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Subject: Taxpayers Watch Alert 10.15.05

What's going on:

1. This week our attorney will seek to intervene on our behalf in the Appeals Court hearing on Measure B. Kate will file her brief before Wednesday.
2. Many of you who prepaid your Assessment have submitted requests that the District return the money if they stop the project. No answer has yet come from the District.
3. Thanks to those of you who have made contributions to the legal defense fund.
4. For those of you who didn't see this mornings paper:

Posted on Sat, Oct. 15, 2005

State may want \$6M in sewer money back

Not only may the state come looking for funds already spent in Los Osos, but it could put on hold millions more that the services district needs

By Nathan Welton

The Tribune

The new Los Osos Community Services District board has jeopardized a \$135 million state loan and may have to repay more than \$6 million for halting work on the new sewer.

The state water board sent the district an e-mail Thursday saying it appears that the district has breached its contract for the low-interest revolving loan, said Barbara Evoy, the state agency's chief of financial assistance.

A breach of contract would:

- Require the district to give back the \$6.5 million it has already received from the state. The district already used that money to pay for construction that's been completed.
- Put a hold on the \$6.4 million now due to the district. The district needs that money to pay outstanding debts to contractors.
- Halt any future payments to the district.

Los Osos officials responded immediately to the message and have been in intense negotiations with the state water board since Thursday afternoon. It is unclear what will happen; officials expect to know more early next week.

"We've made it very clear that this loan is specific to that project at that location," Evoy said. "We're looking for a solution to decades of problems and we've provided money for that solution, and as you can see it's frustrating to hear that we're back to square one."

The latest development in the sewer saga comes just a week after the Regional Water Quality Control Board promised to fine the district more than \$11 million for delaying the project.

According to the state, Los Osos' septic systems are polluting Morro Bay with each passing day. A building moratorium was placed on the community in 1988. After 30 years of legal wrangling, construction on the sewer facility started in July. But two weeks ago, voters narrowly voted to move the project out of

town and recalled three of the former board members.

Measure B, the ballot initiative that will move the sewer location, became law Oct. 10. Board President Lisa Schicker said the new board has a mandate to follow that law.

But, she said, her board's work is complicated by actions of the former board -- which engaged in what she called "scorched-earth policy."

She said the board deliberately started construction before the election in order to complicate efforts to move the sewer project.

"We hear from state people that we're a bunch of delayers -- and that's offensive," Schicker said. "We didn't fall off the turnip truck --- we work on huge engineering projects with federal and state money."

But state and regional water officials have expressed frustration with the new board's actions.

"I asked them what experience they had with siting a new treatment plant on this type of project and none of them have that experience -- including their new manager," said Roger Briggs, executive officer of the Regional Water Quality Control Board. "They don't have a site, they don't have a plan and they have to go through (the environmental review process)."

He described the new board's plans as "completely unrealistic" and said it could take five or perhaps 10 years for the district to achieve its goal.

Schicker, however, said her board is confident it can move the sewer project with minimum delay.

She said her agency is making headway on a new sewer project that will cost less, be on an environmentally superior site and will avoid the need to truck sewage sludge to Santa Maria. And because it will recharge Los Osos' groundwater supply, the district won't need to buy into costly state water, she said. The new site, she said, could save up to \$27 million a year in deferred costs over the current project.

The new district says it has also made headway with the state Coastal Commission, which says it is considering allowing the district to transfer its permit to a new site instead of having to apply for a new one.

"I think the overall position of the commission staff is to recognize the need to build the wastewater treatment system as soon as possible," said Coastal Commission planner Steve Monowitz. But, he added, his agency will consider the district's arguments.

Schicker also said her board has found a willing seller for an alternate sewer location at the Andre site on the east side of town.

Future challenges on top of gaining state water board approval include applying for a zoning change with the county and then passing that through the Coastal Commission, amending the current environmental documents, amending the current Coastal Commission permit and redesigning the current plant.

Read a copy of the \$134 million state contract for the construction of the Los Osos sewer at

<http://www.sanluisobispo.com/multimedia/sanluisobispo/archive/SewerContract.pdf>

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

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