

FEB 11 2016



U. S. DEPARTMENT OF COMMERCE
Economic Development Administration
915 Second Avenue, Room 1890
Seattle, WA 98174
Fax: 206.220.7669
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Mr. Paul Eckert
City Manager
City of Mount Shasta
305 North Mt. Shasta Boulevard
Mount Shasta, California 96067

Re: EDA Award No. 07-79-07000
Upgrade of Mount Shasta Wastewater Treatment Plant

Dear Mr. Eckert:

This letter is to inform you that because the Economic Development Administration (EDA) has determined that an Environmental Impact Statement (EIS) under the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 *et seq.*) (NEPA) must be prepared and considered in connection with the amendment of EDA Award No. 07-79-0700 (Award) for the upgrade of the Mount Shasta Wastewater Treatment Plant (WWTP), and because of the length of time required for such a review, EDA has determined that the Award must be terminated.

On September 27, 2013, the City of Mount Shasta (City) accepted the Award from EDA to fund the design and construction of the Mount Shasta Sewer Line and Wastewater Facilities Improvement Project (Project). Total costs under the Award were \$6,000,000 (Federal Share \$3,000,000; Recipient Share \$3,000,000). The original Project scope of work included expanding the capacity of a main sewer line and improving the Mount Shasta WWTP. The primary beneficiary of the Project was identified as Crystal Geysler, a spring water and beverage bottling and distributing company.

The initial EDA Environmental Assessment (EA) for the Project was based in part upon the lack of public comments received and, hence, EDA issued a Mitigated Finding of No Significant Impact (Mitigated FONSI) contingent upon the completion of an Environmental Impact Report (EIR) under the California Environmental Quality Act (CEQA) and a determination that project impacts would not be significant. Relatedly, the Award also included a special award condition requiring a sufficient CEQA analysis before advertisement for construction bid.

In November of 2014, EDA learned that the City planned to use Award funds to prepare the EIR. As this was not an approved cost item under the Award's scope of work, EDA proposed amending the Award. The City Council voted to accept the proposed amendment in January 2015, which consisted of improvements to the WWTP, specifically new filtration and ultraviolet disinfection facilities. In October 2015, while in the process of issuing an amended EA and FONSI for the re-scope, EDA published a new NEPA notice seeking comments on the

amended scope of work. EDA received numerous public comments concerning the environmental impacts of Crystal Geysers' proposed renovation and expansion of the bottling plant to be serviced by the WWTP improvements.

Pursuant to CEQA, in November of 2015 the City issued its Proposed Mitigated Negative Declaration and Initial Study (MND/IS) for all improvements at the WWTP. Significantly, although anticipating the need for increased capacity at the WWTP from the Crystal Geysers facility, the MND/IS did not address any of the effects of the facility on the environment.

Here, NEPA requires EDA to factor environmental considerations into its decision whether to award financial assistance to the City by considering the direct, indirect, and cumulative effects on the environment as a result of the current Project, including those linked to the activities of a Project beneficiary like Crystal Geysers. The public comments have provided EDA with new and relevant information that was not taken into account when EDA issued its original EA and its amended EA. Among the significant concerns identified by the public are: impacts on existing water resources; groundwater extraction and subsequent impacts to private wells, creeks, and springs; industrial wastewater disposal; and the strain on WWTP capacity even with the expansion. Based on the public comments received and notwithstanding the City's MND/IS under CEQA, EDA has determined that it must withdraw the Mitigated FONSI issued for the Project and that an EIS is required before EDA can determine whether, and upon what conditions, EDA should amend the Award to upgrade the Mount Shasta WWTP.

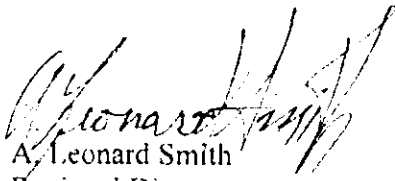
However, the Project development time table, which is incorporated under the Award, provides that construction was to have started on September 25, 2015 and must be completed before the Award end date, which is September 25, 2018. In addition, all Award funds must be used for approved construction expenses and no funds are available for the preparation of an EIS. Moreover, the projected time period required to complete an EIS makes it highly unlikely that the City will complete the Project before the Award end date. Under these circumstances, EDA has concluded that the intent and purpose and/or economic feasibility of the Project have changed substantially so as to affect significantly the accomplishment of the Project as intended. Therefore, pursuant to Section C.18.a.(ii) of the EDA Standard Terms and Conditions for Construction Projects (March 12, 2013), which were incorporated into the Award, EDA is terminating the Award.

Within 30 calendar days of this letter, please submit a final Form SF-425, as well as a Form SF-271 with supporting documentation, to close out this award. EDA will review and approve all eligible Project costs incurred by the City before the termination in accordance with 15 C.F.R. § 24.43(c).

EDA also wishes to emphasize this termination does not impact the City's eligibility or competitiveness for future funding consideration. Malinda Matson, EDA's Economic Development Representative (EDR) for Coastal and Northern California, will continue to work with the City to meet its regional economic development needs.

Thank you for your attention and we look forward to supporting the City in its future economic development efforts.

Sincerely,



A. Leonard Smith
Regional Director