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January 12, 2005

Mr. Roger Briggs
Executive Officer
California Regional Water Quality Control Board
Central Coast Region
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401-7906



Subject: Los Osos Community Services District
Los Osos Wastewater Collection, Treatment, and Disposal Project
January 2005 Quarterly Status Report

Dear Mr. Briggs:

Attached is the January 12, 2005 Quarterly Status Report for the Los Osos Community Services District (District) wastewater project. The report describes the changes and activities during the months of October, November, and December 2004. The report addresses the August 11, 2004 Coastal Commission findings and resulting activities, litigation, project funding, conditions of approval, Final Design, Septic System Management Program, District Engineer activities, environmental activities, and hydrogeological evaluation.

The District remains committed to completing the Los Osos Wastewater Project as soon as possible. SWRCB re-approval of our SRF Loan represents another major milestone.

The District appreciates the cooperation and understanding of you and your staff in the development and implementation of this project. The District is especially appreciative of the attendance and presentation by Gerhardt Hubner, at the January SWRCB hearing. The District also appreciates Sorrel Marks' continued assistance.

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We look forward to continuing to work with you on this challenging and important project. Please contact me at (805) 528 - 9370 if you have any questions.

Sincerely,



Bruce Buel

General Manager

Cc: LOCSD Board

Margaret Falkner - LOCSD

Jon Seitz - Shipsey & Seitz

Rob Miller - JLWA

Chris Clark - CMCA

Pat Mikkelsen - Far Western

Tim Cleath / Spencer Harris - C&A

Steve Hyland, MWH

Lillian Jewell - Hamner, Jewell & Associates

File

**Quarterly Report
for Regional Water Quality Control Board
January 1, 2005**



**Bruce Buel, General Manager
Los Osos Community Services District**

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A. Coastal Development Permit -- Changes since last report

Coastal Development Permit Application No. A-3-SLO-03-113

The California Coastal Commission on August 11, 2004 authorized issuance of a Coastal Development Permit (CDP) for the Los Osos Wastewater Project subject to compliance with 83 conditions. Several of these conditions require LOCSD to revise the final design completed earlier this year.

The District requested Montgomery Watson Harza (MWH) to continue support services for requests for information from the California Coastal Commission (CCC) and to prepare for the CCC *de novo* hearing conducted on August 11, 2004. MWH provided the following services this quarter:

- Completed redesign of specifications and drawings for the following elements to comply with the conditions of approval established by the California Coastal Commission (CCC) for the Coastal Development Permit:
 - Reduced the length of the Ravenna Avenue extension adjacent to the wastewater treatment facility (WWTF) from the north property line to entrance driveway.
 - Added parking lot adjacent to Palisades Avenue for site amenities near the WWTF.
 - Added site amenities near the WWTF consisting of public restroom, amphitheater, tot lot, picnic area, and community gardens.
 - Revised force main alignment and site layout of Lupine Pump Station to avoid a wetland area.
 - Revised location of 4th Street pocket pump station to avoid a wetland area.
 - Added Solano Pump Station and associated force main to eliminate segment of gravity sewer main to be microtunneled across a wetland area.
 - Revised alignment of force main, disposal main, and fiber optic cable conduit in the future Ravenna Avenue corridor between the WWTF and Ramona Avenue to maximize distance from a wetland area.
- Assisted CMCA prepare information package submitted to the CCC to demonstrate compliance with the conditions of approval.
- Updated estimated construction costs and annual O&M costs of the Project to assist preparation of Draft Revenue Plan by Tuckfield & Associates and application for State Revolving Fund loan recommitment.
- Met with SLO county staff to discuss pavement restoration issues. Assisted LOCSD coordinate pavement condition survey conducted by Fugro West.

- Prepared technical memorandum to address the disposal of construction dewatering water for review and acceptance by the Regional Water Quality Control Board.
- Prepared Fire Safety Plan application for review and acceptance by the CDF fire department serving Los Osos.

B. Legal – Changes since last report

With regards to the Los Osos Wastewater Treatment Project please accept the following as a summary of the services performed by Shipsey & Seitz, Inc. during the months of October, November and December, 2004:

A. Preparation and attendance of the Coastal Development Permit Hearing before the California Coastal Commission:

During the month of July, we attended various meetings related to the Coastal Commission Hearing. Additionally we assisted the District in retaining Jana Zimmer, Esq. (Special Legal Counsel) who has expertise in relating to Coastal Commission matters. I also attended the Coastal Commission Hearing on August 10-11.

B. Preparation of Habitat Conservation Plan:

We participated in various meetings and telephone conferences related to the preparation of the Habitat Conservation Plan for the connection of new development to the LOCSD Wastewater Treatment Project.

C. Supplemental Bond:

During the month of September 14, 2004, we participated in a telephone conferences with District Engineer, the District General Manager and Carlo Fowler (District Bond Counsel) relating to the issuance of supplemental bonds.

D. Purchase of Property:

We participated in meetings and telephone conferences with Lillian Jewell and the General Manager related to the acquisition of real property to support the development of the Wastewater Treatment Project. In particular we have completed the negotiations for the purchase of the William Walker property. Escrow successfully closed.

E. Compliance with Coastal Commission Conditions:

During the latter part of August we assisted the District in the preparation of amendments to our Design Engineer's contract related to new conditions in the Coastal Development permit approved by the California Coastal Commission. Additionally, we have participated in discussions with County Staff related to the Estero Plan Update and Coastal Commission Project Conditions.

F. State Revolving Fund Loan:

On January 4, 2005, we attended the State Water Resources Control Board Workshop related to the approval of a low interest State Revolving Fund loan for the construction of the Wastewater Treatment Project.

G. Litigation:

During the months of November and December of 2004 and January, 2005, we have assisted the District in responding to litigation (in the form of Writs of Mandate) challenging the Coastal Development Permit that was conditionally issued by the California Coastal Commission on or about August 11, 2004. Our services also included advising the District in responding to requests that the California Coastal Commission revoke the Coastal Development Permit.

C. Project Funding – Changes since last report

State Revolving Fund Loan Project No. C-04-4014-110

Due to the April 15, 2004 Coastal Commission findings and subsequent project delay, the District was unable to issue a Notice to Proceed for construction by June 28, 2004.¹ The District requested a 90-day extension of the June 28, 2004 preliminary SRF loan commitment expiration date. The District has requested another extension which is being processed by the State Board at this time.

EPA Funding R-9 Tracking # 04-404, CFDA 66.606

FY 2004 United States EPA appropriation included net funding of \$192,900² for the Los Osos Community Services District. On September 16, 2004, the District received by Certified Mail approval of funds by the EPA. These funds are intended for the Habitat Conservation Plan (HCP). Matching funds of \$157,827, or 45% of the total project costs, are required according to the Federal Appropriations Act that authorized this project.

¹ Date requested by Division of Financial Assistance SWRCB.

² Congress instructed EPA to reduce each Appropriations Grant by 3% to cover the administrative cost. The grant amount was further reduced by a Congressionally mandated across the board cut to the EPA budget.

California Department of Fish and Game, LOHCP Agreement Number P0330014

On August 9, 2004 the District received on fully executed copy of Agreement No. P0330015 for the Los Osos Habitat Conservation Plan.

Department of Water Resources Toilet Retrofit Grant Contract No 4600003121

District has asked for an extension until July 1, 2005. – Awaiting a response. No other progress at this time.

CDBG Low Income HUD grant

On October 21, 2004, the District applied for the 2005 Community Development Block Grant from San Luis Obispo County Planning and Building. If approved the \$200,000 grant will assist low and very low-income residents to finance the cost of their sewer connections.

AB706 Loans

District withdrew RFP – No change.

Land and Water Conservation Grant LW-40-006

The District will re-apply for funding prior to the May 2, 2005 deadline.

D. Septic System Management Program – Changes since last report

AB2506

No Change:

Residents outside the prohibition zone, who pump their septic tanks now can voluntarily enter the SSMP program and receive pumping credit. This is accomplished by sending the District a copy of the pumping report, dated and signed by the pumper. Some residents have already done this. The District encourages pumpers to begin using the District's inspection form, which some pumpers are doing. This inspection form is available for downloading on the District's website.

E. District Engineer Activities – Changes since last report

1. Assist the District with the update of the Draft Revenue Plan.
2. Provide technical support for Coastal Commission conditions of approval
3. Provide surveying support for easements and condition compliance
4. Review and provide technical input on groundwater dewatering
5. Assist the District in responding to community issues such as alternative project proposals

F. Environmental Activities – Changes since last report

COASTAL DEVELOPMENT PERMIT

The Coastal Commission approved Coastal Development Permit No. A-3-SLO-03-113 on August 11, 2004. On August 23, they issued a Notice of Intent To Issue Permit. The permit contains 83 conditions, most of which were brought forward from the County's permit approval. Several of these conditions were required to be fulfilled prior to the issuance of the permit. On November 4, the Los Osos CSD board approved project changes necessary to meet the pre-conditions. On November 10, Crawford, Multari, Clark, & Assoc. (CMCA) personnel went to Santa Cruz to deliver and explain their pre-permit condition compliance submittal. As of this date, the CCC has not finalized the permit.

The Commission received an undated e-mail from Lisa Schicker on or about November 15. This e-mail was headed "re: Permit Revocation Request." the request was pursuant to Section 13105 of the regulations under the Public Resources Code. Charles Lester of the Coastal Commission staff indicated that this has been determined not to be an official request for revocation. According to Coastal Commission regulations, the Commission staff is required to notify the permittee (LOCSD) in writing when such a request is made. They are also required to inform the Coastal Commission of the request "at the next regularly scheduled meeting."

HABITAT CONSERVATION PLAN

The HCP has been updated with comments from the Scientific Advisory Team. This will be submitted to the US Fish & Wildlife Service in January. A Request for Proposals has been sent to four environmental firms to prepare the EIS for the HCP. The HCP needs to be completed prior to hooking up any "new" development (existing homes are exempt).

HYDROGEOLOGIC EVALUATION

Cleath & Associates (C&A) continued to provide hydrogeologic services on behalf of the District. Activities for this quarter are summarized as follows:

- Published results of October 2004 Nitrate Monitoring Program.
- Received District approval to proceed with a Water Management Plan. The Water Management Plan is required by SLO County and will identify management strategies aimed at achieving a sustainable water supply to serve build-out of the community in accordance with the Estero Area Plan.

DISPOSAL OF HARVEST WATER AND CONSTRUCTION DEWATERING

Hamner, Jewell & Associates contacted six agricultural landowners about taking harvested ground water. As of the date of this report, five parties have expressed an interest and willingness to take harvest water, in one case 10-12 acre-feet at a time. However, it would cost the community approximately \$3M in plumbing to get the well water out to the fields.