



Transmittal via Email

November 30, 2011



State Water Resources Control Board
P.O. Box 100
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**SUBJECT: 12/5-6/2011 BOARD MEETING Agenda Item 5 –
Consideration of a proposed Resolution authorizing amendments to the
financing agreements for the County of San Luis Obispo Los Osos
Wastewater Clean Water State Revolving Fund Project No. 5230**

Dear Members of the State Water Resources Control Board:

I am writing this letter in my role as the President of the Board of Directors of the Los Osos Community Services District (LOCS D). Unfortunately because of the deadline for comment on this item as posted on your agenda, I am submitting this letter without formal action by the LOCS D Board. I will re-submit this letter after formal action is taken by the LOCS D Board at our meeting on December 1, 2011, but in the interim I believe that it is critical to submit the following comments.

The County of San Luis Obispo (County) received approval for a low interest rate State Revolving Fund loan in March of 2011 to finance the construction of the Los Osos Wastewater Project (Project). At that time, the State Water Resources Control Board requested that the County return at its December meeting to update the State Water Resources Control Board on the progress of the Project and to discuss a reduction in the current 2.6% interest rate on the loan.

Although the Project is currently under the jurisdiction of the County of San Luis Obispo, the Project will have profound financial impacts on the residents of the Los Osos, the local businesses that depend upon our residents for their very survival, and the current and future operations of the LOCS D.

The Regional Water Quality Control Board has determined existing septic discharges within the Prohibition Zone of Los Osos have created environmental and public health problems. The Project will not only address the current basin water quality issues in Los Osos, it will also assist the LOCS D in providing the community with a more reliable potable water supply through implementation of Project water conservation and water reclamation measures.

The Project will help address drainage and flooding issues throughout the community by encouraging the adaptive re-use of existing septic tanks as cisterns for rainwater storage and existing leach fields for decentralized rainwater percolation.

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A peripheral, yet significant, benefit of the Project is its positive impact on the Morro Bay National Estuary, an environmental resource of state, national and international significance.

The LOCSD is wholly supportive of a reduction in the current interest rate of 2.6% to 0%.

The Project has significant support from our residents. It was approved by over 80% in the ballot measure vote, including the LOCSD's vote, creating the assessment district to finance the Project. The future customers of the Project, along with the LOCSD, overwhelmingly supported the Project's rates and charges under the Proposition 218 protest procedures. Although, the methods and means of wastewater treatment for Los Osos has been a contentious matter over the past 30 years, all of our community supports lowering the current interest rate to 0%.

Although, the current low interest funding provides considerable savings on a monthly basis over conventional interest rates, the financial impact on the community of Los Osos, with income levels lower than the State's median household income, is significant. The Project's service area has an estimated median household income of \$60,553. The total financial impact, including on-lot connection costs borne by owners of private property, is approximately 4.25% of median household income. The Project's service area qualifies as a disadvantaged community because the monthly wastewater rates will exceed 4% of the median income of the service area. In comparison, the Environmental Protection Agency's affordability standard is 2%, while the United States Department of Agriculture's is 1.5%.

Finally, a reduction in the interest rate will not only be beneficial to all of the residents of the Prohibition Zone, it will also result in savings to the LOCSD in terms of our monthly sewer costs for our fire station and water yard facilities.

I believe that the above discussion provides strong justification for a 0% interest rate.

Thank you for your support in this matter of vital importance to the residents of the Prohibition Zone, our customers, and our community in general.

The LOCSD staff is available to discuss any of the above comments or provide further information to your staff as requested.

Sincerely,



Marshall E. Ochylski,
President
Los Osos Community Services District