PROJECT PROPOSAL
THROUGH THE WATER INVESTMENT PROGRAM

WASTEWATER COLLECTION IMPROVEMENTS PROJECT IN THE TIJUANA RIVER AREA OF TIJUANA, BAJA CALIFORNIA

Submitted to the Funding Committee:
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EXECUTIVE SUMMARY

WASTEWATER COLLECTION IMPROVEMENTS PROJECT IN THE TIJUANA RIVER AREA OF TIJUANA, BAJA CALIFORNIA

The proposed project consists of replacing 10,884 meters (35,708 ft) of deteriorated sewer lines in 13 components of the wastewater collection system that result in untreated wastewater discharges to the Tijuana River through the floodgates of the Tijuana River channel (the "Project"). The project sponsor is the local water utility, Comisión Estatal de Servicios Públicos de Tijuana (CESPT), which has developed a Comprehensive Wastewater Treatment and Reuse Plan aimed at eliminating untreated wastewater discharges to the Tijuana River, an impaired body of water that flows into the United States.

Replacing the deteriorated sewer lines in this area will improve the wastewater collection infrastructure serving 50,500 existing residential connections by eliminating the discharge of up to 4.6 mgd of wastewater caused by spills and leaks that negatively impact the Tijuana River.[1]

The Project will support compliance with existing binational agreements, as provided for in the Statement of Intent (SOI) and referenced in Minute 328 of the International Boundary and Water Commission (IBWC).[2] Residents from both Tijuana and San Diego County are expected to benefit from the implementation of this project.

Table 1
PROJECT PROFILE

Project Eligibility

Type (Sector):	Wastewater.
Location:	Tijuana, Baja California, which is adjacent to the U.S.-Mexico border.
Sponsor:	Comisión Estatal de Servicios Públicos de Tijuana (CESPT), a decentralized public entity, established by Decree No. 44 of the V Legislature of the State of Baja California published on December

[1] The 50,500 wastewater connections were calculated based on the average flow rate in 2023 of 176 liters of wastewater generated per person per day as described by the Government of Baja California in its 2019 Technical Standards for Water and Sanitary Sewer System Projects (*Normas técnicas para proyecto de sistemas de agua potable y alcantarillado sanitario, actualización 2019*), and 3.31 persons per household, as reported by the Mexican National Institute of Statistics and Geography (INEGI).

[2] The Statement of Intent and Minute 328 are two binational agreements signed by U.S. and Mexican federal agencies in July 2022 as a commitment to reduce transboundary wastewater flows into the Tijuana River watershed and the Pacific Ocean through a set of infrastructure projects on both sides of the border. https://www.epa.gov/system/files/documents/2022-10/Summary%20of%20Agreements.pdf

	16, 1966, to provide water and wastewater services to the municipalities of Tijuana and Playas de Rosarito in Baja California.

Project Summary

Objective:	Eliminate exposure to untreated wastewater discharges by replacing deteriorating infrastructure prone to leaks and failures, thus helping to reduce water pollution and the risk of waterborne diseases, as well as to eliminate transboundary flows of wastewater into the United States.
Expected Outcomes:	▪ Improve wastewater collection and conveyance infrastructure for up to 50,500 existing residential wastewater connections. ▪ Eliminate approximately 200 liters per second (lps) or 4.6 million gallons per day (mgd) of uncontrolled wastewater discharges to the Tijuana River. ▪ Support compliance with U.S.-Mexico binational agreements.
Population to Benefit:	167,000
NADBank Additionality:	NADBank's participation in the Project will benefit the Sponsor, by providing financial support from the Border Water Infrastructure Program, technical assistance through the Project Development Assistance Program (PDAP) and construction assistance through the Border Environment Infrastructure Fund (BEIF).
Project Cost:	US$8,400,000.

Financing Summary

Grant Amount:	US$4,200,000 from the Border Environment Infrastructure Fund (BEIF)
Grant Recipient:	CESPT

CERTIFICATION AND FINANCING PROPOSAL

WASTEWATER COLLECTION IMPROVEMENTS PROJECT IN THE TIJUANA RIVER AREA OF TIJUANA, BAJA CALIFORNIA

1. CERTIFICATION CRITERIA

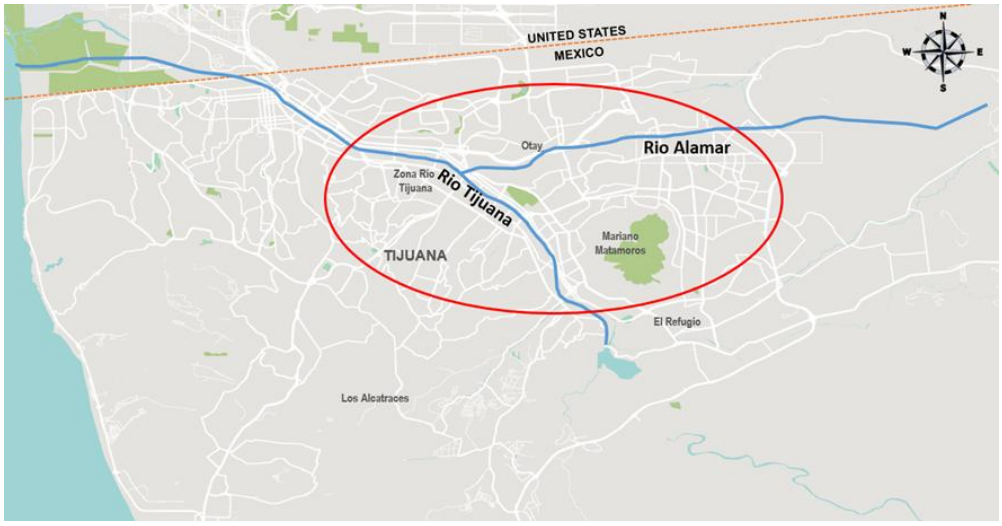
1.1. Technical Criteria

1.1.1. Project Description

Project Location

The Project will be implemented in the city of Tijuana, Baja California, which is adjacent to the U.S.-Mexico border. Tijuana is in the northwest region of the state of Baja California, approximately 16 miles south of the city of San Diego, California. Figure 1 shows the location of Tijuana and Project area relative to the U.S.-Mexico border:

Figure 1
PROJECT LOCATION MAP



As reported by the Mexican National Institute of Statistics and Geography (INEGI), the population of Tijuana was 1,922,523 in 2020, which represented approximately 51% of the state population. Based on the census data, the population of Tijuana increased by 280,953 residents between 2015 to 2020, and the economically active population was estimated to be 840,664 residents.

Table 2 summarizes the status of public services and infrastructure in Tijuana.

Table 2
BASIC PUBLIC SERVICES AND INFRASTRUCTURE IN TIJUANA

Water System			
Coverage	99.7%		
Supply source	Colorado River and water wells in the Tijuana aquifer		
Number of connections	661,659		
Wastewater Collection			
Coverage	89.5%		
Number of connections	593,757		
Wastewater Treatment			
Coverage	64.0% of collected wastewater		
Treatment facilities	**Plant**	**Type**	**Capacity**
	San Antonio de los Buenos (SAB)*	Activated sludge	800 lps (18.3 mgd)
	South Bay International	Activated sludge	1,100 lps (25 mgd)
	La Morita	Activated sludge	254 lps (5.8 mgd)
	Arturo Herrera	Activated sludge	460 lps (10.5 mgd)
	Other facilities	Activated sludge	390 lps (8.9 mgd)

Source: CESPT, November 2025.
* A new activated sludge treatment plant in SAB was recently completed in March 2025, with a capacity of 18.3 mgd.
lps = liters per second; mgd = million gallons per day.

CESPT operates the water and wastewater systems for Tijuana and Playas de Rosarito, Baja California. According to CESPT, 99.3% of the water supply for the two communities comes from the Colorado River. In 2024, in addition to withdrawals from the Colorado River, groundwater was pumped from wells located in the Tijuana aquifers. Surface water from the Colorado River is conveyed through an aqueduct, and raw water is delivered and stored at the El Carrizo Dam, treated at the El Florido Water Treatment Plant, and then distributed to the urban areas of Tijuana and Rosarito.

The wastewater collection system currently serves more than 593,000 connections in Tijuana with coverage reaching approximately 90% of households. CESPT operates three major wastewater treatment plants (WWTPs): San Antonio de los Buenos (SAB) WWTP, La Morita WWTP, and Arturo Herrera WWTP. Although a new regulation has been issued, the WWTPs are currently subject to the discharge standards established in Official Mexican Standard NOM-001-SEMARNAT-1996.[3] A new SAB WWTP was completed in March 2025 with the capacity to treat 800 lps (18.3 mgd), and the effluent quality complies with the new regulation. The utility is upgrading its other WWTPs to comply with the new regulation.

The South Bay International Wastewater Treatment Plant (SBIWTP), located in the United States and operated by the U.S. Section of IBWC, has a treatment capacity of 1,100 lps (25 mgd) of wastewater from the city of Tijuana. Including the SBIWTP and several small treatment facilities, the utility has a maximum treatment capacity of nearly 3,004 lps (68.6

[3] On March 3, 2022, a modification of NOM-001-SEMARNAT-1996 was published in Mexico, establishing new maximum permissible levels of contaminants. The new standard went into effect on April 3, 2023. In accordance with CONAGUA guidelines, CESPT registered the SAB, La Morita and Arturo Herrera WWTPs in a compliance program, which gives CESPT until 2027 to comply with the new NOM-001-SEMARNAT-2021. CESPT is responsible for achieving and maintaining compliance with the new standard in accordance with the timeline established under the program.

mgd) to serve the city of Tijuana. The effluent of all wastewater treatment facilities serving Tijuana is eventually discharged into the Pacific Ocean.

In addition to the above improvements, in March 2025 CESPT completed construction of an alternate segment of the International Collector and initiated in December 2025 the procurement process for the rehabilitation of the PB1A and PB1B lift stations, which were recently certified by NADBank.

As part of a binational commitment formalized through the Statement of Intent (SOI) signed by the U.S. Environmental Protection Agency (EPA) and the Mexican National Water Commission (CONAGUA), as well as in IBWC Minute 328, additional wastewater infrastructure rehabilitation and replacement projects are scheduled for implementation over the next few years to further address treated and untreated wastewater flows to the Tijuana River.

The proposed Project will address the issue of wastewater discharges through the Tijuana River floodgates. These structures are part of the Tijuana stormwater system and were designed to receive water produced by regional storm events; however, due to existing leaks in Tijuana's wastewater collection and conveyance system, raw wastewater flows through the streets and enters the Tijuana River through these floodgates.

Untreated transboundary flows have resulted in the closure of San Diego County beaches due to potential bacteriological impacts. While it is not feasible to prevent 100% of the transboundary flows, especially those due to significant storm events, the rehabilitation of the proposed Project components will reduce the number of days of transboundary flows during both dry weather and post-wet weather.

Project Scope

The water utility conducted a diagnostic assessment of the wastewater collection system in and found that several sections of pipeline must be replaced. The scope of the Project was determined based on the results of that assessment.

The proposed Project will replace 10,708 meters (35,708 ft) of deteriorated sewer lines in 13 components of the wastewater collection system in the area of the Tijuana River, which conveys an average of 340 lps (7.8 mgd). It is estimated that of this volume approximately 200 lps (4.6 mgd) flow directly into the Tijuana River through eight floodgates. The flow was estimated based on inspections and measurements taken at the floodgates by CESPT wastewater department staff. Once the pipe replacement works are completed in the Project area, the flows will be reincorporated into the municipal wastewater collection system and will be conducted to the corresponding treatment plants, either to the SAB WWTP and/or the SBIWTP.

Table 3 provides detailed information about the components proposed for rehabilitation.

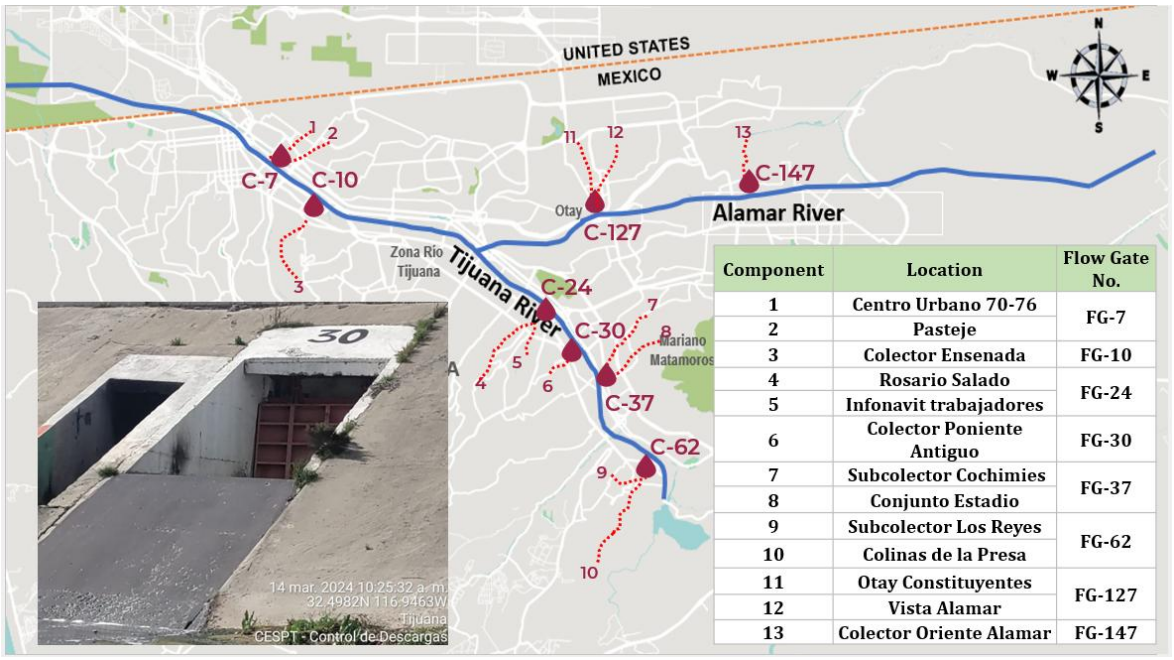
Table 3
SYSTEM COMPONENTS PROPOSED FOR REHABILITATION

Component	Rehabilitation Tasks (feet of polyvinyl chloride (PVC) lines)	Location of Discharged Flow (Floodgate)	Estimated Discharged Flow (mgd)
Centro Urbano 70-76 Collector	246 ft of 8-inch diameter	#7	0.46
Pasteje Collector	702 ft of 18-inch diameter 53 ft of 8-inch diameter		
Ensenada Collector	1,217 ft of 15-inch diameter	#10	0.70
Rosario Salado Sub-collector *	496 ft of 15-inch diameter 4,035 ft of 16-inch diameter 4,072 ft of 18-inch diameter* 886 ft of 24-inch diameter	#24	1.14
Infonavit Trabajadores Sub-collector	555 ft of 8-inch diameter 540 ft of 12-inch diameter		
Poniente Antiguo Collector	147 ft of 18-inch diameter	#30	0.46
Cochimies Sub-collector	1,316 ft of 10-inch diameter 3,274 ft of 15-inch diameter 771 ft of 18-inch diameter	#37	0.46
Conjunto Estadio Collector	1,834 ft of 8-inch diameter 305 ft of 10-inch diameter		
Los Reyes Sub-Collector	305 ft of 12-inch diameter	#62	0.46
Colinas de La Presa Collector	112 ft of 8-inch diameter 180 ft of 12-inch diameter 6,660 ft of 18-inch diameter 72 ft of 20-inch diameter 2,005 ft of 24-inch diameter 75 ft of 30-inch diameter		
Otay Constituyentes Collector	1,939 ft of 10-inch diameter 190 ft of 12-inch diameter	#127	0.46
Vista Alamar Sub-collector	171 ft of 8-inch diameter 2,723 ft of 12-inch diameter		
Oriente Collector in the Chilpancingo subdivision	82 ft of 8-inch diameter 745 ft of 12-inch diameter	#147	0.46
		TOTAL	**4.6**

* A portion of this segment has already been completed, and its cost is included in the total amount of Mexico´s investment.

Figure 2 shows the location of Project components.

Figure 2
PROJECT COMPONENT LOCATION



Component	Location	Flow Gate No.
1	Centro Urbano 70-76	FG-7
2	Pasteje	
3	Colector Ensenada	FG-10
4	Rosario Salado	FG-24
5	Infonavit trabajadores	
6	Colector Poniente Antiguo	FG-30
7	Subcolector Cochimies	FG-37
8	Conjunto Estadio	
9	Subcolector Los Reyes	FG-62
10	Colinas de la Presa	
11	Otay Constituyentes	FG-127
12	Vista Alamar	
13	Colector Oriente Alamar	FG-147

Project Milestones

Construction of a portion of the Rosario Salado sub-collector was completed in May 2024 and also all 10 components to be built using Mexican funds initiated construction in October 2025, for which EPA approved match funds. Once the Notice to Proceed for the rehabilitation of the BEIF-funded components is issued, construction will take approximately 12 months. Table 4 provides a summary of the key Project milestones and their respective status.

Table 4
PROJECT MILESTONES

Key Milestones	Status
Environmental clearance – Mexico	Obtained February 4, 2025
Environmental clearance – U.S.	Obtained June 9, 2023
Final designs	Completed October 31, 2024
Procurement for BEIF grant components	Anticipated in the 1st quarter of 2026
Construction period	Estimated period of 12 months

1.1.2. Technical Feasibility

The final designs of the proposed infrastructure works were completed in accordance with the recommendations provided in the Water and Wastewater Manual developed by the

Mexican National Water Commission (CONAGUA). The regional office of CONAGUA in the state of Baja California validated the technical documents of the various Project components through the following official correspondence:

- Official letter BOO.807.06/153 dated October 22, 2024 for 5 components; and
- Official letter BOO.807.06/156 dated October 31, 2024 for 8 components.

The current condition of the lines was assessed by using closed-circuit television (CCTV) cameras and incident reports in the lines, such as breaks, leaks and foul odors. The decision to rehabilitate or replace each section using an open trench or pipe-bursting method was based on the feasibility of each option.

During the hydraulic modeling and final design process, technical options for pipe diameter, material and alignment were evaluated. Pipe diameter was selected using appropriate slopes and velocities to prevent silting, clogging, and septic conditions in the pipes, as well as over-excavation or the need for pumping facilities that could increase both capital and O&M costs. The analysis also considered various pipe materials in compliance with applicable standards and regulations. For the proposed Project, an open-trench process with PVC pipe installation was selected, as it offers reliable operation and is frequently used in the Tijuana wastewater collection system.

To prevent untreated wastewater discharges from flowing into the Tijuana River during construction, wastewater flows will be bypassed to an existing manhole downstream when necessary.

1.1.4. Land Acquisition and Right-of-Way Requirements

All the infrastructure will be installed within existing municipal easements and rights of way. No additional land or rights of way need to be acquired for the Project**.**

1.1.5. Project Operations

Management and operation of the proposed Project will be the responsibility of CESPT, which currently serves more than 661,000 water hookups and over 593,000 wastewater connections in Tijuana. In 2025, the utility treated 1,947 lps (44.5 mgd) of wastewater from the urban area.

CESPT is organized in various departments, including Water Treatment, Wastewater Treatment, Operation and Maintenance, Construction, and Management. The utility has an operation and maintenance (O&M) manual that includes routine tasks to ensure proper operation of the system, as well as procedures to address unexpected conditions, including mobile back-up pumps that are intended to prevent temporary discharges related to aged infrastructure. Additionally, as an important sustainable management practice, in coordination with the Baja California Environmental and Sustainable Development Ministry (SMADS), CESPT has implemented a pretreatment program to control the quality of the wastewater discharges going into its sewer system from industrial and small business

customers.[4] The pretreatment program also complies with BEIF program requirements, and the covenants established in BEIF grant agreements for projects previously funded in Tijuana.

Capital investments to expand services or replace deteriorated infrastructure are a priority for CESPT, which works continuously to address infrastructure improvement needs in its water and wastewater systems. Over the past 20 years, CESPT has focused significant investment efforts on expanding wastewater collection infrastructure to eliminate unsanitary conditions related to direct discharges or inadequate on-site disposal practices. Nevertheless, more significant efforts to maintain and modernize aged infrastructure are critical. In particular, CESPT is making investments to rehabilitate and upgrade the La Morita and Arturo Herrera WWTPs to bring them into compliance with the new effluent quality standard. CESPT also has a commitment to implement investments included in the binational agreement formalized in IBWC Minute 328, including a wastewater reuse project and other infrastructure improvements necessary to eliminate untreated discharges to the Tijuana River. NADBank is working with the utility to complete development tasks and access funding for those infrastructure needs, many of which will also be considered for certification in the future.

Additionally, the State of Baja California contracted a sustainability loan with NADBank to support the nd development and financing of water and wastewater infrastructure projects sponsored by the state water utilities. As part of the sustainability framework, the state and the water utilities entered into an agreement to establish repayment terms and specific benchmarks related to operational efficiency. Achieving those performance standards is expected to result in the activation of an incentive mechanism, which would support the availability of funds for further investments in infrastructure projects. The proposed Project does not fall within the current pipeline of the sustainability loan; however, terms established to access grant funds also require some operational performance reporting and other best management practices, such as the development of reserve accounts for operations and maintenance as well as repair and replacement of the infrastructure.

CESPT has the capacity to control and supervise the rehabilitation of the different Project components. The utility has a construction supervision department to provide continuous oversight, inspection and coordination of the works in a timely, professional, competent manner. Based on the successful completion of other certified projects, CESPT has demonstrated its ability to ensure compliance with the approved construction and contractual documents, applicable regulations, project schedule and all other applicable requirements.

The impact of the proposed Project on CESPT's O&M budget and procedures has been reviewed and is considered sustainable. The operation and maintenance costs of the Project components will continue to be the responsibility of CESPT. The utility has presented an electromechanical preventive maintenance program for wastewater lift stations, as well as the annual desilting program for Tijuana´s wastewater collection and conveyance system.

Recently, IBWC Minute 333 was signed by both countries, recognizing that the lack of financial resources to perform adequate operation and maintenance (O&M) has led to the

[4] Such discharges must comply with Official Mexican Standard NOM-002-SEMARNAT-1996, which regulates the quality of wastewater discharged into municipal sewer systems.

deterioration of the wastewater infrastructure in the region. In response, a binational working group led by EPA and CONAGUA, in coordination with both sections of IBWC, has initiated meetings to explore and develop O&M strategies. These efforts include designing an operational framework for an O&M account at NADBank to identify potential funding sources, financing structures and implementation procedures.

1.2. Environmental Criteria

1.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

Deteriorated wastewater lines increase the potential for breaks and leaks resulting in untreated wastewater spills, which in turn increases the risks of water contamination, exposure to raw sewage and the vulnerability of Tijuana residents to waterborne diseases. Furthermore, due to natural drainage patterns toward the Tijuana River, wastewater spills in the Project area are likely to flow into the river and have the potential to enter the United States. At any given time, the river may contain stormwater flows, effluent from Mexican wastewater treatment plants, uncontrolled discharges of untreated wastewater and other unidentified sources, which may impair its water quality. It is estimated that approximately 34 mgd of water flows in the Tijuana River, of which 19.6 mgd are estimated to be uncontrolled and untreated discharges from the Tijuana wastewater collection system.

Since the Tijuana River flows from Mexico into the U.S. and empties into the Pacific Ocean through the Tijuana River Estuary, the poor quality of the river flows—impacted by fugitive discharges, run-off, trash and silt—often leads to beach closures in San Diego County, California. Although a diversion system exists to prevent transboundary flows, at least in dry-weather seasons, the condition of the PBCILA lift station and its river intake have been insufficient to address those needs adequately

B. Expected Environmental/Human Health Outcomes

The Project will provide the infrastructure needed to collect and safely convey wastewater flows to the appropriate WWTP. The rehabilitated infrastructure will improve system reliability by preventing leaks and spills and thus significantly reduce the risk of human contact with untreated wastewater and the potential contamination of surface and groundwater, including transboundary flows. As a result, it will have a significant impact on the daily lives of residents in the Project area, by eliminating wastewater spills and foul orders in their neighborhoods, as well as reducing the risk of waterborne diseases, especially for vulnerable groups such as low-income families.

Specifically, the Project is expected to generate environmental and human health benefits related to the following Project outcomes:

- Improve wastewater collection and conveyance infrastructure for up to 50,500 existing residential wastewater connections.
- Eliminate approximately 4.6 mgd of uncontrolled wastewater discharges to the Tijuana River.

- Support compliance with U.S.-Mexico binational agreements.

C. Other Project Benefits

The rehabilitation of the wastewater system will create significant demand for labor and materials associated with its construction.

D. Transboundary Impacts

The proposed Project is expected to have an overall positive impact on the Tijuana River, a transboundary water body flowing from Mexico into the United States. Implementation of the Project is intended to prevent future system failures resulting in wastewater spills that could contaminate the river, thus helping to protect water resources in California.

Based on the Final Programmatic Environmental Impact Statement for the Mitigation of Contaminated Transboundary Flows Project under the United States-Mexico-Canada Agreement (USMCA), which includes the components of the proposed Project, no significant negative impacts to the environment are expected in the U.S.-Mexico border region as a result of Project implementation.

1.2.2. Compliance with Applicable Environmental Laws and Regulations

The Project will support compliance with the following official Mexican standards and regulations:

- *Official Mexican Standard NOM-001-CONAGUA-2011*, which establishes the specifications for hermeticity in water distribution systems, residential water connections and wastewater collection systems, as well as methods for testing hermeticity.
- *Official Mexican Standard NOM-001-SEMARNAT-1996*, which establishes the maximum permissible levels of contaminants in wastewater discharges to national waters and resources.[5]
- *Official Mexican Standard NOM-002-SEMARNAT-1996*, which establishes the maximum permissible levels of contaminants in wastewater discharges to urban or municipal wastewater collection systems.

A. Environmental Studies or Consultations

Pursuant to state regulations, Baja California Environmental and Sustainable Development Ministry (SMADS), through the Sustainable Development Department, determined that a Preventive Environmental Impact Report was required for each Project component.

[5] On March 3, 2022, NOM-001-SEMARNAT-2021 was published, updating NOM-001-SEMARNAT-1996 and establishing new maximum permissible levels of contaminants in wastewater discharges to national waters and resources. The new standard went into effect on April 3, 2023. In accordance with CONAGUA guidelines, CESPT registered the La Morita, Arturo Herrera and SAB WWTPs in a compliance program, which gives CESPT until 2027 to comply with the new standard.

The reports were prepared and submitted to SMADS on October 30, 2024. All the components were authorized by the SMADS through the following official correspondence:

- Official letter SMADS/SPA/DIA/TIJ/11952 dated November 21, 2024 for Colinas de La Presa;
- Official letter SMADS/SPA/DIA/TIJ/11982 dated November 21, 2024 for Colector Pasteje;
- Official letter SMADS/SPA/DIA/TIJ/12061 dated November 21, 2024 for Centro Urbano 70-76;
- Official letter SMADS/SPA/DIA/TIJ/12001 dated November 25, 2024 for Colector Los Reyes;
- Official letter SMADS/SPA/DIA/TIJ/12013 dated November 25, 2024 for Colector Oriente;
- Official letter SMADS/SPA/DIA/TIJ/12014 dated November 25, 2024 for Colector Ensenada;
- Official letter SMADS/SPA/DIA/TIJ/12186 dated November 29, 2024 for Colector Estadio;
- Official letter SMADS/SPA/DIA/TIJ/12197 dated November 29, 2024 for Infonavit Trabajadores;
- Official letter SMADS/SPA/DIA/TIJ/12237 dated November 29, 2024 for Colector Poniente Antiguo;
- Official letter SMADS/SPA/DIA/TIJ/811 dated February 4, 2025 for Vista Alamar and Otay Constituyentes;
- Official letter SMADS/SPA/DIA/TIJ/819 dated February 4, 2025 for Colector Rosario Salado; and
- Official letter SMADS/SPA/DIA/TIJ/847 dated February 4, 2025 for Colector Cochimies.

To be eligible for a BEIF grant funded by federal appropriations from the EPA U.S.-Mexico Border Water Infrastructure Program, the transboundary impacts of the Project must be examined in compliance with the U.S. National Environmental Policy Act (NEPA). To meet this requirement, EPA in collaboration with the IBWC, within the framework of the United States-Mexico-Canada Agreement (USMCA), prepared the Final Programmatic Environmental Impact Statement for the mitigation of contaminated transboundary flows project.

B. Environmental Clearance and Permitting

SMADS issued the environmental clearance on February 4, 2025. All the proposed Project tasks are for the rehabilitation or replacement of lines within existing rights-of-way and therefore, any environmental impacts resulting from the Project are expected to be those that are typical of any minor maintenance or construction activities.

Based on the Final Programmatic Environmental Impact Statement for the mitigation of contaminated transboundary flows project, EPA Region 9 approved the Project's

environmental process on June 9, 2023. The document establishes that the proposed Project will not result in any significant negative impacts to the environment in the U.S.-Mexico border region.

C. Mitigation Measures

Although the implementation of the Project is not expected to create significant adverse impacts on the environment, mitigation measures have been established to address any temporary and minor impacts during construction and operation of the Project. These potential impacts include:

- The local air basin may be temporarily impacted by carbon monoxide, nitrogen oxides and sulfur dioxide emissions due to vehicles and equipment used during construction.
- A temporary increase in soil erosion and particulate matter emissions may be experienced due to construction.
- Surface water resources could be temporarily impacted by stormwater runoff during the construction phase.
- Noise levels may be elevated during construction activities; however, this impact is short term and will be concentrated in the work area. Potential impacts also include temporary roadway blockages, as well as the presence of workers in the area.

The mitigation measures specified in the resolutions issued by SMADS and in the EID to be implemented during construction include:

- Application of water to reduce the emission of dust particles and soil erosion;
- Hay bales or silt fences to be placed along rights of way to prevent erosion and contamination of surface water resources;
- Proper disposal of construction debris (including excavated materials);
- Vehicle tune-ups to reduce emissions and noise;
- Construction to be scheduled between 8 a.m. and 5 p.m. to prevent extended disturbances from noise;
- Placement of warning signs to prevent potentially hazardous situations; and
- All construction personnel will attend a briefing to familiarize workers with potential construction impacts and mitigation measures.

In addition, to prevent untreated wastewater discharges from flowing into the Tijuana River during construction, wastewater flows will be bypassed to an existing manhole downstream when necessary.

Additional mitigation measures will be included as covenants in the BEIF grant agreement. The utility will be responsible for maintaining continuous coordination with SMADS and must comply with any water quality requirements, authorization procedures or recommendations that the state agency may issue throughout the life of the Project. A construction manager will be contracted using BEIF funds to follow up on the implementation of these measures during the construction of all the Project components.

D. Pending Environmental Tasks and Authorizations

No environmental authorizations or tasks are pending.

1.2.3. Environmental and Social (E&S) Due-diligence Results

A. Project E&S Category

Based on the NADBank Environmental, Social and Governance (ESG) Policy, which established the Environmental and Social Risk Management System and its corresponding risk categorization, NADBank determined that the proposed Project falls within the C Category, which is assigned when a grant-financed project has minimal or negligible exposure to adverse environmental and social impacts.

B. E&S Due Diligence Conclusions

NADBank reviewed the Project documentation to determine the environmental and social risks associated with project implementation and concluded that CESPT has the necessary tools and resources to comply with the environmental and social obligations related to the Project, including adherence to applicable regulations and submission of annual compliance reports.

C. Summary of Proposed Mitigation Measures

No additional mitigation measures are needed since the Sponsor provided the documentation to support compliance with its E&S obligations.

1.3. Financial Criteria

The total estimated cost of the Project is US$8,400,000, which includes construction costs, as well as supervision and contingencies. The Sponsor requested a BEIF grant to support the implementation of the Project and improve the affordability of the investment. Based on a thorough analysis of both the Project and the Sponsor and taking into consideration the financial commitments established in the SOI, EPA approved a BEIF grant for up to US$4,200,000 for its construction.

Table 5 presents a breakdown of total Project costs and the proposed sources of funding.

Table 5
PROJECT INVESTMENT & FINANCING PLAN
(USD)

Uses		Amount	%
Construction		$ 7,400,000	88.1
Supervision		700,000	8.3
Contingencies*		300,000	3.6
TOTAL		**$ 8,400,000**	**100.0**
Sources	**Instrument**	**Amount**	**%**
CONAGUA**	Grant	$ 2,100,000	25
CESPT**	Equity	2,100,000	25
NADBank/EPA BEIF	Grant	4,200,000	50
TOTAL		**$ 8,400,000**	**100.0**

* Represents 7% of the cost of the BEIF components.
** Includes the cost of the portion of the Rosario Salado Subcollector approved by the EPA for match credit.

When determining BEIF assistance for projects, BEIF program guidelines require a loan component, when feasible, to finance part of the project. The loan component is subject to the Sponsor's ability to incur debt or support the project through additional funds or revenues. In this case, the Project does not include a loan component, NADBank submitted a request to EPA for a waiver which was approved on December 16, 2025.

Additionally, for projects located in Mexico, EPA requires that every grant dollar be matched with grant funding from other sources. As shown in Table 5, total funding from Mexican sources for this Project is estimated at more than US$4,200,000, which will cover 50% of the project costs.

2. PUBLIC ACCESS TO INFORMATION

2.1. Public Consultation

On January 14, 2025, the NADBank Board of Directors approved Resolution BR 2025-1 establishing the Water Investment Program (WIP), which provides programmatic certification of projects that meet the eligibility criteria and requirements defined under the program. Since this Project complies with the provisions of the WIP, a separate public consultation process was not required.

2.2. Outreach Activities

CESPT conducted extensive outreach efforts to publicize the Project, including its costs and their impact on user fees, and gained the support of residents in the Project area. In accordance with the requirements of the BEIF program, outreach activities included the establishment of a local steering committee, public meetings, and access to relevant Project information, as described in the Public Participation Plan.

The Local Steering Committee was established on April 17, 2024, and included members of the community and utility staff. The steering committee developed the Public Participation Plan and periodically met with the Project team to help CESPT disseminate information regarding the Project. The Steering Committee, with assistance from the Project Sponsor, prepared a fact sheet and a PowerPoint presentation about the Project. The Project information was made available to the community at the first public meeting held on July 23, 2024 in the meeting room of the Arturo Herrera WWTP in Tijuana, Baja California. Approximately 110 residents attended the meeting. During the meeting, technical information about the Project was provided. A survey conducted during the event showed that 100% of respondents fully support the Project.

CESPT held a second public meeting on November 12, 2024, to present the Project's final scope, proposed financial structure, and implementation schedule. The meeting provided residents in the project area with a public forum to learn about the Project and to provide comments. The meeting was attended by more than 70 people, including members of the steering committee, CESPT representatives and local residents. After the meeting, the attendees completed a survey, in which 100% of respondents indicated that they understood the project and expressed their support.

Additionally, a media search was conducted to gauge public awareness of the Project, as well as to identify any possible opposition from the community concerning the proposed investment. NADBank's review of publicly available information identified several articles describing ongoing issues with transboundary flows into the U.S. and the impacts of untreated wastewater discharges from deteriorating infrastructure in Tijuana. The information did not identify any relevant concerns related to a potential investment in the proposed Project.

The activities carried out by the Project Sponsor and the news articles demonstrate that the public has regularly received information regarding the infrastructure problems and need for wastewater collection system improvements. The Project Sponsor informed NADBank that no comments expressing concern about the Project were received during the public outreach process.

NADBank's review of publicly available information about the Project Sponsor, its investments and business practices did not detect any relevant concerns related to a potential investment in the proposed Project.