

## Attachment A

### Introduction

The existing SRF loan supported project may be restructured to incorporate phasing and additional security to address the concerns of the State Water Board and the realities produced by the most recent Los Osos election. The restructured project would consist of three phases. Monies will be released by the State Water Board from the SRF for each phase only upon the LOCSD fulfilling its requirements described below.

#### **A. Phase I: Between Now and Prop 218 Vote (Present to February 15, 2006)**

1. LOCSD must oppose Measure B in court and file an amicus brief in support of striking Measure B.
2. LOCSD must take immediate steps to mitigate the on-going water quality problem (e.g., paying to pump out septic systems or certain high-risk septic systems within the prohibition zone).
3. LOCSD must secure a bond to cover any amounts reimbursed from the SRF prior to securing a Prop 218 assessment vote.
  - a. SRF takes highest priority and first position to recover costs from bond if the Prop 218 vote fails.
4. SRF payments will not exceed the amount secured by the bond.
  - a. Billables-to-date and previously paid amounts shall be included in this amount.
  - b. Payments shall be issued in multiple checks, including checks specifically earmarked to cover contractor expenses.
5. LOCSD must affirmatively state that the on-going construction work at the Tri-W site will be work that can accommodate either the previously approved project or another project (i.e., nominal work on the Tri-W site must continue for SRF funding).
6. LOCSD must explicitly release the State Water Board from liability for withholding payments and from other SRF-related lawsuits if the Prop 218 or Measure B votes fail.

#### **B. Phase II: Prop 218 Vote to Measure B Repeal Vote (February 15 to June 2006)**

1. If the Prop 218 vote fails, the SRF loan will immediately terminate, and LOCSD will be subject to a collection action.
2. If the Prop 218 vote succeeds:
  - a. Work continues on collection system to completion.
  - b. Nominal work continues on existing Tri-W site.
  - c. SRF payments will be made to the extent they are backed by the dedicated revenue stream created by the Prop 218 vote.
  - d. Seek to minimize the duration of Phase II by holding Measure B repeal vote as early as feasible.

#### **C. Phase III: Measure B Repeal Vote (June 2006 or earlier)**

1. If Measure B Repeal Vote fails:
  - a. Construction of collection system will continue with funding from SRF loan, which will be repaid through the dedicated revenue from Prop 218 vote.
  - b. SRF loan for treatment plant portion of project will immediately terminate (loss of earmarked \$46 million SRF loan for treatment plant), and LOCSD will be subject to a collection action.
2. If Measure B Repeal Vote succeeds, work continues on treatment plant at Tri-W site continues to completion – seek to complete in same timeframe as collection system and as close to original schedule as possible.