

State Water Resources Control Board



Linda S. Adams
Secretary for
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Division of Financial Assistance

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Arnold Schwarzenegger
Governor

JUN 14 2010

Mr. Pete Yribarren
Community Programs Specialist
United States Department of Agriculture Rural Development
3530 West Orchard Street
Visalia, CA 93277

Dear Mr. Yribarren:

CLEAN WATER STATE REVOLVING FUND (CWSRF); APPLICATION STATUS LETTER FOR THE UNITED STATES DEPARTMENT OF AGRICULTURE (USDA); REGARDING THE SAN LUIS OBISPO COUNTY (COUNTY) LOS OSOS WASTEWATER PROJECT (PROJECT) NO. 5230-110

The Federal Water Pollution Control Act (Clean Water Act), as amended in 1987, established the CWSRF program. In California, the State Water Resources Control Board (State Water Board) administers the CWSRF through an operating agreement with the United States Environmental Protection Agency (USEPA). The CWSRF Program offers low interest loans for water quality projects on a first come, first serve basis. The CWSRF is a revolving loan-funding program; the application period is continuous and funds are recycled to the program as funded projects repay outstanding loans. Additionally, the State Water Board receives annual capitalization grants from USEPA to administer the CWSRF. Currently, an estimated \$516 million are available for new project obligations over the next four years. If more funds are needed, the State Water Board may sell bonds to increase available cash.

Each year the State Water Board adopts a Project Priority List (PPL) and develops an Intended Use Plan (IUP). The PPL is a list of projects that appear eligible for CWSRF funds that are eligible to compete for a funding commitment. The IUP is an annual plan forecasting which projects the State Water Board will fund in the coming state fiscal year once a complete application is received.

The State Water Board received an incomplete application from the County on February 4, 2009. At that time, the County appeared to be an eligible applicant. After review of the submitted application materials, the County's proposed project appeared to be eligible for the CWSRF program. Since February 4, 2009, staff worked closely with the County to obtain the outstanding application components. The current application is for \$93,610,000 in CWSRF funds. The County's Project is listed on the PPL as an eligible project and on the current IUP.

California Environmental Protection Agency

A complete application is comprised of five general components: technical, environmental, fiscal (credit review), water conservation, and legal. At the time of this letter, the status of the County's application based on project documents submitted to date is as follows:

Application Component	Status
Technical	Complete.
Environmental	Submitted documents are under review. Staff is waiting for the California Coastal Commission to adopt a coastal development permit. Staff is also waiting for a Memorandum of Agreement between the State Water Board, United States Department of Agriculture (USDA), the County, and the State Historic Preservation Office to be executed by all parties.
Fiscal	Submitted documents are under review. All required documents submitted. Staff is analyzing the rate study and working with the County on outstanding minor issues.
Water Conservation	Submitted documents are under review. A draft water conservation plan was submitted. Staff is analyzing the plan for CWSRF Policy compliance.
Legal	Once all other application components are complete, the legal component will be reviewed to ensure that the Project complies with applicable laws and judgments.

The next basic steps are to complete the in-process application components and draft a preliminary funding commitment (PFC). Since this Project is a complex, controversial project, the PFC will need to be adopted by the State Water Board in a public board meeting, rather than at a staff level. Staff estimates that the PFC will be presented to the State Water Board in October 2010.

The anticipated schedule assumes that a California Coastal Commission Coastal Development Permit will be issued in June 2010 and the permit will not substantially change the Project. This estimate and status letter also assumes that the Project will not otherwise be substantially changed from the project proposed on February 9, 2009. This letter is provided as requested by the USDA, is non-binding, and does not constitute a final eligibility determination or a funding commitment by the State Water Board. The State Water Board is deeply committed to preserving, enhancing, and restoring California's water resources, and will continue to work with the County to enhance water quality. If you have any questions or concerns, please contact me directly at dnewton@waterboards.ca.gov or (916) 324-8404.

Sincerely,



Daniel Newton, Senior Water Resources Control Engineer
Division of Financial Assistance