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Subject: Los Osos Today

Today's Telegram Tribune offers a preview of what today's hearing with the State Water Board will likely involve.

The Good News:

- 1) A plan to move the project forward with the least possible cost increases.
- 2) Measure B will be put to bed.
- 2) It's now clear President Schicker's spin on the negotiations has not been accurate.

The Bad News: Under the original plan, repayment of the SRF loan was secured through sewer user fees. The State is indicating a lack of confidence in the District and is now asking to have the loan secured by our property (218 assessment vote).

Posted on Wed, Nov. 16, 2005

Tribune exclusive report /State takes hard line with los osos CSD
Sewer loan may stay; so would site
By Abraham Hyatt
The Tribune

State officials could vote today on a plan that would go against the promise made by Los Osos leaders to move the sewer plant out of town but let the community keep a low-interest loan needed to build the contentious project. Since the Los Osos Community Services District halted construction of the sewer last month, the State Water Resources Control Board has repeatedly threatened to kill the \$135 million loan.

At today's meeting, board members will consider a plan that would require the district to build the sewer as originally proposed, with a sewage treatment plant in the heart of town.

Under the plan, funds from the loan would be distributed in a way that water board members think would financially protect the state in case the district did not repay the money.

Soon after the Sept. 27 recall election that overthrew the board majority that approved construction of a treatment plant near downtown, the new board halted work.

Water board spokesman William L. Rukeyser said the plan has nothing to do with a number of failed proposals offered over the last month by the district.

The district's proposals sought to move the location of the treatment plant from its current near-downtown location while preserving the state loan.

"We're not in negotiation with the (district)," Rukeyser said. "The (district) is the borrower, we are the lender," he said.

District board President Lisa Schicker said she had taken part in negotiations this week involving the state water board's plan but was surprised that the board went public with it before contacting the district.

"The plan was intriguing. I looked forward to bringing it back to the board," she said. "It was a disappointment that there wasn't even a courtesy call to the district manager."

Assemblyman Sam Blakeslee, R-San Luis Obispo, had worked with both the

district and water board on the failed proposals and said he was happy the money was still available.

The state plan will be laid out in three parts.

In phase one, the district must agree not to bring legal action against the state for withholding loan payments.

Next, the district board would be required to ask a judge to strike down Measure B -- the narrowly approved initiative that bars treatment plant construction at the location off Los Osos Valley Road and Palisades Avenue. And the district would have to immediately pay for pumping of the town's most high-risk septic tanks -- which are suspected of polluting Morro Bay.

Phase two would begin

Feb. 15, when the district would have to hold a mail-in election to form a tax district.

If a majority of property owners vote against the tax, the state would cancel the loan. And state proceedings to fine the district at least \$11.9 million would continue.

Creating the tax district would allow the state water board to bill property owners in Los Osos for unpaid money if the district reneged.

If the tax district is approved, construction would continue on the sewer's collection system, and the water board would begin paying the \$69 million to finance the work.

If a judge doesn't throw out Measure B, phase three would begin in June 2006 with a special election to repeal the measure.

If the measure is overturned by voters, the water board would distribute the \$46 million the district needs to finish the sewage treatment plant.

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Taxpayers Watch is an unincorporated association dedicated to protecting the quality of life in Los Osos.

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