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Date: 11/17/2005 6:17:26 AM
Subject: Horns of a Dilema

For those going to tonight's CSD meeting, I hope folks urge the Board to take all action on the SRF loan in open session. The public deserves to hear their discussion and the Board owes it to the community to look us in the eye when they commit us to whatever financial future we face.

Posted on Thu, Nov. 17, 2005

Sewer showdown leaves CSD with 7-day ultimatum
State tells Los Osos it must agree by next Wednesday to go forward with the project at the midtown site or lose the \$135 million
By Abraham Hyatt
The Tribune

The state has issued an ultimatum to Los Osos: Agree by next Wednesday to build the sewer at the original midtown site or lose the \$135 million low-interest loan to pay for it.

"You want our loan at reduced rates. If you don't want it, fine," said Richard Katz, a member of the State Water Resources Control Board, before the panel's unanimous vote to force Los Osos' hand.

The loan has been at risk since district leaders halted work on the sewer Oct. 2 to look for a new treatment plant site, which they had promised to do if elected.

If the district's leaders agree to the state's demands, they would have to go against those promises and keep the treatment plant at its planned in-town location.

Los Osos could reject those terms. But the district would be forced to seek other financing, which would likely be more costly.

District board President Lisa Schicker attended Wednesday's meeting in with other Los Osos officials and local residents.

Schicker would not comment on which choice the board would make, but said it will research its options and address it in closed session at its meeting tonight.

"We're feeling frustrated. We're feeling pretty wiped out right now," she said. "We'll probably make an initial decision" tonight.

The state's plan requires Los Osos to follow a plan that water board members say would financially protect the state if the district failed to repay the loan.

In return, Los Osos would get the money. And Los Osos residents would get a sewer by 2008, if construction goes according to the water board's plan.

The Sacramento meeting stretched three hours, and the back and forth between the two sides was often strained and sometimes nasty.

"For those of us that are stupid, would you please explain (your point) slowly," Katz said, snapping at district's Interim General Manager Dan Blesky.

The Los Osos representatives were unanimous in their request to the board: Give the district time to find a new location for the sewer plant.

But the water board was equally undivided in its response: The loan is based on a contract that requires the sewer plant in the midtown location.

Even water board member Tam M. Doduc, who said she had a "great deal of sympathy" for Los Osos, said she could find little room to maneuver.

"It's clear that the contract in place does not allow for moving the site. The (loan) is tied to a specific contract with a specific site," she said. If the district board turns down the state's loan, it would first face at least \$11.9 million in fines from the regional arm of the state water board. After the district found a new site for the plant and acquired the necessary environmental and water permits, it would have to find funding. Aides to Rep. Lois Capps, D-Santa Barbara, say federal funding is unlikely. And Tom Lockard, managing director at San Francisco investment firm Stone & Youngberg, has said private lenders could consider the district to be high risk, and seek an interest rate that would be up to 6.5 percent -- or about triple the state's offer. If the district found a \$135 million loan at that rate, Los Osos taxpayers would pay \$70 million more in interest than they would have with the state loan and its rate of 2.3 percent.

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

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