COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT	(2) MEETING DATE	(3) CONTACT/PHONE
Public Works	October 5, 2010	John Waddell, Project Engineer (805) 781-5252

(4) SUBJECT
Update for the Los Osos Wastewater Project (Project) and Recommendations to Ratify a Letter of Intent to Meet Conditions of $87 Million in Funding Approved by the United States Department of Agriculture, to Direct Staff on Proceeding with Preparing a Service Charge Ordinance for Subsequent Introduction, to Cancel the Existing Design-Build Contract Procurement Process for the Collection System, to Direct Staff on Requesting Proposals for Design Services, to Consider the "Due Diligence" Resolution, to Authorize a Budget Adjustment, by a 4/5th's Vote, in the Amount of $750,000, and to Provide Staff Direction on Future Project Updates

(5) SUMMARY OF REQUEST
Report to your Board on project milestones completed, the Due Diligence resolution, and funding needs to proceed with project implementation. Advancing future tasks will involve consideration by your Board of options to provide funds for near term project development activities. Options include mechanisms defined under AB 2701 Board discretionary action or in the authorization of near term budget adjustment.

(6) RECOMMENDED ACTION
See attached

(7) FUNDING SOURCE(S)	(8) CURRENT YEAR FINANCIAL IMPACT	(9) ANNUAL COST	(10) BUDGETED?
General Fund Loan	$750,000	N/A	☒ No ☐ Yes ☐ N/A

(11) OTHER AGENCY INVOLVEMENT/IMPACT (LIST):
Numerous other agencies are involved in the Project, see board letter for more information.

(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? ☒ No ☐ Yes, How Many? _____
☐ Permanent _____ ☐ Limited Term _____ ☐ Contract _____ ☐ Temporary Help _____

(13) SUPERVISOR DISTRICT(S)
☐ 1st, ☒ 2nd, ☐ 3rd, ☐ 4th, ☐ 5th, ☐ All

(14) LOCATION MAP
☐ Attached ☒ N/A

(15) Maddy Act Appointments Signed-off by Clerk of the Board
☒ N/A

(16) AGENDA PLACEMENT
☐ Consent ☐ Hearing (Time Est. _____)
☐ Presentation ☒ Board Business (Time Est. 190 min.)

(17) EXECUTED DOCUMENTS
☐ Resolutions (Orig) ☐ Contracts (Orig + 3 Copies)
☐ Ordinances (Orig) ☒ N/A
☐ Email Resolution and Ordinance to CR_Board_Clerk (in Word)

(18) NEED EXTRA EXECUTED COPIES?
☐ Number: _____ ☐ Attached ☒ N/A

(19) BUDGET ADJUSTMENT REQUIRED?
☐ Submitted ☒ 4/5th's Vote Required ☐ N/A

(20) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)
_____

(21) W-9
☒ No ☐ Yes

(22) Agenda Item History
☐ N/A Date 7/27/10

(23) ADMINISTRATIVE OFFICE REVIEW

Reference: 10OCT05-BB-1
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It is our recommendation that your Honorable Board:

1. Review the attached Letter of Conditions from the United States Department of Agriculture (USDA) dated August 30, 2010 and Amendment # 1 dated September 16, 2010, and ratify the Letter of Intent to Meet Conditions signed by the Director of Public Works on August 30, 2010, as authorized by Board Resolution No. 2010-131.

2. Direct staff to proceed with the formal introduction of an ordinance, in accordance with Article XIII D, of the California State Constitution, to establish rates and charges for sewer services that will be paid at such time that the service is provided or is immediately available to property owners; and to incorporate into the ordinance provisions for the following:
   a. A basic rate schedule that will authorize collection of service charges upon the Board's declaration that the Project is operational.
   b. A component of the basic rate schedule that will automatically be reduced upon Board action to approve the collection of assessments and/or connection fees on undeveloped or underdeveloped properties within the Project service area.
   c. Incorporate into the rate schedule a variable component that is based on estimated indoor water usage and developed to recover the Annual Variable Operations, Maintenance and Replacement Costs of the Project.

3. Direct staff to cancel the design-build contracting process for the collection system.

4. Direct staff to request proposals for professional engineering services for the collection system design from the collection system design teams that were short-listed, and presented to your Board on April 7, 2009, as an exception to County Purchasing Policies.

5. Consider the attached Resolution Declaring the County's Intention to Proceed with the Construction and Operation of a Wastewater Collection, Treatment and Disposal System for the County of San Luis Obispo Wastewater Assessment District No. 1:
   a. For immediate approval, or,
   b. Direct staff to return to the Board with the resolution for consideration by the Board 30 days after approval of the rates and charges ordinance.

6. Authorize a Budget Adjustment, by a 4/5th's vote, increasing the Project Budget in the amount of $750,000 with a corresponding reduction in the General Fund Contribution to Roads.

7. Direct staff to prepare quarterly Project and Budget updates for the Board of Supervisors for presentation on the same date as the quarterly County Budget updates.

SAN LUIS OBISPO COUNTY
DEPARTMENT OF PUBLIC WORKS
Paavo Ogren, Director

County Government Center, Room 207 • San Luis Obispo, CA 93408 • (805) 781-5252
Fax (805) 781-1229 email address: pwd@co.slo.ca.us

TO: **Board of Supervisors**

FROM: **Will Clemens, Finance and Accounting Division Manager** WC
John Waddell, Project Manager JW by JW

VIA: **Paavo Ogren, Director of Public Works** PO

DATE: **October 5, 2010**

SUBJECT: **Update for the Los Osos Wastewater Project (Project) and Recommendations to Ratify a Letter of Intent to Meet Conditions of $87 Million in Funding Approved by the United States Department of Agriculture, to Direct Staff on Proceeding with Preparing a Service Charge Ordinance for Subsequent Introduction, to Cancel the Existing Design-Build Contract Procurement Process for the Collection System, to Direct Staff on Requesting Proposals for Design Services, to Consider the "Due Diligence" Resolution, to Authorize a Budget Adjustment, by a 4/5th's Vote, in the Amount of $750,000, and to Provide Staff Direction on Future Project Updates**

Recommendation

It is our recommendation that your Honorable Board:

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   b. A component of the basic rate schedule that will automatically be reduced upon Board action to approve the collection of assessments and/or

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Discussion

On September 20, 2006, California State Governor Arnold Schwarzenegger signed Assembly Bill 2701 (Blakeslee) which allows the County, at the Board's discretion, to assume responsibility for development of a wastewater project for the community of Los Osos. Attachment "A" is a Project Status Update. The update includes a summary of significant Project milestones that have been completed and those that must be completed before the Project's construction phase.

At your Board's most recent Project Update on July 27, 2010, you directed staff to initiate work efforts to expedite the timing to construction, to prepare the Due Diligence resolution for Board consideration, and to prepare funding options for upcoming work efforts. That direction has been incorporated into staff recommendations. The attached Project Status Update has also been prepared to address these issues, and other current issues of the Project, including conditions established by USDA with their approval of Project funding.

The most recent milestone, the approval of $87+ million in funding from the USDA Rural Development Program, is a significant benefit to the Project. It helps to reduce monthly costs of the Project. It likely eliminates the need to borrow construction funds from the long-term municipal debt market, which due to the current state of the national economy, is more restrictive and more costly than in 2006. The USDA approval also reduces the needed funding from the California State Water Board (SWB).

The USDA Letters of Conditions are attached. Recommendation #1 seeks your Board's ratification of the "Letter of Intent to Meet Conditions" which has been executed by staff and submitted to USDA under the authority of Resolution 2010-131, approved by your Board on April 27, 2010. Table "B" of the Project Status Update provides a list of the USDA pre-construction conditions.

Significant conditions established by USDA include the following requirements:

- Board approval of an ordinance establishing the Project's Rates and Charges (Service Charges). Recommendation #2 is proposed to comply with this condition and is discussed in the attached Project Status Update, Section 2.

- Award of the collection system construction contract(s) by August 30, 2011 under a design-bid-build contracting approach. Recommendation #3 is proposed to comply with this condition and will cancel the existing Design-Build contract procurement process for the collection system which is <u>not allowed</u> by USDA. Recommendation #4 is also proposed to comply with this condition by declaring the County's intent to request proposals for design services under a design-bid-build contract procurement process. Completing the Project design is discussed in Section 3 of the attached Project Status Update.

- Approval of water reuse agreements - The Project conditions require agricultural and urban reuse, which in some cases will most likely require agreements with independent individuals and organizations. Outreach with Coastal San Luis Resource Conservation District and other organizations has been initiated and on-going. Upcoming efforts will emphasize voluntary participation, as previously reviewed by your Board, and stakeholder involvement will expand to include San Luis Coastal Unified School District and other property and business owners in the immediate future. This issue will be a focus of greater detail in the next Project Status Update to your Board.

In addition to complying with USDA requirements, the following items are provided for your Board's consideration.

Due Diligence Resolution

Consideration of a Due Diligence Resolution is required by AB 2701. The following is a list of pro and cons when considering immediate approval of the Due Diligence resolution (Recommendation alternative #5a). Alternatively, deferring the approval of the resolution (Recommendation alternative #5b) will help mitigate the listed "cons."

Due Diligence Resolution
Immediate Approval

PRO	CON
- Access to Pre-Paid Assessments	- County becomes subject to enforcement action - Rates & Charges ordinance subject to Prop 218 protest - Funding from State Water Board has yet to be obtained

Due Diligence is discussed in Section 5 of the attached Project Status Update.

Budget Adjustment

Recommendation #6 - A budget adjustment in the amount of $750,000 is discussed in Section 6 of the Project Status Update. If your Board adopts Recommendation #5(a), the immediate approval of the attached Due Diligence Resolution, then $287,887 of assessment deposits that have voluntarily tendered by property owners could be available in the near future to help fund the recommended budget adjustment.

Project Updates

Recommendation #7 - Direction to staff to coordinate the timing of future Project updates with the timing of normal quarterly updates provided to the Board on all County Budgets. Based on the extensive increase in upcoming Project workload, staff will also need to begin processing routine action items on the consent agenda consistent with actions considered by your Board on other projects.

Other Agency Involvement/Impact

Numerous other agencies are involved in the Project. Other related efforts include preparation of a community Habitat Conservation Plan (Department of Planning and Building), an update to the Local Coastal Plan (Department of Planning and Building), and development of solutions to the community's groundwater basin overdraft which is causing sea water intrusion (Golden State Water, Los Osos Community Services District, and S&T Mutual Water Company under the jurisdiction of the San Luis Obispo County Superior Court). The County Tax Collector and Auditor-Controller will become involved during the issuance and collection of bonds. County Counsel is providing legal guidance on all aspects of the Project.

Financial Considerations

The attached Budget Status Report (Attachment "B") shows costs posted through August 31, 2010.

The following is a summary of the budget estimates that are the basis for the requested budget adjustment. Section 6 of the attached Project Status Update discusses the requested Budget Adjustment in greater detail.

Work Effort	**Estimate**
Public Works Staff ($75k/month for 5 months)	$375,000
Other County Department Support	$50,000
Engineering and Right of Way Consultant Support	$150,000
Environmental Consultant Support	$85,000
WDR Permit Application Fee	$40,000
Design Support for CDP Compliance	$50,000
Total Estimate	**$750,000**

Results

A public update on recent Project developments will help inform the Board and public of current efforts and approval of the recommended actions will continue progress toward a community wastewater project for Los Osos.

Attachments: Attachment "A" – October 5, 2010 Project Update Report
Attachment "B" – Budget Status Report through August 31, 2010
USDA Letters of Conditions dated August 30, 2010 and September 16, 2010; and Letter of Intent to Meet Conditions
Budget Adjustment
Resolution of Determination of Due Diligence

File: CF 310.87.02 Los Osos Wastewater Project

Reference: 10OCT05-BB-1

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Los Osos Wastewater Project
Status Update
October 5, 2010

Prepared by San Luis Obispo County
Department of Public Works

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SUMMARY OF CURRENT ISSUES

With the approval of the Project's Coastal Development Permit (CDP) in June, and $87+ million of construction funding by the United States Department of Agriculture (USDA) in August, the Project is poised to enter its design and construction phases. Both the CDP and USDA approvals include conditions that must be satisfied before construction can proceed.

The State Water Board's (SWB) approval of construction funding is anticipated in early 2011 for the Project's construction costs that are not covered by the USDA funding. The Project's "Due Diligence" resolution also needs approval by your Board, either now or in the near future.

Interim funding is needed on a short-term basis because USDA and SWB disbursements do not begin until construction. The amount of interim funding needs to cover upcoming design, condition compliance, and other pre-construction efforts, and to repay the County for its funding of preliminary costs. Before interim funding can be obtained the County must adopt an ordinance establishing wastewater service charges (also known as "rates and charges"). The service charge ordinance, consequently, is now on the Project's critical path. It is also required before SWB staff develops final recommendations on the terms of State Revolving Fund (SRF) financing for the Project.

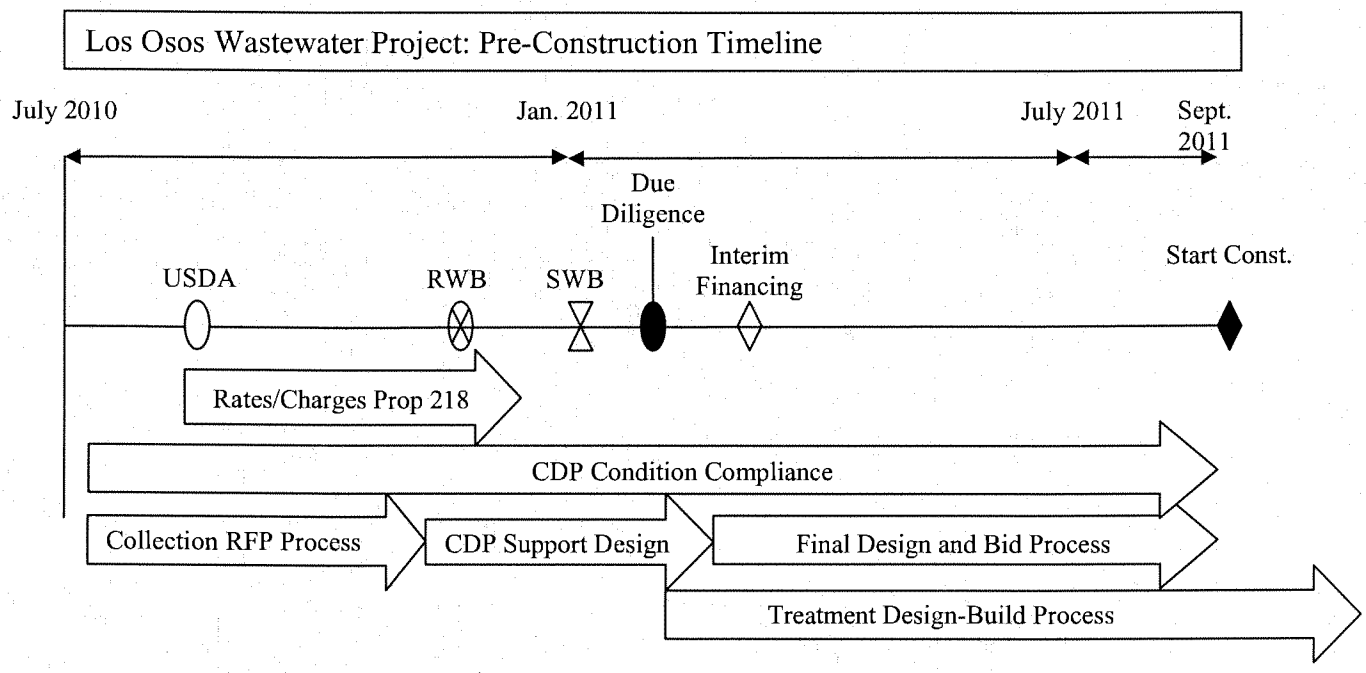
Overall, numerous Project tasks must be pursued concurrently to meet the August 30, 2011 deadline established by the USDA for award of the collection system construction contracts. The following is a list of issues and milestones discussed in this Project Update:

- Establish Sewer Service Rates and Charges
- Complete Project Design
- Obtain Interim Financing
- Consider the Due Diligence Resolution
- Consider Recommended Budget Adjustment
- Obtain Approval of the Project Waste Discharge Permit from the Regional Water Quality Control Board (RWB)
- Obtain Construction Funding Approvals from the State Water Board
- Satisfy the following conditions of the CDP (required before construction):
    - Final design
    - Habitat Management Plan
    - Others
- Satisfy the conditions of the USDA (required before construction)
- Advertise the construction contracts for the collection system, obtain low-bids and award the construction contract(s)

It is noteworthy that proceeding with the treatment plant design and construction, currently in a design-build procurement process, is not on the Project's critical path.

The estimated construction duration for the treatment plant (approximately 2 years) is shorter than the estimated construction duration for the collection system (approximately 3 years). As a result, the treatment plant design-build procurement process continues to be on hold.

The following timeline illustrates the overall recommended approach to Project pre-construction efforts over the next year.



USDA: United States Department of Agriculture
RWB: Regional Water Board
SWB: State Water Board
CDP: Coastal Development Permit
RFP: Request for Proposals

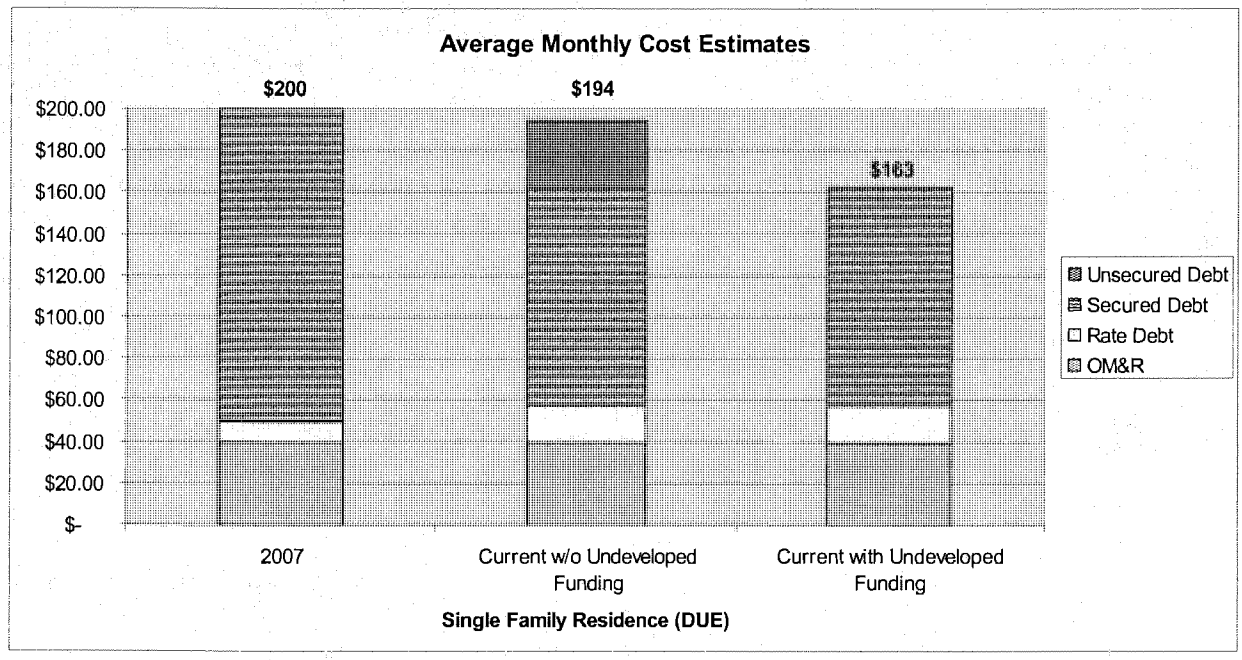
ESTABLISHING SEWER SERVICE RATES AND CHARGES (Service Charges)

"Service Charges" are established for water and wastewater enterprise activities in order to cover costs of operating, maintaining and replacing Project components, debt service, capital improvements, maintaining reserves, and administrative and other costs, which together, reflect the "Total Costs" of the enterprise activity. Article XIII D of the California Constitution, approved by California voters in November 1996, as part of Proposition 218, establishes the procedures for approving an ordinance to establish the wastewater system service charges. The actual collection of service charges will not begin until after construction is complete and the system becomes operational, which is currently estimated to occur in 2014.

SERVICE CHARGE FACTS

- Funding agencies require the adoption of the service charge ordinance now.
- **State law does not allow the collection of service charges until the Project is operating; no sooner than 2014.**
- Obtaining the Coastal Development Permit approval to connect undeveloped properties can help "trigger the automatic reduction in service charges" and the collection of revenues from undeveloped properties.
- Resolving groundwater management, habitat conservation, and local coastal plans is critical before the Project is operating to address affordability impacts.

For Los Osos, the service charges will be less than the Total Costs of the Project because a portion of the Total Costs has been secured and will be repaid from assessment revenue approved by property owners in 2007. The following chart illustrates estimated average monthly costs to single family residences in comparison to 2007 estimates.



The following is a list of significant issues relating to the Project's Rates and Charges.

A. Timing – The service charge ordinance must be established as soon as possible. USDA is requiring its adoption before construction. SWB staff has indicated that they need to have it adopted before they can make their funding recommendations to the SWB. It must also be adopted before interim funding can be obtained. Although collection of service charges will not actually begin for several years - until the system is operational - funding agencies are essentially expecting that the service charge ordinance is approved now.

   One challenge with the timing of adopting a service charge ordinance now is that additional efforts are still needed to connect undeveloped properties and generate revenues from them. (The 2007 assessment vote only secured revenues from developed properties). The development of the Basin Management Plan (BMP) with the water purveyors, the Habitat Conservation Plan (HCP) for endangered species and the update of the Local Coastal Plan (LCP) must be complete before undeveloped properties can connect to the Project. Although those efforts are technically independent from the wastewater Project, they clearly impact the Project's finances and affordability. Brief updates on those efforts are provided in Exhibit "B" of this Project Status Update

B. The "2nd Prop 218" – The assessments approved in 2007 secured revenues for a portion of the Project costs in an amount equal to the estimated "special benefits" on developed properties, but not on undeveloped properties. As a result of the 2007 assessments, the Project's service charges will be less than the Project's Total Costs by the amount of assessment revenues from developed properties. It is still necessary, however, for service charge revenues to cover the portion of the Project's debt service allocable to undeveloped properties until they can be connected, and revenues can be collected from them.

   In 2007, when the Board directed the Prop 218 proceedings covering developed properties, two specific concerns existed relating to undeveloped properties. The first issue is whether undeveloped properties receive special benefits from the Project if they are unable to connect to the Project even with the completion of a wastewater project because water, habitat, and general plan updates must also be completed. The second issue is that the Regional Water Board (RWB) was taking enforcement action against developed property owners who were discharging waste in conflict with RWB determinations. In contrast, enforcement actions did not threaten undeveloped properties.

Issue #1: Do Undeveloped Properties Receive Special Benefits?

The Project's approved Coastal Development Permit (CDP) does not allow the connection of undeveloped properties until several permit conditions have been met. As a result, the question of whether undeveloped properties receive special

benefits is connected with the question of how certain we are that those properties can in fact connect to the project.

The answer could be "yes" if we assume that the other obstacles to connection (the BMP, HCP, and LCP) are independent of the Project. This position asserts that the Project does in fact create a special benefit because it resolves the community's wastewater constraint and the other barriers to development are altogether independent.

The answer could be "no" if we consider that the CDP specifically prohibits the County from connecting undeveloped properties until the BMP, HCP and LCP issues are resolved. This position is based on a comprehensive view that all issues must be resolved before any benefit is provided.

We are not aware of any case law that provides guidance for the situation in Los Osos. The County has taken the position that undeveloped properties should have some certainty of connecting to the Project before we propose an assessment based on special benefits. While we have made significant progress on resolving the many issues required before connection, we have some further work to do. Thus, we are not quite yet at the point of recommending an assessment proceeding for undeveloped properties.

Burden of Proof

In addition to no known cases that could provide guidance, Prop 218 also places the burden of proof on the public agency to demonstrate that special benefits exist and that the calculations of value are appropriate. Consequently, as in 2007, staff believes that the BMP, HCP and LCP need to be resolved, or at a minimum, the body of evidence must be substantial that they can be resolved before the County makes a determination that special benefits exist for undeveloped properties.

As discussed in Exhibit "B", the work efforts on the BMP and HCP have continued, and the body of evidence may be growing that undeveloped properties do receive special benefits from the wastewater project. Overall, the issues point to the high priority of resolving these issues before the Project becomes operational, and especially before the County begins collecting service charges. Although the BMP, HCP and LCP efforts are technically independent from the wastewater Project, they clearly have fiscal impacts on the Project and these efforts, once resolved, will help improve the Project's affordability.

Issue #2: Regional Water Board Enforcement Action

The RWB enforcement action against developed property owners also influenced recommendations and decisions in 2007 regarding whether to propose assessments on undeveloped properties or not. AB 2701 stipulated that if the

2007 assessment vote failed, then the County would no longer proceed with the Project. Consequently, the County's assessment proceedings in 2007 placed the decision of whether the County would continue with the Project in the hands of property owners who faced the threat of an RWB enforcement action. Undeveloped properties were not subject to enforcement actions because they do not discharge septic wastes. Since 2007, the RWB has substantially put enforcement actions on hold. Even though enforcement action was an important issue in 2007, and continues to be so for many reasons, staff does not consider it an issue that will influence future decisions on when and how to collect revenues from undeveloped properties.

Summary – Undeveloped Properties

In summary, it is extremely important that the HCP, LCP and BMP are approved prior to the wastewater project becoming operational, which is estimated at this time to be no sooner than 2014. Approval of these items will ensure that undeveloped lots can be connected to the Project and that revenues from undeveloped properties can be established; thereby reducing wastewater service charges that must be established now due to requirements of funding agencies.

In order to meet the current requirement of USDA, SWB and interim financing to adopt service charges now, the following is included in the staff recommendations on developing the service charge ordinance so that the basic service charges are automatically reduced once the Board has directed the following:

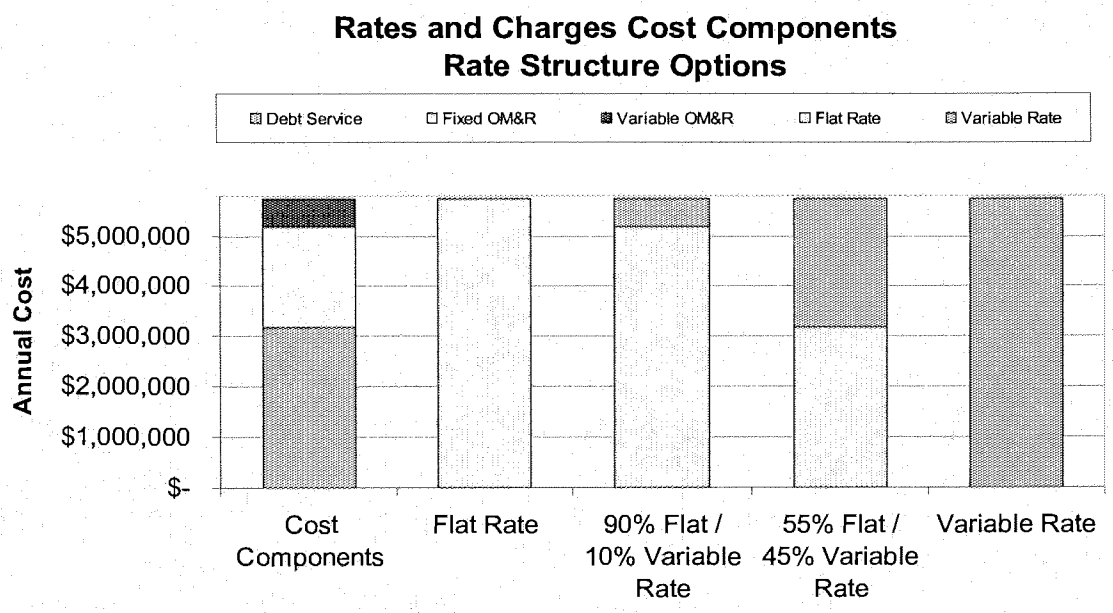
a. The Board directs the collection of assessments from undeveloped properties (a successful Prop 218 vote would be required),

or,

b. Connection fees are established by the Board on new development (does not require a Prop 218 vote, however, issues preventing connection to the project need to be resolved).

C. Structuring the Rates and Charges with Variable Rates – Often, wastewater service charges are established for collection on a monthly or bi-monthly basis, or annually on property tax bills without regard for the actual flows from each specific property. Unlike water systems, which most often have meters to measure actual water consumption, meters to measure wastewater flows are not practical. Nevertheless, wastewater operations, such as the City of San Luis Obispo, do have the ability to estimate wastewater flows based on winter-time water consumption, and establishing service charges with a variable component creates opportunities to help address affordability impacts while also promoting water conservation. The following graph illustrates the wastewater system cost

components, and options for structuring variable rates, assuming that the per-capita indoor water usage is 50 gallons per capita per day, which is the amount established in the Project's CDP.



Typical Occupants	Monthly Usage (100ft³)	FLAT Monthly Charge *SFR	FLAT Monthly Charge MH	90%FLAT/10%VAR Monthly Charge SFR	90%FLAT/10%VAR Monthly Charge MH	55%FLAT/45%VAR Monthly Charge SFR	55%FLAT/45%VAR Monthly Charge MH	VARIABLE Monthly Charge SFR	VARIABLE Monthly Charge MH
	0	$ 88.98	$ 44.51	$ 80.23	$ 40.14	$ 49.08	$ 24.55	$ -	$ -
	1	$ 88.98	$ 44.51	$ 81.89	$ 41.79	$ 56.65	$ 32.12	$ 16.87	$ 16.87
1	2	$ 88.98	$ 44.51	$ 83.55	$ 43.45	$ 64.21	$ 39.69	$ 33.75	$ 33.75
	3	$ 88.98	$ 44.51	$ 85.21	$ 45.11	$ 71.78	$ 47.25	$ 50.62	$ 50.62
2	4	$ 88.98	$ 44.51	$ 86.87	$ 46.77	$ 79.34	$ 54.82	$ 67.49	$ 67.49
	5	$ 88.98	$ 44.51	$ 88.52	$ 48.43	$ 86.91	$ 62.38	$ 84.36	$ 84.36
3	6	$ 88.98	$ 44.51	$ 90.18	$ 50.09	$ 94.47	$ 69.95	$101.24	$101.24
	7	$ 88.98	$ 44.51	$ 91.84	$ 51.75	$ 102.04	$ 77.51	$118.11	$118.11
4	8	$ 88.98	$ 44.51	$ 93.50	$ 53.41	$ 109.60	$ 85.08	$134.98	$134.98
	9	$ 88.98	$ 44.51	$ 95.16	$ 55.07	$ 117.17	$ 92.64	$151.86	$151.86
5	10	$ 88.98	$ 44.51	$ 96.82	$ 56.73	$ 124.73	$100.21	$168.73	$168.73
	11	$ 88.98	$ 44.51	$ 98.48	$ 58.38	$ 132.30	$107.77	$185.60	$185.60
6	12	$ 88.98	$ 44.51	$100.14	$ 60.04	$ 139.86	$115.34	202.48	$202.48

* SFR = Single Family Residence
MH = Mobile Home

COMPLETING PROJECT DESIGN

Beginning in November 2008, the County initiated a formal "design-build" (DB) procurement process to contract for design and construction of the Project. The DB process included two separate efforts: a) the collection system and b) the treatment facilities. Other facilities, such as disposal facilities at the Broderson site and groundwater monitoring wells had been envisioned for the traditional design-bid-build project delivery methodology.

In April 2009, three teams were short-listed for each project component. One team has appealed their exclusion from the short-list for the treatment facilities. No appeals were filed on the collection system. The DB efforts were put on hold in August 2009, due to the appeals filed on the County Planning Commission's approval of the Project CDP, which occurred on August 13, 2009.

Staff is continuing to keep the treatment facilities DB efforts on hold due to several reasons, including the following:

- The duration to complete the treatment facilities is less than the collection system and is therefore not on the Project's critical path – no negative impacts on the Project schedule will result
- The USDA conditions only require initiation of collection system construction in August 2011
- Deferring treatment facility efforts until 2011, when interim funding is obtained, minimizes the budget adjustment included in Recommendation #6.

The USDA conditions do not allow DB contracting. Over the past couple of years of dialogue with representatives in USDA, including the national office in Washington DC, it is clear that varied opinions exist within USDA on DB contracting. Even if policy changes occurred at any time during the recent past, or today, the process for USDA to develop their contracting requirements would not be completed in the time needed to proceed with DB for the Project's collection system. In summary, USDA would need to develop an entire set of special provisions that local agencies must incorporate into contract documents (i.e. the plans and specifications), and they would do so through a national review process, even if only internal to the USDA. Consequently, the existing DB process for the collection system will not be able to proceed to the next step and the current DB process for the collection system must be cancelled.

Completing the Collection System Design

Obtaining engineering services for design is a necessary step at this time in order to proceed with efforts on the collection system. Although a complete collection system design developed for the Los Osos Community Services District's (LOCSD) project exists, changes from the LOCSD project that are in the County's approved CDP, such

as the out-of-town treatment site, requirements for sealed pipes in areas of high groundwater and a recycled water distribution system, will require re-design of approximately 10% of the collection system. The issue of professional engineering liability for the designs and specifications, which will be issued by the County, rather than the LOCSD, also requires retaining a qualified engineering firm to complete the collection system design and bid documents.

Since the engineering firms that were members of the short-listed DB teams were fully evaluated and determined to be highly qualified as part of the DB efforts, which included formal written Statements of Qualifications and interviews by a review team that was assembled in accordance with County Purchasing Policies, allowing these firms to respond to a Request for Proposals (RFP) for the collection system design will be the most efficient approach to solicit proposals from multiple qualified engineering firms.

Pending Board direction, an RFP and interview process will be completed, and staff will return to your Board with a recommendation for a professional engineering services agreement. The USDA, the funding agency for this portion of the project, has reviewed their guidelines relative to the recommended RFP process and concurs that the process meets their standards for professional services procurement.

OBTAINING INTERIM FINANCING

As an additional benefit of USDA financing, US Bank provides interim financing on USDA funded projects. The historical coordination between USDA and US Bank has established an interim financing program that is expeditious, utilizes the USDA application process and therefore minimizes Project application costs, and provides competitive interest rate terms.

As part of their work, US Bank reviews the Letter of Conditions from the USDA. The USDA requires that the Project's service charge ordinance is approved prior to USDA disbursement of construction funds. Likewise, US Bank has informed us that the Project's service charge ordinance must also be adopted before disbursement of interim financing.

US Bank has also indicated that the USDA requirement for the Project to proceed to construction by August 30, 2011 needs to be revised to be more flexible before US Bank will disburse interim financing. The County's work on prior projects with USDA funding (most recently the water system improvements for Santa Margarita) have shown USDA's flexibility in the timing of construction activities while consistently requiring that local agencies are diligent in project implementation. Nevertheless, US Bank is requesting a revised condition to ensure USDA flexibility. Staff does not believe that this will be problematic. However, the timing requirements of the American Recovery and Reinvestment Act (ARRA), which is the source of the USDA funding, are not flexible. ARRA funds must be spent by September 30, 2015. Consequently, we believe it is reasonable to expect that any revised condition by USDA will still stipulate the need to proceed to construction expeditiously in order to avoid any possible violations of ARRA.

Overall, the amount of the interim financing has not been determined. Repaying the County for preliminary project funding, and other pre-construction requirements such as permit compliance, are being evaluated. Obtaining proposals from design firms will help quantify interim financing requirements. Recommendations on treatment plant design-build efforts, and final amounts for interim financing, will be made to your Board upon approval of the service charge ordinance and the due diligence resolution.

DUE DILIGENCE

At your Board's most recent project update on July 27, 2010, the Board discussed the due diligence issue for the Project, which pursuant to Assembly Bill 2701, requires your Board to make a determination whether the County will implement the Project or not. In July staff had presented the opinion that adopting the due diligence, sooner as opposed to later, would allow the County to initiate the following actions:

1. To begin collecting the assessments that were approved for the Project in 2007, (current amount on deposit from property owners is $287,887); and

2. Proceed with interim financing that would:

    a. Reimburse the County the amounts funded for preliminary Project costs and
    b. Pay for the design and remaining pre-construction costs such as permit compliance.

At the July update, your Board directed staff to develop the due diligence resolution, and to include it in the next update (this update) for Board consideration along with a comparison of pro's and con's.

Since the July update, staff has been informed that the service charge ordinance must be adopted before the County can obtain interim financing. As a result, item #2 above – Proceeding with interim financing – cannot immediately follow approval of a Due Diligence resolution if the service charge ordinance has not already been adopted. In other words, both the due diligence resolution <u>and</u> the service charge ordinance must be approved and adopted before interim financing can be obtained. Since the earliest date for a hearing to consider the service charge ordinance is December, the earliest that the Due Diligence resolution must be approved to obtain interim financing is January, 2011.

The ability to utilize the deposits of $287,887 (Item #1, above) is still allowable upon immediate adoption of the due diligence resolution. In addition, some additional funding is reasonable to expect from property owners who will want to pre-pay their assessments; a "pre-payment period" will occur soon after adoption of the due diligence resolution.

The following provides a summary of the pro's and con's of adopting the due diligence resolution at this time.

Due Diligence Pro – Con Analysis

PRO	CON'S
- Access to Pre-Paid Assessments	- County becomes subject to enforcement action - Rates & Charges ordinance subject to Prop 218 protest - Funding from State Water Board has yet to be obtained

BUDGET ADJUSTMENT

The recommended budget adjustment in the amount of $750,000 will provide the Project funding necessary through February 2011, to continue with Project pre-construction efforts required for the planned construction start of September 2011.

In order to move forward quickly and efficiently with Project efforts, every division of the Public Works Department is engaged in completing specific pre-construction tasks required by the Coastal Development Permit and the USDA. For example, the Roads Division will be working with the Los Osos Community Advisory Council (LOCAC) and the LOCSD to identify priorities for drainage and other infrastructure needs that can be completed in conjunction with the Project; the Utilities Division is developing required operational plans; the Traffic Division is developing required traffic management and roadway safety plans; and Development Services is coordinating with owners of undeveloped properties to determine wastewater capacity needs. Of special note, the Right of Way staff of the Design Division will have a large work load in the coming year in order to secure and certify all of the easements and real property required. A significant contribution from other departments, such as County Counsel, the Auditor's office, the Clerk's office, the Tax Collector, and the Planning Department will also be necessary to meet Project timelines.

In addition to County staff efforts, some consultant support will be required to augment department resources and for areas that require specialized expertise. Funds are also budgeted for the collection system design firm, after contract approval by your Board, to initiate a limited scope of work critical to the timing of CDP compliance efforts under a preliminary notice to proceed until interim financing is secured. The following table provides a summary of the estimated costs by category.

Budget Request Summary

Work Effort	**Estimate**
Public Works Staff ($75k/month for 5 months)	$375,000
Other County Department Support	$50,000
Engineering and Right of Way Consultant Support	$150,000
Environmental Consultant Support	$85,000
WDR Permit Application Fee	$40,000
Design Support for CDP Compliance	$50,000
Total Estimate	**$750,000**

The following addresses impacts on the Roads fund that will result from the recommended action.

Impacts on Other Funds / Other County Work

The Budget adjustment recommends a corresponding reduction in the General Fund contribution to Roads. The following is a summary of the Project's preliminary funding:

	From the County General Fund	From the County General Fund via reductions in General Fund Contributions to Roads	From the General Fund via Reductions in Services to Special Districts
Prior Approvals	$6,000,000	$1,250,000	$200,000
Current Recommendation	0	$750,000	0
Total	$6,000,000	$2,000,000	$200,000

The increase in the Project budget and the corresponding reduction in General Fund contributions to Roads will not negatively impact the pavement management projects that are recommended for current Board approval (also on the agenda for October 5, 2010). In addition, Pavement Management funds of approximately $3.0 M will be available for the 2011 Pavement Management spring contract. A table listing Roads priorities for the Pavement Management system is included at the end of this section. Since interim funding can be anticipated in 2011, the reduction in General Fund support for Roads will be replenished in 2011.

At previous Project updates, staff had verbally indicated that the reimbursement of funds, once re-appropriated to Roads, will need to include serious consideration for allocation to Los Osos. The level of deferred maintenance for Los Osos has been significant while the LOCSD went through its project efforts, and during the past four years since the approval of AB 2701. In addition, the County's Roads fund cannot expect the wastewater Project alone will repave all the roads impacted by the collection system. The issue of proper road repair after installation of the Project's collection system is the same one encountered when utilities (such as the Gas Company) do work in public rights of way. Clearly no project should be required to do more than its share to repair roads that have deteriorated because maintenance has been deferred. Public Works staff is analyzing the nexus and proportionality issues to determine an appropriate plan for financing and executing the rehabilitation of roads in Los Osos.

In order to address the Project's impacts on County Roads, and the Project's physical and/or financial requirements to mitigate the impacts is currently being evaluated by the Transportation and Roads staff within the Department. The additional funding that should be provided by the Roads fund, to ensure that the roads are restored after the Project is complete, is also being evaluated.

In summary, the following are the primary points that are being evaluated:

- The existing Pavement Condition Rating of Los Osos roads.
- Physical and financial requirements that should be required of the Project as part of the encroachment permit issued by County Roads.
- The deferred maintenance on Roads in Los Osos.
- Maintenance and other needs that should be considered concurrent with the wastewater Project.
- Costs allocations between the Project (the nexus requirement) and the remaining funds needed from County Roads to restore Los Osos roads after the wastewater Project has met its requirements.

Staff will be developing recommendations for consideration in spring 2011. In developing these recommendations, staff will also be seeking input from the LOCAC and the LOCSD since they both have existing roles in traffic and drainage, respectively.

The following page illustrates existing road priorities for the County Pavement Management Program.

Tentative 5 year Overlay List vs. Budget Allocation

ROAD	From	To	Length (Miles)	Estimate	Cumulative	$2.5 mil/yr	$4.5 mil/yr
Oso Flaco Road *	Hw1	Division	2.3	$600,300.00	$600,300.00	10/11	10/11
Willow Road *	Misty Glen	Guadalupe	2.2	$574,200.00	$1,174,500.00		
Pomeroy Road *	Hetrick	Live Oak	1.3	$339,300.00	$1,513,800.00		
Orchard Avenue	Tefft	Southland	1.5	$391,500.00	$1,905,300.00		
Orchard Avenue *	Holder	Joshua	0.2	$52,200.00	$1,957,500.00		
Joshua Road *	Orchard	Hutton	0.6	$156,600.00	$2,114,100.00		
Hutton Road *	Joshua	Del Rio	0.4	$104,400.00	$2,218,500.00		
Story Road *	Division	Frontage	0.7	$182,700.00	$2,401,200.00		
Hetrick Avenue *	Live Oak	Summit Station	1	$261,000.00	$2,662,200.00		
Pozo Road *	10.3	19.9	9.5	$2,479,500.00	$5,141,700.00		
Chimney Rock Road	11.8	13.5	1.7	$443,700.00	$5,585,400.00	12/13	11/12
Nacimiento Lake Drive	12.4	15.8	3.4	$887,400.00	$6,472,800.00		
Park Hill Road	Las Pilitas	Pozo Rd	6	$1,566,000.00	$8,038,800.00		
Dana Foothill Road	Mehlschau	Tefft	1.3	$339,300.00	$8,378,100.00	13/14	
Rancho Road	Thompson	Dana Foothill	1.2	$313,200.00	$8,691,300.00		
Mehlschau Road	Thompson	Dana Foothill	1.2	$313,200.00	$9,004,500.00		
Branch Mill Road	City Limits	Cecchetti	2.5	$652,500.00	$9,657,000.00		
Cecchetti Road	Lopez	Branch Mill	0.7	$182,700.00	$9,839,700.00		12/13
Cripple Creek Road	El Pomar	HWY 41	1	$261,000.00	$10,100,700.00		
Tassajara Creek	HWY 101	END	2	$522,000.00	$10,622,700.00		
El Pomar Drive	Vaquero	Cripple Creek	7.6	$1,983,600.00	$12,606,300.00	14/15	
Pleasant Road	Cross Canyon	Estrella	2.5	$652,500.00	$13,258,800.00		
Estrella Road	River Road	Jardine	6	$1,566,000.00	$14,824,800.00		
San Marcos Road	Wellsona	HWY 101	3	$783,000.00	$15,607,800.00		13/14
Tefft Street	HWY 101	Hazel	1.2	$313,200.00	$15,921,000.00		
Huer Huero Road	HWY 58	Park Hill	4	$1,044,000.00	$16,965,000.00		
Park Hill Road	HWY 58	Las Pilitas	6	$1,566,000.00	$18,531,000.00		
See Canyon Road	San Luis Bay	END	4	$1,044,000.00	$19,575,000.00		
Santa Rosa Creek	Cypress	HWY 46	6	$1,566,000.00	$21,141,000.00		14/15
Main Street (Templeton)	Vineyard	Ramada	2	$522,000.00	$21,663,000.00		
Division Street	Orchard	Frontage	1.2	$313,200.00	$21,976,200.00		
Ranchita Canyon Road	Cross Canyon	County Line	6	$1,566,000.00	$23,542,200.00		
River Road North	Estrella	County Line	3	$783,000.00	$24,325,200.00		
Neal Spring Road	Creston Rd	Hollyhock	2	$522,000.00	$24,847,200.00		
Geneseo Road	Creston Rd	Linne	2.1	$548,100.00	$25,395,300.00		
Monterey Road	HWY 101	Wellsona	2.1	$548,100.00	$25,943,400.00		
South El Pomar Road	El Pomar	Creston	2.5	$652,500.00	$26,595,900.00		
Geneseo Road	Union	Moon Valley	1	$261,000.00	$26,856,900.00		
Los Osos Roads	Various	Various	10	$2,610,000.00	$29,466,900.00		
Cholame Valley	HWY 46	County Line	4	$1,044,000.00	$30,510,900.00		
O 'Donovan Road	HWY 58	HWY 229	5.6	$1,461,600.00	$31,972,500.00		
Camp 8 Road	BEGIN	HWY 41	2.9	$756,900.00	$32,729,400.00		
* Indicates anticipated 10/11 Overlays with Remaining Preventative Maintenance Budget							

OBTAINING APPROVAL OF THE WASTE DISCHARGE PERMIT FROM THE REGIONAL WATER BOARD

An application for Project Waste Discharge Requirements (WDR) has been submitted to the Regional Water Board. The RWB staff is reviewing the application, coordinating with the State Water Board to meet their funding schedule, and expect to have a draft WDR in early 2011.

According to their guidelines, the RWB staff has done an initial evaluation of the application and developed an annual permit fee, based on the size and complexity of the project. The annual permit fee is due prior to processing the application for RWB approval. This permit fee is approximately $40,000 and is included in the requested budget adjustment.

In comparison to the LOCSD's 2005 project, the requirements are expected to be more stringent in order to meet the reuse standards for Title 22 tertiary recycled water, which is required by the Project's CDP for urban and agricultural reuse. Since the reuse requirements were included in the CDP, staff has been working with the RWB to understand how the agricultural reuse program can be addressed in a manner that protects water quality, while remaining attractive to the agricultural community. These discussions will be ongoing, through the approval of a final WDR.

OBTAINING FUNDING APPROVAL FROM THE STATE WATER BOARD

The State Water Board staff has reviewed the engineering, environmental, and financial components of the application and is developing funding recommendations for their board. The application process for the SRF loan is largely complete. However, the staff has identified two key items that must be completed before they will recommend a funding commitment for the Project.

1. A revised Biological Opinion from the U.S. Fish and Wildlife Service consistent with the final Coastal Development Permit Conditions approved in June 2010. (The key issue is the requirement for habitat restoration at the Mid-Town site.)

2. Adoption of the Rates and Charges ordinance, under the Proposition 218 process.

The SWB staff's financial review has led to ongoing discussions regarding extended term and reduced interest rate financing for Los Osos under the disadvantaged community definition. Largely as a result of the County and our bond counsel's efforts on the project, the most recent SWB policy can provide extend financing terms of 30 years for projects where the sewer costs are more than 4% of the State's median household income. Based on the initial evaluation, Los Osos may be eligible for special financing which can reduce costs on a monthly basis and mitigate affordability concerns. A final determination of the financing terms is dependent of the adoption of the service charge ordinance and a subsequent funding commitment by the SWB.

SATISFYING ENVIRONMENTAL AND FUNDING CONDITIONS, INCLUDING THOSE ESTABLISHED BY THE COASTAL DEVELOPMENT PERMIT AND USDA

Table "A" provides a summary of the conditions applied to the Project through the environmental regulatory processes required by the California Environmental Quality Act, National Environmental Policy Act, California Coastal Act, National Historic Preservation Act, and federal Endangered Species Act. In addition to completing and obtaining approval of final design elements, several of the conditions require preparation of environmental plans that will require approval by the regulatory agency(s) prior to beginning construction. The conditions generally provide for phasing of condition approval keyed to the major construction phases of the Project (e.g., collection system, treatment plant, connections); as a result, environmental staff has been focusing on the following efforts:

- Evaluating critical path work tasks that must be completed before initiating construction
- Review of previous Project documents prepared by the LOCSD that successfully responded to similar regulatory conditions
- Distribution of a request for proposals to prepare the Habitat Management Plan, with proposals due by October 6, 2010
- Balancing internal workloads to shift internal resources to the Project as necessary

Table "B" provides a summary of USDA conditions that must be met before construction, in addition to those that are environmental requirements included in Table "A."

ADVERTISING CONSTRUCTION PLANS AND SPECIFICATIONS, OBTAINING LOW BIDS, AND AWARDING THE CONSTRUCTION CONTRACTS (COLLECTION SYSTEM)

In the coming year, through the design process, the Project team will be considering a number of pre-construction issues and, as appropriate, seek Board direction for final determinations. As the County proceeds, these items will be developed in greater detail in future Project Status Updates.

- Low pressure collection system: through value engineering and design optimization identify areas of the community where low pressure collection may be more cost effective
- Number of construction bid packages: strategy to increase competition, reduce bid prices, allow for local contractor participation
- Timing of construction bidding: staggered bids to increase price competition
- Approach to road rehabilitation: include in the pipeline contracts versus by County forces or separate contract
- Construction management approach
- Staffing Requirements

Los Osos Wastewater Project
October 2010 Status Update

Exhibits and Tables

EXHIBIT "A" SUMMARY OF SIGNIFICANT MILESTONES COMPLETED

EXHIBIT "B" UPDATES ON THE GROUNDWATER BASIN MANAGEMENT PLAN, THE COMMUNITY HABITAT CONSERVATION PLAN, AND THE LOS OSOS LOCAL COASTAL PLAN

TABLE "A" SUMMARY OF PRE-CONSTRUCTION REQUIREMENTS

TABLE "B" USDA PRE-CONSTRUCTION CONDITIONS

EXHIBIT "A"

SUMMARY OF SIGNIFICANT MILESTONES COMPLETED

- **June, 2006** – Your Board held the first public hearing on the Project and adopted a) policies in support of Assemblyman Blakeslee's efforts to develop special legislation for the Los Osos Wastewater Project, and b) project strategies to provide initial direction for staff on Project efforts.

- **September, 2006** - California State Governor Arnold Schwarzenegger signed Assembly Bill 2701 (Blakeslee)

- **January, 2007** – Effective date of AB 2701 and beginning of formal County efforts.

- **August, 2007** – Completed Rough Screening and Fine Screening alternatives analysis and to establish the basis of cost estimates for the Proposition 218 assessment proceedings.

- **August, 2007** – The Project's Technical Advisory Committee, consisting of 12 community members, completed a Pro/Con analysis of Project alternatives after holding approximately 35 public meetings.

- **August, 2007** – Initiated Proposition 218 ballot proceedings to propose assessments on developed properties where septic waste discharge is occurring in violation of the waste discharge prohibition established by the Central Coast Regional Water Quality Control Board in 1983.

- **December, 2007** – Conclusion of Proposition 218 assessment proceedings with approval by property owners on an 80% yes / 20% no vote.

- **September, 2008** - Completed an Aerial Photo Survey in which each property owner was sent an aerial photo of their individual property and asked to indicate their preference for locating a STEP tank, and whether they support a STEP collection system.

- **December, 2008 – January, 2009** – Public Comment period for draft Environmental Impact Report

- **March, 2009** - Completed a Community Advisory Survey, developed by a professional public opinion research firm, in which all members of the community were asked to indicate preferences for a variety of project related issues.

- **April, 2009 – August, 2009** – County Planning Commission hearings to approve project EIR and Coastal Development Permit

- **August, 2009** - Completed and certified the Final Environmental Impact Report which included a co-equal analysis of multiple project options.

- **August, 2009** – Obtained approval of a Coastal Development Permit from the San Luis Obispo County Planning Commission.

- **September, 2009** – On appeal, obtained a Coastal Development Permit from your Board.

- **November, 2009** – Your Board reconsidered Coastal Development Permit Condition #97, based on appeals filed by two members of the Coastal Commission, and approved Coastal Commission recommended modifications.

- **January, 2010** – On a 7-5 vote, the California Coastal Commission determined that substantial issues existed warranting a de-novo hearing.

- **June, 2010** – *On an 11-0 vote*, the Coastal Commission approved the Project's Coastal Development Permit.

- **June, 2010** – Completed an $80 million final application to the United States Department of Agriculture for Project funding, including:

    - Environmental requirements under the National Environmental Policies Act and the Endangered Species Act
    - Cultural resource requirements under Section 106 of National Historic Preservation Act
    - Other federal requirements.

- **September, 2010** – The USDA announces $87 million in project funding, including a $4 million grant and an $83 million loan at 3.25% interest for a 40 year term.

EXHIBIT "B"

UPDATES ON THE BASIN MANAGEMENT PLAN, THE HABITAT CONSERVATION PLAN AND THE LOCAL COASTAL PLAN

Los Osos Groundwater Basin Management Plan

Efforts to reach a settlement under existing groundwater litigation are proceeding under the Interlocutory Stipulated Judgement (ISJ) process to develop a basin management plan to balance the basin for existing and build-out demand. The ISJ group, which consists of the County and the three community water purveyors (Golden State Water Company, Los Osos CSD, and S&T Mutual Water Company) released a basin update in May 2010, which includes the following:

- Estimates of the safe yield of the basin water supply were updated in 2009. The current demand, from all users, is theoretically within the safe yield according to Basin modeling. However, under the model the water purveyors need to redistribute their well pumping between the upper and lower aquifers and from west to east in order to balance the basin, and the model results need to be confirmed for actual Basin conditions.
- Recent monitoring has found that the rate of seawater intrusion has accelerated following three years of drought, particularly through advance "fingers".
- A peer review has found that the technical groundwater analysis and modeling provides usable results and can reasonably be used to implement a Basin Management Plan, provided there is ongoing monitoring and analysis.
- The Los Osos Wastewater Project will include several actions that benefit the water supply in the community and be complementary to other basin management actions currently being considered.
- The water purveyors, through the ISJ efforts, are investigating many potential actions to incorporate into the Basin Management Plan in order to balance the basin and stop seawater intrusion.

The ISJ group intends to release a draft Basin Management Plan by December 2010. As stated in the May update, the overall basin yield is within the current demand and planned wastewater actions will provide additional benefit to the water supply through conservation and reuse. The result will be some additional supply for new development and, while not yet certain, it is hopeful that through the planning process and careful allocation of water resources there will be sufficient supply to meet build-out demand for the community.

The Los Osos Habitat Conservation Plan

The Los Osos Habitat Conservation Plan (HCP) is a voluntary community-wide endangered species protection program. The purpose of the HCP is to preserve habitat and protect sensitive biological resources within the community of Los Osos while allowing for public and private development. On June 23, 2009 your board authorized staff to accept the U.S. Fish and Wildlife Service Endangered Species Act Section 6 grant for the preparation of the Los Osos HCP and authorize the Director of the Planning and Building Department or designee to execute any agreements necessary for implementation of the approved activities.

A draft HCP was prepared by the Los Osos Community Services District (LOCSD) in consultation with the County, pursuant to a Memorandum of Understanding adopted by the Board of Supervisors in 2002. Work on the Los Osos HCP stopped when the LOCSD stopped working on the wastewater project. With the passage of AB2701, which allowed transfer of wastewater authority from the LOCSD to the County, and as required by condition of approval #92 in the CDP for the Project, reinitiating work on the HCP has become a part of the County's responsibilities in Los Osos.

The County is now in the process of preparing the HCP for the community of Los Osos in consultation with Lisa Wise Consulting, Inc. The HCP will allow for the long-term preservation of sensitive habitats remaining within the Los Osos Greenbelt, including habitats remaining on individual vacant lots. The County will work with multiple resource agencies (California Department of Fish and Game, United States Fish and Wildlife Service, Morro Bay National Estuary Program and California Coastal Commission) to fund and approve the HCP. Utilizing grant funding allows the County to complete this necessary project while reducing the strain on other budget sources.

The County and its consultant has initiated work on the HCP by reviewing the previous work effort, updating any outdated information from the previous HCP, and engaging the resource agencies regarding their needs and requirements. Discussions with Coastal Commission staff have indicated a willingness to participate in the current effort of preparing the HCP. Monthly coordination meetings have been scheduled with the resource agencies to ensure all concerns and requirements are addressed in the proposed HCP.

The County, consultant, and resource agencies will be working closely together to adhere to the Project timeline, and allow the County to complete the HCP during the construction of the wastewater project and then initiate a Local Coastal Plan amendment to incorporate the requirements of the HCP into the Estero Area Plan for the community of Los Osos. The results of these efforts will be the protection of sensitive resources within the community during future construction on undeveloped parcels within Los Osos.

TABLE "A"

LOS OSOS WASTEWATER PROJECT – PRE-CONSTRUCTION REQUIREMENTS

Description	CDP	CC	USDA
Mid-Town Habitat Restoration Plan • Grading and drainage • Revegetation/Habitat • Coastal, DFG & USFWS review/consultation • Survey and final construction plans	X	X	
Habitat Management Plan • Upland habitat management program (Broderson, Giacomazzi, Mid-town, pump stations) • Conservation deed restrictions (Broderson, Giacomazzi, Mid-town, pump stations) • Wetland habitat—GW level monitoring program • DFG and USFWS review	X	X	
Recycled Water Management Plan • Water conservation program • Recycled water reuse program • Groundwater basin monitoring program • Water supply reporting program	X	X	
Natural asbestos evaluation	X		
USFWS re-consultation	X		X
APCD mitigation notice and program	X		
Document ACOE, RWQCB, and DFG compliance	X		
Cultural resources treatment plan	X		
ESA worker education program	X		
Verify 75-foot wetlands setback from pump stations	X	X	
DFG creek crossing permits	X		
DFG K-rat "no take agreement"	X		
Walker (staging area) habitat restoration plan	X	X	
Preconstruction geo-archaeological testing	X		
Interim financing			
Rates and Charges Ordinance—Prop 218 protest hearing			X
SRF preliminary funding commitment			X
Create separate account for USDA funds			X
Notice property owners—no guarantees	X		
Mandatory hook-up ordinance			X
Recycled water use/purchase contracts			X
Secure Right of Way	X	X	X
Public Works encroachment permit	X		
Traffic Management Plan	X		
APCD odor control plan	X		
Spill response plan to EPA	X		
Develop final design/plans – Collection	X	X	X
Farmland conservation easement, 2:1 mitigation	X	X	
Ag easement on surplus TF land	X		
TF public lot	X		
TF access road & pipeline easement	X	X	
Roadway safety analysis—TF access road	X	X	
Develop final design-build RFP – Treatment Facility	X	X	X

TABLE "B"

USDA PRE-CONSTRUCTION CONDITIONS

Category	Task	Agency	Status
Recovery Act Requirements	Certifications, Reports, Buy America, Wages	USDA	In Progress
Reserves	Loan & Short-Lived Assets	USDA	In Progress
Disbursement of Funds	Other Financing, Construction Account	USDA	In Progress
Security	Execution of Agreements	USDA	In Progress
Certifications	Assessment Roll, Bond Counsel Opinion, Hook-Up Ordinance	USDA	In Progress
Insurance/Bonding	General/Property/ Workers' Comp, Fidelity Bond	USDA	In Progress
Civil Rights	General Compliance	USDA	In Progress
Professional Services	Approval of Engineering Services	USDA	In Progress
Right-of-Way	Certification	USDA	In Progress
Permits	Obtain All Necessary	USDA	In Progress
Utility Purchase Contracts	Reuse Contracts	USDA	In Progress
Environmental Review	NEPA Compliance	USDA	In Progress
Engineering/Construction	Approval, Design-Bid-Build, Minority/Women/Small Businesses	USDA	In Progress
Loan Payment	Electronic & Automatic Payments	USDA	In Progress
Bond Documents	Approval of Transfer, County Administers Assessments	USDA	In Progress
Operating Budget	Approved Rate Structure, Approval of Billing Practices	USDA	In Progress

IN THE BOARD OF SUPERVISORS

County of San Luis Obispo, State of California

_____day _____, 20___

PRESENT: Supervisors

ABSENT:

RESOLUTION NO. _____

RESOLUTION DECLARING INTENTION TO PROCEED WITH THE CONSTRUCTION AND OPERATION OF A WASTEWATER COLLECTION, TREATMENT AND DISPOSAL SYSTEM FOR THE COUNTY OF SAN LUIS OBISPO WASTEWATER ASSESSMENT DISTRICT NO. 1

WHEREAS, by its Resolution No. 2007-494, adopted on December 18, 2007, (the "Resolution of Formation"), this Board of Supervisors (this "Board") concluded proceedings pursuant to the Municipal Improvement Act of 1913 (Sections 10000 and following, California Streets and Highways Code; hereafter the "Code") for the formation of an assessment district designated as the "County of San Luis Obispo Wastewater Assessment District No. 1, County of San Luis Obispo, State of California" (the "Assessment District") and the levy of special assessments (the "Assessments") on the benefited parcels in the amounts shown in the written engineer's report which was approved by the Resolution of Formation; and

WHEREAS, the purpose of the Assessments is to finance a portion of the cost and expense of constructing and installing a wastewater system (the "Wastewater System"), including but not limited to the acquisition of any real property interests deemed necessary for said project (collectively, the "Project") with which to provide wastewater collection and treatment services in the Assessment District, with the balance of the Project financing to be derived from other sources, including but not limited to grant funds; and

WHEREAS, following the adoption of the Resolution of Formation, and as required by Section 3114 of the Code, the assessment diagram and the Notice of Assessment were recorded in the official records of the San Luis Obispo County Recorder, whereupon the Assessments became a lien upon the respective individual parcels upon which an Assessment was levied; and

WHEREAS, notice of recordation of assessment was given by publication in the form and manner required by Section 10404 of the Code, and a "Preliminary Notice of Assessment" was mailed to the owners of the parcels upon which an Assessment was levied (the "Owners"), advising each of the Owners of the amount of the Assessment levied on that Owner's parcel; and

WHEREAS, the Preliminary Notice of Assessment further advised the Owners that they were not required to pay any portion of the Assessment at that time, but in the event that they wished to do so for reasons specific to them and their property, they could pay all or any part of the Assessment, without interest, by submitting payment to the County, thereby either satisfying their assessment obligation (payment in full) or reducing the principal amount of such obligation (partial payment), as the case may be; and

WHEREAS, the Preliminary Notice of Assessment further advised the Owners that, in the event that the County determines to proceed with the Project and establishes a schedule for implementation of the debt financing portion of the overall financing program (the "Debt Financing"), the County would provide further mailed notice to the Owners, advising them of such facts and prescribing a deadline for receipt of payments on account of the Assessment in cash, following which the County will proceed with the Debt Financing in an amount equal to the remaining unpaid Assessments; and

WHEREAS, this Board, by its Resolution of Formation, directed the Department of Public Works of the County (the "Public Works Department") as follows:

(a) to proceed with a review of the Project in accordance with subsection (i) of Section 25825.5 of the California Government Code ("Section 25825.5(i)"); and

(b) upon completion of such review, to report the results thereof to this Board in furtherance of this Board's due diligence review and determination whether or not to proceed with the construction of the Project and operation of the Wastewater System in accordance with Section 25825.5(i); and

WHEREAS, having received the report of the Public Works Department (the "Public Works Department Report") and having determined that the Public Works Department has considered each and all of the factors enumerated in Section 25825.5(i) in its review and has included discussion thereof in the Public Works Department Report; and

WHEREAS, on the basis of the contents of the Public Works Department Report and such additional information as the respective members of this Board consider material to making a determination with respect to construction and installation of the Project and subsequent operation of the Wastewater System, this Board wishes by this resolution to declare its intention to proceed with the construction and installation of the Project and the operation of the Wastewater System.

NOW, THEREFORE, THE BOARD OF SUPERVISORS HEREBY FINDS, DETERMINES AND RESOLVES as follows:

1. The foregoing recitals are true and correct, and this Board expressly so finds and determines.

2. In satisfaction of the provisions of Section 25825.5(i), this Board hereby declares its intention to proceed with the construction and installation of the Project and the subsequent operation of the Wastewater System. This declaration shall be "final" as to all persons.

3. In accordance with subsection (j) of Section 25825.5 of the California Government Code and the Preliminary Notice of Assessment, this Board hereby authorizes and directs the County Treasurer, as the County officer responsible for collection of the unpaid Assessments, to cause the preparation and mailing to the Owners of a notice of recordation of assessment which shall include a statement of the deadline by which any Owner may pay all or any portion of the unpaid Assessment pertaining to that Owner's parcel or parcels, which deadline shall be not less than thirty (30) days after the date of mailed notice; provided that no such notice need be mailed to any Owner of a parcel for which the Assessment has already been fully prepaid and discharged. Subject to the 30-day requirement specified in the foregoing sentence, the deadline for receipt of such cash payments shall be established by the County Treasurer, in consultation with the County's financial advisor for the Debt Financing, to assure that a determination of the amount of remaining unpaid Assessments ("Unpaid Assessment Amount") may be made not later than needed to enable the County to implement the Debt Financing, in an amount not to exceed the Unpaid Assessment Amount, on a timely basis as needed to provide funding for the Project.

Upon motion of Supervisor_____, seconded by Supervisor _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAINING:

the foregoing resolution is hereby adopted.

_____
Chairperson of the Board of Supervisors

ATTEST:

_____
Clerk of the Board of Supervisors

[SEAL]

APPROVED AS TO FORM AND LEGAL EFFECT:

WARREN R. JENSEN
County Counsel

By: Warren R. Jensen
County Counsel

Dated: Sep. 23, 2010

L:\ACCTNG\SEP10\BOS\Los Osos - Reso of Determination (AB 2701) rsl.doc

STATE OF CALIFORNIA,
County of San Luis Obispo, } ss.

I, _____, County Clerk and ex-officio Clerk of the Board of Supervisors, in and for the County of San Luis Obispo, State of California, do hereby certify the foregoing to be a full, true and correct copy of an order made by the Board of Supervisors, as the same appears spread upon their minute book.

WITNESS my hand and the seal of said Board of Supervisors, affixed this _____ day of _____, 20 _____.

_____
County Clerk and Ex-Officio Clerk of the Board of Supervisors

(SEAL)

By _____
Deputy Clerk.

Attachment "B"

Los Osos Wastewater Project
As of August 31, 2010

	Budget	Current Year Actual Costs	Prior Year Actual Costs	Total Actual Costs	Projected Future Costs	Estimated Total
Consultants						
Brownstein, Hyatt, Farber, Schreck (ISJ Cost Sharing)	$ 35,300	$ 3,762	$ 21,939	$ 25,702	$ 9,598	$ 35,300
Meyer Nave	25,000	-	-	-	25,000	25,000
Carollo Engineers	1,740,349	-	1,740,349	1,740,349	-	1,740,349
Cleath & Associates	50,582	-	50,582	50,582	-	50,582
Cleath & Associates	17,385	-	17,385	17,385	-	17,385
Cleath & Associates	30,000	-	29,334	29,334	666	30,000
Crawford, Multari and Clark	145,455	-	145,455	145,455	-	145,455
Far Western Anthropological	25,569	-	24,045	24,045	1,524	25,569
Fugro West	39,465	-	39,465	39,465	-	39,465
Michael Brandman Associates	2,332,300	-	2,332,300	2,332,300	-	2,332,300
National Water Research Inst	24,600	-	24,600	24,600	-	24,600
Orrick, Herrington & Sutcliffe	69,654	-	69,654	69,654	-	69,654
Opinion Studies	58,813	-	58,813	58,813	-	58,813
Public Financial Mgt	52,180	-	52,180	52,180	-	52,180
R. W. Beck	3,000	-	-	-	3,000	3,000
Science Discovery (ISJ Cost Sharing)	2,625	-	2,625	2,625	-	2,625
SWCA (Morro Group)	33,855	-	33,855	33,855	-	33,855
Stephen D Pults	28,143	-	28,143	28,143	-	28,143
State of California-Dept of Public Health	337	-	337	337	-	337
Terra Verde Environmental	9,149	-	9,149	9,149	-	9,149
Thoma Electric	7,170.50	-	7,170.50	7,170.50	-	7,171
Vanir Const	4,375	-	4,375	4,375	-	4,375
Wallace Group (IRWM)	19,839	-	19,839	19,839	-	19,839
Wallace Group (Assmnt Eng)	77,000	114	76,301	76,415	584	77,000
Wallace Group (TAC,survey & Fac Plan)	244,998	-	241,650	241,650	3,348	244,998
Wallace Group (ROW)	10,878	-	10,878	10,878	-	10,878
Unallocated	672	-	-	-	672	672
Total Consultants	$ 5,088,694	$ 3,876	$ 5,040,424	$ 5,044,300	$ 44,394	$ 5,088,694
County Staff Labor	$ 1,624,031	$ 18,608	$ 1,577,928	$ 1,596,536	$ (0)	$ 1,596,536
Other County Departments	185,685	435	223,738	224,173	(0)	224,173
Training/Travel	27,191	0	22,471	22,471	0	22,471
Other/Public Outreach	112,046	0	105,773	105,773	0	105,773
Overhead	412,353	3,382	408,971	412,353	(0)	412,353
Total	$ 2,361,306	$ 22,425	$ 2,338,881	$ 2,361,305	$ 0	$ 2,361,306
Grand Totals	$ 7,450,000	$ 26,301	$ 7,379,305	$ 7,405,606	$ 44,394	$ 7,450,000
Approved Budget	**$ 7,450,000**					

USDA Rural Development

Committed to the future of rural communities

United States Department of Agriculture
Rural Development
California
www.rurdev.usda.gov/ca

August 30, 2010

RECEIVED

AUG 3 1 2010

COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF PUBLIC WORKS

LETTER OF CONDITIONS

MR PAAVO OGREN
DIRECTOR OF PUBLIC WORKS
COUNTY OF SAN LUIS OBISPO
ROOM 207 COUNTY GOVERNMENT CENTER
SAN LUIS OBISPO CA 93408

Subject: Application for USDA Rural Development's Water and Waste Disposal Program to Construct a Wastewater system in Los Osos, CA

Dear Mr. Ogren:

This letter, with attachments, establishes conditions that must be understood and agreed to by the applicant before further consideration may be given to their application. Any changes in project cost, source of funds, scope of services or any other significant change in the project or applicant must be reported to and approved by USDA Rural Development by written amendment to this letter. Any change not approved by USDA Rural Development will be cause for discontinuing processing of the application.

This letter is not to be considered as loan/grant approval or as representation to the availability of funds. The application can be processed on the basis of a USDA Rural Development loan not to exceed $82,998,000 and grant not to exceed $4,002,000. Funds for this project are provided by the Rural Utilities Service (RUS). The loan/grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is mailed by USDA Rural Development. This is also the date that the interest rate is established.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds," within the next ten (10) days, if you desire that we give further consideration to your application. The execution of these and all other documents required by USDA Rural Development must be authorized by appropriate resolutions of the applicant's governing body.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise.

The loan will be repayable over a period not to exceed 40 years from the date of loan closing at the intermediate interest rate. The first interest installment will be due no later than one full year from the date of loan closing. The first principal payment may be deferred until the third year after the date of loan closing, resulting in 37 principal payments.

After receipt of the 2010 Census, you may be required to refinance (graduate) the unpaid balance of the RD loan, in whole or in part, if at any time RD determines your entity is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

Based on Standard Form 424, "Application for Federal Assistance," the project cost and funding will be as follows:

a. Project Cost

Land/Right-of-Ways	$ 2,000,000
Design Engineering	5,500,000
Project Inspection Fees	7,000,000
Construction	126,364,000
On-lot Cost (ineligible)	15,635,000
Administrative/Legal	7,500,000
Water Conservation	5,000,000
SRF Refinance	6,500,000
Predevelopment Finance	1,110,000
Contingencies	12,636,000
TOTAL:	$189,245,000

b. Source of Funds

USDA Loan	$ 82,998,000
USDA Grant	4,002,000
State SRF Loan	86,610,000
Owner Financed	15,635,000
TOTAL:	$189,245,000

Section I of the attached conditions (Items 1—17) will be satisfied prior to loan/grant closing or before construction begins, whichever occurs first, in either case not later than one (1) year from the date of this letter. **In the event the project has not advanced to the point of construction within one (1) year, USDA Rural Development reserves the right to discontinue the processing of the application.**

If you have any questions, feel free to contact this office.

Sincerely,

PETE YRIBARREN
Community Programs Specialist

cc: Janice Waddell, Community Programs Director, USDA Rural Development, Davis
Sam Sperry, Meyers Nave, Oakland, CA
Kyle Ochenduszko, State Water Resources Control Board, Sacramento, CA

I. CONDITIONS TO BE SATISFIED PRIOR TO LOAN/GRANT CLOSING OR BEFORE CONSTRUCTION BEGINS, WHICHEVER OCCURS FIRST

1. **American Recovery and Reinvestment Act of 2009 ("Recovery Act").**
Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

   a. Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.

   b. Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.

   c. Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

   d. Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

Compliance with the conditions in this section is required for financing under the Recovery Act. However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

2. **Reserves**—So long as the Alternative Method of Distribution of Tax Levies and Collection and Tax Sale Proceeds (the Teeter Plan) remains in effect, this requirement shall be considered to have been met. If during the term of this loan, the County Board of Supervisors orders discontinuance of the Teeter Plan, the applicant will then establish a separate debt service reserve in an amount at least equal to an average annual loan installment. This reserve will then be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached, which is one average annual loan installment.

   In addition, you must fund a depreciation reserve for short-lived assets by depositing a sum of $206,300 annually. This amount should be evaluated each year and budgeted for based on the need to provide for timely replacement of short-lived assets.

3. **Disbursement of Funds**

   a. Interim loan financing during construction will not be required. USDA Rural Development funds will not be provided before the execution of a construction contract.

   b. The applicant will provide evidence that funds from other sources will be made available for the project cost in the amount of $86,610,000. This evidence should include a copy of the loan/grant award that addresses how funds will be disbursed.

   c. The applicant's contribution of funds toward the project cost shall be considered the first funds expended and must be deposited in its project account before construction is started.

   d. You must establish a separate account, to be known and hereafter referred to as the Construction Account. All project funds will be deposited into this account and must be in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage. The account shall be used solely for the purpose of paying authorized costs of the project as outlined in the project budget. Once the funds are deposited into the Construction Account, they become your responsibility.

4. **Security Requirements**

   a. At loan closing, the applicant will execute the attached RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)". Please note the refinancing provision in paragraph 2. Also, on page 3 there is a certification to be executed at loan closing.

   b. The applicant will be required to execute a completed, RUS Bulletin 1780-12, "Water or Waste System Grant Agreement," at the time of grant closing.

   c. The applicant is legally organized and has the authority to borrow money for this project under the Municipal Bond Act of 1913. The loan will be secured by a limited obligation improvement bond, which will be on parity with the State SRF loan. The bond must be prepared in accordance with RUS Instruction 1780 Subpart D, and State law. The assistance and opinion of a recognized bond counsel must be obtained.

5. **Applicant Certifications**

   a. The applicant will certify that all parcel holders who benefit from the project will be assessed in accordance with State law to repay the USDA loan, with a minimum of 4,612 parcels being assessed. The proposed assessment roll must be approved by the USDA Rural Development prior to adoption by the County.

   b. The applicant's attorney will provide his/her opinion that rate increases required for this project have been adopted in accordance with Section 6 of Article XIIID of the California Constitution as well as other requirements of California law. The applicant will provide a copy of the Minutes from the public meeting. All voter approval requirements under state law must be obtained before the issuance of the USDA Offer to Purchase Bonds.

   c. A mandatory hook-up ordinance is required, and you must provide evidence of the ordinance and a certification attesting to the number of users that will be required to connect to the proposed system prior to advertisement for construction bids.

6. **Insurance and Bonding Requirements**—The applicant must provide evidence of adequate insurance and fidelity bond coverage by loan closing or start of construction, whichever occurs first. Adequate coverage, in accordance with USDA Rural Development's regulations, must then be maintained for the life of the loan. It is the responsibility of the applicant and not that of USDA Rural Development to assure that adequate insurance and fidelity bond coverage is maintained. Applicants are encouraged to review coverage amounts and deductible provisions with their attorney, consulting engineer, and/or insurance provider(s).

   a. Property Insurance—Fire and extended coverage will be required on all above-ground structures, including applicant-owned equipment and machinery housed therein. This requirement does not apply to water reservoirs, stand pipes and elevated tanks. Provide USDA Rural Development with proof of coverage and attach Lender's Loss Payable Endorsement (438 BFU or equivalent) naming the UNITED STATES OF AMERICA as lender.

   b. Workers' Compensation Insurance—The applicant will be required to carry workers' compensation insurance for all employees in accordance with California law. Provide USDA Rural Development with proof of coverage.

   c. General liability and vehicular coverage must be maintained—Provide USDA Rural Development with proof of coverage.

   d. Fidelity Bond—Persons who have access to the funds and custody to any property will be covered by a fidelity bond. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required by USDA Rural Development will be sufficient to cover the total annual debt and reserve service requirements for the loan. The United States of America will be named as co-obligee on the bond. A certified power-of-attorney with effective date will be attached to each bond. Provide USDA Rural Development with a copy of the bond and the power of attorney.

7. **Civil Rights & Equal Opportunity**—You should be aware of and will be required to comply with other Federal statute requirements including but not limited to:

   a. Section 504 of the Rehabilitation Act of 1973.
   b. Civil Rights Act of 1964.
   c. The Americans with Disabilities Act (ADA) of 1990.
   d. Age Discrimination Act of 1975.

   Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, martial status, age, or physical or mental handicap.

   The applicant is subject to a pre-loan closing civil rights compliance review by USDA Rural Development.

8. **Written Agreements for Professional Services**

   a. The bond counsel services agreement submitted by Meyers Nave is satisfactory to USDA Rural Development.
   b. The legal service agreement submitted by County Counsel is satisfactory to USDA Rural Development.
   c. An Agreement for Engineering Services will have to be prepared and approved by USDA Rural Development.

9. **Land and Rights-of-Way**—The applicant must present satisfactory evidence that they have obtained, or can obtain, any and all lands, rights-of-way, easements, permits and franchises which are required by the engineering plan. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation and Real Property Acquisition Act. The following forms, copies of which are attached, may be used for these purposes:

   a. Form RD 442-21, "Right-of-Way Certificate" (with map attached)
   b. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"

10. **Permits**—All permits involving Federal, State, and local agencies must be obtained and evidence thereof provided to USDA Rural Development prior to bidding. If the project involves a new drinking water supply source or change in a drinking water treatment process a new California Department of Health Services permit will be required. To receive this permit a CEQA environmental review must be completed and routed through the State Clearinghouse.

11. **Utility Purchase Contracts**—The project involves the disposal of water on private land, and you must have written contracts to accept this treated water which are to be reviewed and concurred in by USDA Rural Development. Such contracts are subject to the requirements of RUS Instruction 1780.62.

12. **Environmental Reviews**—USDA Rural Development projects are subject to NEPA environmental reviews. During any stage of project development, including construction, should environmental issues develop which require mitigation measures, USDA Rural Development applicants are required to notify USDA Rural Development and comply with such mitigation measures. Failure by an applicant to implement mitigation measures may disqualify the project from Agency funding. Mitigation measures identified or prepared by you as part of the CEQA and NEPA environmental process must be implemented. Mitigation measures which must be followed per USDA Rural Development's Environmental Assessment are attached.

13. **Engineering and Construction**

    a. USDA Rural Development must approve any agreements or modifications to agreements for professional design services. The agreement for engineering services should consist of the EJCDC documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with USDA Financial Assistance" or other approved form of agreement

    b. All construction will be completed under contract. The planning, bidding, contracting, and construction must comply with RUS Instruction 1780 Subpart C, and any additional requirements of California law and the requirements of other County, State, or Federal agencies.

    c. The following must be reviewed and approved by USDA Rural Development in the sequence indicated:

        i. Preliminary Engineering Report
        ii. Agreement for Engineering Services
        iii. Final Plans and Specifications for the project
        iv. Bid Award Information.
        v. Executed Contract Documents

    d. Affirmative steps should be taken to assure that small, minority, and women business are utilized as source of supplies, equipment, construction, and services.

    e. The Plans & Specifications must be reviewed and approved, when applicable, by any regulatory or other agencies that are required to review these documents.

    f. A representative of USDA Rural Development will attend all pre-construction conferences in connection with this project. These conferences must be held prior to the issuance of the Notice to Proceed to the contractors. The applicant's consulting engineer will conduct the conference and document the discussions and agreements.

14. **Electronic Funds Transfer**—All funds will be transferred to borrowers via Electronic Funds Transfer/Automated Clearinghouse Systems (EFT/ACH). Normal transfers will be ACH, with money being placed in Borrower's account two days after the USDA processing office approves the pay request. The applicant must submit the Electronic Funds Transfer Form containing the banking (ACH) information to the USDA Servicing Office at least 30 days prior to the date of loan closing. Failure to do so could delay loan closing.

15. **Automatic Payments**—The applicant is required to participate in the Pre-Authorized Debit (PAD) payment process for all new and existing indebtedness to USDA Rural Development. It will allow for the applicant's payment to be electronically debited from its account on the date their payment is due. Form RD 3550-28, "Authorization Agreement for Pre-Authorized Payments," is attached. Please fill out and sign your "Individual/Company Information" section, then have your financial institution/bank fill out the bottom portion prior to submitting the form to the USDA Rural Development service office.

16. **Bond Documents**—All applicable bond closing documents must be submitted by the Bond Counsel at least 30 days prior to the planned closing date. The bond issuance documents must include language similar to the following:

    a. The County shall not lease or transfer ownership of the Los Osos Wastewater Project to another entity, whether public or private, without the express written consent of the United States Department of Agriculture or its successor or successors in interest as holder or holders of the limited obligation improvement bonds (the "Bonds") issued by the County pursuant to the Improvement Bond Act of 1915 (the "1915 Act") of the County's Wastewater Assessment District No. 1 (the "Assessment District") to such lease or transfer of ownership.

    b. In the event that the County leases or transfers ownership of the Los Osos Wastewater Project to another entity, whether public or private, the County, as the local agency which established the Assessment District and as the issuer of the Bonds, shall retain all of its obligations and responsibilities as established by the 1915 Act, any resolution authorizing issuance of the Bonds, and any Fiscal Agent Agreement, Trust Agreement or like instrument pertaining to the Bonds, with respect to the administration and payment on the Bonds and the administration and enforcement of the unpaid special assessments of the Assessment District which secure the Bonds.

17. **Operating Budget**

    a. A rate structure sufficient to balance a USDA Rural Development approved Operating Budget will be in effect at the time of loan closing. Once the rate structure has been approved by USDA Rural Development, provide USDA Rural Development with a copy of the adopted ordinance. The rate structure must include enough revenue to cover all operating and maintenance expenses, the debt service on the revenue-backed portion of the SRF loan, a debt service reserve for the SRF loan, a short-lived asset account, and the vacant lot share of the debt service.

    b. The applicant will develop and implement an RD approved policy for the handling of past due customer bills and penalties.

II. LOAN/GRANT CONDITIONS TO BE SATISFIED DURING CONSTRUCTION

1. **Disbursement of Grant Funds**—USDA Rural Development funds will be advance as they are needed in the amount(s) necessary to cover the Rural Development proportionate share of obligation due and payable to the Grantee. Interest earned on grant funds in excess of $250 for Nonprofits and $100 for Public Bodies per year will be submitted to Rural Development at least quarterly, as required in 7CFR3019 / 7CFR3016 as applicable.

2. **Inspections**—A resident inspector is required during construction. The inspection reports must be available to USDA Rural Development for review at any time. These reports must be kept at the project site or borrower's office, if near by.

3. **Monthly Reporting**—The applicant must monitor and provide a monthly report to USDA Rural Development on actual performance during construction for each project financed, or to be financed, in whole or in part with USDA Rural Development funds, to include Forms RD 1924-18, "Partial Payment Estimate"; RD 1924-7, "Contract Change Order"; SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; and Project Daily Inspection Reports.

4. **Final Inspection**—A final inspection will be made by USDA Rural Development on the component USDA is financing before final payment is made.

5. **Excess Funds**—Any remaining funds must be utilized for approved purposes within 60 days following the final inspection or the funds will be canceled without further notification from USDA Rural Development.

6. **Anti-Deficiency Act**— All Recovery Act appropriated funds for this project must be fully disbursed no later than September 30, 2015, or they will be cancelled and shall not be available for expenditure of any purpose.

7. **Vulnerability Assessments (VA) and Emergency Response Plans (ERP)**—Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operations. A certification that a VA is complete must be submitted within one year of the start of operations. All other borrowers must provide a certification that a VA and ERP are completed prior to bid authorization. DO NOT SUBMIT COPIES OF THE ACTUAL VA OR ERP DOCUMENTS TO USDA RURAL DEVELOPMENT.

   USDA Rural Development staff has arranged for the California Rural Water Association (CRWA), or the Rural Community Assistance Corporation (RCAC) to assist borrowers with the preparation of their VA and ERP. CRWA or RCAC should be contacted to obtain more information and their technical assistance in the preparation of the VA & ERP, so that the required CERTIFICATION STATEMENT can be provided to USDA. Please contact Dustin Hardwick (CRWA) at (760) 920-0842 or Jean Thompson at RCAC (916) 447-9832.

III. LOAN CONDITIONS TO BE SATISFIED AFTER PROJECT COMPLETION

1. **Financial Statements**—To be submitted on an annual basis in accordance with generally accepted accounting principles (GAAP) and shall comply with the following:

   a. OMB Circular A-133 annual audits are required when Federal Financial Assistance of $500,000 or more per year is expended. An audit per OMB Circular A-133, must be provided to the USDA Rural Development on an annual basis.

   b. An audit, in accordance with State or local law or regulation or regulatory agency and Water and Waste audit requirements, must be submitted when you expend less than $500,000 in Federal financial assistance per fiscal year and the unpaid loan balance is $1,000,000 or more.

   c. A management report, in lieu of an audit report, may be submitted with the USDA Rural Development approval when you expend less than $500,000 in Federal financial assistance per fiscal year and the unpaid loan balance is less than $1,000,000.

2. **Quarterly Reports**—A quarterly management report will be required for the first year for new borrowers and for all borrowers experiencing financial or management problems for one year from the date problems were noted. If the borrower's account is current at the end of the year, the processing office may waive the required reports.

3. **Audit agreement**—If you are required to obtain the services of a licensed Certified Public Accountant (CPA), you must enter into a written audit agreement with the auditor. The audit agreement may include terms and conditions that you and auditor deem appropriate; however, the agreement should include the following:

   a. A statement that the auditor will perform and document the audit work in accordance with GAGAS and the professional standards of the AICPA;

   b. A statement that the auditor will submit the completed audit and accompanying letters to the borrower's governing body 30 days prior to the date the audit is due to USDA Rural Development;

   c. A statement that the auditor will make all audit-related documents, including workpapers, available to the Agency Rural Development or its representatives, upon request; and

   d. A statement that the auditor will immediately report, in writing, all irregularities and illegal acts to the borrower's governing body and the Agency Rural Development.

4. **Compliance Reviews**—Rural Development will be required to periodically conduct compliance review of this facility and operation. You will need to provide the local office the statistical information as requested.

5. **Security Inspections**—Rural Development is required to conduct an inspection of the facility a minimum of once every three years.

6. **VA/EPR**—You will also be required to provide a certification that the VA and ERP is complete and is current every three years after the start of operations. RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs.

Summary of Mitigation

A summary of all proposed mitigation measures as described in the NEPA document follow:

Mitigation Number [CEQA number]	Mitigation Measure
Section 3.4: Historic Properties	
3.4-1	Prior to the approval of the expenditure of any Federal funds on the undertaking or prior to the issuance of any license, the Section106 process will be completed. This process will include the finalization of the Historic Properties Evaluation and Treatment Plan and the acceptance of the project's Memorandum of Agreement by the appropriate federal signatories.
3.4-2	An Historic Properties Evaluation and Treatment Plan has been prepared for the LOWWP, and details the extensive scope of the proposed project; establishes site types with corresponding levels of effort for mitigation, and details data recovery and monitoring plans for the extent of the proposed project. This Treatment Plan will be executed in full throughout the course of the project.
3.4-3 [5.6-B4]	As detailed in the Treatment Plan, if avoidance of recorded archaeological sites within any portion of the approved project design is not possible through project redesign, a phased program of site testing will be undertaken to establish boundaries and evaluate the resources' potential eligibility to the California Register of Historical Resources or the National Register of Historic Places. If a site is determined ineligible, no further work is required. If a site is determined eligible, data recovery excavations will be required to mitigate adverse effects incurred from project development.
3.4-4 [5.6-B6]	Preconstruction monitoring will occur in areas ranked as high in sensitivity for buried deposits. Mechanical backhoe trenching will be conducted within the sensitive areas where any construction impacts will occur and will be monitored by a qualified geoarchaeologist. Any identified intact deposits will be evaluated, and any deposits determined to be eligible to the California Register and/or National Register will require project redesign to avoid impacts, or data recovery to mitigate unavoidable impacts.
3.4-5 [5.6-B7]	While prior survey, excavation, and monitoring have been conducted for the majority of the collection system in the community of Los Osos, redesign in the placement of pipelines and location of pump stations and other facilities requires additional consideration. Areas of high archaeological sensitivity, including the locations of human burials, have been identified. Continued avoidance or additional testing, monitoring, and/or data recovery will be required to reduce impacts to a less-than-substantial level.
3.4-6 [5.6-B8]	Full analysis, processing, documentation, curation, and reporting of the project collections was not achieved because of the stop-work order on the 2005 wastewater project. These tasks will be completed by qualified archaeologists as an important mitigation effort for overall project impacts and to fulfill requirements associated with past Section 106 consultations. Study findings will be made available to the general public and local Native Americans, as well as to the scientific community.
3.4-7 [5.6-D1]	A draft Memorandum of Agreement has been prepared for the treatment and disposition of human remains and associated burial items. Although not required by law, this document lays out the procedures agreed upon by interested local Native Americans and stipulated under State law, including proper and respectful handling of remains, identification of reburial areas, acceptable analyses, and resolution of conflicts. It includes a list of Most Likely Descendents approved by the Native American Heritage Commission; these individuals would be signatories on the Agreement.
3.4-8	For sites with known human remains or which have a potential for human remains, pre-

Mitigation Number [CEQA number]	Mitigation Measure
[5.6-D2]	construction excavations will take place within the direct impact areas to insure that no human remains are present.
3.4-9 [5.6-D3]	If human remains are encountered within the project area, the County will be responsible for complying with provisions of Public Resources Code Sections 5097.98 and 5097.99, and 7050.5 of the California Health and Safety Code, as amended by AB 2641. Restrictions or procedures for excavation, treatment, or handling of human remains will be established in consultation with the individuals designated by the Native American Heritage Commission as the Most Likely Descendents.
Section 3.5: Biological Resources Information	
3.5-1*	All staging areas, as well as those areas where fueling and maintenance of vehicles and other equipment would occur, will be located at least 20 meters from riparian habitat or water bodies. The contractor or County will ensure that contamination of habitat does not occur during such operations.
3.5-2*	Prior to the onset of work near any riparian habitat, the USDA will ensure that the contractor or County has prepared a plan to allow a prompt and effective response to any accidental spills.
3.5-3*	To avoid potential timing conflicts between construction and the breeding season for the California red-legged frog, work activities adjacent to Los Osos Creek will only commence after March 31 and be completed by October 31, annually.
3.5-4*	Night-time illumination at the treatment plant site will meet the following requirements of the County's Estero Area Plan in order to be shielded from riparian areas and creeks: "all lighting fixtures will be shielded so that neither the lamp nor the related reflector interior surface is visible from adjacent properties. Light hoods will be dark-colored." No night lighting will be used unless necessary for active maintenance activities at the plant, or under emergency conditions.
3.5-5*	Tributaries to Warden Creek on the Giacomazzi property will be restored to provide improved habitat for the California red-legged frog. Drainages currently devoid of riparian vegetation will be revegetated with native riparian canopy and emergent species to provide additional shade, cover, and breeding habitat. The current practice of removing all vegetation within and adjacent to Los Osos Creek and tributaries to Warden Creek will cease.
3.5-6 [5.5-A3]	A worker education program and clearly defined operations procedures will be prepared prior to project construction. The worker education program and operations procedures will be implemented by the County throughout the duration of construction. A biologist approved by the USFWS will be retained to provide construction personnel specific instruction on general detection and avoidance of sensitive resources during construction. The worker education program will include: descriptions and pictures of listed species; the provisions of the Endangered Species Act; those specific measures being implemented to avoid and minimize take or impacts to listed or otherwise sensitive species (e.g. conserve listed and sensitive species as they relate to the project); and the project boundaries within which the work will occur.
3.5-7 [5.5-A8]	Prior to project construction, the County will retain a qualified biologist to conduct pre-construction surveys for the California red-legged frog according to protocol approved by the USFWS. Surveys will be conducted within all areas that at are determined to contain suitable habitat for this species and that occur within 100 feet of proposed construction, or at a distance determined through USFWS consultation. To avoid potential timing conflicts with the California red-legged frog-breeding period, construction activities in the vicinity of California red-legged frog habitat will be completed between April 1 and November 1. This measure will apply to construction activities at the LOVR bridge and Los Osos Creek crossing, and all other areas determined during pre-construction surveys to contain suitable habitat for the species, including areas that occur

Mitigation Number [CEQA number]	Mitigation Measure
	within 100 feet of proposed construction, or at a distance determined through USFWS consultation. Prior to construction, the County will retain a USFWS- approved biologist to permanently remove any individuals of exotic species, such as bullfrogs, crayfish, and centrarchid fishes from the project area, to the maximum extent possible. The USFWS-approved biologist will be responsible for ensuring his or her activities are in compliance with the California Fish and Game Code. Prior to construction, the County will retain a USFWS-approved biologist to conduct a training session for all construction personnel. At a minimum, the training will include a description of the California red-legged frog and its habitat, the importance of the California red-legged frog and its habitat, the general measures that are being implemented to conserve the California red-legged frog as they relate to the project, and the boundaries within which the project may be accomplished. Prior to construction, the County will retain a USFWS-approved biologist responsible for monitoring construction activities. Ground disturbance will not be authorized to begin until written approval is received from the USFWS that the biologist is qualified to conduct the work. Only USFWS-approved biologists will participate in activities associated with the capture, handling, and monitoring of California red-legged frog. To ensure that diseases are not conveyed between work sites by the USFWS-approved biologist, the fieldwork code of practice developed by the Declining Amphibian Populations Task Force will be followed at all times. A USFWS-approved biologist will be present at the active work sites until such time that the initial survey for California red-legged frogs, instruction of workers, and (upland) habitat disturbance have been completed. After this time, the contractor or permittee will designate a qualified person to monitor on-site compliance with all minimization measures. The USFWS-approved biologist will ensure that this individual receives appropriate training as to the identification of frogs, potential hazards to the species, inappropriate and allowable work activities, and appropriate contacts for immediate, professional biological support. During work activities, all trash that may attract predators will be properly contained, removed from the work site and disposed of regularly. Following construction, all trash and construction debris will be removed from work areas. All fueling and maintenance of vehicles and other equipment and staging areas will occur a minimum of 100 feet from all open water, stream, wetland, and riparian habitat. The permittee will ensure that contamination of habitat does not occur during such operations. Prior to the onset of work, the EPA will ensure that the permittee has prepared a plan to allow a prompt and effective response to any accidental spills. Recycled water storage ponds will be maintained as to not attract bullfrogs. This will include allowing the ponds to go dry during the summer to disrupt any breeding activity by bullfrogs. The County will monitor recycled water storage ponds for bullfrog activity.
3.5-8**	All construction activities across Los Osos Creek will occur when the channel is dry.
3.5-9**	Silt fencing will be installed in all areas where construction occurs within 100 feet of known or potential steelhead habitat.
3.5-10**	Spoil sites will be located so they do not drain directly into Los Osos Creek. If a spoil site drains into a water body, catch basins will be constructed to intercept sediment before it reaches the channel. Spoil sites will be graded to reduce the potential for erosion.
3.5-11**	A spill prevention plan for potentially hazardous materials will be prepared and implemented. The plan will include the proper handling and storage of all potentially hazardous materials, as well as the proper procedures for cleaning up and reporting of any spills. If necessary, containment berms

Mitigation Number [CEQA number]	Mitigation Measure
	will be constructed to prevent spilled materials from reaching the creek channel.
3.5-12**	Equipment and materials will be stored at least 50 feet from Los Osos Creek. No debris such as trash and spoils will be deposited within 100 feet of waterways. Staging and storage areas for equipment, materials, fuels, lubricants and solvents, will be located outside of the stream channel and banks. Stationary equipment such as motors, pumps, generators, compressors and welders, located within or adjacent to the stream will be positioned over drip pans. Any equipment or vehicles driven and/or operated within or adjacent to the stream will be checked and maintained daily, to prevent leaks of materials that if introduced to water could be deleterious to aquatic life. Vehicles will be moved away from the stream prior to refueling and lubrication.
3.5-13**	Proper and timely maintenance for vehicles and equipment used during construction will be provided to reduce the potential for mechanical breakdowns leading to a spill of materials into or around the creek. Maintenance and fueling will be conducted in an area that meets the criteria set forth in the spill prevention plan (i.e., away from the creek).
3.5-14**	A qualified biological monitor will be on site during all stream crossing activities. The biological monitor will be authorized to halt construction if impacts to steelhead habitat are evident.
3.5-15**	Project sites will be restored to pre-construction channel conditions, including streambed composition, compaction, and gradient.
3.5-16**	Project sites, if disturbed, will be revegetated with an appropriate assemblage of native upland vegetation, and if necessary, riparian vegetation, suitable for the area. A plan describing pre-project conditions, restoration and monitoring success criteria will be prepared prior to construction.
3.5-17 [5.5-A6]	All construction activities across Los Osos Creek will be restricted to low-flow periods of June 15 through November 1. If the channel is dry, construction can occur as early as June 1. Restricting construction activities to this work window will minimize impacts to migrating adult and smolt steelhead, if present. Prior to construction, the County will retain a qualified biological monitor to be on site during all stream crossing activities associate with Los Osos Creek. The biological monitor will be authorized to halt construction if impacts to steelhead are evident. Prior to construction, a spill prevention plan for potentially hazardous materials will be prepared and implemented. The plan will include the proper handling and storage of all potentially hazardous materials, as well as the proper procedures for cleaning up and reporting of any spills. If necessary, containment berms will be constructed to prevent spilled materials from reaching the creek channel. Prior to construction, silt fencing will be installed in all areas where construction occurs within 100 feet of known or potential steelhead habitat. All silt fencing, erosion control and landscaping specifications will only include natural-fiber, biodegradable products for meshes and coir rolls to minimize impacts to species and the environment during use. During construction, spoil sites will be restricted to upland locations so they do not drain directly into Los Osos Creek. If a spoil site drains into a water body, catch basins will be constructed to intercept sediment before it reaches the channels. If required, spoil sites will be graded to reduce the potential for erosion. During construction, equipment and materials will be stored at least 50 feet from Los Osos Creek. No debris such as trash and spoils will be deposited within 100 feet of waterways. Staging and storage areas for equipment, materials, fuels, lubricants and solvents, will be restricted to locations outside of the stream channel and banks. Stationary equipment such as motors, pumps, generators, compressors and welders, located within or adjacent to the stream will be positioned over drip pans at all times. Any equipment or vehicles driven and/or operated within or adjacent to the stream will be checked and maintained daily to prevent leaks of materials that if introduced to water could be deleterious to aquatic life. Vehicles will be moved away from the stream prior to refueling and

Mitigation Number [CEQA number]	Mitigation Measure
	lubrication. During construction, proper and timely maintenance for all vehicles and equipment used will be provided to reduce the potential for mechanical breakdowns leading to a spill of materials into or around the creek. Maintenance and fueling will be restricted to safe areas away from Los Osos Creek that meet the criteria set forth in the spill prevention plan. Immediately following construction, all construction work areas will be restored to pre-construction channel conditions, including streambed composition, compaction, and gradient. If required, channel banks will be returned to original grade slope and appropriate bank stabilization techniques will be implemented to reduce the potential for erosion and sedimentation. A plan describing pre-project conditions and restoration methods will be prepared prior to construction. Immediately following construction, all appropriate construction work areas will be revegetated with an appropriate assemblage of native upland vegetation, and if necessary, riparian vegetation, suitable for the area. A plan describing pre-project conditions, restoration and monitoring success criteria will be prepared prior to construction.
3.5-18 [5.5-A7 Revised]	Maintenance activities associated with pipe suspension that may result in activity within the streambed of Los Osos Creek should be restricted to periods when the streambed is dry and does not support any flowing water or pooling water in the proposed maintenance area.
3.5-19*	A Service-authorized biologist will conduct training sessions for all project-related personnel immediately prior to the start of vegetation removal, grading, and ground-disturbing construction-related activities.
3.5-20*	Construction areas will be clearly marked with high visibility flagging or barrier fencing. Construction equipment and personnel will be restricted to the marked areas.
3.5-21*	A Service-authorized biologist will be retained to monitor all vegetation removal, grading, and ground-disturbing construction-related activities that will take place within habitat suitable for the Morro shoulderband snail. Monitoring activities will be required daily until completion of initial disturbance at each location and for ensuring appropriate minimization measures are implemented during construction. The monitor will be granted full authority to stop work at his or her discretion and will stop work if project-related activities occur outside the demarcated boundaries of the construction footprint. The monitoring biologist will stop work if any Morro shoulderband snails are detected within the proposed construction footprint and will implement measures to relocate them to suitable habitat out of harm's way prior to construction activities resuming. If no suitable habitat opportunities are available in the immediate vicinity of the construction footprint, salvaged and relocated specimens may also be transported to an off-site location approved by the Service.
3.5-22*	Prior to the initiation of project-related activities that would result in vegetation removal, soil disruption, or construction, the approximately 73 acres of the Broderson property that will not be used for the proposed leach fields will be secured and granted, in perpetuity, to an appropriate agency or conservation organization who will assume the responsibility for its management. A long-term management and monitoring program will be prepared and approved by the Service and the Department. The County will be responsible for the allocation of appropriate funding necessary to implement the management and monitoring of the conserved lands.
3.5-23*	The existing degraded coastal dune scrub at the Broderson property will be restored and maintained to promote its function as habitat for Morro shoulderband snail and sensitive plants and wildlife species that are local or endemic to the area. Restoration activities will be conducted by qualified personnel with expertise in restoration ecology and knowledge of sensitive plant and wildlife species in the area. Restoration activities will be conducted in accordance with a Restoration Plan specifically prepared for the effort and approved by the Service, and the Department. Similarly, habitat restoration and maintenance will be implemented according to a Habitat Mitigation and Monitoring Plan that will evaluate the progress of the restoration effort.

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3.5-24*	Habitat restoration activities will include measures for the removal and eradication of competitive, invasive, non-native plant species known to occur in the local area, including veldt grass (Ehrharta calycina) and pampas grass {Cortaderia spp.). Activities that involve the removal of invasive species will not result in unnecessary trampling or removal of native species, and techniques employed for the removal of non-native plant species will be those that will result in the least damage to native species. Any disturbed portions of the acquired 73 acres of the Broderson parcel should be evaluated for their potential to be restored as coastal dune scrub habitat that would have the potential to support the functions and values necessary for the Morro shoulderband snail, the Morro Bay kangaroo rat, and other coastal dune scrub species.
3.5-25*	The restoration effort will include the implementation of a seed collection program to gather seeds to be used during restoration from native sources. The seed collection program will be prepared for approval by the County, Service, and Department prior to the commencement of vegetation removal, soil disruption, grading or other construction- related activities and focus on those native plant species that will be affected by project implementation. Collection will be conducted by personnel with demonstrated expertise in seed collection and storage and occur during the appropriate time of year for seed production and harvesting.
3.5-26*	The County will provide annual reports to the USDA and Service documenting the results of all restoration and monitoring activities. Annual reports will be provided for a minimum of five years or until it is determined that the requisite performance criteria have been met. The County will provide a written report to the USDA and Service within 90 days following the completion of the proposed project. The report must document the number of Morro shoulderband snails removed and relocated from project areas, the locations of all Morro shoulderband snail relocations, and the number of Morro shoulderband snails known to be killed or injured. The report will contain a brief discussion of any problems encountered in implementing minimization measures, results of biological surveys, observations, and any other pertinent information such as the acreages affected and restored, or undergoing restoration, of each habitat type.
3.5-27*	A final report would be submitted by the County to the USDA and VFWO within 60 days of the end of project activities. This report would summarize the Annual Reports and include a discussion regarding Project activities, compensation activities, and minimization and avoidance measures implemented.
3.5-28*	Worker education programs and clearly-defined operational procedures must be implemented by the USDA and County.
3.5-29*	Only Service-authorized biologists may survey for, monitor, handle, and/or relocate Morro shoulderband snails.
3.5-30*	Service-authorized biologists must have the authority to stop work if project-related activities occur outside the demarcated boundaries of the construction footprint.
3.5-31*	The USDA must ensure that the level of incidental take that occurs is commensurate with the analysis contained within this biological opinion.
3.5-32*	The worker education program must include descriptions and pictures of the Morro shoulderband snail, relevant provisions of the Endangered Species Act, specific measures being implemented to conserve the Morro shoulderband snail as they relate to the project and the project boundaries within which the work will occur.
3.5-33*	The USDA and the County must minimize the removal of, or damage to, native vegetation during project activities to the maximum extent possible.
3.5-34*	Only Service-authorized biologists may survey for, monitor, capture, handle, or relocate Morro shoulderband snails. Eric Wier, Kate Ballantyne, and John Farhar are hereby authorized to independently conduct these activities as described in this biological opinion. Katie Drexhage, Kelly

Mitigation Number [CEQA number]	Mitigation Measure
	Sypolt, and Trevis Warner are authorized to conduct such activities only under the direct supervision of Eric Wier, Kate Ballantyne, and/or John Farhar. The USDA, in conjunction with the County, must request the Service's authorization of any other biologists it wishes to employ to conduct these activities relative to the proposed project. This request must be in writing and received by the Service at least 30 days prior to the intended start date.
3.5-35*	A Service-authorized biologist must monitor the proposed project area(s) daily during work activities, for up to two weeks or until completion of initial site disturbance at each project site, and have the authority to stop project activities that occur outside the demarcated boundaries of the construction footprint and access road and to relocate Morro shoulderband snails to suitable habitat out of harm's way.
3.5-36*	If more than 28 Morro shoulderband snails are found dead or injured during implementation of the project, the USDA or County must contact the VFWO immediately so we can review the project activities to determine if additional protective measures are needed.
3.5-37 [5.5-A1]	The project may adversely affect federally listed species and their habitat. Prior to project approval, the lead Federal agency will enter into formal consultation with the USFWS and/or NMFS. A BO will be prepared by the USFWS and/or NMFS for any action which may result in take of a listed species and its habitat. Pending the determinations made by the USFWS and/or NMFS in a forthcoming BO, the project will be required to fulfill all mitigation obligations and conservation measures conditioned in the BO regarding federally listed species and their habitat.
3.5-38 [5.5-A4]	Prior to the onset of construction activities, a biologist authorized by the USFWS will conduct intensive surveys to identify and relocate all snail specimens within the impact area on the Broderson and Mid-Town properties, and all suitable habitat areas within the collection system. Only USFWS authorized biologists will survey for, monitor, handle, or relocate Morro shoulderband snails. A biologist authorized by the USFWS will be retained to monitor all construction activities that will take place within suitable habitat for the Morro shoulderband snail. Monitoring activities will be required daily until completion of initial disturbance at each construction area. The monitoring biologist will be granted full authority to stop work at his or her discretion. The monitoring biologist will be responsible for implementing avoidance and minimization measures during construction. The monitoring biologist will stop work if project-related activities occur outside the demarcated boundaries of the construction footprint. The monitoring biologist will stop work if any Morro shoulderband snails are detected within the construction footprint, and will relocate them to suitable habitat out of harm's way prior to construction activities resuming. If no suitable habitat exists in the immediate vicinity of the construction footprint, salvaged specimens may also be transported to an offsite location approved by the USFWS. The County will provide a written report to the USFWS within 90 days following the completion of the project. The report must document the number of Morro shoulderband snails removed and relocated from project areas, the locations of all Morro shoulderband snails' relocations, and the number of Morro shoulderband snails known to be killed or injured. The report will contain a brief discussion of any problems encountered in implementing minimization measures, results of biological surveys, observations, and any other pertinent information such as the acreages affected and restored, or undergoing restoration, of each habitat type.
3.5-39 [5.5-A15]	Prior to project construction, land containing coastal sage scrub habitat and/or other habitat will be acquired on the Broderson property that is sufficient to compensate the loss of habitat for the Morro shoulderband snail, the Morro Bay kangaroo rat, and other sensitive species on the Broderson and Mid-Town properties, and areas in the community of Los Osos that will be served by the collection system. Mitigation lands for the project will be acquired within the remaining acres of land on the Broderson property that will not be impacted by the leachfields. Mitigation lands within the Broderson property will include land that is designated as Critical

Mitigation Number [CEQA number]	Mitigation Measure
	Habitat for the Morro shoulderband snail; contiguous with existing preservation lands within the Morro Dunes Ecological Reserve and areas studied for the Greenbelt Program by the Land Conservancy; currently supports appropriate soils to accept native plantings for restoration; is capable of being cleared of unfavorable debris and structures; supports primarily windblown sand deposits that are in a stabilized condition (i.e. not mobile dune habitat); is characterized by habitat types with an open canopy; contains appropriate slopes to accommodate snail mobility to and from adjacent lands; and is of appropriate aspect and meteorological conditions. Within two years of project operation all mitigation land will be preserved in perpetuity and granted to an appropriate agency or conservation organization with the responsibility of management and monitoring the preserve, as determined during agreements between the USFWS, CDFG, and the County. A long-term management and monitoring program will be prepared. The County will be responsible for the allocation of appropriate funding for the long-term management and monitoring of the mitigation land, as determined through agreements between the USFWS, CDFG, and the County.
3.5-40 [5.5-A16]	Immediately following construction of the leachfields within the Broderson property, the disturbance area and all existing and unaffected coastal sage scrub (or coastal dune scrub) within the property will be restored, enhanced, and maintained to promote the land's function and value as suitable habitat for sensitive plants and wildlife that are local or endemic to the area. Restoration and enhancement efforts, including at minimum, seeding with native plant species and eradication of exotic non-native plant species, will be repeated immediately following all long-term maintenance activities resulting in temporary disturbance of the leachfields. This will be applied to the ripping and backfilling activities that may be required every 5 to 10 years to maintain the leach field function. Restoration activities will be conducted according to a Restoration Plan or similar plan specifically prepared for the effort and approved by the USFWS, CDFG, and/or the CNPS. The Restoration Plan will require at minimum, a description of the prescribed restoration and methodology, feasibility and likelihood for success, and a schedule and program for maintenance, monitoring and reporting the progress of the restoration effort. All restoration activities will be conducted by qualified personnel with expertise in restoration ecology and knowledge of sensitive plant and wildlife species in the area. The restoration effort will include the implementation of a seed collection program to gather seeds to be used during restoration from native sources. The seed collection program will be prepared for approval by the County prior to project construction activities. The seed collection program will include the use of native plants that will be removed as a result of the project, including but not limited to: mock heather (*Ericameria ericoides*), silver dune lupine (*Lupinus chamissonis*), California sagebrush (*Artemisia californica*), black sage (*Salvia mellifera*), bush monkey flower (*Mimulus aurantiacus*), and deerweed (*Lotus scoparius*). Collection will take place by qualified personnel with expertise in botanical resources during the appropriate time of year for seed production and harvesting. Unless otherwise determined during consultation with the USFWS, the restoration effort will be monitored against permanence standards for a minimum of five years, or until the first ripping event for the restored areas within the leach field area, after which the maintenance and monitoring of the restored areas will be covered within specific management directives contained within a Resource Management Plan. The performance standards will include, at minimum, at least 80 percent native plant species coverage and no greater than 1 percent coverage of invasive non-native plant species (e.g. pampass grass, veldt grass). At minimum, the restored areas must demonstrate a continued ability to support the functions and values necessary to sustain the Morro shoulderband snail. Quarterly monitoring will be conducted for the first two years of the restoration effort, with annual monitoring efforts to follow for the remaining three years. All monitoring and maintenance of restoration areas will be conducted by qualified personnel with expertise in botanical resources and knowledge of sensitive species that occur in the local area, including the Morro shoulderband snail,

Mitigation Number [CEQA number]	Mitigation Measure
	Morro Bay kangaroo rat, and Morro blue butterfly. The County will provide annual reports to the USFWS documenting the results of all restoration and monitoring activities. Annual reports will be provided to the USFWS for a minimum of five years or until it is determined by the USFWS that requisite performance criteria have been met. These reports should include any noted changes in the plant community structure or composition or surface hydrology down-slope of the Broderson leachfields, in addition to other requirements as determined through USFWS consultation and stipulated within permit conditions. All on-going and long-term restoration, enhancement, and maintenance of preserve lands on the Broderson property will be implemented according to a Resource Management Plan or similar mitigation and monitoring plan that may be developed during consultation with the USFWS. The Resource Management Plan will include management directives that are specific to the preserve and the resources present. The Resource Management Plan will include measures for the removal and eradication of invasive exotic plant species known to occur in the local area, including veldt grass and pampas grass. Activities that involve the removal of invasive species should not result in unnecessary trampling or removal of native species, and techniques for invasive removal will be least damaging to native species. Mitigation lands within the Broderson property will include land that is designated as Critical Habitat for the Morro shoulderband snail; contiguous with existing preservation lands within the Morro Dunes Ecological Reserve and areas studied for the Greenbelt Program by the Land Conservancy; currently supports appropriate soils to accept native plantings for restoration; is capable of being cleared of unfavorable debris and structures; supports primarily windblown sand deposits that are in a stabilized condition (i.e. not mobile dune habitat); is characterized by habitat types with an open canopy; contains appropriate slopes to accommodate snail mobility to and from adjacent lands; and is of appropriate aspect and meteorological conditions. Within two years of project operation all mitigation land will be preserved in perpetuity and granted to an appropriate agency or conservation organization with the responsibility of management and monitoring the preserve, as determined during agreements between the USFWS, CDFG, and the County. A long-term management and monitoring program will be prepared. The County will be responsible for the allocation of appropriate funding for the long-term management and monitoring of the mitigation land, as determined through agreements between the USFWS, CDFG, and the County.
3.5-41*	Prior to the initiation of any vegetation clearing, revegetation/habitat restoration, soil disruption, grading, and/or ground-disturbing construction-related activities within the leach field area on the Broderson parcel or any other location within the action area that has potential for occurrence of the species (as determined in coordination with the Service and Department), the County will work with the Service and Department to develop and implement a "no take" strategy for the Morro Bay kangaroo rat. This strategy will include specific take avoidance measures and provide a survey, monitoring, and contingency plan should required periodic maintenance of the leach field area create suitable habitat for the species. Prior to its implementation, the strategy will be reviewed and approved by the Service and the Department and made part of a formal agreement to be signed by all parties.
3.5-42*	Construction in and around riparian habitat associated with Los Osos Creek will occur only between September 15 and October 31. If surveys are conducted by a Service-authorized biologist from March 15 through June 15 and least Bell's vireo breeding activity is not detected, this construction window may be expanded to include the months of July and August.
3.5-43*	Annual Biological Monitoring Reports would be submitted by the County to USDA and the VFWO Office by January 31 of each year. Reports would be submitted for the duration of project construction. These reports would discuss the status and progress of compensation measures implemented. Photographs of mitigation/compensation sites would be included to document progress. If monitoring results indicate that additional measures are necessary to meet the goals set in the biological opinion,

Mitigation Number [CEQA number]	Mitigation Measure
	additional recommendations would be made and next steps would be agreed upon with appropriate agencies.
Section 3.9: Air Quality	
3.9-1 [5.9-C1]	Prior to initiation of construction, the County will submit a Construction Activities Management Plan for the review and approval of the SLOAPCD. This plan will include but not be limited to the following Best Available Control Technologies for construction equipment: a. Minimize the number of large pieces of construction equipment operating during any given period. b. Schedule construction related truck/equipment trips during non-peak hours to reduce peak-hour emissions. c. Properly maintain and tune all construction equipment according to manufacturer's specifications. d. Fuel all off-road and portable diesel powered equipment including but not limited to: bulldozers, graders, cranes, loaders, scrapers, backhoes, generators, compressors, auxiliary power units, with CARB motor vehicle diesel fuel. e. Use 1996 or newer heavy duty off road vehicles to the extent feasible. f. Use Caterpillar pre-chamber diesel engines (or equivalent) together with proper maintenance and operation to reduce emissions of NOX. g. Electrify equipment where possible. h. Use CNG, LNG, biodiesel, or propane for on-site mobile equipment instead of diesel-powered equipment.
3.9-2 [5.9-C2]	Prior to initiating grading activities, the project will: a. Include the following specifications on all project plans: One CDPF will be used on the piece of equipment estimated to generate the greatest emissions. If a CDPF is unsuitable for the potential equipment to be controlled, five diesel oxidation catalysts will be used. b. Identify equipment to be operated during construction as early as possible in order to place the order for the appropriate filter and avoid any project delays. This is necessary so that contractors bidding on the project can include the purchase, proper installation, and maintenance costs in their bids. c. Contact the SLOAPCD Compliance Division to initiate implementation of this mitigation measure at least two months prior to start of construction.
3.9.3 [5.9-C3]	Prior to initiating grading activities, if it is determined that portable engines and portable equipment will be utilized, the contractor will contact the SLOAPCD and obtain a permit to operate portable engines or portable equipment, and will be registered in the statewide portable equipment registration program. The SLOAPCD Compliance Division will be contacted in order to determine the requirements of this mitigation measure.
3.9-4 [5.9-C4]	Project contract documents will include the following dust control measures: a. Reduce the amount of the disturbed area where possible, b. Use water trucks or sprinkler systems in sufficient quantities to prevent airborne dust from leaving the site. Increased watering frequency will be required whenever wind speeds exceed 15 mph. Recycled (non-potable) water should be used whenever possible. c. All dirt stockpile areas will be sprayed daily as needed, d. Permanent dust control measures identified in the revegetation and landscape plans will be implemented as soon as possible following completion of any soil disturbing activities. e. Exposed ground areas that are planned to be reworked at dates greater than one month after initial grading will be sown with a fast germinating native grass seed and

Mitigation Number [CEQA number]	Mitigation Measure
	watered until vegetation is established. f. All disturbed soil areas not subject to revegetation will be stabilized using approved chemical soil binders, jute netting, or other methods approved in advance by the SLOAPCD. g. All roadways, driveways, sidewalks, etc. to be paved will be completed as soon as possible. In addition, building pads will be laid as soon as possible after grading unless seeding or soil binders are used. h. Vehicle speed for all construction vehicles will not exceed 15 mph on any unpaved surface at the construction site. i. All trucks hauling dirt, sand, soil, or other loose materials are to be covered or will maintain at least two feet of freeboard (minimum vertical distance between top of load and top of trailer) in accordance with California Vehicle Code Section 23114. j. Install wheel washers where vehicles enter and exit unpaved roads onto streets, or wash off trucks and equipment leaving the site. k. Sweep streets at the end of each day if visible soil material is carried onto adjacent paved roads. Water sweepers with recycled water should be used where feasible. l. If visible emissions of fugitive dust persist beyond a distance of 200 feet from the boundary of the construction site, all feasible measures will be implemented to eliminate potential nuisance conditions at off-site receptors (e.g., increase frequency of watering or dust suppression, install temporary wind breaks where appropriate, suspend excavation and grading activity when winds exceed 25 mph) m. The contractor will designate a person or persons to monitor the dust control program and to order increased watering, as necessary, to prevent transport of dust offsite. Their duties will include holidays and weekend periods when work may not be in progress. The name and telephone number of such persons will be provided to the SLOAPCD prior to the start of construction.
3.9-5 [5.9-C5]	If the above mitigation measures do not bring the construction emissions below the thresholds, off-site mitigation funds can be used to secure emission reductions from projects located in close proximity to this construction site. In this instance, emissions in excess of construction phase thresholds are multiplied by the cost effectiveness value defined in the State's current Carl Moyer Incentive Program Guidelines to determine the off-site mitigation amount associated with the construction period. Examples of off-site emission reduction measures are contained in Section 5.9 of the 2003 CEQA Air Quality Handbook. The actual mix of mitigation measures that will be required to meet the reduction in NO_X to less than a total of 185 lbs per day or 6.0 tons per quarter over the term of construction and will be finalized and mutually agreed to by the Applicant and appropriate staff of the SLOAPCD at the earliest feasible time, with the goal of reaching agreement prior to commencement of construction of the project.

* : Mitigation measures from the Biological Opinion – USFWS for the LOWWP.
**: Mitigation measures from the Biological Assessment for the LOWWP.

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
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1. CASE NUMBER ST 04 / CO 040 / BORROWER ID *****0939	LOAN NUMBER	FISCAL YEAR
2. BORROWER NAME County of San Luis Obispo	3. NUMBER NAME FIELDS 1 (1, 2, or 3 from Item2)	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/PI 3 - AI/AN	7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONL 5 - LIVESTOCK ONL 6 - CROPS ONLY 7 - SECURED BY BONDS 7	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.
10. SEX CODE 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGAN. MALE OWNED 5 - ORGAN. FEMALE OWNED 6 - PUBLIC BODY 6	11. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 1 - YES 2 - NO 2
14. DIRECT PAYMENT 3 (See FMI)	15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	16. FEE INSPECTION 1 - YES 2 - NO 2	17. INTEREST CREDIT 1 - YES (FRO SFH ONLY) 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS 2 - OVER 10,000 (FOR SFH AND HPG ONLY)	19. DWELLING TYPE/USE OF FUNDS CODE (See FMI)		

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 (See FMI)	21. PURPOSE CODE 1	22. SOURCE OF FUNDS 2	23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1
24. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT 1	25. AMOUNT OF LOAN $ 9,222,000	26. AMOUNT OF GRANT	
27. AMOUNT OF IMMEDIATE ADVANCE	28. DATE OF APPROVAL MO DA YR	29. INTEREST RATE 3.2500%	30. REPAYMENT TERMS 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX.	33. ADJUSTED FAMILY INCOME
34. R.E.INSURANCE	35. R.E.TAXES 1st year	36. R.E. TAXES 2nd year	37. NOTE INSTALLMENT INELIGIBLE
38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT	
COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER (See FMI)	41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUB LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO -- DA -- YR	43. BEGINNING FARMER/RANCHER (See FMI)

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender Copy 3 - State Office

CERTIFICATION APPROVAL

For All Farmer Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availablity of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval offical will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/2010 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For SFH & FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 29 of this form.

_____ Yes _____ No

WARNING: **Whoever, in any matter within the jurisdication of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more five years, or both."**

Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

46. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

_____

(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

②

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST: 04 / CO: 040 / BORROWER ID: *****0939	**LOAN NUMBER**	**FISCAL YEAR**
2. BORROWER NAME County of San Luis Obispo	**3. NUMBER NAME FIELDS** 1 (1, 2, or 3 from Item 2)	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE, 2 - BLACK, 3 - AI/AN, 4 - HISPANIC, 5 - A/PI	**7. TYPE OF APPLICANT** 4 (1 - INDIVIDUAL, 2 - PARTNERSHIP, 3 - CORPORATION, 4 - PUBLIC BODY, 5 - ASSOC. OF FARMERS, 6 - ORG. OF FARM WORKERS, 7 - OTHER)	**8. COLLATERAL CODE** 7 (1 - REAL ESTATE SECURED, 2 - REAL ESTATE AND CHATTEL, 3 - NOTE ONLY OR CHATTEL ONLY, 4 - MACHINERY ONL, 5 - LIVESTOCK ONL, 6 - CROPS ONLY, 7 - SECURED BY BONDS)	**9. EMPLOYEE RELATIONSHIP CODE** 1 - EMPLOYEE, 2 - MEMBER OF FAMILY, 3 - CLOSE RELATIVE, 4 - ASSOC.
10. SEX CODE 6 (1 - MALE, 2 - FEMALE, 3 - FAMILY UNIT, 4 - ORGAN. MALE OWNED, 5 - ORGAN. FEMALE OWNED, 6 - PUBLIC BODY)	**11. MARITAL STATUS** 1 - MARRIED, 2 - SEPARATED, 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	**12. VETERAN CODE** 1 - YES, 2 - NO	**13. CREDIT REPORT** 2 (1 - YES, 2 - NO)
14. DIRECT PAYMENT 3 (See FMI)	**15. TYPE OF PAYMENT** 2 (1 - MONTHLY, 2 - ANNUALLY, 3 - SEMI-ANNUALLY, 4 - QUARTERLY)	**16. FEE INSPECTION** 2 (1 - YES, 2 - NO)	**17. INTEREST CREDIT** 1 - YES (FRO SFH ONLY), 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS, 2 - OVER 10,000 (FOR SFH AND HPG ONLY)		**19. DWELLING TYPE/USE OF FUNDS CODE** (See FMI)	

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 (See FMI)	**21. PURPOSE CODE** 1	**22. SOURCE OF FUNDS** 2	**23. TYPE OF ACTION** 1 (1 - OBLIGATION ONLY, 2 - OBLIGATION/CHECK REQUEST, 3 - CORRECTION OF OBLIGATION)
24. TYPE OF SUBMISSION 1 (1 - INITIAL, 2 - SUBSEQUENT)	**25. AMOUNT OF LOAN** $ 9,222,000	**26. AMOUNT OF GRANT**	
27. AMOUNT OF IMMEDIATE ADVANCE	**28. DATE OF APPROVAL** MO DA YR	**29. INTEREST RATE** 3.2500%	**30. REPAYMENT TERMS** 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW, 2 - LOW, 3 - MODERATE, 4 - ABOVE MODERATE		**32. LOW INCOME LIMIT-MAX.**	**33. ADJUSTED FAMILY INCOME**
34. R.E.INSURANCE	**35. R.E.TAXES** 1st year	**36. R.E. TAXES** 2nd year	**37. NOTE INSTALLMENT INELIGIBLE**
38. TYPE OF UNIT 1 - FARM TRACT, 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE 1 - FULL PROFIT, 2 - LIMITED PROFIT, 3 - NONPROFIT	
COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER (See FMI)	**41. TYPE OF SALE** 1 - CREDIT SALE ONLY, 2 - ASSUMPTION ONLY, 3 - CREDIT SALE WITH SUB LOAN, 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO -- DA -- YR	**43. BEGINNING FARMER/RANCHER** (See FMI)

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

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CERTIFICATION APPROVAL

For All Farmer Programs

EM, OL, FO, and SW Loans

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If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/2010 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

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_____ Yes _____ No

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

USDA-RD
Form RD 1940-1
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REQUEST FOR OBLIGATION OF FUNDS

(3)

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST 04 | CO 040 | BORROWER ID *****0939	LOAN NUMBER	FISCAL YEAR
2. BORROWER NAME County of San Luis Obispo	3. NUMBER NAME FIELDS 1 | *1, 2, or 3 from Item2)*	
	4. STATE NAME California	
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GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/PI 3 - AI/AN	7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 4 - MACHINERY ONL 2 - REAL ESTATE AND CHATTEL 5 - LIVESTOCK ONL 3 - NOTE ONLY OR CHATTEL ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 7	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.

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14. DIRECT PAYMENT 3 | *(See FMI)*	15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	16. FEE INSPECTION 1 - YES 2 - NO 2	17. INTEREST CREDIT 1 - YES (FRO SFH ONLY) 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		19. DWELLING TYPE/USE OF FUNDS CODE *(See FMI)*	

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 | *(See FMI)*	21. PURPOSE CODE 1	22. SOURCE OF FUNDS 2	23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1
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COMPLETE FOR SINGLE FAMILY HOUSING ONLY

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COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

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(9)

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
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	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE, 2 - BLACK, 3 - AI/AN, 4 - HISPANIC, 5 - A/PI	**7. TYPE OF APPLICANT** 4 (1 - INDIVIDUAL, 2 - PARTNERSHIP, 3 - CORPORATION, 4 - PUBLIC BODY, 5 - ASSOC. OF FARMERS, 6 - ORG. OF FARM WORKERS, 7 - OTHER)	**8. COLLATERAL CODE** 7 (1 - REAL ESTATE SECURED, 2 - REAL ESTATE AND CHATTEL, 3 - NOTE ONLY OR CHATTEL ONLY, 4 - MACHINERY ONL, 5 - LIVESTOCK ONL, 6 - CROPS ONLY, 7 - SECURED BY BONDS)	**9. EMPLOYEE RELATIONSHIP CODE** 1 - EMPLOYEE, 2 - MEMBER OF FAMILY, 3 - CLOSE RELATIVE, 4 - ASSOC
10. SEX CODE 6 (1 - MALE, 2 - FEMALE, 3 - FAMILY UNIT, 4 - ORGAN. MALE OWNED, 5 - ORGAN. FEMALE OWNED, 6 - PUBLIC BODY)	**11. MARITAL STATUS** 1 - MARRIED, 2 - SEPARATED, 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	**12. VETERAN CODE** 1 - YES, 2 - NO	**13. CREDIT REPORT** 2 (1 - YES, 2 - NO)
14. DIRECT PAYMENT 3 (See FMI)	**15. TYPE OF PAYMENT** 2 (1 - MONTHLY, 2 - ANNUALLY, 3 - SEMI-ANNUALLY, 4 - QUARTERLY)	**16. FEE INSPECTION** 2 (1 - YES, 2 - NO)	**17. INTEREST CREDIT** 1 - YES (FRO SFH ONLY), 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS, 2 - OVER 10,000 (FOR SFH AND HPG ONLY)		**19. DWELLING TYPE/USE OF FUNDS CODE** (See FMI)	

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 (See FMI)	**21. PURPOSE CODE** 1	**22. SOURCE OF FUNDS** 2	**23. TYPE OF ACTION** 1 (1 - OBLIGATION ONLY, 2 - OBLIGATION/CHECK REQUEST, 3 - CORRECTION OF OBLIGATION)
24. TYPE OF SUBMISSION 1 (1 - INITIAL, 2 - SUBSEQUENT)	**25. AMOUNT OF LOAN** $ 9,222,000	**26. AMOUNT OF GRANT**	
27. AMOUNT OF IMMEDIATE ADVANCE	**28. DATE OF APPROVAL** MO DA YR	**29. INTEREST RATE** 3.2500%	**30. REPAYMENT TERMS** 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW, 2 - LOW, 3 - MODERATE, 4 - ABOVE MODERATE		**32. LOW INCOME LIMIT-MAX.**	**33. ADJUSTED FAMILY INCOME**
34. R.E.INSURANCE	**35. R.E.TAXES** 1st year	**36. R.E. TAXES** 2nd year	**37. NOTE INSTALLMENT INELIGIBLE**
38. TYPE OF UNIT 1 - FARM TRACT, 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE 1 - FULL PROFIT, 2 - LIMITED PROFIT, 3 - NONPROFIT	
COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER (See FMI)	**41. TYPE OF SALE** 1 - CREDIT SALE ONLY, 2 - ASSUMPTION ONLY, 3 - CREDIT SALE WITH SUB LOAN, 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO -- DA -- YR	**43. BEGINNING FARMER/RANCHER** (See FMI)

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender Copy 3 - State Office

CERTIFICATION APPROVAL

For All Farmer Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availablity of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval offical will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/2010 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For SFH & FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 29 of this form.

_____ Yes _____ No

WARNING: **Whoever, in any matter within the jurisdication of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more five years, or both."**

Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

46. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

(5)

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST: 04 / CO: 040 / BORROWER ID: *****0939	**LOAN NUMBER**	**FISCAL YEAR**
2. BORROWER NAME County of San Luis Obispo	**3. NUMBER NAME FIELDS** 1 (1, 2, or 3 from Item2)	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE, 2 - BLACK, 3 - AI/AN, 4 - HISPANIC, 5 - A/PI	**7. TYPE OF APPLICANT** 4	**8. COLLATERAL CODE** 7	**9. EMPLOYEE RELATIONSHIP CODE**
1 - INDIVIDUAL, 2 - PARTNERSHIP, 3 - CORPORATION, 4 - PUBLIC BODY, 5 - ASSOC. OF FARMERS, 6 - ORG. OF FARM WORKERS, 7 - OTHER		1 - REAL ESTATE SECURED, 2 - REAL ESTATE AND CHATTEL, 3 - NOTE ONLY OR CHATTEL ONLY, 4 - MACHINERY ONL, 5 - LIVESTOCK ONL, 6 - CROPS ONLY, 7 - SECURED BY BONDS	1 - EMPLOYEE, 2 - MEMBER OF FAMILY, 3 - CLOSE RELATIVE, 4 - ASSOC.

10. SEX CODE 6	**11. MARITAL STATUS**	**12. VETERAN CODE**	**13. CREDIT REPORT** 2
1 - MALE, 2 - FEMALE, 3 - FAMILY UNIT, 4 - ORGAN. MALE OWNED, 5 - ORGAN. FEMALE OWNED, 6 - PUBLIC BODY	1 - MARRIED, 2 - SEPARATED, 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	1 - YES, 2 - NO	1 - YES, 2 - NO

14. DIRECT PAYMENT 3 (See FMI)	**15. TYPE OF PAYMENT** 2	**16. FEE INSPECTION** 2	**17. INTEREST CREDIT**
	1 - MONTHLY, 2 - ANNUALLY, 3 - SEMI-ANNUALLY, 4 - QUARTERLY	1 - YES, 2 - NO	1 - YES (FRO SFH ONLY), 2 - NO

18. COMMUNITY SIZE 1 - 10,000 OR LESS, 2 - OVER 10,000 (FOR SFH AND HPG ONLY)	**19. DWELLING TYPE/USE OF FUNDS CODE** (See FMI)

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 (See FMI)	**21. PURPOSE CODE** 1	**22. SOURCE OF FUNDS** 2	**23. TYPE OF ACTION** 1
			1 - OBLIGATION ONLY, 2 - OBLIGATION/CHECK REQUEST, 3 - CORRECTION OF OBLIGATION

24. TYPE OF SUBMISSION 1 (1 - INITIAL, 2 - SUBSEQUENT)	**25. AMOUNT OF LOAN** $ 9,222,000	**26. AMOUNT OF GRANT**

27. AMOUNT OF IMMEDIATE ADVANCE	**28. DATE OF APPROVAL** MO DA YR	**29. INTEREST RATE** 3.2500%	**30. REPAYMENT TERMS** 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW, 2 - LOW, 3 - MODERATE, 4 - ABOVE MODERATE	**32. LOW INCOME LIMIT-MAX.**	**33. ADJUSTED FAMILY INCOME**

34. R.E.INSURANCE	**35. R.E.TAXES** 1st year	**36. R.E. TAXES** 2nd year	**37. NOTE INSTALLMENT INELIGIBLE**

38. TYPE OF UNIT
1 - FARM TRACT
2 - NON-FARM TRACT

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE
1 - FULL PROFIT, 2 - LIMITED PROFIT, 3 - NONPROFIT

COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER (See FMI)	**41. TYPE OF SALE** 1 - CREDIT SALE ONLY, 2 - ASSUMPTION ONLY, 3 - CREDIT SALE WITH SUB LOAN, 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO -- DA -- YR	**43. BEGINNING FARMER/RANCHER** (See FMI)

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Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender Copy 3 - State Office

CERTIFICATION APPROVAL

For All Farmer Programs

EM, OL, FO, and SW Loans

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If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/2010 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For SFH & FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 29 of this form.

_____ Yes _____ No

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

(6)

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST 04 | CO 040 | BORROWER ID *****0939	LOAN NUMBER	FISCAL YEAR
2. BORROWER NAME County of San Luis Obispo	3. NUMBER NAME FIELDS 1 | *1, 2, or 3 from Item 2)*	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/PI 3 - AI/AN	7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER 4 | 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONL 5 - LIVESTOCK ONL 6 - CROPS ONLY 7 - SECURED BY BONDS 7	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.	
10. SEX CODE 3 - FAMILY UNIT 4 - ORGAN. MALE OWNED 5 - ORGAN. FEMALE OWNED 6 - PUBLIC BODY 6 | 1 - MALE 2 - FEMALE	11. MARITAL STATUS 1 - MARRIED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED) 2 - SEPARATED	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 2 | 1 - YES 2 - NO	
14. DIRECT PAYMENT 3 | *(See FMI)*	15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	16. FEE INSPECTION 1 - YES 2 - NO 2	17. INTEREST CREDIT 1 - YES (FRO SFH ONLY) 2 - NO	
18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000	19. DWELLING TYPE/USE OF FUNDS CODE *(See FMI)*			

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 | *(See FMI)*	21. PURPOSE CODE 1	22. SOURCE OF FUNDS 2	23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1
24. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT 1	25. AMOUNT OF LOAN $ 9,222,000	26. AMOUNT OF GRANT	
27. AMOUNT OF IMMEDIATE ADVANCE	28. DATE OF APPROVAL MO DA YR	29. INTEREST RATE 3.2500%	30. REPAYMENT TERMS 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX.	33. ADJUSTED FAMILY INCOME
34. R.E.INSURANCE	35. R.E.TAXES 1st year	36. R.E. TAXES 2nd year	37. NOTE INSTALLMENT INELIGIBLE
38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT	
COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER *(See FMI)*	41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUB LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO DA YR	43. BEGINNING FARMER/RANCHER *(See FMI)*

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Position 2

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CERTIFICATION APPROVAL

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EM, OL, FO, and SW Loans

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_____ Yes _____ No

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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(Signature of Approving Official)

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USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

7

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST	CO	BORROWER ID	LOAN NUMBER	FISCAL YEAR
04	040	*****0939		

2. BORROWER NAME	3. NUMBER NAME FIELDS
County of San Luis Obispo	1 (1, 2, or 3 from Item 2)
	4. STATE NAME: California
	5. COUNTY NAME: San Luis Obispo

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION	7. TYPE OF APPLICANT	8. COLLATERAL CODE	9. EMPLOYEE RELATIONSHIP CODE
1 - WHITE, 2 - BLACK, 3 - AI/AN, 4 - HISPANIC, 5 - A/PI	1 - INDIVIDUAL, 2 - PARTNERSHIP, 3 - CORPORATION, 4 - PUBLIC BODY, 5 - ASSOC. OF FARMERS, 6 - ORG. OF FARM WORKERS, 7 - OTHER	1 - REAL ESTATE SECURED, 2 - REAL ESTATE AND CHATTEL, 3 - NOTE ONLY OR CHATTEL ONLY, 4 - MACHINERY ONL, 5 - LIVESTOCK ONL, 6 - CROPS ONLY, 7 - SECURED BY BONDS	1 - EMPLOYEE, 2 - MEMBER OF FAMILY, 3 - CLOSE RELATIVE, 4 - ASSOC.
	4	7	

10. SEX CODE	11. MARITAL STATUS	12. VETERAN CODE	13. CREDIT REPORT
1 - MALE, 2 - FEMALE, 3 - FAMILY UNIT, 4 - ORGAN. MALE OWNED, 5 - ORGAN. FEMALE OWNED, 6 - PUBLIC BODY	1 - MARRIED, 2 - SEPARATED, 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	1 - YES, 2 - NO	1 - YES, 2 - NO
6			2

14. DIRECT PAYMENT	15. TYPE OF PAYMENT	16. FEE INSPECTION	17. INTEREST CREDIT
3 (See FMI)	1 - MONTHLY, 2 - ANNUALLY, 3 - SEMI-ANNUALLY, 4 - QUARTERLY	1 - YES, 2 - NO	1 - YES (FRO SFH ONLY), 2 - NO
	2	2	

18. COMMUNITY SIZE	19. DWELLING TYPE/USE OF FUNDS CODE
1 - 10,000 OR LESS, 2 - OVER 10,000 (FOR SFH AND HPG ONLY)	(See FMI)

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE	21. PURPOSE CODE	22. SOURCE OF FUNDS	23. TYPE OF ACTION
539 (See FMI)	1	2	1 - OBLIGATION ONLY, 2 - OBLIGATION/CHECK REQUEST, 3 - CORRECTION OF OBLIGATION
			1

24. TYPE OF SUBMISSION	25. AMOUNT OF LOAN	26. AMOUNT OF GRANT
1 - INITIAL, 2 - SUBSEQUENT	$ 9,222,000	
1		

27. AMOUNT OF IMMEDIATE ADVANCE	28. DATE OF APPROVAL (MO DA YR)	29. INTEREST RATE	30. REPAYMENT TERMS
		3.2500%	37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES	32. LOW INCOME LIMIT-MAX.	33. ADJUSTED FAMILY INCOME
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34. R.E.INSURANCE	35. R.E.TAXES 1st year	36. R.E. TAXES 2nd year	37. NOTE INSTALLMENT INELIGIBLE

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COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE	
1 - FULL PROFIT, 2 - LIMITED PROFIT, 3 - NONPROFIT	

COMPLETE FOR EM LOANS ONLY	COMPLETE FOR CREDIT SALE-ASSUMPTION
40. DISASTER DESIGNATION NUMBER (See FMI)	41. TYPE OF SALE: 1 - CREDIT SALE ONLY, 2 - ASSUMPTION ONLY, 3 - CREDIT SALE WITH SUB LOAN, 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE (MO -- DA -- YR)	43. BEGINNING FARMER/RANCHER (See FMI)

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Position 2

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CERTIFICATION APPROVAL

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EM, OL, FO, and SW Loans

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_____ Yes _____ No

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

46. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

(8)

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST 04 | CO 040 | BORROWER ID *****0939	LOAN NUMBER	FISCAL YEAR
2. BORROWER NAME County of San Luis Obispo	3. NUMBER NAME FIELDS 1 | *1, 2, or 3 from Item2)*	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/PI 3 - AI/AN	7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 4 - MACHINERY ONL 2 - REAL ESTATE AND CHATTEL 5 - LIVESTOCK ONL 3 - NOTE ONLY OR CHATTEL ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 7	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.
10. SEX CODE 1 - MALE 3 - FAMILY UNIT 2 - FEMALE 4 - ORGAN. MALE OWNED 5 - ORGAN. FEMALE OWNED 6 - PUBLIC BODY 6	11. MARITAL STATUS 1 - MARRIED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED) 2 - SEPARATED	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 1 - YES 2 - NO 2
14. DIRECT PAYMENT 3 | *(See FMI)*	15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEMI-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY 2	16. FEE INSPECTION 1 - YES 2 - NO 2	17. INTEREST CREDIT 1 - YES (FRO SFH ONLY) 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		19. DWELLING TYPE/USE OF FUNDS CODE *(See FMI)*	

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 539 | *(See FMI)*	21. PURPOSE CODE 1	22. SOURCE OF FUNDS 2	23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION 1
24. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT 1	25. AMOUNT OF LOAN $ 9,222,000	26. AMOUNT OF GRANT	
27. AMOUNT OF IMMEDIATE ADVANCE	28. DATE OF APPROVAL MO DA YR	29. INTEREST RATE 3.2500%	30. REPAYMENT TERMS 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX.	33. ADJUSTED FAMILY INCOME
34. R.E.INSURANCE	35. R.E.TAXES 1st year	36. R.E. TAXES 2nd year	37. NOTE INSTALLMENT INELIGIBLE
38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT	
COMPLETE FOR EM LOANS ONLY	**COMPLETE FOR CREDIT SALE-ASSUMPTION**
40. DISASTER DESIGNATION NUMBER *(See FMI)*	41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUB LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN
FINANCE OFFICE USE ONLY	**COMPLETE FOR FP LOANS ONLY**
42. OBLIGATION DATE MO -- DA -- YR	43. BEGINNING FARMER/RANCHER *(See FMI)*

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder COPY 1 - Finance Office COPY 2 - Applicant/Lender Copy 3 - State Office

CERTIFICATION APPROVAL

For All Farmer Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availablity of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval offical will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/2010 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For SFH & FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of approval or loan closing. **If** I check "NO", the interest rate charged on my loan will be the rate specified in Item 29 of this form.

_____ Yes _____ No

WARNING: **Whoever, in any matter within the jurisdication of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more five years, or both."**

Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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USDA-RD
Form RD 1940-1
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REQUEST FOR OBLIGATION OF FUNDS

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Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST: 04 CO: 040 BORROWER ID: *****0939	LOAN NUMBER	FISCAL YEAR
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	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION	7. TYPE OF APPLICANT	8. COLLATERAL CODE	9. EMPLOYEE RELATIONSHIP CODE
1 - WHITE 2 - BLACK 3 - AI/AN 4 - HISPANIC 5 - A/PI	4 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARM WORKERS 7 - OTHER	7 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONL 5 - LIVESTOCK ONL 6 - CROPS ONLY 7 - SECURED BY BONDS	0 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.

10. SEX CODE	11. MARITAL STATUS	12. VETERAN CODE	13. CREDIT REPORT
6 1 - MALE 2 - FEMALE 3 - FAMILY UNIT 4 - ORGAN. MALE OWNED 5 - ORGAN. FEMALE OWNED 6 - PUBLIC BODY	1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	1 - YES 2 - NO	2 1 - YES 2 - NO

14. DIRECT PAYMENT	15. TYPE OF PAYMENT	16. FEE INSPECTION	17. INTEREST CREDIT
3 (See FMI)	2 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY	2 1 - YES 2 - NO	1 - YES (FRO SFH ONLY) 2 - NO

18. COMMUNITY SIZE	19. DWELLING TYPE/USE OF FUNDS CODE
1 - 10,000 OR LESS 2 - OVER 10,000 (FOR SFH AND HPG ONLY)	(See FMI)

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE	21. PURPOSE CODE	22. SOURCE OF FUNDS	23. TYPE OF ACTION
545 (See FMI)	1	2	1 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION

24. TYPE OF SUBMISSION	25. AMOUNT OF LOAN	26. AMOUNT OF GRANT
1 1 - INITIAL 2 - SUBSEQUENT	$ 9,222,000	$ 4,002,000

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	MO DA YR	3.2500%	37

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COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

39. PROFIT TYPE
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_____ Yes _____ No

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Date 8/31/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

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_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____ from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424

Version 02

*1. Type of Submission:	*2. Type of Application	* If Revision, select appropriate letter(s)	
☐ Preapplication	☐ New	A. Increase Award	A. Increase Award
☒ Application	☐ Continuation	*Other (Specify)	
☐ Changed/Corrected Application	☒ Revision		

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

*5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: San Luis Obispo County

*b. Employer/Taxpayer Identification Number (EIN/TIN):
95-6000939

*c. Organizational DUNS:
118246060

d. Address:

*Street 1: Room 207 County Government Center

Street 2:

*City: San Luis Obispo

County: San Luis Obispo

*State: California

Province:

*Country: USA

*Zip / Postal Code 93408

e. Organizational Unit:

Department Name:
U.S. Department of Agriculture

Division Name:
Rural Utilities Service

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr.

*First Name: John

Middle Name: Isaac

*Last Name: Waddell

Suffix:

Title:

Organizational Affiliation:

*Telephone Number: 805-788-2713

Fax Number: 805-781-1229

*Email: jwaddell@co.slo.ca.us

Application for Federal Assistance SF-424 Version 02

***9. Type of Applicant 1: Select Applicant Type:**

B.County Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

USDA Rural Development

11. Catalog of Federal Domestic Assistance Number:

10-781

CFDA Title:

Water and Waste Disposal Systems for Rural Communities - ARRA

***12 Funding Opportunity Number:**

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Unincorporated area of Los Osos, San Luis Obispo County, California

***15. Descriptive Title of Applicant's Project:**

Construction of a community wastewater collection and treatment system with effluent reuse components.

Application for Federal Assistance SF-424 Version 02

16. Congressional Districts Of:

*a. Applicant: 23 *b. Program/Project: 23

17. Proposed Project:

*a. Start Date: 1/1/2007 *b. End Date: 1/1/2014

18. Estimated Funding ($):

*a. Federal	87,000,000
*b. Applicant	
*c. State	86,610,000
*d. Local	15,635,000
*e. Other	
*f. Program Income	
*g. TOTAL	189,245,000

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

☒ a. This application was made available to the State under the Executive Order 12372 Process for review on 6/18/2009

☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.

☐ c. Program is not covered by E. O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

☐ Yes ☒ No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

☒ ** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: Mr. *First Name: Paavo

Middle Name:

*Last Name: Ogren

Suffix:

*Title: Director of Public Works

*Telephone Number: 805-781-5252 Fax Number:

* Email: pogren@co.slo.ca.us

*Signature of Authorized Representative: Paavo Ogren *Date Signed: 8/31/2010

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

JW

USDA Rural Development

Committed to the future of rural communities

United States Department of Agriculture
Rural Development
California
www.rurdev.usda.gov/ca

September 16, 2010

RECEIVED
SEP 17 2010
COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF PUBLIC WORKS

AMENDMENT #1
TO LOC DATED 8/30/2010

MR PAAVO OGREN
DIRECTOR OF PUBLIC WORKS
COUNTY OF SAN LUIS OBISPO
ROOM 207 COUNTY GOVERNMENT CENTER
SAN LUIS OBISPO CA 93408

Subject: Amendment to Letter of Conditions for a Subsequent Funding Request to Construct a Wastewater System in Los Osos, CA

Dear Mr. Ogren:

This letter amends our "Letter of Conditions" of August 30, 2010 to reflect the additional funding requested for the subject project. This letter is not to be considered as loan/grant approval or as representation to the availability of funds. The application can be processed on the basis of a USDA Rural Development loan not to exceed $131,000 and grant not to exceed $59,000. Funds for this project are provided by the Rural Utilities Service (RUS).

The loan/grant will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is mailed by USDA Rural Development. This is also the date that the interest rate is established. Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds," within the next two (2) days, if you desire that we give further consideration to your application. The execution of these and all other documents required by USDA Rural Development must be authorized by appropriate resolutions of the applicant's governing body.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise. The loan will be repayable over a period not to exceed 40 years from the date of loan closing at the intermediate interest rate. The first interest installment will be due no later than one full year from the date of loan closing. The first principal payment may be deferred until the third year after the date of loan closing, resulting in 37 principal payments.

3530 W. Orchard Ct • Visalia, CA 93277
Phone: (559) 734-8732 ext. 4 • Fax: (559) 732-3481 • TDD: (530) 792-5848

Committed to the future of rural communities

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

Loan Security

a. At loan closing, the applicant will execute the attached RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)". Please note the refinancing provision in paragraph 2. Also, on page 3 there is a certification to be executed at loan closing.

b. The applicant will be required to execute a completed, RUS Bulletin 1780-12, "Water or Waste System Grant Agreement," at the time of grant closing.

c. The applicant is legally organized and has the authority to borrow money for this project under the Municipal Bond Act of 1913. The loan will be secured by a limited obligation improvement bond, which will be on parity with the State SRF loan. The bond must be prepared in accordance with RUS Instruction 1780 Subpart D, and State law. The assistance and opinion of a recognized bond counsel must be obtained.

Project Funding is amended as follows:

a. Project Cost

Land/Right-of-Ways	$ 2,000,000
Design Engineering	5,500,000
Project Inspection Fees	7,000,000
Construction	126,364,000
On-lot Cost (ineligible)	15,635,000
Administrative/Legal	7,500,000
Water Conservation	5,000,000
SRF Refinance	6,500,000
Predevelopment Finance	1,110,000
Contingencies	12,636,000
TOTAL:	$189,245,000

b. Source of Funds

USDA Loan	$ 83,129,000
USDA Grant	4,061,000
State SRF Loan	86,420,000
Owner Financed	15,635,000
TOTAL:	$189,245,000

All other items in our original Letter of Conditions remain unchanged.

Sincerely,

PETE YRIBARREN
Community Programs Specialist

cc: Janice Waddell, Community Programs Director, USDA Rural Development, Davis
Sam Sperry, Meyers Nave, Oakland, CA
Kyle Ochenduszko, State Water Resources Control Board, Sacramento, CA

USDA-RD
Form RD 1940-1
(Automated 8-97)

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

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2. BORROWER NAME County of San Luis Obispo	**3. NUMBER NAME FIELDS** 1 (1, 2, or 3 from Item 2)	
	4. STATE NAME California	
	5. COUNTY NAME San Luis Obispo	

GENERAL BORROWER/LOAN INFORMATION

6. RACE/ETHNIC CLASSIFICATION 1 - WHITE, 2 - BLACK, 3 - AI/AN, 4 - HISPANIC, 5 - A/PI	**7. TYPE OF APPLICANT** 4 (1 - INDIVIDUAL, 2 - PARTNERSHIP, 3 - CORPORATION, 4 - PUBLIC BODY, 5 - ASSOC. OF FARMERS, 6 - ORG. OF FARM WORKERS, 7 - OTHER)	**8. COLLATERAL CODE** 7 (1 - REAL ESTATE SECURED, 2 - REAL ESTATE AND CHATTEL, 3 - NOTE ONLY OR CHATTEL ONLY, 4 - MACHINERY ONL, 5 - LIVESTOCK ONL, 6 - CROPS ONLY, 7 - SECURED BY BONDS)	**9. EMPLOYEE RELATIONSHIP CODE** 1 - EMPLOYEE, 2 - MEMBER OF FAMILY, 3 - CLOSE RELATIVE, 4 - ASSOC.
10. SEX CODE 6 (1 - MALE, 2 - FEMALE, 3 - FAMILY UNIT, 4 - ORGAN. MALE OWNED, 5 - ORGAN. FEMALE OWNED, 6 - PUBLIC BODY)	**11. MARITAL STATUS** 1 - MARRIED, 2 - SEPARATED, 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	**12. VETERAN CODE** 1 - YES, 2 - NO	**13. CREDIT REPORT** 2 (1 - YES, 2 - NO)
14. DIRECT PAYMENT 3 (See FMI)	**15. TYPE OF PAYMENT** 2 (1 - MONTHLY, 2 - ANNUALLY, 3 - SEMI-ANNUALLY, 4 - QUARTERLY)	**16. FEE INSPECTION** 2 (1 - YES, 2 - NO)	**17. INTEREST CREDIT** 1 - YES (FRO SFH ONLY), 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS, 2 - OVER 10,000 (FOR SFH AND HPG ONLY)		**19. DWELLING TYPE/USE OF FUNDS CODE** (See FMI)	

COMPLETE FOR OBLIGATION OF FUNDS

20. TYPE OF ASSISTANCE 545 (See FMI)	**21. PURPOSE CODE** 1	**22. SOURCE OF FUNDS** 2	**23. TYPE OF ACTION** 1 (1 - OBLIGATION ONLY, 2 - OBLIGATION/CHECK REQUEST, 3 - CORRECTION OF OBLIGATION)
24. TYPE OF SUBMISSION 2 (1 - INITIAL, 2 - SUBSEQUENT)	**25. AMOUNT OF LOAN** $ 131,000	**26. AMOUNT OF GRANT** $ 59,000	
27. AMOUNT OF IMMEDIATE ADVANCE	**28. DATE OF APPROVAL** MO DA YR	**29. INTEREST RATE** 3.2500%	**30. REPAYMENT TERMS** 37

COMPLETE FOR SINGLE FAMILY HOUSING ONLY

31. INCOME CATEGORY CODES 1 - VERY LOW, 2 - LOW, 3 - MODERATE, 4 - ABOVE MODERATE		**32. LOW INCOME LIMIT-MAX.**	**33. ADJUSTED FAMILY INCOME**
34. R.E.INSURANCE	**35. R.E.TAXES** 1st year	**36. R.E. TAXES** 2nd year	**37. NOTE INSTALLMENT INELIGIBLE**
38. TYPE OF UNIT 1 - FARM TRACT, 2 - NON-FARM TRACT			

COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS

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40. DISASTER DESIGNATION NUMBER (See FMI)	**41. TYPE OF SALE** 1 - CREDIT SALE ONLY, 2 - ASSUMPTION ONLY, 3 - CREDIT SALE WITH SUB LOAN, 4 - ASSUMPTION WITH SUBSEQUENT LOAN
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42. OBLIGATION DATE MO -- DA -- YR	**43. BEGINNING FARMER/RANCHER** (See FMI)

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EM, OL, FO, and SW Loans

This loan is approved subject to the availablity of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval offical will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan aproval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representatives completing title work and completing loan closing.

44. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICAL

Approval of financial assistance is subject to availability of funds and to the terms of the Letter of Conditions dated 8/30/10 **and any amendments thereto prior to closing.**

45. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and requested payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For SFH & FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 29 of this form.

_____ Yes _____ No

WARNING: **Whoever, in any matter within the jurisdication of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more five years, or both."**

Date 9/17/2010 By: Paavo Ogren

Paavo Ogren
Public Works Director

46. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

_____
(Signature of Approving Official)

Date Approved: _____ Title: _____

47. TO THE APPLICANT: As of this date _____, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the County Supervisor or District Director.

Form RD 1942-46
(Automated 6-10)

FORM APPROVED
OMB NO. 0575-0015
OMB NO. 0575-0062

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

LETTER OF INTENT TO MEET CONDITIONS

Date **09/16/2010**

TO: Rural Development
United States Department of Agriculture
3530 W. Orchard Ct.
Visalia CA 93277
(Office Address)

We have reviewed and understand the conditions set forth in your letter dated 9/16/10

It is our intent to meet all of them not later than 8/30/11

County of San Luis Obispo
(Name of Association)

BY Paavo Ogren
Paavo Ogren
Public Works Director

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a persons is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0570-0062. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data. needed, and completing and reviewing the collection of information.

OMB Number: 4040-0004
Expiration Date: 01/31/2009

Application for Federal Assistance SF-424 Version 02

*1. Type of Submission:
- ☐ Preapplication
- ☒ Application
- ☐ Changed/Corrected Application

*2. Type of Application
- ☐ New
- ☐ Continuation
- ☒ Revision

* If Revision, select appropriate letter(s)
A. Increase Award A. Increase Award
*Other (Specify)

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

*5b. Federal Award Identifier:

State Use Only:

6. Date Received by State:

7. State Application Identifier:

8. APPLICANT INFORMATION:

*a. Legal Name: San Luis Obispo County

*b. Employer/Taxpayer Identification Number (EIN/TIN): 95-6000939

*c. Organizational DUNS: 118246060

d. Address:

*Street 1: Room 207 County Government Center
Street 2:
*City: San Luis Obispo
County: San Luis Obispo
*State: California
Province:
*Country: USA
*Zip / Postal Code 93408

e. Organizational Unit:

Department Name: U.S. Department of Agriculture

Division Name: Rural Utilities Service

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr.
*First Name: John
Middle Name: Isaac
*Last Name: Waddell
Suffix:

Title:

Organizational Affiliation:

*Telephone Number: 805-788-2713

Fax Number: 805-781-1229

*Email: jwaddell@co.slo.ca.us

Application for Federal Assistance SF-424 Version 02

***9. Type of Applicant 1: Select Applicant Type:**

B.County Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

*Other (Specify)

***10 Name of Federal Agency:**

USDA Rural Development

11. Catalog of Federal Domestic Assistance Number:

10-781

CFDA Title:

Water and Waste Disposal Systems for Rural Communities - ARRA

***12 Funding Opportunity Number:**

*Title:

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Unincorporated area of Los Osos, San Luis Obispo County, California

***15. Descriptive Title of Applicant's Project:**

Construction of a community wastewater collection and treatment system with effluent reuse components.

Application for Federal Assistance SF-424 Version 02

16. Congressional Districts Of:

*a. Applicant: 23 *b. Program/Project: 23

17. Proposed Project:

*a. Start Date: 1/1/2007 *b. End Date: 1/1/2014

18. Estimated Funding ($):

*a. Federal	87,190,000
*b. Applicant	
*c. State	86,420,000
*d. Local	15,635,000
*e. Other	
*f. Program Income	
*g. TOTAL	189,245,000

***19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

☒ a. This application was made available to the State under the Executive Order 12372 Process for review on 6/18/2009

☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.

☐ c. Program is not covered by E. O. 12372

***20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

☐ Yes ☒ No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

☒ ** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

Authorized Representative:

Prefix: Mr. *First Name: Paavo

Middle Name:

*Last Name: Ogren

Suffix:

*Title: Director of Public Works

*Telephone Number: 805-781-5252 Fax Number: 805-781-~~58~~ 1229

* Email: pogren@co.slo.ca.us

*Signature of Authorized Representative: Paavo Ogren *Date Signed: 9/14/10