

File



SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

Noel King, 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

August 25, 2006

U.S. MAIL AND FAX (916) 341-5621

Celeste Cantu, Executive Director
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812

Dear Ms. Cantu:

The purpose of this letter is to confirm our discussion of August 23, 2006 on the subject of the State Revolving Funds (SRF) advanced to the Los Osos Community Services District (LOCSD) of approximately \$6.5 million and interest. In that meeting, you provided the following legislative language that you believed "should be added to proposed Government Code Section 25825.5(g)."

"The county may impose and collect user fees and charges and any other sources of revenue permitted by law sufficient to cover the reasonable costs of any wastewater collection or treatment services provided pursuant to this section, including the cost to reimburse the State Water Pollution Control Revolving Fund for prior loan commitments related to the Prohibition Zone."

As I discussed, the County Board of Supervisors has the adopted position that "the LOCSD's liabilities remain their obligation (i.e. not transferred to the County)." Your statement recognizing our Board's position on LOCSD liabilities, and our mutual understanding that the proposed language supports repayment of the SRF funds while not transferring liability to the County, provides us with the ability to support the proposed language. In essence, we are committed to the position that the community of Los Osos is solely obligated for any and all of the liabilities resulting from actions and inactions of the LOCSD while also willing to help facilitate solutions to the current challenges facing the community.

In addition, I believe that we are in concurrence that we have the current ability to structure an SRF revenue program accordingly and that the legislation confirms that ability, as opposed to creating that ability. So, recognizing that the current status of AB

2701 prohibits amendments at this time, we do hope that legislative enhancements may be possible in the next session. As I mentioned at our meeting, we were disappointed that the Integrated Regional Water Management provisions of AB 2701 were deleted; we hope that those provisions can also be reconsidered in the next session to enhance our ability to pursue grant funding for the project.

In conclusion, regardless of any legislation that may be considered in the next session, we do believe that the substantial financial benefits of the low interest SRF program provides the opportunity for project funding and repayment of "prior loan commitments" at a cost to the community that is less than other methods of financing a community wastewater project such as conventional funding through the municipal markets. As a result, while recognizing and understanding that a condition of SRF funding for a wastewater project in Los Osos will include repayment of the prior loan commitment, we will accordingly incorporate provisions into our SRF funding applications consistent with your legislative proposal if the existing litigation and issue has not already been resolved – which we hope and believe should be the case.

Sincerely,

A handwritten signature in black ink, appearing to read "Paavo Ogren". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

PAAVO OGREN
Deputy Director of Public Works

File: CF 310.58.01

L:\MANAGMNT\AUG06\Celeste Cantu draft letter.doc.pao.taw