastal hazards threats, and is located on prime oceanfront lands that should be used for higher priority Coastal Act uses, such as public access and recreational uses. In fact, not proposing a project akin to this one (i.e., redeveloping the WWTP at its current low-lying risky site and not including a recycled water component) led to the Commission's 2013 CDP denial. Since then, and as described earlier, the City thoughtfully considered the Commission's direction and developed the proposed project. As will be discussed further in this report, denial of the proposed project will result in different Coastal Act coastal resource problems that on balance will be less protective of coastal resources overall than approving the project as proposed for the South Bay Boulevard site.

In short, denial of the project to maintain consistency with the Coastal Act's agriculture policies would result in a conflict with the Coastal Act's public recreational access, water quality, and coastal hazards policies. In this type of case the Coastal Act provides that such conflict "be resolved in the manner which on balance is the most protective of significant coastal resources" (Section 30007.5). As described more fully in the "Conflict Resolution" section of these findings (see Section I), approval in this case would be the most protective of the various coastal resources potentially implicated by this proposed project. Even for such approvals on the basis of conflict resolution, all Coastal Act inconsistencies need to be reduced to the maximum extent feasible, and thus the project needs to be conditioned to minimize, and then mitigate for, any impacts to agricultural resources. Thus, Special Condition 5 is included to require preparation of an Agricultural Mitigation Program. The Program shall specify the measures to be taken to mitigate for project agricultural impacts by providing an agricultural conservation easement over agricultural property of a similar quality as the project site, and of a type that is potentially threatened by urban development, at a ratio of at least 2:1 for the loss of agricultural land associated with the approved project (i.e., the easement must cover at least 30 acres of such agricultural land). The Program may also specify other measures to satisfy this mitigation requirement, subject to Executive Director determination that that such alternative measures provide a commensurate amount of mitigation (to the 2:1 conservation easement) to protect agricultural lands and operations in the City of Morro Bay and/or in the closely surrounding area. This condition is similar to what the Commission required in terms of agricultural mitigation for the Los Osos wastewater project.

## Conclusion

The Commission directed the City to pursue a new WRF facility in its 2013 denial, one that would improve wastewater treatment quality, produce and provide recycled water and, critically, relocate such critical public infrastructure away from the shoreline and its attendant coastal hazards risk and open up that oceanfront land to more productive access/recreational uses. As will be more fully discussed below, this project accomplishes all of these goals. At the same

time, the Coastal Act is clear about the required protection of agricultural lands, and about potential development in rural areas more broadly, where such development is only permissible in limited circumstances that are not applicable in this case. However, in this case, denial would lead to conflicts with the other Coastal Act policies cited above. Fortunately, the Coastal Act allows for approval notwithstanding policy conflicts if the project as a whole resolves such conflicts in a manner which, on balance, is the most protective of significant coastal resources. In this case, the project includes appropriate mitigation to help offset and mitigate unavoidable agricultural impacts, and with the other coastal resource protections and benefits that would accrue as part of the proposed project, the project as a whole can be approved through the conflict resolution process (see also Section I).

# D. WATER RESOURCES, WATER QUALITY, AND PUBLIC SERVICES

## Applicable Policies

The Coastal Act protects marine and freshwater resources, including in terms of ensuring the protection of coastal water quality, encouraging wastewater reclamation and recycled water, and minimizing alterations of streams and riparian vegetation. Coastal Act Sections 30230 and 30231 specifically state:

Section 30230. Marine resources shall be maintained, enhanced, and where feasible, restored. Special protection shall be given to areas and species of special biological or economic significance. Uses of the marine environment shall be carried out in a manner that will sustain the biological productivity of coastal waters and that will maintain healthy populations of all species of marine organisms adequate for long-term commercial, recreational, scientific, and educational purposes.

Section 30231. The biological productivity and the quality of coastal waters, streams, wetlands, estuaries, and lakes appropriate to maintain optimum populations of marine organisms and for the protection of human health shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and entrainment, controlling runoff, preventing depletion of ground water supplies and substantial interference with surface water flow, encouraging waste water reclamation, maintaining natural vegetation buffer areas that protect riparian habitats, and minimizing alteration of natural streams.

In addition, the Coastal Act requires public works facilities, such as wastewater treatment plants, to be limited in their service capacities to accommodate only the types and amount of development that can be built consistent with other Coastal Act policies. In particular, Coastal Act Section 30254 ensures that public works facilities do not induce growth that cannot be accommodated in a Coastal Act-consistent manner:

Section 30254. New or expanded public works facilities shall be designed and limited to accommodate needs generated by development or uses permitted consistent with the provisions of this division....

And finally, with respect to wastewater treatment facilities, the Coastal Act discusses the relationship between the Commission and the State Water Board, including in terms of water

quality regulations. Coastal Act Chapter 5 identifies the Legislature's intent that the Coastal Act not "increase, decrease, duplicate or supersede the authority of any [then] existing state agency," while requiring all state agencies to "carry out their duties and responsibilities in conformity with [the Coastal Act]."<sup>19</sup> Coastal Act Section 30412 includes guidance on implementation of the Coastal Act in relation to the programs of the State Water Board and the Regional Boards. It states in relevant part:

**30412** (b) The State Water Resources Control Board and the California regional water quality control boards are the state agencies with primary responsibility for the coordination and control of water quality. The State Water Resources Control Board has primary responsibility for the administration of water rights pursuant to applicable law. The commission shall assure that proposed development and local coastal programs shall not frustrate this section. The commission shall not, except as provided in subdivision (c), modify, adopt conditions, or take any action in conflict with any determination by the State Water Resources Control Board or any California regional water quality control board in matters relating to water quality or the administration of water rights.

Except as provided in this section, nothing herein shall be interpreted in any way either as prohibiting or limiting the commission, local government, or port governing body from exercising the regulatory controls over development pursuant to this division in a manner necessary to carry out this division.

- (c) Any development within the coastal zone or outside the coastal zone which provides service to any area within the coastal zone that constitutes a treatment work shall be reviewed by the commission and any permit it issues, if any, shall be determinative only with respect to the following aspects of the development:
  - (1) The siting and visual appearance of treatment works within the coastal zone.
  - (2) The geographic limits of service areas within the coastal zone which are to be served by particular treatment works and the timing of the use of capacity of treatment works for those service areas to allow for phasing of development and use of facilities consistent with this division.
  - (3) Development projections which determine the sizing of treatment works for providing service within the coastal zone.

The commission shall make these determinations in accordance with the policies of this division and shall make its final determination on a permit application for a treatment work prior to the final approval by the State Water Resources Control Board for the funding of such treatment works. Except as specifically provided in this subdivision, the decisions of the State Water Resources Control Board relative to the construction of treatment works shall be final and binding upon the commission.

<sup>&</sup>lt;sup>19</sup> Coastal Act Sections 30401 and 30402.

### 3-19-0463 (Morro Bay Water Reclamation Facility)

As a result, as opposed to setting chemical/biological standards for water quality treatment, discharge, and use (which is the purview of the State and Regional Water Boards pursuant to their laws),<sup>20</sup> the Commission's review of a wastewater treatment facility is limited to questions of siting, visual impacts, and appropriateness of service areas. Consistent with past Commission practice when reviewing proposed wastewater treatment projects,<sup>21</sup> the Commission defers to the State Water Board for setting water quality effluent standards for both wastewater and drinking water, but the Commission reviews the project's land use elements to ensure consistency with the Coastal Act's coastal resource protection requirements.

Considering all of the above-referenced Coastal Act sections together and applied to this proposed project, the proposed WRF and its associated components must be: 1) sited and designed so as to ensure protection of streams, riparian areas, and groundwater, including both during and post-construction; 2) operationally designed to treat wastewater in a manner protective of water quality and to allow for wastewater reclamation; and 3) sized so as to not induce growth that cannot be developed in a Coastal Act consistent manner.

### Proposed Project and Analysis

The proposed project includes a series of components, including a new tertiary-treated wastewater treatment facility, new pipelines and pump stations, new recycled water injection wells, modified effluent stream, and improvements to the existing ocean outfall. The intent is to replace the existing Plant, which does not meet Clean Water Act standards for secondary treatment, with a new modern plant designed to exceed such standards through tertiary treatment. The result will be a modified effluent stream to the ocean that will be reduced in volume and will be cleaner than is currently the case (i.e., the current effluent stream does not meet CWA secondary treatment requirements, and the modified effluent stream will meet tertiary treatment standards).<sup>22</sup> The project relocation will eliminate the coastal hazards threats inherent at the existing Plant site (see further discussion on this point below in the "Coastal Hazards" section of this report in Section E), and the potential damage and water quality impairment such hazards could cause. And the proposed recycled water component is meant to improve groundwater health by injecting clean recycled water underground in various locations in the lower Morro Valley (see map of proposed locations on page 12 of Exhibit 3) for replenishment and then, using the City's existing groundwater extraction infrastructure, pumped to provide a clean and sustainable local water source. The City estimates the recycled water program will provide the City with some 825 AFY of water, or roughly 80% of its yearly water needs, thereby providing water security in the face of climate change and water scarcity. Again, as mentioned above, the

<sup>&</sup>lt;sup>20</sup> Including the State's Porter-Cologne Water Quality Control Act, the Federal Clean Water Act, and the Federal Safe Drinking Water Act. Under these laws for this project, the Central Coast Regional Water Quality Control Board will regulate groundwater injection water via a Waste Discharge Requirement authorization pursuant to Title 22 of the California Code of Regulations, will regulate wastewater treatment and ocean discharge via a National Pollutant Discharge Elimination System (NPDES) permit, and the State Water Board's Division of Drinking Water will regulate drinking water standards via a Groundwater Recharge for Recycled Water Project Title 22 Engineering Report.

<sup>&</sup>lt;sup>21</sup> Including for the Los Osos Wastewater Project.

<sup>&</sup>lt;sup>22</sup> For example, the City's previous Waste Discharge Order/NPDES permit from the Central Coast Regional Water Quality Control Board only required the City to remove 30% of the effluent's Total Suspended Solids prior to ocean discharge, but the new Order, which the City must meet by 2023, requires 85% removal.

previous iteration of the project proposal (i.e., redevelopment in place) would have resulted in potentially significant water supply and water quality impacts due to the coastal hazards, reduced water quality treatment, and the lack of water reclamation. These identified potentially significant impacts were among the core reasons for the Commission's denial of the proposed CDP designed to redevelop the existing WWTP in situ in 2013. Clearly, at this broad level, this current proposal meets numerous Coastal Act water resources objectives.

### **Improved Water Quality**

At its core, the proposed project will resolve longstanding Clean Water Act problems associated with the existing WWTP effluent stream, an effluent stream that does not currently meet secondary treatment standards at all times. Specifically, the City indicates the existing WWTP is not sized appropriately to treat peak wet-weather flows. As is the case with most wastewater plants, rain events tend to lead to higher volumes of wastewater flow entering the system, including from "inflow and infiltration" wherein stormwater (as opposed to wastewater) may be directly connected into the sewer lines improperly (e.g., via roof drains, sump pumps, etc.) ("inflow"), and where groundwater/stormwater can seep into the sewer lines through cracks and leaks ("infiltration"). Both of these conditions lead to increases in the volume of wastewater that needs to be treated since these water sources mix with the wastewater in the sewer lines. While some inflow and infiltration is typical, the City's amount is particularly large. And this leads to problems at the existing WWTP since it is not sized appropriately to treat all of the wet weather flows to full secondary standards. It is during these wet weather flows that the City fails to meet all CWA secondary treatment standards for biochemical oxygen demand and total suspended solids. The new WRF will address these issues by being appropriately sized to handle the City's wet weather flows and give all wastewater proper treatment, including by exceeding existing secondary treatment standards through tertiary treatment. In other words, the new WRF will handle more flow and make it cleaner. For example, the City's 33-year average annual effluent concentrations for biochemical oxygen demand and total suspended solids were 50.9 milligrams per liter (mg/L) and 32.1 mg/L, respectively. The new WRF is expected to treat such effluent to less than 5 mg/L for biochemical oxygen demand and less than 1 mg/L for total suspended solids. Thus, the proposed project is a water quality enhancement project that should result in improved Estuary and Pacific Ocean health relative to the baseline conditions.

That said, a project of this magnitude and complexity is not without potential issues and concerns of its own with respect to water quality protection. Furthermore, some of the proposed project's specific parameters need additional refinement and specificity to ensure adequate protection of water quality as a result of undertaking the proposed project. These issues are discussed below.

### **Construction-Related Impacts**

With respect to construction, the project spans a wide geographic scope and includes multiple discrete components, including the WRF within undeveloped, unincorporated County grazing lands and in proximity to an unnamed seasonal creek that flows into the Morro Bay Estuary;<sup>23</sup> pipeline infrastructure would be placed predominantly under existing roads (with the exception

<sup>&</sup>lt;sup>23</sup> The Morro Bay Estuary holds numerous titles and designations due to its ecological and recreational significance, including "State Marine Reserve" and "State Marine Recreational Management Area" by the California Department of Fish and Wildlife, as well as being a Federally-designated "Estuary of National Significance" under the National Estuary Program.

of a new aboveground pipe bridge spanning Morro Creek adjacent to an existing bike path bridge); two pump stations would be constructed within existing developed areas within the City; the existing Plant would be demolished and the site restored; and work would take place on the ocean outfall in the Pacific Ocean. Construction related to all of these project components could have impacts on water quality, both temporary (e.g., through siltation and runoff into creeks and waterways from ground disturbance/grading) and permanent (e.g., through changes in site geography/topography and surface runoff flow), and could have ocean impacts.

The City proposes to address such impacts largely through avoidance measures. For example, the WRF and its access roads will be located some 120 to 160 feet away from the unnamed drainage and will avoid any construction activity within it. The City proposes to construct pipelines using trenchless methods as much as possible to avoid direct impacts to other wetlands and streams. That said, water quality impacts could still occur, and the area's hydrologic connections into the Estuary and Pacific Ocean (and work in the ocean itself) demand the highest level of care and protection given their extremely sensitive status. Thus, the project is conditioned to include a construction plan that includes best management practices (BMPs) to protect water quality and marine resources during construction, including minimizing grading as much as possible, maintaining good construction site housekeeping controls and procedures, the use of appropriate erosion and sediment controls, the use of trenchless construction methods or other similar construction techniques that avoid water quality impacts as much as possible, and ocean-work specific BMPs such as prohibitions on discharge into ocean waters and onsite monitors to protect against impacts to marine mammals and other marine species, all to protect marine resources during outfall work (see Special Conditions 2 and 8). In addition, to ensure protection of the WRF-adjacent unnamed creek (and ultimately the Estuary) and to mitigate for potential adverse impacts both during and after construction to water resources otherwise, Special Condition 3 also requires a post-construction riparian enhancement and restoration plan, including to ensure that the unnamed seasonal creek and its associated riparian area are restored to a self-sufficient, high-quality habitat area that can also function to help reduce downstream sedimentation and other pollutant loading. Special Condition 1(h) requires post-construction stormwater and drainage management measures. As conditioned, construction-related water quality impacts will be mitigated in accordance with the Coastal Act.

## **Recycled Water Program**

Morro Bay receives its drinking water from three primary sources. About 93% of its supply is imported from the Sierra Nevada via the State Water Project.<sup>24</sup> This supply is augmented with groundwater via local wells in the Morro Valley, and desalination/brackish water purified via a City-owned desalination plant. The desalination plant is located within a City corporation yard adjacent to the existing WWTP along Atascadero Road, and is permitted to intake seawater from five wells along Embarcadero Road for emergency, non-routine water supply purposes only.<sup>25</sup>

<sup>&</sup>lt;sup>24</sup> As of 2018, according to the City's draft update to its General Plan/Local Coastal Program Conservation Element.

<sup>&</sup>lt;sup>25</sup> Including through the terms and conditions of the Commission's 2016 approval of CDP 9-16-0849, which authorized the City's use of the seawater wells and desalination plant for emergency purposes only. That CDP also required that any change in water use, including in terms of using the desalination plant for more than just emergency purposes or using it to treat other water sources, requires a CDP amendment.

These sources have proven volatile and unreliable over the years, including due to droughtrelated abrupt delivery reductions from the State; groundwater contamination from nitrates; seawater intrusion; occurrences of MTBE;<sup>26</sup> and from high cost and operational treatment breakdowns from desalination. Indeed, in its 2013 denial of CDP A-3-MRB-11-001 (for the proposed redevelopment of the WWTP in place), the Commission made findings that recognized the City's water supply issues:

The proposed WWTP is a major public works project and investment in community infrastructure that relies heavily on a poorly supported conclusion that the City's water supplies are stable. In fact, the City's water supply has many constraints, including availability and reliability of State Water; the use of an unpermitted,<sup>27</sup> expensive desalinization plant; the overuse and contamination of the Morro and Chorro groundwater aquifers; and the threats to stream levels in the groundwater basin associated with the Morro and Chorro Creeks.

Because of these issues, because clean, treated water is too precious a resource in California for it to continue to be disposed of in the ocean (as is the case now), because the Coastal Act encourages water reclamation and the reduction of ocean discharge, and because it is required by the LCP, in denying CDP A-3-MRB-11-001 the Commission directed the City to pursue recycled water in any new plant proposal in order to help provide a stable and reliable water source that protects habitat and is consistent with the LCP:

In summary, the development of new wastewater facilities offers an opportunity to the City of Morro Bay, much like the permitted development of a new wastewater facility in Los Osos. This project provides it the opportunity to improve the City's long-term water availability, allowing it to reduce its dependence on expensive, outdated and unreliable water sources. A newly devised plan for a WWTP that incorporated meaningful water reclamation and recycling would help conserve water in situ for habitat protection of sensitive species and bring the project into further compliance with LCP policies that state that water reclamation is the second highest priority for the City.

Based on this Commission direction, the City has undertaken numerous analyses to understand the feasibility of recycled water, how best to provide for it, and how best to use it. In March 2017, the City prepared a *Master Water Reclamation Plan* (Plan) that identified IPR<sup>28</sup> as the

<sup>&</sup>lt;sup>26</sup> MTBE (i.e. Methyl tert-butyl ether) is a volatile, flammable, and colorless liquid that is sparingly soluble in water. MTBE is a blending component of gasoline and has historically been used to protect air quality. However, MTBE has led to groundwater contamination and was banned in California as a gasoline additive in 2002.

<sup>&</sup>lt;sup>27</sup> At the time of the Commission's denial of the WWTP CDP in 2013, the City's initial CDP authorizing desalination plant use (CDP 3-94-046) had expired and the desalination plant was unpermitted at that time. However, as described above, the permitting issue has since been resolved through the Commission's approval of CDP 9-16-0849 in 2016.

<sup>&</sup>lt;sup>28</sup> Indirect Potable Reuse is a process whereby treated recycled water passes through an environmental buffer, such as a lake, river, or groundwater aquifer, for a period of time (in this case, a minimum of two months pursuant to State law) before the water is used for consumption. Because the State does not currently allow for Direct Potable Reuse (i.e., directly sending treated recycled water to drinking water infrastructure for potable domestic consumption without first passing through a type of environmental buffer), IPR is a preferred mechanism to allow for domestic consumption of recycled water and is used in other locations in California, including in Orange County

preferred recycled water use option over other alternatives such as no recycled water, supplying only agricultural uses, and urban reuse only (i.e., use only for urban landscaping, golf courses, and urban commercial buildings). The Plan evaluated numerous factors, including cost and recycled water demand, and identified IPR as the preferred scenario, including because it could economically and securely augment City water supply for all users – urban, agricultural, and domestic. The Plan states:

The IPR alternative provides the highest potential water supply benefit. Supplementing the potable water supply with highly treated recycled water is the highest form of allowable beneficial reuse, and will allow the City to reduce or eliminate reliance on imported water.

However, the Plan did note that groundwater injection has risks, including because of the Morro Valley's existing groundwater quality impairment from nitrates and seawater intrusion, which the City indicates are products of the valley's agricultural uses and low-lying location near the ocean. Thus, more technical work was needed to understand whether existing groundwater quality impairment would preclude reuse of injected treated wastewater, including whether such highly treated water would become contaminated and unfit for use without extensive cleanup, or whether the treated and injected water would be reusable at all. Building upon the Plan's initial analysis, the City then undertook a technical review to determine whether treated water could be safely injected and extracted and, if so, where. The results of this analysis were provided in the study entitled *Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility*. Among the study's findings:

1. It is likely feasible for the aquifer to accept the recycled water available for injection (825 acre-feet per year [AFY]);

2. A minimum of four injection wells would likely be needed to achieve the desired recycled water injection capacity;

3. Depending on the injection well locations, up to approximately 1,200 AFY of groundwater could potentially be produced for potable supply without the model indicating seawater intrusion would occur; and

4. The 2-month minimum subsurface recycled water response retention time required under Title 22 will likely be met.

The study found that the groundwater basin could support replenishment in a manner that did not implicate or worsen seawater intrusion, and would meet the State's required two-month retention period (i.e., injected recycled water must remain underground for at least two months before it is extracted and used for IPR). The report therefore concluded that IPR could supply a significant amount of the City's water demand, based on a 2015 demand of 1,074 AFY and a 2040 projected demand of 1,437 AFY. Finally, additional technical analysis was completed in April 2019, which found that groundwater injection in the City's identified well sites in the lower Morro Valley

where the Orange County Water District's Groundwater Replenishment System is the world's largest system for IPR. It began operation in January 2008, currently produces and injects 100 MGD of recycled water into the Orange County Groundwater Basin, and is currently undertaking an expansion project to increase capacity to 123 MGD by 2023.

would improve groundwater quality and health, including in terms of nitrates and seawater intrusion, so much so that pumped groundwater would not need further treatment for distribution. The study states:

• Predictive nitrate scenarios indicate that all wells have significantly lower nitrate concentrations under either injection well configuration....

• Predictive scenarios indicate that both the Narrows and the Southside injection well layouts prevent seawater intrusion in predictive scenarios.

Thus, while final engineering still needed to be performed, including in terms of the specific sites and number of injection wells, and including in terms of approvals from the State Water Board's Division of Drinking Water for final regulatory compliance, the analysis the City has undertaken and proposed as part of this project has shown that using IPR, pumped groundwater could be delivered to the City's existing drinking water distribution network for human consumption and other uses.

In sum, the City's recycled water program entails IPR, where clean, tertiary-treated WRF water would be delivered by pipeline to groundwater injection well sites in the lower Morro Valley for groundwater replenishment, and ultimately for residential, commercial, and industrial use. The program will improve groundwater quality and aquifer health, including in terms of nitrates and seawater intrusion, and allow for a new, clean, local, and resilient water source.

**Special Condition 6** is included to codify and provide performance standards for the City's proposed recycled water program, including to ensure that it is undertaken in a manner that best protects coastal resources. This condition is similar to that which the Commission required for the Los Osos wastewater project (i.e., requiring maximum recycled water in a manner that meets applicable drinking water quality requirements, and best protects groundwater aquifers, streams, and their habitats, including in the long term and taking into account potential sea level rise and resultant additional seawater intrusion). As proposed and as conditioned, the project's recycled water components offer an exciting opportunity for the City to materially improve groundwater/surface water quality and aquifer health for both human use and for natural resources, and will give the City needed water supply security, all in conformance with the Coastal Act.

### **Ocean Outfall**

The City and the CSD currently jointly own and use the ocean outfall, which extends some 2,900 feet into the ocean from the existing WWTP site, to discharge wastewater, some of which does not meet CWA secondary treatment standards during peak wet-weather flows. The City would continue to use the outfall for discharge of brine (i.e., byproducts of tertiary treatment) and any excess tertiary-treated wastewater that cannot be injected underground or otherwise beneficially reused.<sup>29</sup> Discharge water quality would be in accordance with applicable California Ocean Plan discharge requirements promulgated by the State Water Board, and in fact would be of higher water quality than is currently required. As mentioned previously, because of the inadequate size

<sup>&</sup>lt;sup>29</sup> Note that the CSD's WRF will also use the outfall for brine and excess tertiary water disposal, but the CSD is currently looking at alternative discharge arrangements nearer to Cayucos.

of the existing WWTP to fully treat all wet weather flows, some effluent is discharged to the ocean without meeting full secondary treatment standards for biochemical oxygen demand and total suspended solids. And the City has been operating under a CWA 301(h) waiver to allow for this discharge. However, the Regional Board has given the City until 2023 to address this and ensure all discharge meets secondary treatment. The proposed WRF will do just that, but will exceed secondary treatment requirements by going to tertiary treatment. To accommodate this discharge and ensure its cleanliness to improve marine water quality, the City proposes to clean and replace/upgrade 28 of the outfall's 34 existing diffusers that suffer from an estimated 30 cubic yards of sediment buildup and thus are not functioning optimally.<sup>30</sup> To do so, they will conduct a condition and hydraulic assessment of the outfall, where divers will visually inspect the outfall, measure pipe thickness and identify any coating defects, and use a remotely operated vehicle to video the inside of the outfall to both quantify and characterize the sediment that must be removed. Cleaning of the outfall and the replacement/upgrade of the diffusers would all be staged from a barge offshore with no disturbance of the dunes, beach, or surf zone. All sediment from inside the outfall would be pumped onto the barge, transported to land, and disposed of at an appropriate inland location. Special conditions are necessary to ensure that all such oceanrelated work is done in a manner that is sensitive to the marine work environment, including onsite monitors to protect marine mammals and prohibitions on any ocean discharge (see Special Condition 8).

While the proposed project and its water quality upgrades are important improvements to public infrastructure in light of the law, the continued use of the ocean outfall raises some questions about its long-term need, including whether it is appropriate to have such infrastructure in the ocean or whether other alternatives, including complete inland beneficial reuse of treated effluent without ocean discharge, are feasible. As such, **Special Condition 8** requires an Outfall Assessment Plan that will evaluate the feasibility of outfall removal, including defining triggers for when such removal might be possible. As conditioned, the proposed maintenance to and modifications of the outfall are appropriate to help improve water quality, and with conditions designed to potentially remove the outfall eventually if continuance of the outfall is deemed unnecessary and removal and relocation is deemed feasible, this portion of the project can be found consistent with the Coastal Act.

## Service Area and Potential Growth Inducement

And finally, as described above, Coastal Act Section 30254 requires that public works facilities be sized to accommodate an amount of development that can be built in a Coastal Act-consistent manner. In other words, Section 30254 helps to regulate the capacity of the WRF, including through service area boundary limits, in order to ensure that such public infrastructure does not serve as a catalyst for expansive development (such as urban sprawl) in a manner that is inconsistent with LCPs and the Coastal Act. Thus, the Commission has implemented Section 30254 with respect to past wastewater treatment facilities (and other public works) through limits on capacity and/or through limits on the locations/types of development that can be serviced in order to ensure the protection of coastal resources.

<sup>&</sup>lt;sup>30</sup> A diffuser is a component on an ocean outfall that operates to spread and regulate effluent discharge. Instead of all effluent discharging from one point source, diffusers allow effluent to discharge out of potentially many point sources. The intent is to improve water quality by spreading and diluting effluent discharge into the receiving water for better assimilation.

In this case, the existing WWTP is designed to treat a maximum of 2.06 MGD, with an average daily flow of 0.88 MGD. The proposed WRF is designed to treat an average daily flow that is slightly larger than currently treated, namely 0.97 MGD, and is sized to treat a peak wet-weather flow maximum of 8.14 MGD, all for properties located in the City's wastewater service area (shown on page 14 of **Exhibit 3**). As mentioned earlier, the City indicates the need for the additional wet-weather capacity is not to encourage a significant increase in growth, but rather to better treat peak flows during wet-weather events. These are the flows that the existing WWTP cannot treat to full secondary treatment because of its inadequate sizing. While the City has a plan to upgrade and replace its aging sewer pipelines and stormwater infrastructure,<sup>31</sup> including to address such inflow and infiltration problems, for now the City is sizing the plant to be able to accommodate such volumes and meet Regional Board water quality orders.

To address potential concerns regarding unintended growth inducement impacts, the City has a suite of existing tools to regulate future development for unintended growth inducement. In addition to its existing LCP,<sup>32</sup> which includes many policies to ensure coastal resource protection with respect to the impact of increased development, any growth in Morro Bay also must be consistent with Measure F, a voter-approved growth management ordinance that limits the city to 12,200 residents.<sup>33</sup> In order to exceed this number, a majority of voters must elect to remove the limit. And finally, the City's wastewater service area is coincident with the City limits, and the City does not propose to extend its service area to lands outside City limits into unincorporated San Luis Obispo County at this time. In other words, the proposed project will only be allowed to serve LCP-consistent growth and infill development within the City limits, ensuring that it does not somehow induce inappropriate growth and development.

That said, the City is surrounded by rural lands in the County, and while the prospect for growth supported by the WRF outside the City limits is not a significant concern in the near future, public infrastructure improvements such as this are often inducements to such growth in rural areas. For now, this potentiality is adequately constrained by the LCP, Measure F, and the wastewater service area boundary, but the City could potentially pursue development changes in the future that might target such rural lands. That is not the Commission's intent in approving this project; rather the Commission approves this project with the understanding that the City intends to support appropriate LCP-consistent growth in the City, but not outside of the City and in rural areas.

<sup>&</sup>lt;sup>31</sup> The OneWater Morro Bay Plan, approved by the City Council in 2018. The Plan is a blueprint identifying a comprehensive upgrade of the City's water, wastewater, and stormwater infrastructure. Such upgrades will be partially paid for through the same surcharge in wastewater rates approved by the City Council, and affirmed by vote of Morro Bay residents, that will help pay for the WRF.

<sup>&</sup>lt;sup>32</sup> With respect to the role of the LCP in limiting growth inducement impacts, it is worth noting the following two points: first, the City is essentially entirely within the coastal zone, and thus the LCP's coastal resource protection framework would apply to almost all new development proposals within the City; and second, the LCP is currently being updated via the assistance of Coastal Commission LCP grants. Commission staff and City staff have been cooperatively and proactively working on the LCP update, including to ensure that the LCP update adequately accounts for appropriate growth-inducement-limiting policies.

<sup>&</sup>lt;sup>33</sup> The most recent California Department of Finance population estimate of Morro Bay as of January 1, 2018 was that the City has 10,503 residents.

Thus, **Special Condition 9** ensures that wastewater service provided by the WRF is only allowed within the existing service area/City limit as specified on page 14 of **Exhibit 3**, and any proposal to extend service beyond this area, including in areas in the County or in areas annexed by the City in the future, would require an amendment to this CDP with a finding that coastal resources would be protected by the proposal, including that such an amendment will not induce development growth within the County or the City inconsistent with either respective LCP, as applicable.

As proposed and conditioned above, the project will relocate an existing wastewater facility that does not meet CWA water quality standards and is located in a coastal hazard area with a new facility located safely inland away from coastal hazards that will exceed such standards through tertiary treatment. As a result, at its core the proposed project will result in enhanced Morro Bay Estuary and Pacific Ocean water quality. The project will also help improve groundwater aquifer health and water supply security through water recycling, and does not serve as a catalyst for inappropriate urban sprawl in conflict with the Coastal Act. The project is therefore consistent with the Coastal Act's water resources, water quality, and public service policies.

# E. COASTAL HAZARDS

Applicable Policies

Coastal Act Section 30235 addresses the use of shoreline protective devices:

**30235.** Revetments, breakwaters, groins, harbor channels, seawalls, cliff retaining walls, and other such construction that alters natural shoreline processes shall be permitted when required to serve coastal-dependent uses or to protect existing structures or public beaches in danger from erosion, and when designed to eliminate or mitigate adverse impacts on local shoreline sand supply. Existing marine structures causing water stagnation contributing to pollution problems and fish kills should be phased out or upgraded where feasible.

Coastal Act Section 30253 addresses the need for new development to ensure long-term structural integrity, minimize future risk, and to avoid landform-altering protective devices along the shoreline:

Section 30253. New development shall do all of the following:

- (1) Minimize risks to life and property in areas of high geologic, flood, and fire hazard.
- (2) Assure stability and structural integrity, and neither create nor contribute significantly to erosion, geologic instability, or destruction of the site or surrounding area or in any way require the construction of protective devices that would substantially alter natural landforms along bluffs and cliffs.

Coastal Act Sections 30253 and 30235 acknowledge that seawalls, revetments, cliff retaining walls, groins, and other such structural or "hard" methods designed to forestall erosion also alter natural landforms and natural shoreline processes. Accordingly, under Section 30235 shoreline

protective devices are required to be allowed only to serve a coastal-dependent use, or to protect existing, not new, structures or public beaches in danger of erosion (subject to the requirement that adverse impacts to local shoreline sand supply are mitigated or eliminated, and per other Coastal Act sections that other coastal resource impacts are also addressed). In other words, new, non-coastal-dependent development (such as wastewater treatment facilities) are not obligated shoreline protective devices in their proposed siting and design, and instead should be located safe from coastal hazards threat without reliance on such devices. The Coastal Act provides these limitations because shoreline protective devices can have a variety of negative impacts on coastal resources, including adverse effects on sand supply, public access, coastal views, natural landforms, and overall shoreline beach dynamics on- and offsite, ultimately resulting in the loss of beaches.

Taken together with other Coastal Act policies, including those described earlier regarding the protection of water quality and minimizing adverse wastewater discharge, application of the Coastal Act leads to the conclusion that critical wastewater infrastructure be sited and designed in a manner that protects water resources, including ensuring that it be safe from flood risks – particularly when such flood risks could result in adverse coastal water quality due to wastewater infrastructure failure – in a manner that does not require shoreline protective devices, thereby ensuring the protection of water quality and marine biological resources as well as natural shorelines and beaches.

### Proposed Project and Analysis

The proposed project is a proactive coastal adaptation response to the hazard threats, existing and future, facing development along the Morro Bay shoreline, including at the existing WWTP site. That is, the project seeks to relocate an existing low-lying wastewater treatment plant in need of significant repairs inland and away from the shoreline. Doing so will eliminate the coastal hazard threats inherent at the existing site, which is located at the confluence of the ocean with Morro Creek, including with respect to coastal and riverine flooding, ocean waves, erosion, and their interaction, including as all of these threats are potentially exacerbated by sea level rise and other climate change impacts. Indeed, relocating critical wastewater infrastructure away from the shoreline and eliminating potential coastal hazards threats for such structures, which could have enormous adverse impacts on coastal resources, is an outcome clearly warranted under the Coastal Act (including as described above) and in the Commission's Sea Level Rise Policy Guidance. It is consistent with the direction the Commission gave the City in its 2013 denial for a proposed redevelopment of the WWTP in place, a project that did *not* propose relocation or adaptation in the face of clear coastal hazards. And it also represents fundamental good planning and public policy under the Coastal Act by ensuring that sensitive and critical public infrastructure is safe over the long term, which is protective of coastal resources.

Therefore, as proposed, the relocation of the existing WWTP to an inland location away from coastal hazards constitutes important and necessary investments in critical public infrastructure while also ensuring the protection of public health and ocean water quality for coastal waters that are adjacent to two State and City beaches (Morro Strand State Beach and Morro Rock City Beach), which are known for their public recreational value and high biological productivity. The restoration of the existing WWTP site also will allow for some other more appropriate (i.e., non-industrial) public use along the shoreline. A safely located wastewater treatment facility away from coastal hazards is critical to meeting numerous Coastal Act objectives that relate to

coastal hazards safety due to the inherent nature and function of a wastewater treatment plant, including with respect to the aforementioned policies protecting water quality and the biological productivity of coastal waters (Sections 30230 and 30231), and public access and recreation (Sections 30210 through 30224). Thus, the WRF is consistent with the Coastal Act coastal hazards policies (Sections 30235 and 30253).

With respect to other project components, including associated pipelines and pump stations, because of the location of the existing Plant, and because other development exists in the area, the City's existing wastewater pipeline network necessarily leads to the existing WWTP site. As such, the City does not propose as part of this CDP application to relocate this pipeline network, and instead proposes to use the existing infrastructure along with the new infrastructure and the new WRF as part of its overall wastewater system. Part of this system includes building one of two new pump stations within an existing City corporation yard just inland from the existing Plant site to intercept wastewater flows and pump them to the new WRF. See proposed location and specifications of this proposed pump station shown as "PS-A" on page 11 of **Exhibit 3**.

The proposed new pump station and reliance on existing wastewater pipelines in this shoreline area raises issues and questions about the appropriateness of leaving such infrastructure in place in terms of coastal hazards issues, or whether it makes sense now, as part of the comprehensive WRF project, to relocate these pipelines further inland away from coastal hazards. The City analyzed the feasibility of doing the latter, and evaluated some 10 potential alternative locations for the pump station and associated infrastructure. The City also evaluated the coastal hazards risk and relocation/hazards avoidance benefit of each option. Ultimately, the City concluded that it was not feasible at this time to relocate the existing wastewater pipeline network in the existing WWTP area, including because of cost, land ownership, and logistics. The City indicated that a project of this magnitude was not part of the broader wastewater relocation project scope and would be difficult – financially and otherwise – to include it now, and would entail a more robust analysis of the interconnected nature of the pipelines and how existing development along the shoreline (such as the Morro Bay High School and City-owned park and recreational facilities) would remain serviced. And finally, the analysis concluded that relocation of the wastewater pipelines today would not provide the same type of avoidance benefit as does relocating the Plant itself. Notably, the analysis found that the pipes and pump stations are all located underground and thus are not subject to the same level of hazard risk as an above-ground wastewater treatment plant. By placing and keeping these pipes underground, and with relatively minor flood-proofing measures at above-ground entry points (e.g., watertight doors, elevation above flood levels, etc.),<sup>34</sup> these components should be safe from hazards risk for the foreseeable future, and thus relocation is not critically needed at this time to address coastal hazards issues. Thus, the expense and logistics associated with undertaking this large pipeline relocation effort would not result in significantly safer infrastructure as to justify the expense and effort to undertake that relocation at this time. Ultimately, the City chose not to try to relocate the existing

<sup>&</sup>lt;sup>34</sup> The pump station site within the City corporation yard is within the 100-year floodplain per the Federal Emergency Management Agency's current Flood Insurance Rate Map. To protect critical equipment, structures and equipment at the pump station will be set at a minimum of two feet above the 100-year flood elevation. Mitigation measures to protect the fill used to raise the site from washout and erosion under flood conditions will also be implemented. To further ensure the continued operability of both the pump stations, an emergency generator will be provided that will power the entire pump station in the event of a power outage.

pipeline network in the area of the existing WWTP as part of the current CDP application. Beyond the question of whether the existing pipeline network should be relocated, the currently proposed project will require new pipeline to be installed to carry wastewater to the new WRF for treatment, as well as new pipeline to inject reclaimed water to the underground well sites.

The Commission recognizes the City's reasoning, and concurs that a major pipeline relocation endeavor is not warranted at this time for the reasons described above. However, such recognition is not an indication that the pipelines (both new and existing, including upon their redevelopment/replacement), pump station, and other associated infrastructure will forever be safe and are entitled to stay in their current location forever. As described above, while the pipeline/pump station infrastructure will be sited below ground and will employ other flood-proofing measures to appropriately and adequately minimize hazards risk *today*, this infrastructure is not sited in such a manner that the Commission can find with confidence that it would definitively never need shoreline armoring to protect it in place at some point in the *future*, especially considering the uncertainties associated with erosion and sea level rise. Thus, the project raises issues with respect to whether the location of the pipelines and pump station meets the intent of the Section 30253 requirement that new development be sited and designed to assure stability and structural integrity without the use of shoreline protection to make it so *over time*. Special conditions are thus necessary to ensure consistency with the Coastal Act's hazards policies, including by addressing coastal hazards risk and responses to such risk into the future.

The approval is therefore conditioned to require the City to assume all of the risk for developing in an area of coastal hazards and to prohibit future shoreline armoring to protect the pump station and pipeline network in this location (see **Special Conditions 10 and 11**). Specifically, by approving this CDP the Commission allows for the approved pump station and associated wastewater pipelines to be constructed and used for only as long as they remain safe for use without additional measures beyond ordinary repair and/or maintenance (including sealing and waterproofing repair and/or maintenance that does not involve extraordinary measures) without the need for shoreline protective devices to protect them from coastal hazards. In lieu of armoring, the intent of this CDP in consideration of the relevant coastal hazard policies is that these facilities would be relocated inland and away from coastal hazards threat if threatened in the future. In this way, the project meets the requirements of Section 30253, and will not be allowed shoreline armoring.

In conclusion, the proposed project constitutes an important and necessary investment in critical public infrastructure. All such development modernizes the operations of the City's wastewater treatment infrastructure to produce needed recycled water for productive use in a very water scarce area, while also ensuring the protection of public health and ocean water quality for coastal waters that are known worldwide for their public recreational value and high biological productivity. Thus, a safe, well-functioning wastewater treatment facility relocated inland away from coastal hazards without shoreline armoring and the capital improvements needed to ensure it remains so are critical to meeting numerous Coastal Act objectives, particularly with respect to minimizing coastal hazards risk (Coastal Act Sections 30235 and 30253), which due to the inherent nature and function of a wastewater treatment plant also ensures the protection of water quality and the biological productivity of coastal waters (Sections 30230 and 30231), and water recycling and water supply (Sections 30231 and 30250).

As conditioned, the project is consistent with the Coastal Act's mandates to ensure that development, and particularly critical public wastewater infrastructure, is sited out of harm's way in a manner that allows it to be safe over the long-term from coastal hazards.

## F. SCENIC AND VISUAL RESOURCES

### Applicable Policy

Coastal Act Section 30251, cited below, protects the aesthetic and visual quality of coastal areas.

Section 30251. The scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance. Permitted development shall be sited and designed to protect views to and along the ocean and scenic coastal areas, to minimize the alteration of natural land forms, to be visually compatible with the character of surrounding areas, and, where feasible, to restore and enhance visual quality in visually degraded areas. New development in highly scenic areas such as those designated in the California Coastline Preservation and Recreation Plan prepared by the Department of Parks and Recreation and by local government shall be subordinate to the character of its setting.

### Proposed Project and Analysis

The project proposes to replace the existing WWTP along the scenic Morro Bay coastline adjacent to Morro Strand State Beach and Morro Rock City Beach with a new facility located on a rural, agricultural site outside of the developed core of Morro Bay. With respect to the existing WWTP site, as described before, one of the Commission's reasons for its 2013 CDP denial was that the then-proposed project would perpetuate an industrial facility on a scenic portion of the City's coastline adjacent to two public beaches and dunes, and that redeveloping a plant at that location would result in a lost opportunity to visually rehabilitate this part of the coast in relation to its aesthetic appeal of its natural surroundings. The now-proposed project heeds the Commission's direction and proposes to decommission and demolish the existing Plant, and restore the site to leave it available for future, more visually and site-appropriate uses. (See more discussion about future uses in the "Public Access and Recreation" section policies.

With respect to the new WRF site, as described previously, the Coastal Act is very protective of rural, open space lands, including in terms of the visual respite they provide in an increasingly urbanized society. Any development in these areas raises potential concerns regarding visual compatibility with rural character. In this case, much of the proposed WRF project site is outside of views from Highway 1, and is mostly protected from northbound and southbound motorist views by undulating hillsides and slope topography. However, the project site is visible for a brief moment when traveling along Highway 1 in the vicinity of its intersection with South Bay Boulevard, where the hillside transitions into a small valley. The City identified this valley portion of the site near Highway 1 as optimal for the WRF facility, including because it was closest to existing roads, would minimize the length and amount of new roads and associated grading/retaining walls (compared to developing on steeper slopes further inland), and because it would avoid further agricultural impacts by placing the WRF close to Highway 1 instead of

bifurcating expansive agricultural lands if located farther inland. Using the preferred location, the City prepared a visual analysis to identify potential Highway 1 visual impacts of the proposed WRF structures, and the results identified a small window when the proposed WRF buildings would be visible from the highway (see proposed renderings in **Exhibit 3**). To address this visual impact, and to ensure that during the short time when drivers would see the WRF structure that it does not detract from the area's rural, agricultural aesthetic, the City proposes to design the buildings using agriculturally-appropriate colors and materials, and will plant trees and other vegetation to provide visual screening and softening. As explained in the project's EIR:

...the proposed WRF building forms and architecture would be informed by development along the Highway 1 corridor, with an overall impression of the WRF complex as a dairy farm or ranch. Generally, the proposed building forms would be recognizably agricultural, using simple rectangular floor plates and gable roofs at varying slopes that reflect the use of the enclosed volumes. Those building shapes would be articulated where appropriate with clerestories and roof vents....Colors would be selected for compatibility with the prevalent pattern along the neighboring stretch of Highway1, such as red roofs and white or light brown walls to blend well with the surrounding environment, as seen at Cuesta College, Camp San Luis, and a number of the barns on farm properties. Tree plantings will further reinforce the historical settlement pattern of the area and provide some visual screening of structures, using drought tolerant species such as deodar cedar. With application of these architectural treatments as part of the hillside areas along the Highway 1 corridor.

**Special Conditions 1 and 2(a)** are included to further refine these proposed objectives, including in terms of ensuring that the proposed WRF is sited and designed in a manner so as to conceal its visibility from the public viewshed as much as possible, ensuring that the development minimizes grading and landform alteration, provides for vegetative screening, minimizes lighting, places utilities underground, and includes a rural, agricultural aesthetic (similar to what the Commission required for the structures at the wastewater treatment plant in nearby Los Osos, which was similarly situated outside of town in a rural, agricultural area). These conditions also apply to the two proposed pump stations. While one of them will be located inside an existing City corporation yard, the other will be located on a visible street-side corner along Main Street near its intersection with Highway 1. Thus, **Special Condition 1(c)** similarly requires the pump stations to be sited and designed so as to soften visual impact and minimize their above-ground footprint as much as possible.

Therefore, as proposed and as conditioned, the project should have minimal impacts on visual resources, including in terms of avoiding and mitigating potential adverse impacts on public views from Highway 1, and should overall benefit public views in terms of the decommissioning of the existing wastewater facility and removing a fenced-in, industrial development from a visually sensitive public coastal area flanked by public beaches. Overall, as conditioned, the project will not adversely impact, and in some aspects will significantly improve, visual resources over baseline conditions. Therefore, as conditioned, the proposed project is consistent with Coastal Act Section 30251.

## G. ARCHAEOLOGICAL RESOURCES

### Applicable Policy

The Coastal Act requires development to implement reasonable mitigation measures to protect identified archaeological or paleontological resources. Section 30244 of the Coastal Act states:

Section 30244. Where development would adversely impact archaeological or paleontological resources as identified by the State Historic Preservation Officer, reasonable mitigation measures shall be required.

## Proposed Project and Analysis

The Morro Bay area contains a rich Native American history, including being the home of the Northern Chumash tribe. As such, and since the proposed project includes a large construction geography spanning a number of miles (including both the WRF site itself but also needed associated new pipelines, pump stations, and injection wells), the project has the potential to adversely impact known and unknown artifacts and remains of tribal concern. The project's EIR identified a total of six sites of archaeological significance that may be impacted by construction activities, including shell middens and burial sites. These sites are all located in the lower Morro Valley where proposed new pipelines, pump stations, and recycled water injection wells would be located.

The City actively worked with Northern Chumash tribal representatives to shape the project, including with respect to the alignment of the new pipelines to avoid known cultural sites as much as possible and to include appropriate mitigation measures to further mitigate potential adverse impacts. Namely, the proposed project includes a suite of archaeological protection measures, including retaining a qualified archaeologist to carry out all required monitoring activities in a manner that meets the Secretary of the Interior's standards; having the archaeologist and qualified Native American monitor be on site during construction; and preparation of a cultural resources mitigation and monitoring program to further identify best management practices, including in terms of avoidance measures and procedures for potential recovery of human/archaeological remains.<sup>35</sup> The Northern Chumash representative indicates agreement and support for the proposed project (see attached correspondence).

**Special Condition 4** builds upon and incorporates these measures by, among other means, requiring that a qualified archaeologist be present during any ground disturbance, and that, in the event that any article of historical or cultural significance is encountered, all activity that could damage or destroy these resources must cease and a mitigation plan be developed in consultation with the Executive Director, the Native American Heritage Commission, and all appropriate tribal representatives as identified in the cultural resources mitigation and monitoring program.

<sup>&</sup>lt;sup>35</sup> It should be noted that despite these measures and the concurrence of the Native Chumash representatives, the EIR concluded that the potential impacts would remain significant and unavoidable. The City certified the EIR with a Statement of Overriding Consideration given that the project's environmental benefits as a whole outweighed impacts to historic and archaeological resources from construction-related ground disturbance. See additional detail in the CEQA findings in this report. Despite the fact that the EIR concluded that potential project impacts to cultural resources would be significant and unavoidable, the archaeological protection measures are sufficient to ensure consistency with respect to Section 30244 of the Coastal Act.

Thus, as conditioned, the project is consistent with the Coastal Act Section 30244 regarding the protection and mitigation of archaeological resources.

## H. PUBLIC ACCESS AND RECREATION

### Applicable Policies

Coastal Act Sections 30210 through 30224 specifically protect public access and recreation, and Section 30240 protects parks and recreational areas. In particular:

**30210.** In carrying out the requirement of Section 4 of Article X of the California Constitution, maximum access, which shall be conspicuously posted, and recreational opportunities shall be provided for all the people consistent with public safety needs and the need to protect public rights, rights of private property owners, and natural resource areas from overuse.

**30211.** Development shall not interfere with the public's right of access to the sea where acquired through use or legislative authorization, including, but not limited to, the use of dry sand and rocky coastal beaches to the first line of terrestrial vegetation.

**30212(a).** Public access from the nearest public roadway to the shoreline and along the coast shall be provided in new development projects except where: (1) it is inconsistent with public safety, military security needs, or the protection of fragile coastal resources, (2) adequate access exists nearby, or, (3) agriculture would be adversely affected. ...

**30213.** Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred. ...

**30220.** Coastal areas suited for water-oriented recreational activities that cannot readily be provided at inland water areas shall be protected for such uses.

**30221.** Oceanfront land suitable for recreational use shall be protected for recreational use and development unless present and foreseeable future demand for public or commercial recreational activities that could be accommodated on the property is already adequately provided for in the area.

**30222.** The use of private lands suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial, or general commercial development, but not over agriculture or coastal-dependent industry.

**30223.** Upland areas necessary to support coastal recreational uses shall be reserved for such uses, where feasible.

**30240(b).** Development in areas adjacent to environmentally sensitive habitat areas and parks and recreation areas shall be sited and designed to prevent impacts which would significantly degrade those areas, and shall be compatible with the continuance of those habitat and recreation areas.

These overlapping Coastal Act policies clearly protect public recreational access to and along the beach/shoreline and to offshore waters for public recreational access purposes, particularly free and low-cost access. The Coastal Act's access and recreation policies provide significant direction regarding not only protecting public recreational access, but also by requiring that access is provided and maximized. Specifically, Coastal Act Section 30210 requires that *maximum* public access and recreational opportunities be provided. This direction to maximize access and recreational opportunities represents a different threshold than to simply provide or protect such access, and is fundamentally different from other like provisions in this respect. In other words, it is not enough to simply *provide* access to and along the coast, and not enough to simply *protect* such access; rather such access must also be *maximized*. This terminology distinguishes the Coastal Act in certain respects, and provides fundamental direction with respect to projects along the California coast that raise public access issues, such as this one. And also important for this project, Sections 30220 through 30223 establish a prioritization of desirable uses in oceanfront/shoreline areas, with general industrial uses being a lower relative priority, and recreational uses being among the most important.

### Proposed Project and Analysis

The proposed project seeks to replace the existing WWTP, which is located near the shoreline along Atascadero Road and adjacent to Morro Strand State Beach and Morro Rock City Beach (which are heavily-recreated beaches with sensitive dunes), with a new facility located well inland in unincorporated San Luis Obispo County. Upon WRF operation, the City proposes to decommission and demolish the existing Plant and to restore the site to natural grade. As proposed, the project seeks to relocate a wastewater treatment plant away from prime coastal zone resources along the shoreline. Such a proposal forwards Coastal Act objectives inasmuch as the Act instructs that the current industrial use is a low-priority use for such prime coastal oceanfront land (including due to the incompatibility of the presence of critical, sensitive public infrastructure in an area subject to coastal hazards), and the proposed project will foster additional public coastal access and recreation at the site. Indeed, the perpetuation of an industrial use along the Morro Bay shoreline was a primary reason for the Commission's 2013 CDP denial for redeveloping the Plant at its current location. In its denial, the Commission found:

Perhaps even more critical, particularly in light of the fact that it is not an allowed use, and in light of the coastal hazard policies that constrain development at this site (see Hazard findings below), is the opportunity cost associated with recommitting the site to significant industrial use when the Coastal Act and LCP encourage higher priority use and development (including public access, and recreation, and visitor-serving uses and development) in this prime shoreline location....

And indeed, the City is currently in the process of updating its LCP, and the City currently envisions transitioning this area to public recreational access uses.<sup>36</sup>

<sup>&</sup>lt;sup>36</sup> The City is currently updating its LCP, paid for in part by two Coastal Commission LCP-update grants. The update currently envisions public access and recreational uses at this location, as well as other potential low-intensity uses that respond to the area's site constraints, including in terms of coastal hazards, and would require any development proposal to be part of a Master Plan reviewed and approved by the City and the Coastal Commission as an LCP amendment. Thus, as opposed to this CDP application being the vehicle to define the site's specific future

Thus, broadly, the proposed project's relocation and decommissioning parameters are consistent with the Coastal Act's public access and recreation policies. Similarly, the proposed pump stations and pipelines will also not adversely impact public access because they are located underground or, in the case of the pump stations, one will be located in an existing City corporation yard and the other will be located along Main Street near its intersection with Highway 1 (i.e., in locations that do not provide public coastal access.) In order to ensure that the decommissioning, demolition, and restoration of the existing WWTP site maximizes coastal resource protection, **Special Condition 7** requires a Wastewater Treatment Plant Site Restoration Plan, which specifies performance standards for the Plant's decommissioning and site restoration.

As conditioned, the project will result in a substantial improvement to this portion of the Morro Bay shoreline by eliminating an old wastewater treatment plant and its related industrial vestiges, and offering this prime piece of coastal real estate to more appropriate Coastal Act public uses in the future. As proposed and as conditioned, the project is consistent with the Coastal Act's public access and recreation policies.

# I. CONFLICT RESOLUTION

## Applicable Policies

Section 30007.5: Legislative findings and declarations; resolution of policy conflicts. The Legislature further finds and recognizes that conflicts may occur between one or more policies of the division. The Legislature therefore declares that in carrying out the provisions of this division such conflicts be resolved in a manner which on balance is the most protective of significant coastal resources. In this context, the Legislature declares that broader policies which, for example, serve to concentrate development in close proximity to urban and employment centers may be more protective, overall, than specific wildlife habitat and other similar resource policies.

Section 30200(b): Where the commission or any local government in implementing the provisions of this division identifies a conflict between the policies of this chapter, Section 30007.5 shall be utilized to resolve the conflict and the resolution of such conflicts shall be supported by appropriate findings setting forth the basis for the resolution of identified policy conflicts.

## Proposed Project and Analysis

As discussed previously in this report, the proposed project is inconsistent with the Coastal Act's agricultural protection policies, which strictly limit conversion of agricultural soils and uses to non-agricultural uses to criteria that are not applicable for this project. Such inconsistencies would normally require the project's denial. However, its denial would mean that other Coastal Act objectives related to coastal hazards avoidance, water quality improvement, and water supply resiliency, public views, and public coastal access and recreation enhancements would

uses (which are not entirely known yet), the City proposes to use the community visioning process as part of the LCP update to address future use parameters. The Commission concurs with this planning approach.

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not be realized. In other words, denial would cause a conflict between Coastal Act Sections 30241, 30242, and 30250 (agricultural protection) and Sections 30210 through 30224 (public access and recreation), 30230 and 30231 (water quality), 30251 (public views), and 30235 and 30253 (coastal hazards). In this case, denial would preclude the development and operation of a new tertiary-treated wastewater treatment plant, and thus would endanger Pacific Ocean and Morro Bay Estuary health by facilitating continued placement of a WWTP subject to significant coastal hazards. Stated another way, denial would preclude development of a recycled water facility at a safer inland location, and would also inhibit associated decommissioning of the existing oceanfront plant that does not at all times treat wastewater to full secondary treatment standards, and which is located in a low-lying area that is subject to coastal hazard threats. Furthermore, denial would inhibit decommissioning and relocation of the existing WWTP, which is located on prime oceanfront lands that should otherwise be used for higher priority public access and recreational uses. In fact, not proposing a project akin to this one (i.e., redeveloping the wastewater treatment plant at its current low-lying risky site and not including a recycled water component) led to the Commission's 2013 CDP denial. Since then, and as described earlier, the City heeded the Commission's direction and developed the current proposal. As discussed above, denial of the proposed project on the basis of inconsistency with Coastal Act agricultural protection policies would result in significant impacts to other coastal resources due to continued placement of the existing WWTP in a hazardous location that is most suitable for public access and recreational uses, and on balance such a denial would not further the State's coastal zone management objectives specified in the Coastal Act.

In situations such as these where there may be conflicts between Coastal Act policies, where a proposed project is inconsistent with a Chapter 3 policy and denial or modification of the project would be inconsistent with other Chapter 3 policies, Section 30007.5 of the Coastal Act provides for resolution of such a policy conflict in a manner that on balance is most protective of coastal resources.

In past resolution of conflicts through application of Section 30007.5 the Commission has implemented the following seven analytic steps:

- 1) The project, as proposed, is inconsistent with at least one Chapter 3 policy;
- 2) The project, if denied or modified to eliminate the inconsistency, would affect coastal resources in a manner inconsistent with at least one other Chapter 3 policy that affirmatively requires protection or enhancement of those resources;
- 3) The project, if approved, would be fully consistent with the policy that affirmatively mandates resource protection or enhancement;
- 4) The project, if approved, would result in tangible resource enhancement over existing conditions;
- 5) The benefits of the project are not independently required by some other body of law;
- 6) The benefits of the project must result from the main purpose of the project, rather than from an ancillary component appended to the project to "create a conflict"; and,
- 7) There are no feasible alternatives that would achieve the objectives of the project without violating any Chapter 3 policies.

The proposed development meets all of the above criteria for applying conflict resolution, as follows:

### Step 1

First, for the Commission to apply Section 30007.5, a proposed project must be inconsistent with an applicable Chapter 3 policy. Here, approval of the proposed development would be inconsistent with Sections 30241, 30242, and 30250 because the proposed WRF development would be located on and convert agricultural lands located outside of the existing urban limits.

### Step 2

Second, the project, if denied or modified to eliminate the inconsistency, would affect coastal resources in a manner inconsistent with at least one other Chapter 3 policy that affirmatively requires protection or enhancement of those resources. A true conflict between Chapter 3 policies results from a proposed project that is inconsistent with one or more policies, and for which denial or modification of the project would be inconsistent with at least one other Chapter 3 policy. Further, the policy inconsistency that would be caused by denial or modification of a project must be with a policy that affirmatively mandates protection or enhancement of certain coastal resources.

Without the new WRF, the status quo (i.e., an outdated wastewater treatment plant that does not meet applicable water quality standards, that is located in a low-lying area at risk of coastal hazards threat, that does not include water recycling or a new sustainable water supply, and that precludes other higher priority public access and recreational uses at this oceanfront site) would remain. In short, denial of the project would result in the perpetuation of a status quo that implicates significant consistency concerns with respect to numerous coastal resource policies under the Coastal Act.

More specifically, not approving the project would be inconsistent with: Sections 30230 and 30231, which affirmatively require the protection of water quality, including the biological productivity of coastal waters and groundwater resources because, due to the coastal hazards facing the current WWTP site (see discussion immediately following), the existing WWTP is at risk of breach or critical failure, which would impair the ability of the WWTP to serve its intended function and instead may impair water quality through such failure; Sections 30235 and 30253, which require development, particularly critical public infrastructure, to be sited, designed, and located in a manner that minimizes coastal hazards risk without needed shoreline protective devices because, as discussed above, the low-lying location of the existing WWTP, as exacerbated by climate change-driven sea level rise, subjects the WWTP to significant coastal hazards; with Sections 30250 and 30254 regarding the availability and adequacy of public infrastructure such as water supply, including because the proposed project will produce recycled water for potable consumption and provide water security and reliability as compared with the City's existing water supply portfolio; with Section 30251 that protects public views because new development should, where feasible, restore and enhance the visual quality of degraded areas, and given that this development proposal is an important opportunity to facilitate decommissioning and removal of the existing WWTP from the prime beachfront location, failure to approve this project will result in degraded visual quality through retention of the existing

WWTP in place, inconsistent with Section 30251; and Sections 30210 through 30224, which require maximum public access and recreational opportunities to and along the coast, and which state that such uses are among the highest priorities for oceanfront locations because, as with visual resources, this development proposal is an important opportunity to facilitate decommissioning and removal of the existing WWTP from the prime beachfront location, so failure to approve this project will not result in maximization of public access or recreational opportunities along the coast due to retention of the existing WWTP in place but would rather perpetuate inconsistency of use of this prime beachfront area with the public access and recreation policies of the Coastal Act. In most cases, denying a proposed project (i.e., the no project alternative) will not cause adverse effects on coastal resources for which the Coastal Act mandates protection or enhancement, but will simply maintain the status quo. In this case, however, maintaining the status quo would result in significant impacts to water quality and water supply, coastal hazards, public views, and public access and recreation for which the Coastal Act mandates protection due to the impacts associated with retention of the existing WWTP in place.

## Step 3

The project, if approved, would be fully consistent with the policy that affirmatively mandates resource protection or enhancement. For denial of a project to be inconsistent with a Chapter 3 policy, the proposed project would have to protect or enhance the resource values for which the applicable Coastal Act policy includes an affirmative mandate. That is, if denial of a project would have to conflict with an affirmatively mandated Coastal Act policy, approval of the project would have to conform to that policy. If the Commission were to interpret this conflict resolution provision otherwise, then any proposal, no matter how inconsistent with Chapter 3 that offered a slight incremental improvement over existing conditions could result in a conflict that would allow the use of Section 30007.5. The conflict resolution provisions were not intended to apply to such minor incremental improvements.

In this case, numerous Coastal Act policies mandate protection of various coastal resources, including with respect to coastal hazards avoidance, water quality protection, provision of water supply, public views, and public access and recreation maximization. For example, with respect to coastal hazards Section 30253 states that "new development shall...minimize risks to life and property in areas of high geologic, flood, and fire hazard;" with respect to water quality Section 30231 states "the biological productivity and the quality of coastal waters...shall be maintained and, where feasible, restored through, among other means, minimizing adverse effects of waste water discharges and...encouraging waste water reclamation;" and with respect to public access and recreation Section 30221 states that "Oceanfront land suitable for recreational use shall be protected for recreational use and development unless present and foreseeable future demand for public or commercial recreational activities that could be accommodated on the property is already adequately provided for in the area" (emphasis added). Thus, these policies affirmatively require protection and enhancement of coastal resources, and denial would not meet, but rather would be inconsistent with these Coastal Act requirements due to retention in place of the existing WWTP, which is inconsistent with the aforementioned policies. In summary, the project will provide needed coastal hazards risk avoidance for critical public infrastructure, improve water quality through tertiary water treatment, provide a secure water supply, and remove an existing industrial use away from the public's beaches, all in conformance with the Coastal Act.

## Step 4

The project, if approved, would result in tangible coastal resource enhancements over existing conditions for a number of reasons, including all as described above. The project is a direct response to meet Coastal Commission direction given in its 2013 CDP denial, and will materially improve numerous coastal resources, including by relocating critical infrastructure out of harm's way, improving water quality and supply, and by opening up a stretch of Morro Bay's coast to higher priority uses.

## Step 5

The benefits of the project are not independently required by some other body of law. The benefits of approval cannot be those that a project proponent is already being required to provide pursuant to another agency's directive under another body of law. In other words, if the benefits would be provided regardless of the Commission's action on the proposed project, the project proponent cannot seek approval of an otherwise un-approvable project on the basis that the project would produce those benefits (i.e., the project proponent does not get credit for resource enhancements that it is already being compelled to provide). For this project, while the Regional Board has given a TSO for a new wastewater treatment plant to meet effluent water quality requirements, the City cannot undertake the necessary construction and improvements without a CDP from the Commission. The benefits of the project are therefore not independently required by some other body of law.

## Step 6

The benefits of the project must result from the main purpose of the project, rather than from an ancillary component appended to the project to "create a conflict." A project's benefits to coastal resources must be integral to the project purpose. If a project is inconsistent with a Chapter 3 policy, and the main elements of the project do not result in the cessation of ongoing degradation of a resource the Commission is charged with enhancing, the project proponent cannot "create a conflict" by adding to the project an independent component to remedy the resource degradation. The benefits of a project must be inherent in the purpose of the project. If this provision were otherwise, project proponents could regularly "create conflicts" and then request that the Commission use Section 30007.5 to approve otherwise un-approvable projects. The conflict resolution provisions of the Coastal Act were not intended to foster such an artificial and easily manipulated process, and were not designed to barter amenities in exchange for project approval. In this case, the coastal hazards, water quality and supply, public view, and public access benefits of the project result from its primary purpose of identifying a project that better ensures consistency with the relevant coastal resource policies as compared to the prior iteration of this project proposal, which would have resulted in clear ongoing coastal resource policy inconsistencies by retaining the existing WWTP in place.

## Step 7

There are no feasible alternatives that would achieve the objectives of the project without violating any Chapter 3 policies. As discussed previously in the Agricultural Resources section of this report, the City undertook an extensive multi-year analysis evaluating 17 potential locations to find an appropriate site for the proposed WRF. Due to the unique geography of the City of Morro Bay (i.e., surrounded by the Pacific Ocean, Morro Bay Estuary, Morro Bay State

Park, and agricultural lands), any location outside of City limits would necessitate some type of coastal resource impact. And finding a suitable alternative location within City limits was infeasible due to coastal hazards constraints (including on City-owned locations near the existing WWTP) and due to potential adverse community impacts from placing an industrial wastewater facility within existing neighborhoods. Thus, there are no feasible alternatives that would achieve the objectives of the project without violating any Chapter 3 policies.

Based on the above, the Commission finds that the proposed project presents a conflict between Sections 30241, 30242, and 30250 on the one hand, and Sections 30210 through 30224, 30230 and 30231, 30235 and 30253, and 30250 on the other hand, and that this conflict must be resolved through application of Section 30007.5.

## **Conflict Resolution Conclusion**

With the conflict among several Coastal Act policies established, the Commission must resolve the conflict in a manner that on balance is the most protective of significant coastal resources. In reaching this decision, the Commission evaluates the project's tangible, necessary resource enhancements over the current state and whether they are consistent with resource enhancements mandated in the Coastal Act. In the end, the Commission must determine whether its decision to either deny or approve a project is the decision that is most protective of significant coastal resources.

Overall, the approved project is more protective of coastal resources than denial would be because it allows for new critical public infrastructure away from a hazardous shoreline location, and one that provides and protects for needed water quality and supply improvements, as well as future public access and recreational opportunities to and along the coast at a prime coastal access and recreational location. Agricultural protection, and the protection of rural open space lands more broadly, is also an important resource that will be impacted by the proposed project in a manner not consistent with Sections 30241, 30242, and 30250. However, as conditioned to implement an agricultural mitigation program (as described in the Agricultural Resources section of this report), the project will minimize conflicts with the agricultural protection provisions of the Coastal Act. In resolving the identified Coastal Act conflicts, the Commission finds that the impacts from coastal hazards, water quality and supply, and public access and recreation from not constructing the project (i.e., perpetuation of the status quo) will be more significant than the project's agricultural impacts if these impacts are minimized and mitigated as conditioned. Therefore, the Commission finds that approving the project, as conditioned, is, on balance, most protective of coastal resources.

# J. Environmental Justice

While not part of the coastal resources planning and management policies of Chapter 3 and thus not an applicable regulatory standard of review, the Coastal Act provides for the Commission to evaluate environmental justice considerations when making CDP decisions:

**30107.3.** "Environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.

**30604(h).** When acting on a coastal development permit, the issuing agency, or the Commission on appeal, may consider environmental justice, or the equitable distribution of environmental benefits throughout the state.

These concepts have been further articulated in the Commission's Environmental Justice Policy, unanimously approved by the Commission in March 2019. The Policy states:

The term 'environmental justice' is currently understood to include both substantive and procedural rights, meaning that in addition to the equitable distribution of environmental benefits, underserved communities also deserve equitable access to the process where significant environmental and land use decisions are made.

Thus, the Policy underscores the importance of both substance (i.e., evaluating whether projects do or do not disproportionately distribute environmental benefits) and process (i.e., ensuring that those potentially affected by proposed development have an equal and equitable opportunity to voice concerns in an open and transparent public process).

Some members of the Morro Bay community who oppose the proposed project contend that it raises environmental justice concerns on both substantive and procedural grounds. On substantive grounds, they have argued that the proposed project is too expensive for a small community of roughly 10,000 residents to afford, and that there are other less expensive viable alternatives. Due to the increase of costs to pay for the proposed project, they argue this will result in a disproportionate burden on low-income ratepayers, including those who are elderly and on fixed income, renters, and other individuals in low-income communities, including due to the flat-rate, across-the-board adjustment of payer rates regardless of socioeconomic status. On procedural grounds, some have argued that the public participation and engagement process during project development and permitting has been compromised, voicing concerns that the City's process has lacked public transparency and that the CDP consolidation process, whereby the Commission is hearing and acting on one CDP (rather than one each from the City, County, and the Commission due to the project being within all three jurisdictions) has significantly impaired public participation by bypassing public hearings at the local level. In essence, they argue the Coastal Act's consolidation process is not appropriate for a project of this magnitude, particularly since it has opposition, and that local venues for public participation have been thwarted. See the attached "Correspondence" for the specific concerns.

To better understand whether there is "fair treatment" or, conversely, a disproportionate burden on a targeted population by race, income, cultures, and/or other identifiers, it is first important to evaluate Morro Bay's socioeconomic. According to the U.S. Census American Community Survey Five-Year Estimates for years 2013-2017, Morro Bay has a federal poverty rate of 10.1%, a median household income of \$61,690, and a population that is 80.8% non-Hispanic white. For relative reference, California's overall poverty rate is 13.3%, the state's median household income is \$67,169, and California's population is 37.2% non-Hispanic white. Pismo Beach, another beachfront city in San Luis Obispo County, has a federal poverty rate of 8.4%, a median household income of \$77,316, and a population that is 84% non-Hispanic white. Adjacent Los Osos has a federal poverty rate of 10.5%, a median household income of \$73,082,
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and is 77.3% non-Hispanic white. And finally, Oceano, an unincorporated community in southern San Luis Obispo County, has a federal poverty rate of 18.8%, a median household income of \$55,421, and a population that is 41.2% non-Hispanic white (and 49.8% Hispanic/Latino). Thus, when compared with the statistics for California as a whole, Morro Bay is on average wealthier, whiter, and has lower rates of poverty. And when compared with peer jurisdictions in the County, Morro Bay fits somewhere in the middle in terms of median income and poverty rate, with some communities being more wealthy and others less. In terms of population ethnicity, Morro Bay is predominantly non-Hispanic white.

The above federal statistics are used to compare entire jurisdictions by median household income and ethnicity, but do not capture neighborhood-scale variations with respect to these statistics. The State has tools that do so, including designations for "Disadvantaged Communities" and "Low-Income Communities" at the census tract level pursuant to Senate Bill (SB) 535 and Assembly Bill (AB) 1550, respectively. Specifically, in 2012, the Legislature passed SB 535, directing that 25 percent of the proceeds from the Greenhouse Gas Reduction Fund (from the State's greenhouse gas cap-and-trade program) go to projects that provide a benefit to Disadvantaged Communities. The legislation gave the California Environmental Protection Agency (CalEPA) responsibility for identifying Disadvantaged Communities, which CalEPA defined as census tracts in the top 25 percent CalEnviroScreen 3.0 index.<sup>37</sup> And pursuant to AB 1550, which was passed in 2016, at least five percent of the proceeds from the Greenhouse Gas Reduction Fund are to be spent on projects located in (and benefiting) Low-Income Communities. Low-Income Communities are defined as the census tracts that are either at or below 80 percent of the statewide median income, or at or below the threshold designated as low-income by the California Department of Housing and Community Development. Based on both SB 535 and AB 1550 and their definitions/designations, no census tract in Morro Bay meets the criteria for a Disadvantaged Community by CalEnviroScreen 3.0; however, one census tract (Tract 6079010503) on the northern end of Morro Bay is designated as a Low-Income Community, namely the area on the northern, upcoast part of town.

In sum, while Morro Bay as whole is wealthier than the State as a whole, there are pockets of town that are less wealthy, including one area being officially defined as a Low-Income Community pursuant to State law. Thus, issues of environmental equity and the benefits and burdens of environmental decisions are still important factors for the Commission to recognize in this community.

With respect to the substantive environmental justice concerns raised by certain project opponents, the proposed project is intended to provide numerous public health and coastal resource benefits, including in terms of relocating critical wastewater infrastructure out of a coastal hazardous area, of improving water quality through tertiary treatment, and ensuring water security and reliability through water recycling and indirect potable reuse. All of these components are significant public benefits that provide security, resiliency, and adaptation for the Morro Bay community in an era of uncertainty due to climate change. Thus, at this broad

<sup>&</sup>lt;sup>37</sup> CalEnviroScreen 3.0.is a screening tool used to help identify communities disproportionally burdened by multiple sources of pollution and with population characteristics that make them more sensitive to pollution. Thus, the top 25% most impacted census tracts are those with high pollution burden and populations with higher sensitivity to pollution.

level, the proposed project will benefit <u>all</u> Morro Bay residents and visitors with essential public benefits, and thus the project will further environmental justice principles in this regard.

That being said, it is true that the proposed project will be expensive, as is typical of all critical major public infrastructure projects, and the subsequent costs could have a disproportionate burden on low-income rate payers. The City indicates that the project represents an investment in the entire collective community, and thus should be paid for by the entire community. The project's estimated cost is roughly \$125 million, which will be paid for through a ratepayer surcharge of \$41 per month. The rate surcharge was subject to two Proposition 218 votes of all ratepayers in the City, and both passed. This \$41 per month surcharge will be decreased should the City receive State and Federal grants and/or low-interest loans, which the City is actively seeking currently, and the City estimates that such efforts, if successful, should decrease the costs to the community and reduce the \$41 monthly surcharge. In addition, most of the City's current water supply is imported via the State Water Project, for which the City currently pays \$2,100 per acre-foot of water. This source has proven to be a volatile supply and most likely will increase in cost in the future due to needed upgrades. Meanwhile, use of the City's existing groundwater supply only costs \$1,000 per acre-foot. The WRF will provide a stable, reliable, and clean groundwater supply source that is projected to satisfy up to roughly 80% of the City's water supply needs, thus leading to a less expensive water source. While that is not to suggest that the project is without costs, it is to suggest that they are being constrained as much as is possible. In addition, not pursuing the project also has its own costs, not the least of which are environmental costs (including in terms of hazards risks, impaired water quality, lack of sufficient water supply, economic loss of oceanfront recreational land use, etc.), but also in terms of regulatory costs (e.g., Clean Water Act violations). Although the Regional Board has provided time for the City to pursue project alternatives, and has extended the time frame for Clean Water Act compliance without fines and penalties multiple times, the City is under the Regional Board's TSO order where such fines and penalties will commence starting in 2023 if the current issues are not rectified.

In addition it should be noted that through the City's public engagement efforts in recent years, the City has taken these cost concerns seriously and responded accordingly. For example, in 2017, in response to public concerns regarding affordability, the City Council directed the WRF project team to undertake an evaluation of project alternatives and perform an audit for potential cost reductions. First, the WRF team evaluated the cost estimates of a series of other locations, including rebuilding the Plant at its current location, to understand the proposed project's costs relative to other potential locations. The evaluation identified a range of potential costs, including \$150 million for the new WRF at the South Bay Boulevard site, some \$125 million for rebuilding the WWTP at its current site, and some \$138 million for other inland locations. See this analysis in **Exhibit 5**.

The City's analysis also highlighted a few points. First, it found that all such alternatives would be over \$100 million, and thus it was not accurate to suggest that there are significantly less expensive alternatives as some members of the public had argued. And second, the cost analysis only estimated short-term construction costs *today*, as opposed to potential long-term maintenance costs overall. Specifically, the City's goal for this project is to build a facility that will provide certainty for the community, including in terms of siting it outside of an area subject

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to coastal hazards risks that will potentially be exacerbated by climate change and thus also implicates concerns regarding adequate protection of water quality in case of WWTP breach or failure. While the analysis did find that rebuilding in place was the least expensive project *today*, the analysis did not include the potential unknowns that will factor into the costs applicable to the existing WWTP site in the future, including potential damage from coastal hazards over time and expensive repairs or possible future relocation to address those hazards. Thus, rebuilding in place, while potentially less expensive today than the proposed project, did not meet the City's stated project goals and objectives because doing so does not provide the certainty with respect to coastal hazards avoidance and future financial obligations that the currently proposed project does (see also Commission staff comments about such considerations to the City Council in **Exhibit 6**).<sup>38</sup> As such, the City Council decided (in a noticed public hearing in September 2017) that it was not appropriate for the City to abandon the proposed South Bay Boulevard site and restart the planning/permitting process at a new site based upon potential cost savings, and affirmed the South Bay Boulevard site as the most fiscally prudent. With the South Bay Boulevard site affirmed, the Council directed an audit performed by a task force of area wastewater professionals to understand project components and identify potential redundancies, efficiencies, and other changes to reduce cost. The audit resulted in identified cost reductions of some \$25 million (i.e., from a previously estimated cost of \$150 million down to \$125 million), which reductions have been accounted for and will be realized through design modifications as reflected in the current project proposal. Discussion of the relative cost of the various alternatives considered is relevant here because under any of the scenarios evaluated (for which the City determined there was no option significantly less expensive than the current proposal), financing for the project would require the City to recoup costs by passing along the costs to ratepayers as rate increases.

Thus, and finally with respect to cost, the City listened to public concerns, evaluated options, and made project changes to help address those concerns. In addition to reexamining potentially less expensive alternatives and cost audits as described above, the City is also still actively looking to mitigate project costs by seeking State and Federal loans and grants, including the State Water Board's State Revolving Fund grants and the United States Environmental Protection Agency's Water Infrastructure Finance and Innovation Act loans. As of the time of the publishing of this report, the State Water Board is recommending the City receive \$105 million in grants and lowinterest loans through the State Revolving Fund, and the City has been given a favorable rating to receive federal funding as well. The estimated average increased monthly utility bill of \$41 does not include these funding sources, and will be reduced should the City receive such additional funding. And, importantly in terms of opportunities to mitigate the *disproportionate* impact which the maximum rate increase of \$41 will have on lower-income rate payers relative to higher-income rate payers, the City also has a tiered water/wastewater rate structure, with discounted rates (up to 10%) for lower-income residents to further help such residents afford their utility bills, and intends a public outreach program to ensure that residents are notified of and enrolled in the program.

<sup>&</sup>lt;sup>38</sup> While the City was undertaking the cost comparative analysis in 2017, Commission staff met in person with both City staff as well as interested members of the public (including those opposed to the project based on cost considerations) to understand their concerns and discuss the benefits and costs of each of the potential project location alternatives.

In short, it is clear that the City has taken the cost considerations raised by members of the public seriously, including seeking relief for direct WRF costs today that will reduce costs for all ratepayers and will continue its low-income rate payer assistance program to mitigate disproportionate burdens of the rate increase on its low-income households. And the City also indicates that the project is a long-term investment in critical public infrastructure that will be fiscally prudent into the future. For example, less reliance on water from the State Water Project and desalination, both of which are expensive supply options, with reliance instead on local groundwater sources via recycling and replenishment, will reduce costs and provide financial security for utility ratepayers in the longer run. What the City has indicated is that the "no project" alternative is simply not an option, financially and in terms of protection of coastal resources as required by the Coastal Act, and that the proposed project is the best course of action to address Morro Bay's critical infrastructure needs taking into account all of these considerations. The City indicates that it has deferred maintenance on the overall water and sewer supply system over the years, and that the increased utility rates levied as part of the WRF project are also meant to pay for needed upgrades to the entire system and create a consistent revenue stream so it remains in a state of good repair. On this point, the City recently adopted the "OneWater Morro Bay" plan, which serves as a master plan for needed infrastructure upgrades and repairs. This plan, along with the proposed WRF project, will help to upgrade the City's critical water and sewer infrastructure for all of its residents and visitors.

And with respect to process, specifically the CDP consolidation process, as a preliminary matter, CDP consolidation is a process identified and allowed for under the Coastal Act. Specifically, Section 30601.3 allows for projects that span multiple permitting jurisdictions to be heard directly by the Commission in one CDP with the Coastal Act as the standard of review if the Executive Director, the applicant, and the local government all agree to consolidate, and if public participation is not "substantially impaired" by doing so. Neither the Coastal Act nor its implementing regulations explicitly define a threshold for when public participation might be "substantially impaired," but rather such determinations are made on a case-by-case analysis depending on the particular facts regarding the proposed project at hand. Factors that may be relevant to make this determination include: an evaluation of the opportunities provided by the local government for public participation during project development/refinement and as provided for through any local, non-CDP permitting requirements, including CEQA review; the level of community and other parties' interest and involvement in the project; the degree to which consolidation would allow for a comprehensive review of an entire project as a whole as opposed to bifurcation into different CDP applications with different standards of review (and potentially separate appeals to the Commission), which could result in fragmentation of public participation; and the potential for scheduling a Commission hearing as close to the proposed project's location as possible to further public participation objectives. In general, consolidation can serve as a beneficial permitting tool, including by streamlining the process, avoiding bifurcation of project review, and ensuring clarity in the public process by having one CDP and one standard of review governing a project, including with respect to future condition compliance and potential CDP amendments over time.

Commission staff has had discussions with City and County staff at various times in the past few years regarding the fact that consolidation was an option for processing the proposed WRF if they so desired. Commission staff felt that consolidation was appropriate in this case because the

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project includes components that span multiple jurisdictions (i.e., the proposed WRF is in the unincorporated County, the pipelines, the proposed pump stations, and the existing Plant are in the City, and the outfall is in the Commission's retained jurisdiction in coastal waters). Thus, the project could benefit from consolidation to avoid the need for separate County and City CDPs (each of which could appealed to the Commission under a different LCP standard of review) and a separate CDP from the Commission (with the Coastal Act as the standard of review) for the outfall work. As such, consolidation avoids a disjointed public process where integral project elements would not be evaluated holistically under one standard of review, or even at one time, which may also increase public confusion and fragmentation of public participation regarding the various project elements. Commission staff also made clear to City staff that consolidation was contingent on a robust public engagement process at the local level to be done before the consolidated CDP application was submitted to the Commission for review.

To foster public participation and shape WRF project parameters, over the past few years the City has held over 50 noticed public meetings (see Exhibit 7 for a list of these 50 public meetings, including with links to their associated staff reports), including through the WRF Citizens Advisory Committee, the City's Planning Commission, and the City Council. These public meetings included the aforementioned hearings in which project costs and alternatives were deliberated, two public hearings on the project's EIR certification, an affirmative City Council vote to authorize CDP consolidation, and two City Council meetings (after authorizing consolidation) to further solicit public comment and provide the public and the City Council opportunities to make project changes prior to submittal of the CDP application to the Coastal Commission.<sup>39</sup> In addition, the San Luis Obispo County Board of Supervisors held a noticed public hearing in April 2019 and voted to support a consolidated CDP application to the Commission. Finally, the project is being heard at the July 2019 Coastal Commission meeting in San Luis Obispo to ensure the hearing is as close to Morro Bay as possible to facilitate participation for interested Morro Bay residents (i.e., San Luis Obispo is about a 20-minute drive from Morro Bay). Thus, it is inaccurate to characterize the consolidation process as limiting public participation, including as the history of the project shows that the City has made a significant effort to maximize public participation when shaping project parameters.

The Commission recognizes that a core component of its Environmental Justice Policy, and of the Coastal Act more broadly, is to maximize public participation, and claims that such participation is inadequate or being hampered are not taken lightly and are given careful consideration. Indeed, public participation is a cornerstone of California's coastal management program. However, as described above, based on the actions the City has taken to foster participation and outreach, including making project changes based on public input (including in response to project costs as discussed above), and based on the benefits consolidation would accrue in terms of comprehensively evaluating the entire project's coastal resource benefits and impacts under a single standard of review, the Commission finds that the project's procedural aspects are not in conflict with the Coastal Act's environmental justice objectives and that consolidation in this case is appropriate.

<sup>&</sup>lt;sup>39</sup> Commission staff also attended one of these City Council meetings.

In summary, as affirmed by the Commission's Environmental Justice Policy, these issues are at the fore in guiding the Commission's implementation of the Coastal Act, including ensuring that CDP decisions benefit all and do not unduly burden a select group. This project, both substantively and procedurally, aligns with the goals of the Environmental Justice Policy and the Coastal Commission's environmental justice authority.

## K. OTHER

#### Traffic

Some members of the public have voiced concern regarding construction-related traffic impacts, including in terms of public safety and commercial activity as roads would need to be closed off to traffic for pipeline construction. Such closures may adversely impact egress in emergency situations. To address such concerns, **Special Condition 2(d)** is included to require the City to prepare a traffic management plan to ensure that construction activities have the least impact on road closures and emergency access as possible.

#### Public Rights

The area associated with this CDP application includes areas that are clearly public, as well as other areas historically used by the public, including the existing WWTP site. Although the Commission has identified areas of public land and public use herein, the Commission here does not intend its action waive any public rights that may exist on the affected properties, including at the WWTP site. Thus, this approval is conditioned to make that clear, and to require the Applicant to agree and acknowledge same, including that the Applicant shall not use this CDP as evidence of a waiver of any public rights that may exist on these properties now or in the future (see **Special Condition 12**).

#### Other Authorizations

The project requires authorizations from the Regional Water Quality Control Board, the California State Lands Commission, the U.S. Army Corps of Engineers, and potentially other agencies, and this approval is conditioned for evidence of same. The City is also required to inform the Executive Director of any changes to the project required by any other such authorizations, and any such changes must be incorporated through a CDP amendment, unless the Executive Director determines that no amendment is legally required. See **Special Condition 13**.

#### Minor Changes

This CDP authorizes the project as proposed by the City except as modified by the special conditions. Any project changes, including with respect to any Executive Director-approved plans required pursuant to the special conditions, shall require an amendment to this CDP, unless the Executive Director determines that no amendment is legally necessary (**Special Condition** 14).<sup>40</sup>

<sup>&</sup>lt;sup>40</sup> Note that **Special Condition 14** can be justified in Commission CDP approvals to account for the needed minor refinements and changes that commonly occur as projects are being built out. This operational flexibility is important, particularly for large and complicated public works projects like this one.

### Future Permitting

The Commission herein fully expects to review any future proposed development at and/or directly related to this project and/or project area, including to ensure continued compliance with the terms and conditions of this CDP through such future proposals. Thus, any and all future proposed development at and/or directly related to this project, this project area, and/or this CDP shall require a new CDP or a CDP amendment that is processed through the Coastal Commission, unless the Executive Director determines a CDP or CDP amendment is not legally required (see **Special Condition 15**).

### Indemnification

Coastal Act Section 30620(c)(1) authorizes the Commission to require applicants to reimburse the Commission for expenses incurred in processing CDP applications. Thus, the Commission is authorized to require reimbursement for expenses incurred in defending its actions on the pending CDP applications in the event that the Commission's action is challenged by a party other than the applicant. Therefore, consistent with Section 30620(c), the Commission imposes **Special Condition 16** requiring reimbursement for any costs and attorneys' fees that the Commission incurs in connection with the defense of any action brought by a party other than the Applicant challenging the approval or issuance of this CDP, or challenging any other aspect of its implementation, including with respect to condition compliance efforts.

# L. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Section 13096 of the California Code of Regulations requires that a specific finding be made in conjunction with CDP applications showing the application to be consistent with any applicable requirements of CEQA. Section 21080.5(d)(2)(A) of CEQA prohibits a proposed development from being approved if there are feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse effect that the activity may have on the environment.

The Applicant, i.e. the City of Morro Bay, acting as the CEQA lead agency, prepared and certified an Environmental Impact Report (EIR) for the proposed project in August 2018 (State Clearinghouse Number 2016081027). The City certified the EIR with a "Statement of Overriding Consideration" based on potentially significant and unavoidable impacts to historic and archaeological resources from construction-related ground disturbance in areas where there are known archaeological resources. Despite inclusion of mitigation measures to reduce potential impacts, including by requiring onsite archaeological and Native American monitors during construction and preparation of a Cultural Resources Mitigation and Monitoring Program to further identify best management practices, the EIR concluded that the potential impacts would remain significant and unavoidable. The City ultimately certified the EIR by finding that the project's benefits overall outweighed such impacts. The six specific benefits cited were: 1) removing wastewater treatment facilities out of a 100-year flood zone and improving flood zone capacity/flow; 2) enhancement and reliability of water supply through water recycling; 3) accommodation of the City's wastewater treatment needs; 4) relocation of the existing WWTP out of a coastal hazard area and improving reliability through reduced risk; 5) opening up the existing wastewater treatment plant's coastal site to higher priority uses under the Coastal Act; and 6) replacing and building a new wastewater treatment plant is required and there are no other options but to do so for the protection of public health and the environment.

The City also actively worked with the Northern Chumash tribal representatives to shape the project, including with respect to the alignment of new pipelines to avoid known cultural sites as much as possible and to include appropriate mitigation measures to further mitigate potential adverse impacts. Namely, the proposed project includes a suite of archaeological protection measures, including retaining a qualified archaeologist that meets the Secretary of the Interior's standards to carry out all required monitoring activities, having the archaeologist and qualified Native American monitor be on site during construction, and preparation of a cultural resources mitigation and monitoring program to further identify best management practices, including in terms of avoidance measures and procedures for potential recovery of human/archaeological remains. The Northern Chumash representative indicates agreement and support for the proposed project (see attached correspondence).

Despite the EIR's conclusion that impacts to archaeological resources would be significant and unavoidable, as discussed in this report, the project, with proposed mitigation measures for archaeological resource impacts, can be found consistent with the archaeological resource policy of the Coastal Act (Section 30244). The Coastal Commission's review and analysis of CDP applications has been certified by the Secretary of the Natural Resources Agency as being the functional equivalent of environmental review under CEQA (see 14 CCR Section 15251(c)). The preceding CDP findings discuss the relevant coastal resource issues with the proposal, and the CDP conditions identify appropriate modifications to avoid and/or lessen any potential for adverse impacts to said resources. As such, there are no additional feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse environmental effects which approval of the proposed project, as conditioned, would have on the environment within the meaning of CEQA. Thus, if so conditioned, the proposed project will not result in any significant environmental effects for which feasible mitigation measures have not been employed consistent with CEQA Section 21080.5(d)(2)(A).

## **APPENDIX A – SUBSTANTIVE FILE DOCUMENTS**

- *City of Morro Bay Water Reclamation Project Final Water Reclamation Facility Plan.* Prepared by Carollo Engineers, April 2019.
- *Technical Memorandum Re: Morro Bay Water Reclamation Facility Groundwater Modeling.* Prepared by GSI Water Solutions, Inc. (Dave O'Rourke and Tim Thompson) to Eric Casares and Rob Livick (City of Morro Bay Water Reclamation Facility Team), dated April 19, 2019.
- Morro Bay Water Reclamation Facility Final Environmental Impact Report, State Clearinghouse #2016081027, Prepared by Environmental Science Associates (ESA) for the City of Morro Bay, dated June 2018.
- City of Morro Bay Water Reclamation Facility Project Updated Site Comparison Report September 2017. Prepared by Michael K. Nunley & Associates, Inc. for the City of Morro Bay, dated September 21, 2017.
- Lower Morro Valley Basin Screening-Level Groundwater Modeling for Injection Feasibility, Prepared by GSI Water Solutions, Inc. for Michael K. Nunley & Associates and the City of Morro Bay, dated May 16, 2017.
- *City of Morro Bay Master Water Reclamation Plan Draft March 2017.* Prepared by Michael K. Nunley & Associates, Inc. for the City of Morro Bay, dated March 2017.
- *City of Morro Bay Water Reclamation Facility Master Plan.* Prepared by Black and Veatch for the City of Morro Bay, dated November 9, 2016.
- Second Public Draft Options Report for the City of Morro Bay New Water Reclamation Facility Project. Prepared by John F. Rickenbach Consulting for the City of Morro Bay, dated December 5, 2013.
- *First Public Draft Options Report for the City of Morro Bay New Water Reclamation Facility Project.* Prepared by John F. Rickenbach Consulting for the City of Morro Bay, dated October 29, 2013.

# APPENDIX B – STAFF CONTACT WITH AGENCIES AND GROUPS

- City of Morro Bay (Scott Collins, City Manager; Eric Casares, WRF Program Manager; Rob Livick, City of Morro Bay Public Works Director/City Engineer)
- San Luis Obispo County Department of Planning and Building
- Office of San Luis Obispo County Supervisor Bruce Gibson
- California State Water Resources Control Board
- Central Coast Regional Water Quality Control Board
- Citizens for Affordable Living (Betty Winholtz, Cynthia Hawley)
- Home Front Environmental Justice Morro Bay (Richard Sadowski, Marla Jo Bruton Sadowski, Cynthia Hawley)
- LandWatch San Luis Obispo County (Cynthia Hawley)
- Environmental Justice Coalition for Water
- Northern Chumash Tribal Council (Fred Collins, Tribal Administrator)