

BOARD OF SUPERVISORS



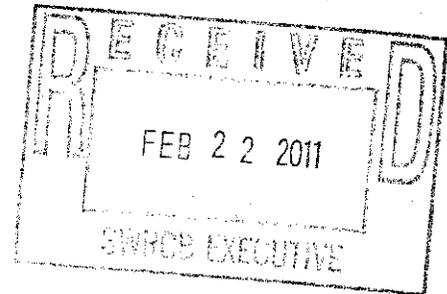
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February 22, 2011

BRUCE GIBSON
SUPERVISOR DISTRICT TWO

VIA EMAIL

Charles R. Hoppin, Chair
State Water Resources Control Board
1001 'I' Street
Sacramento, CA 95812



**Subject: AGENDA ITEM #5; March 1, 2011
CWSRF PROJECT NO. C-06-5230: Los Osos Wastewater Project**

Dear Chairman Hoppin:

We have reviewed the staff recommendations for \$86.2 million in funding for the Los Osos Wastewater Project from your Board's State Revolving Fund (SRF) Program. Together with \$87.2 million in funding approved by the United States Department of Agriculture, from its Rural Development Program's allocation of American Recovery and Reinvestment Act of 2009 funds, the Project will have in hand the financial resources needed for its construction.

Over the past several years, your staff and those at the County have worked on several issues to reach this milestone. We appreciate the extraordinary level of coordination between our agencies, and the other state and federal agencies involved in the Project's review, permitting and funding. Support from our State and Federal elected representatives have benefitted Project efforts on several points, and the coordination will continue to pursue grants and other funding opportunities needed to bring the Project costs closer to affordability standards.

Your staff recommendations result in an approximate savings of \$30 per month (15%) per typical single family residence, or equivalent dwelling unit (edu), relative to the \$200 per month estimate originally established in 2007, when the County began its current Project efforts pursuant to Assembly Bill 2701 (Blakeslee). The USDA funding approval also provided approximately \$37 (18%) per month savings as compared to 2007 estimates. In total, the State and Federal Project funding approvals reduce monthly costs by \$67 (33%).

Although the terms of the funding approvals do provide considerable savings on a monthly basis, the financial impact on the community of Los Osos, with income levels lower than the State's median household income, is significant. Nevertheless, the total financial impact, including on-lot connection costs borne by owners of private property, is

approximately 4.25% of median household income. In comparison, your Board's affordability standard is 4%, the EPA's is 2%, and USDA's is 1.5%.

The County is pursuing a variety of funding opportunities to further reduce the monthly cost. We have submitted an Integrated Regional Water Management grant application under Proposition 84 and remain hopeful for approval. The Project has a Federal Authorization of \$35 million under the Water Resources Development Act and we continue to pursue an appropriation from this program.

Even if these efforts prove successful, the Project will pose a significant burden to lower-income households in the community. I look forward to presenting to your Board at your March 1, 2011 hearing a request for some additional consideration on behalf of the community. The following are possible options within your Board's authority:

Proposition 13 Recycled Water Funds

With no ocean outfall or surface water discharge, the Project permit requires recycled water be provided to agricultural and urban users. The State Water Board's Proposition 13 Recycled Water Funds are appropriate. Our staffs are currently coordinating and as soon as we have a complete Facilities Plan, we would like your consideration at the earliest time possible.

Interest Rate Reduction

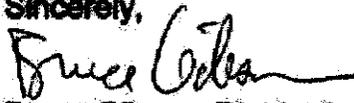
The current recommended interest rate for the SRF funding is 2.6%. Pursuant to your policy, your Board may reduce it further. At your hearing, I will present how different interest rates will further mitigate the fiscal impact on the community.

Mini Loan Program

The County is working to assist property owners with their "on-lof" costs in several ways. From training contractors on environmental permit requirements, to waiving building permit fees, and coordinating funding programs, the County is dedicated to all aspects of a "Community Project." Approval of a Linked Deposit or Mini-Loan Program from your Board is another aspect of assistance for which we seek your support.

In conclusion, success on the Los Osos Wastewater Project must include all opportunities for local, state and federal partnering. Throughout the planning and permitting phases of the Project, our staffs have brought commitment and dedication. At this time, it is our opportunity to help with the terms of financing to bring the fiscal impact closer to affordability.

Sincerely,



Bruce Gibson, District 2
San Luis Obispo County Board of Supervisors