

State Water Resources Control Board

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STATE WATER BOARD REGRETS LOS OSOS CSD'S DECISION TO REJECT LOW-INTEREST STATE LOAN

Sacramento – The Los Osos Community Services District (CSD) voted early this morning to reject building a sewer system to replace leaking septic tanks under a binding loan contract with the State Water Resources Control Board.

The State Water Board regrets that the CSD turned down the low interest State Revolving Fund loan available through the terms of the State Board's most recent resolution. The Board is serious about its commitment to protect taxpayer dollars and guard the state's water quality and must now move on and allocate the loan money to water projects that will be built in a timely manner.

The CSD is required, despite today's decision, to obey all federal and state clean water laws and it has now left itself without financing to build a sewer system. No other California local government has ever defaulted on an SRF loan and many others are ready, willing and able to use the money that Los Osos has rejected.

There is over \$700 million in proposed water quality projects actively seeking funding and already well through the approval process. These projects will all likely receive funding approvals within the next six to nine months. It would be unfair to make them wait while \$135 million is tied up in Los Osos. Among the communities under consideration are: North Marin Water; City of La Mesa; City of La Cañada Flintridge; Stege Sanitary District; City of Hayward; Inland Empire Water Recycling Phase II; Yucaipa Valley Water District; City of Petaluma and the City of Lompoc.

The State Water Board is disappointed that the CSD turned down a compromise offer passed unanimously by the Board last week. However, the State Board is gratified by the support shown by the U.S. EPA Region 9 and the statement of its water program chief last week. The Board also thanks Assemblymember Sam Blakeslee for his efforts to resolve this issue.

The State Revolving Fund (SRF) is largely financed by federal dollars. The State Water Board takes its responsibilities to protect taxpayer funds very seriously and cannot risk nonpayment from a district that will not abide by its contract.

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2-2-2 Los Osos Decision

The State Water Board's next step will be on December 9th to formally recognize that Los Osos CSD did not meet the November 23rd deadline of accepting the compromise. At that time the Board will likely reallocate the existing SRF funding to a community or communities that are ready to build water quality projects and are willing to abide by their contracts.

HISTORICAL BACKGROUND:

Los Osos is a San Luis Obispo County community of 15,000 that relies on leaking septic tanks for its sanitary needs. Pollution has affected groundwater and the adjacent, environmentally sensitive, Morro Bay. The State Board provided a \$135 million loan to the CSD to lay sewer lines and build a specific treatment plant to end that pollution.

On November 16th the State Water Board passed a resolution (with attachment) outlining the Los Osos CSD's options for complying with the terms of its loan agreement. Those documents are available at"

<http://www.waterboards.ca.gov/resdec/resltn/2005/rs2005-0083.pdf> and
<http://www.waterboards.ca.gov/resdec/resltn/2005/rs2005-0083attacha.pdf>

In the history of the California State Revolving Fund, it has funded approximately 300 projects worth \$3 billion.

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