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Title: Actions pertaining to the Orange Center School District Pipeline Consolidation Incentive Project through the State Water Resources Control Board State Revolving Fund Program (Sphere of Influence in County of Fresno)

1. Adopt findings for the Orange Center School District Pipeline Consolidation Incentive Project, Mitigated Negative Declaration, State Clearing House No. 2014051033
2. Approve Extra-territorial Service Agreement for connection of the Orange Center School District to the City of Fresno water system
3. RESOLUTION - Authorize the Director of Public Utilities to sign a financing application for Financial Assistance Agreement with the Orange Center School District through the State Water Resources Control Board's State Revolving Fund Consolidation Incentive Program
4. Authorize the City Manager to sign the Extra-territorial Agreement and the Director of Public Utilities, or his designee to execute all other documents on behalf of the City of Fresno

Sponsors: Department of Public Utilities

Indexes:

Code sections:

Attachments: 1. Orange Center Agreement.pdf, 2. Orange Center Resolution.pdf

Date	Ver.	Action By	Action	Result
7/30/2015	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

July 30, 2015

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SUBJECT

Actions pertaining to the Orange Center School District Pipeline Consolidation Incentive Project through the State Water Resources Control Board State Revolving Fund Program (Sphere of Influence in County of Fresno)

1. Adopt findings for the Orange Center School District Pipeline Consolidation Incentive Project,

Mitigated Negative Declaration, State Clearing House No. 2014051033

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RECOMMENDATIONS

Staff recommends that the City Council, 1) adopt, in its independent judgment, a Mitigated Negative Declaration (MND) pursuant to environmental assessment, State Clearing House No. 2014051033 for the Orange Center School District Pipeline Consolidation Incentive Project, 2) approve an Extra-territorial Service Agreement (ETA) for connection of the Orange Center School District to the City of Fresno's (City's) water system and, 3) approve a Reimbursement Resolution for a Financial Assistance Agreement for the Orange Center School District through the State Water Resources Control Board's (SWRCB's) State Revolving Fund (SRF) Consolidation Incentive Program.

EXECUTIVE SUMMARY

On June 19, 2014, Council approved submission of construction funding applications to the SWRCB under its Federal Safe Drinking Water State Revolving Fund (SDWSRF) Consolidation Incentive Low Interest Loan Program for the City's 80 million gallon per day (80MGD) Southeast Surface Water Treatment Facility (\$240,000,000), and the Orange Center School District (OCSD) Consolidation Incentive Pipeline Project (\$3,000,000). The funding application submitted for the school was focused on remediation of the schools onsite water system and water quality issues. Consolidation Incentive Program requirements include completion of environmental documentation and construction of a pipeline for connection of the school to the City's water distribution system. Adoption of this MND and approval of the ETA and Financial Assistance Agreement Resolution are essential next steps in the funding application process which will aid in the elimination of the schools present dependency on the emergency SWRCB Bottled Water Program, and provide the school's students and staff a source of safe and reliable drinking water.

BACKGROUND

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized the creation of a drinking water state revolving fund program. The SDWSRF program provides financial assistance in the form of federal capitalization grants to states that in turn provide low interest loans and other assistance to a public water system. Program goals include both federal and state legislative intent to provide funding for the construction of technically sound drinking water infrastructure projects which encourage energy efficiency and water conservation measures. In May 2013, pre-applications for the Fall State Fiscal Year 2013-2014 SDWSRF funding cycle became available.

Subsequent to the above notice of funding availability, the City submitted a pre-application for construction funding on June 27, 2013, for the City's Southeast Surface Water Treatment Facility (SESWTF). Upon review of pre-application information, the SWRCB ranked the project into Category 'M' on the Project Priority List (PPL). Although SWRCB funding categories typically range from

Category “A” to “O”, eligible funding categories for this funding cycle were restricted to Categories “A” to “G” (with Category “A” being the highest health and safety concern).

Shortly thereafter, the SWRCB presented the opportunity for possible project ‘re-ranking’ for the City’s SESWTF to a fundable category through their SDWSRF-Consolidation Incentive (CI) funding program. In short, a public water system (PWS) with a project ranked in a lower PPL category (less serious health concern) that agrees to physically consolidate a disadvantaged PWS with a higher ranked project, could be re-ranked into the same PPL category as the disadvantaged PWS with the higher ranked problem. Subsequent to Council approval on June 19, 2014, construction funding applications for the City’s SESWTF and OCSD were submitted, where after the City’s application for its SESWTF was re-ranked to a fundable category.

The OCSD is a K-6 school and has operated its own water system under SWRCB Permit Number 03-23-12P-007 since the early 1950’s. The school is located at 3530 South Cherry Avenue (within the City’s Sphere of Influence), and is currently unable to provide potable water for approximately 410 students and staff. The school is classified as a severely disadvantaged community and has experienced water system contamination issues (lead and total coliform) over the last six years. The school’s on-site water well was installed in the early 1950’s, later modified in the early 1980’s, and has exceeded its useful service life in providing potable drinking water. School students and staff are currently provided bottled water through a separate emergency SWRCB Bottled Water Program.

To meet CI Program requirements, the school Board of Trustees approved and signed OCSD Resolution 14-4-8 on April 8, 2014 allowing the City (as the lead agency), to submit an additional funding application on behalf of the school district that will result in the abandonment of the component of OCSD’s existing water system service well currently used for potable use, construction of a water utility service pipeline for consolidation with the City’s water system, and resolution of on-site water contamination issues. As part of the CI Loan requirements, and prior to an executed funding agreement, a Resolution for a Financial Assistance Agreement and an ETA between the City and OCSD has been developed and approved as to form through the City Attorney’s Office.

In brief summary, the MND is related to work associated with construction of approximately 1.8 miles of new water mains (pipelines) within the existing rights-of-way of South Cherry Avenue, East Central Avenue, and South East Avenue, with connection to existing water mains extending approximately 2,000 feet south of North Avenue along South Cherry Avenue and South East Avenue within the City of Fresno and unincorporated Fresno County. The proposed pipeline configuration will provide the school two points of connection to the City’s distribution system to accommodate any unanticipated system maintenance requirements. Installation of this water service pipeline will allow the school to discontinue use of its onsite well as a source for potable water and the schools dependency on the SWRCB’s Emergency Bottled Water Program. The OCSD will continue using its onsite well for landscape irrigation purposes until its operation is no longer feasible. Thereafter, the OCSD may request a separate landscape irrigation connection to the City system subject to the terms of the ETA. At that time, the existing well shall be sealed and abandoned.

The remaining portion of the water main will be a future, separately funded project extending approximately 1.0 mile along Central Avenue from South East Avenue to Cedar Avenue. Construction of this pipeline will aid in balancing and maintaining area system pressures and reduce the potential for contamination at the system ‘dead-end’ within the existing Cedar Avenue water main.

As the next step in the SDWSRF process, and prior to execution of a funding agreement, the CI

program requires that the MND be adopted and an ETA and Financial Assistance Agreement Resolution be approved by the City's governing body. Council's affirmative action on these requirements will provide the necessary avenue for remediation of the current health and safety risk to the students and staff at the Orange Center School District.

ENVIRONMENTAL FINDINGS

An environmental assessment initial study was prepared for this project in accordance with the requirements of the California Environmental Quality Act (CEQA) Guidelines. This process included the distribution of requests for comment from other responsible or affected agencies and interested organizations.

Preparation of the environmental assessment necessitated a thorough review of the proposed project and relevant environmental issues and considered previously prepared environmental and technical studies, including the Fresno General Plan Master Environmental Impact Report (MEIR SCH No. 2012111015). These environmental and technical studies have examined projected sewage generation rates of planned urban uses, the capacity of existing sanitary sewer collection and treatment facilities, and optimum alternatives for increasing capacities; groundwater aquifer resource conditions; water supply production and distribution system capacities; traffic carrying capacity of the planned major street system; and, student generation projections and school facility site location identification.

The proposed project has been determined to not be fully within the scope of the recently updated MEIR SCH No. 2012111015 as provided by the CEQA, as codified in the Public Resources Code (PRC) Section 21157.1(d) and the CEQA Guidelines Section 15177(c). It has been further determined that all applicable mitigation measures of MEIR SCH No. 2012111015 have been applied to the project, together with project specific mitigation measures necessary to assure that the project will not cause significant adverse cumulative impacts, growth inducing impacts and irreversible significant effects beyond those identified by SCH No. 2012111015 as provided by CEQA Section 15178(a). In addition, pursuant to Public Resources Code, Section 21157.6(b)(1), staff has determined that no substantial changes have occurred with respect to the circumstances under which the MEIR was certified and that no new information, which was not known and could not have been known at the time that the MEIR was certified as complete, has become available. Therefore, it has been determined based upon the evidence in the record that the project will not have a significant impact on the environment and that the filing of a mitigated negative declaration is appropriate in accordance with the provisions of CEQA Section 21157.5(a)(2) and CEQA Guidelines Section 15178 (b)(1) and (2).

Based upon the attached environmental assessment and the list of identified mitigation measures, staff has determined that there is no evidence in the record that the project may have a significant effect on the environment and has prepared a mitigated negative declaration for this project. A public notice of the attached mitigated negative declaration finding for Environmental Assessment Application No. 14-013, was published on June 19, 2015, with no comments or appeals specifically related to the environmental document received to date.

LOCAL PREFERENCE

The local preference was not implemented because this is not a competitive bid award.

FISCAL IMPACT

There is no impact to the General Fund or other City debt service obligations, including the Water Enterprise Fund. Because the school is a severely disadvantaged community, the SWRCB will provide funding at zero percent (0%) interest with principal forgiveness. This funding mechanism essentially provides project construction funding in the form of a grant. Typical SRF interest rates for low-interest loans are at or near 2% with an assumed loan term of 20 years, so this funding arrangement with the State on behalf of OCSD represents a significant savings in financing costs for the project.

Attachments:

Extra-territorial Agreement

SWRCB Financial Assistance Agreement Resolution