



From: Richard Katz [rkatz@waterboards.ca.gov]
Sent: Monday, November 07, 2005 5:48 PM
To: Gerald Secundy; Michael Lauffer
Cc: Bonnie Hard; Celeste Cantu; Tam Doduc
Subject: Re: Assm Blakeslee, again

No change in strategy. We can all go together (and save me from a bit of Lake Arrowhead!).

>>> Michael Lauffer 11/07/05 1:19 PM >>>
I've put it on my calendar. Shall we all go over together? And unless there's a change in strategy I'm not aware of, I assume no pre-meeting is necessary.

-maml

Michael A.M. Lauffer, Chief Counsel
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>>> Richard Katz 11/07/05 12:10 PM >>>
As I've discussed with Gerry and Tam (I left you a message Michael), at the request of Assembly Republican Leader Kevin McCarthy, we'll be having one more meeting with Sam (and maybe his staff, no one from Los Osos or contractors), tomorrow, Tuesday at 2:30 in Assemblman McCarthy's capitol office (rm 3104).

From the SWRCB; Gerry, Michael and Richard will be attending.



From: Richard Katz [rkatz@waterboards.ca.gov]
Sent: Monday, November 14, 2005 3:17 PM
To: Gerald Secundy; Michael Lauffer
Subject: Re: Teleconference with Assm. Blakeslee to Discuss LOCSDProposal

Whoopie!!

>>> Michael Lauffer 11/14/05 2:45 PM >>>
Gentlemen,

We've got 3:30 set for Assemblymember Blakeslee. Call-in number is 916.255.2094.

-maml

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Internet: mlauffer@waterboards.ca.gov

From: William Rukeyser [WRukeyser@waterboards.ca.gov]
Sent: Friday, November 04, 2005 12:43 PM
To: Celeste Cantu; Tam Doduc
Cc: Richard Katz; Art Baggett; Barbara Evoy; Beth Jines; Darrin Polhemus; Gerald Secundy; Pete Silva; Richard Katz; Tom Howard
Subject: call from Cong. Bill Thomas's office

I took a call from Mike Whiteford of Congressman Bill Thomas's office in Atascadero (Thomas's 22nd CD incorporates parts of SLO County, but not Los Osos) seeking info. I explained situation and stressed that there had been no "deal" and that the Water Board must honor its obligations (fiduciary and environmental). I told him that the issue is agendized for the 16th and time is running out. He asked what Los Osos CSD can do (immediately) and I listed the three familiar items:
Resolution opposing terms of Measure B
Ask Appeals Court to hear case ASAP
Strongly urge appellants to drop case

I also stressed how destructive a CSD lawsuit against SWRCB would be.

He expressed no opinion, but asked if the State Board might loan the SRF funds (previously in the Los Osos loan) to other local government(s). I said "yes" it MIGHT. And reminded him that the State Board meets 11/16.

Bill Rukeyser

From: Barbara Evoy [BEvoy@waterboards.ca.gov]
Sent: Friday, November 18, 2005 4:35 PM
To: Selica Potter
Subject: Fwd: Re: FW:New Deal In Los Osos

from Board member

>>> Gerald Secundy 10/30/2005 3:18 PM >>>

Always nice to see how quickly "confidential" negotiations appear in the press. Would love to know which state negotiator "agreed" to a proposal, neither Darrin or I did. Some of the points are correct. Of course, the trick is in figuring out which ones are. Have a great rest of the week-end. Jerry P.S. - Still waiting to see what the CSD actually presents to us.

>>> "Celeste Cantu" <CCantu@waterboards.ca.gov> 10/30/05 12:31 PM >>>

Please find attached newspaper article.

[Message delivered by NotifyLink]

-----Original Message-----

From: GRHensley@aol.com
Sent: Sun, October 30, 2005 8:49 AM
To: dpolhemus@waterboards.ca.gov, cstevens@waterboards.ca.gov,
ccantu@waterboards.ca.gov
Cc: Drew.Bohan@GOV.CA.GOV
Subject: New Deal In Los Osos

Darrin,

I learned a long time ago the truth of this Proverb - "The first to present his case seems right till another comes forward and questions him." (Proverbs 18:17).

So what's your side of the tale?

Posted on Sun, Oct. 30, 2005

Tribune exclusive report

Osos deal would save loan, allow plant site change By Nathan Welton The Tribune

A tentative deal to retain the \$135 million state loan needed to fund most of the Los Osos sewer project would let the Community Services District build an out-of-town treatment plant and would extend the completion deadline by two years, The Tribune has learned. But it would also require residents to repay the state for all project costs if a future board cancels construction, and it would force the district to build the sewer plant on the edge of downtown if it can't complete an alternative in enough time.

After consulting with state and district officials, Assemblyman Sam Blakeslee, R-San Luis Obispo, outlined the proposal to The Tribune on the condition that the newspaper not seek comment from the parties involved or potential critics until the entire Los Osos board reviewed it. Only two board members were involved in the talks as negotiators.

District President Lisa Schicker confirmed the terms of the deal, and later was to hear it with the rest of her agency in a closed session meeting Saturday night.

Schicker said she was "guardedly optimistic" about the proposal, adding that her biggest concession was leaving open the possibility of a downtown facility.

"That's a huge fear for me," she said.

Today at 6 p.m., the district will vote on it in an open-session hearing, which comes as the town's residents clamor for a public discussion.

If approved, the deal would go before the state water board, and if approved, then construction on the project could immediately resume. But it is unclear how that board will react.

"This will be the moment of truth," Blakeslee said.

A state water board negotiator agreed to a proposal originally drafted by the district late Thursday, after almost a week of discussions.

The emergency discussions occurred after the entire project came within hours of falling apart; the state had already written its loan termination letter, and the district was planning to cancel its construction contracts.

The stakes of the proposal's failure are severe if it's not approved by either body. The services district and Los Osos taxpayers would likely become strangled in years of litigation and penalties that would run in the tens of millions of dollars, if not more: â€¢ The state water board would revoke its loan and demand immediate repayment of \$6.4 million, plus interest; â€¢ The regional water board would likely pursue fines of \$11 million, and could vote for new fines of up to \$10,000 a day; property owners may also be punished, but those details are unclear; â€¢ Contractors could abandon the project and sue the district for breach of contract; â€¢ And the town's septic systems would continue to pollute Morro Bay, as they do with every passing day. The ongoing pollution led to a building moratorium in 1988 that covers most of the community.

But if both boards approve the deal, construction would continue and the sewer could be built out of town. That would uphold the spirit of Measure B, which a 20-person majority of 6,500 voters chose in last month's special election that also recalled three district directors.

The extra two years would give the Los Osos agency time to research another type of treatment plant, which negotiators agreed could lower the price of the project despite inflation and other costs associated with the extension.

Collection and disposal

If the deal is approved, work would immediately resume on the collection and disposal infrastructure. That means crews would resume tearing up the town's streets to install underground sewer lines. The two-year extension does not apply to this phase.

The services district had hoped to research another type of sewage collection system -- which would have required a pump at each house -- instead of the current one that uses the force of gravity and pump stations. But the negotiators determined that any further delays could cause contractors to quit, which was too costly a risk. Schicker said that the alternatives were too expensive should the district comply with all the state's requirements, which included replacing all the town's septic tanks.

The deal would also guarantee that construction of the disposal system above Broderson Avenue will stay on schedule. That system is a series of leach fields for the treated effluent. The sewer's disposal system is what allows the treated water to return to the aquifer, which helps the town's water supply.

Meanwhile, the district will pursue a recycling program that would give farmers access to nonpotable water for agriculture, which would be less costly.

That would also return water to the underground aquifer in several areas throughout town, instead of just one main location, thereby lowering the risk of flooding should a problem occur at the main disposal site.

Type of treatment plant

Another issue negotiators discussed was the type of treatment plant to be built. The facility where work has already started is called a membrane bioreactor. While typically expensive, its \$46 million price tag includes the costs of aesthetics, a park and odor containment.

It also includes engineering upgrades to the foundation because the near-downtown site is on sandy soil that could liquefy during an earthquake.

Negotiators tentatively agreed that moving the same type of plant out of town could save millions of dollars because many of those upgrades wouldn't be necessary.

That determination factored in engineering, design, permitting, inflation, changes in infrastructure and other costs associated with a delay.

But those involved in the talks also estimated they could save even more if they opted for an oxidation ditch treatment plant, similar to the facilities built in Pismo Beach and at the California Men's Colony. Those both cost less than \$20 million.

The negotiators did not include in their estimates the regional water board's promised fines of \$11 million, Blakeslee said.

Appeals of regional water board actions -- including fines -- go before the state water board. Blakeslee said that had the state discussed the regional board's fines during the negotiations, it would have to recuse itself as an appeal body.

Location

The new proposal would also allow the district to build the sewer out of town, but that comes with conditions.

First, property owners would have to pass by a simple majority a vote that would commit them to repay the state for all disbursed loan funds -- plus interest -- should a future district board stop the project.

That vote, if passed, would give the state a legal way to protect its investment in the project. And it also ensures that the district becomes more fiscally committed to the sewer with each additional dollar it spends.

If property owners do not pass the vote, the terms require construction to resume on the original project near downtown.

The deal would also force the district to work to repeal Measure B. That initiative aims to move the sewer, but makes doing so extraordinarily difficult.

According to Blakeslee, Measure B requires residents to vote on all treatment plant sites that have been considered during the environmental review process. But the winning location would require more than 50 percent of the votes --which could be hard to achieve given the many choices.

To repeal the initiative, the services district can request the earliest possible court date. Should the court refuse to repeal it, the district could then call a special election to have voters repeal it themselves.

Therein lies a potential yet unlikely hitch, Blakeslee said: Voters might not repeal the measure, which could cause the state to drop its funding. It's unclear how that scenario would play out.

To move the sewer out of town, the new site would need a supplemental environmental study, a state Coastal Commission permit amendment, a county building permit, engineering work and several other permits. Some of that could happen concurrently.

Blakeslee said the negotiators thought the two-year buffer was a reasonable amount of time to complete all that paperwork.

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San Luis Obispo Coastkeeper (R), a Program of Environment in the Public Interest (EPI) is the only environmental watchdog dedicated solely to enforcement of water quality, watershed, and coastal planning regulations in Northern Santa Barbara, San Luis Obispo, and Monterey Counties.

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From: Gerald Secundy
To: BEvoy@waterboards.ca.gov, CCantu@waterboards.ca.gov
Date: 10/14/2005 9:17:36 AM
Subject: Re: Confidential: attorney client: LOCSD notice of breach

Barbara - Thanks for the update. I talked to Anne this morning and nothing she says, or your summary below, causes me to change my mind. They are in violation and we should do all that is necessary to get them back on tract or retrieve our SRF money plus interest. Maybe the ACL will wake them up but I am doubtful. Of course, I am much more interested in seeing that the plant is completed rather than collecting fines. Jerry

>>> Barbara Evoy 10/13/05 6:23 PM >>>

FYI - wanted to pass on the interaction Anne had (below) with Los Osos. I spoke to Roger late today to find out what had transpired at their meeting with the CSD yesterday to make sure we still had similar perceptions of the new course CSD was taking. Roger and his staff indicated that they thought CSD's proposal to find an alternative location and take it to the voters in 30-60 days was off, in time estimate, by about 5 years. Given the number of Fish and Wildlife service consultation issues, archeological issues, neighborhood NIMBY issues, that the district was being totally unrealistic. They again broached the concept that the pipelines would be common to a future proposal. Roger indicated that he felt the SB would be unwilling to fund pipelines to nowhere, without a complete project proposal that showed the pipelines were adequately sized, located, aligned, sloped etc - and that water quality would be achieved with the expenditure. The CSD indicated they may indeed not be changing just the location, but the treatment type as well (which would effect pipelines). The Assemblyman did contact Roger to see if he could help broker a deal, under the impression that the delay would be only a month or two. Roger discussed what he saw as a realistic schedule of 5-8 years with a new site. FYI

>>> Anne Hartridge 10/13/2005 5:43 PM >>>

[REDACTED]

~~~~~  
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Phone: (916) 341-5166  
Fax: (916) 341-5199

Please note NEW EMAIL ADDRESS:  
ahartridge@waterboards.ca.gov  
~~~~~

From: Barbara Evoy [BEvoy@waterboards.ca.gov]
Sent: Friday, November 18, 2005 4:11 PM
To: Selica Potter
Subject: Fwd: Re: Los Osos

Selica - included in this transmittal is OCC. Don't know if attorney/client privilege should prevail.

>>> Beth Jines 11/1/2005 9:18 AM >>>

The meeting is at 9:30 in room 2520. Darrin, pls bring what you have completed to the mtg. Thanks!

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>>> Celeste Cantu 11/1/2005 9:09 AM >>>

Dear Team, I have Salton Sea all day today but will return for the ACL meeting and our bd briefing at 11:30 in my office.

For starters we need to:

Staff meet ASAP this morning to craft a written response to CSD for our BD committee consideration. Correspondence will be from staff not our bd.

With our bd committee's consent we may keep this alive and build a sewer plant, but we need to carefully craft our strategy. Darrin did a very good job bringing the CSD closer to reality. The proposal is not complete or well crafted and can only be considered as draft. It is not something in final form that we can take to our bd. They must get an attorney for us to work with.

Lets revisit our initial prerequisite letter and regain control of the process. We need to reintegrate that prerequisite letter and fully flesh out the requirements in very explicit terms that they can understand. The prerequisites must be met before we can recommend anything to our bd.

We must clearly id a 2 step process, staff work resulting in a recommendation to our bd and bd work that happens at a scheduled board meeting.

Lets make it clear that Darrin was not part of a negotiation team and this proposal is not a bilateral document. Darrin was sent there to serve as a staff resource to make certain that the new CSD bd understood the ramifications of their actions and the full cost to their community. Darrin did a very good job and the CSD bd is in a better place to move forward now than last week. WE are pleased with their progress but the proposal still needs work before it can be presented to our bd.

Measure B is not our problem and we will not partner with them. It is their problem and it was bad faith when they had the appeal delayed. We demand as a prerequisite for proposal consideration by our bd that the CSD petition the ct for a speedy review.

We need to do a general reality check on the draft proposal. Are the numbers and time frames legit?

We need a detailed time frame with milestones. When milestones are missed they must immediately resume with the approved site.

There are other points that you all need to bring up that are escaping me at this moment.

We have at least 3 options for considerations by our bd.

1. Declare the contract in default due to measure b. No sewer is built and water quality continues to deteriorate, we sue for the \$6 million SRF spent and recover it years from now.


2. demand that the CSD bd get Measure b repealed and commence on approved project. The CSD dig their heels in, suffer ACLs and SRF is out millions or they go along and build it.

3 Staff recommends approval of their proposal for consideration of another site while holding the state harmless, and protecting Water quality in the intervening years as they struggle for approvals. After delays they build a sewer plant somewhere.

Beth and Bill, we probably need a press communication out of this.

Good luck.

Celeste Cantú, Executive Director
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Ph: (916) 341-5615
e-mail: ccantu@waterboards.ca.gov
website: www.swrcb.ca.gov


From: Barbara Evoy [BEvoy@waterboards.ca.gov]
Sent: Friday, November 18, 2005 4:04 PM
To: Selica Potter
Subject: Fwd: RE:Los Osos op-ed pt1

Draft document, not final.

Sent to Board members.

>>> "Celeste Cantu" <CCantu@waterboards.ca.gov> 6/6/2005 4:28 PM >>>
Good. Let's say "water board" a second time as reference to 'board' could be CSD board.
Also please add "low interest " loan to underscore its value. Thanks

[Message delivered by NotifyLink]

-----Original Message-----

From: "William Rukeyser" <wrukeyser@waterboards.ca.gov>
Sent: Sat, November 05, 2005 10:40 AM
To: "Celeste Cantu" <CCantu@waterboards.ca.gov>, "Tam Doduc" <TDoduc@waterboards.ca.gov>
Cc: "Art Baggett" <ABaggett@waterboards.ca.gov>, "Beth Jines" <BJines@waterboards.ca.gov>, "Gerald Secundy" <GSecundy@waterboards.ca.gov>, "Pete Silva" <PSilva@waterboards.ca.gov>, "Richard Katz" <RKatz@waterboards.ca.gov>, "Tom Howard" <THoward@waterboards.ca.gov>, "Barbara Evoy" <BEvoy@waterboards.ca.gov>
Subject: Los Osos op-ed pt1

This is pt 1 of a draft op-ed. Pls review for content and tone & think who should be author. Since I'm sending from Treo... I can't cc everyone... so pass to staff as needed.
Bill

The State Water Board wants to help Los Osos clean up its ground water. The Board intends to protect Morro Bay from sewage. To those ends, it has OK'd a loan to the Los Osos CSD for \$135 million for a specific and agreed upon project. That project has the regulatory green light and could be completed quickly. The state has already fronted \$6 million in construction costs.

William L. Rukeyser
State Water Resources Control Board
(916) 341-7365

~~XXXXXXXXXX~~

From: Welton, Nathan
Sent: Friday, November 18, 2005 4:36 PM
To: William Rukeyser; tdoduc@waterboards.ca.gov; ccantu@waterboards.ca.gov
Cc: Lyons, Silas; Duerr, Sandra; Weber, Tad
Subject: CPRA Follow-up

Nathan Welton
The Tribune
3825 S. Higuera St.
San Luis Obispo, CA 93406

Friday, November 18, 2005

Dear Mr. Rukeyser, Ms. Doduc and Ms. Cantu:

I am writing to remind you that the Water Board violated the California Public Records Act by not responding to my first request for documents, dated Nov. 1, within 10 business days. A response from your agency was due at my newspaper office Tuesday.

As you recall, my first letter asked for copies of all correspondence - including but not limited to emails, letters and memos - sent or received in October and November 2005 pertaining to the \$135 million revolving fund loan to the Los Osos Community Services District.


I have received a number of documents today from the State Water Resources Control Board, but they consisted mostly of public comment letters and a few pieces of mail from local leaders. This is insufficient. Further, I have not received any formal letter, as required by state law, from your agency stating what you have determined about the status of my request.

To help you locate the documents I seek, I will quote part of the Act itself. It defines written records as "handwriting, typewriting, printing, photostating, photographing, and every other means of recording upon any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combination thereof, and all papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums, and other documents."
That also includes electronic documents and emails.

As you are well aware, the public urgently needs to know what is happening to this high-stakes loan. Your agency has placed stringent time requirements on the community of Los Osos, but at the same time has not responded in a timely fashion to this public document request.

Mr. Rukeyser told me on the phone today that the water board was short-staffed, which I understand. Mr. Rukeyser also said that more documents would come - and I trust that will happen. Nevertheless, my newspaper considers this of grave concern to readers and intends to pursue it until it is resolved appropriately.

Sincerely,
Nathan Welton


From: Tam Doduc [TDoduc@waterboards.ca.gov]
Sent: Friday, November 04, 2005 12:54 PM
To: William Rukeyser
Subject: Re: Los Osos calls

Bill, do you know if any of our "supporters" are planning to be here on 11/16?

>>> William Rukeyser 11/04/05 12:00 PM >>>

I just spent a long time on the phone with Bill Morem, opinion page editor for the SLO Tribune. He did not back off today's editorial, but did concede some points. I don't think he'll make the SAME mistakes in future editorials, but I'm not convinced he will avoid future mistakes.

He has offered a 500 word op-ed. Under the circumstances I think a local (SLO County, probably not Los Osos) voice (preferably non-government) would be the best author. Any suggestions on local voices?

On another point, I took a call from SLO County Supervisor Shirley Bianchi (wife of William C.) saying she supports State Board's stance and saying she has impression that's the view of other supervisors as well.

Bill Rukeyser

From: William Rukeyser
To: Cantu, Celeste; Doduc, Tam
Date: 11/10/2005 4:37:21 PM
Subject: Los Osos CSD's latest rhetorical ploy

The current party line from the CSD is that a first-ever default in the SRF would reflect poorly on the State Water Board (show us to be poor money managers.)

The Water Board's comment is that being the first in the nation to default would be a sorry distinction for Los Osos and that it is a "novel" suggestion for Los Osos (or anyone there) to suggest that the State Board should have withheld a payment on the loan (back in September), when there were valid contracts, the proper work was being done and bills were properly submitted, simply because there was a recall election forthcoming.

Happily, the SLO Trib indicates that it is NOT writing for tomorrow and recognizes that the vast majority of its audience is heartily sick of this saga.

Bill Rukeyser

CC: Baggett, Art; Evoy, Barbara; Hartridge, Anne; Howard, Tom; Jines, Beth; Katz, R.(b'berry); Katz, Richard; Lauffer, Michael; mwintemute@calepa.ca.gov; Polhemus, Darrin; Secundy, Gerald

SRF Loan Commitments (as of 11/7/05) and Projected Commitments Beyond 11/7/05

	SFY 2005-06	SFY 2006-07	SFY 2007-08	SFY 2008-09
Item 1: New SRF Loan Commitments (or Intent to Make Commitment) by DFA as of 11/7/05 (applicants not notified yet)				
City of La Mesa Sewer System Improvements, Proj. No. 4729-110	(\$2,000,000)	(\$6,500,000)	(\$5,000,000)	(\$1,000,000)
City of La Canada Flintridge Area 3, Proj. No. 4252-510	(\$24,094,502)	(\$2,834,043)		
Steger Sanitary District, Proj. No. 4665-210	(\$706,000)			
City of Hayward WPCF Phase I, Proj. No. 4825-110	(\$18,575,000)	(\$20,758,000)	(\$14,300,000)	(\$616,000)
Reserve for Small Community Wastewater Grant Projects	(\$24,000,000)	(\$20,000,000)	(\$15,800,000)	
Total Commitments as of 11/7/05 (SFY basis)	(\$69,375,502)	(\$50,092,043)	(\$35,100,000)	(\$1,616,000)
Cumulative Total Commitments as of 11/7/05				(\$156,183,545)
Item 2: Projected Loan Commitments by DFA Beyond 11/7/05 (partial list) (information provided by PMs on 11/7/05)				
Inland Empire Utilities Water Recycling Project Phase II, Proj No. 4899-110		(\$13,500,000)		
Yucaipa Valley Water District, Project 1, Proj. No. 4200-110		(\$4,000,000)	(\$15,000,000)	(\$15,000,000)
City of Petaluma, Proj No. 4693-110	(\$35,000,000)	(\$35,000,000)	(\$35,000,000)	(\$34,000,000)
City of Lompoc, Proj. No. 4829-110		(\$25,000,000)	(\$24,000,000)	
Yucaipa Valley Water District, Project 2, Proj. No. 4200-110		(\$24,000,000)	(\$2,000,000)	
Total Projected Commitments by DFA Beyond 11/7/05 (SFY basis)	(\$35,000,000)	(\$101,500,000)	(\$76,000,000)	(\$49,000,000)
Cumulative Total Projected Commitments Beyond 11/7/05				(\$261,500,000)
Total Commitments as of 11/7/05 and Projected Commitments (SFY basis) (Item 1+ Item 2)	(\$104,375,502)	(\$151,592,043)	(\$111,100,000)	(\$50,616,000)
Cumulative Total Commitments as of 11/7/05 and Projected Commitments (Item 1+Item 2)				(\$417,683,545)

Michael Lauffer - Re: SRF

From: Darrin Polhemus
To: Katz, Richard
Date: 11/8/2005 9:33 AM
Subject: Re: SRF
CC: Anne Hartridge; Barbara Evoy; Cantu, Celeste; Hard, Bonnie; Jines, Beth; Katz, Richard; Lauffer, Michael; Rogers, Kathy; Rukeyser, William; Secundy, Gerald

Attached is a list I had staff put together yesterday. Please note that it is not really a ranked list of who exactly gets funding next. Instead it gives two groupings. The first group are those that we are just finishing the paperwork on so are all but assured to receive funding soon. The second group list those that still have an item or two to complete, but are very close and we don't expect any problems. There are more projects in wings that are working on getting us complete applications and we have a list of those as well if we want to get out into who will be coming several months from now.

Also note that we can not really say that someone is waiting for funding because we do have uncommitted funds available right now. If Los Osos funding comes back to us, it will be hard to tell exactly which project will get it down the road. We will ultimately be able to fund more projects, but the effects will not be felt for 6 months or so as we start to run out of the funding we have on hand right now.

The final point to remember is that if Los Osos returns their loan, all \$135 is not available immediately. We have their cash flow scheduled as follows: FY 05-06 = \$75 million, FY 06-07 = \$53 million, and FY 07-08 = \$6 million.

Blakeslee's office has asked for this list as well, but I will wait a bit before sending it, so everyone can comment. We may want to send the bigger list to him instead.

>>> "Richard Katz" <richard.katz@vzw.blackberry.net> 11/07/05 7:00 PM >>>
Please send me the current project list in funding order.

Thanks
Please excuse any typos, this was sent from my BlackBerry

From: Beth Jines
To: Art Baggett; Art Baggett; Barbara Evoy; Darrin Polhemus; Gerald Secundy; Michael Lauffer; Richard Katz; Tam Doduc; Tom Howard; William Rukeyser
Date: 11/4/2005 9:10:20 AM
Subject: Re: Fwd: Assemblyman Blakeslee to Meet Staff re: Los Osos

Proposed Agenda Item for Los Osos:

Consideration of a resolution approving changes to, or reallocation of, [or rescission of] the Los Osos Community Services District State Revolving Fund Loan (Project No. C-06-4014-110)

Beth Jines
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>>> Richard Katz 11/3/2005 6:13 PM >>>

What do you mean that Los Osos is on the agenda for the 16th? The only thing that's supposed to be on the agenda is the reallocation of their money if they sue us.

>>> Beth Jines 11/03/05 5:11 PM >>>

I called Blakeslee. He and the contractors have an idea that they want to discuss with us about guaranteeing the SRF loan until an assessment can be voted on. I spoke to Barbara and Tam and Richard and called his staff back (he's at the Governor/O'Connell event) and asked that they send their ideas in writing to us on Monday when Ann will be in and we'll get back to them. They haven't called back yet. He was pushing for tomorrow because he wanted to make sure that Los Osos was on the Nov 16th Board agenda. I told him it was, so he's backed off of meeting tomorrow.

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Office Phone: 916.341.5260
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Fax: 916.341.5252

>>> Michael Lauffer 11/03/05 4:41 PM >>>

I wasn't involved in the last meeting (I would be covering this one, though), but based on what I heard, I don't see how this meeting/call would be productive. Have we already made the commitment?

-maml

Michael A.M. Lauffer, Chief Counsel
Office of the Chief Counsel
State Water Resources Control Board
1001 I Street, 22nd Floor
Sacramento, CA 95814-2828


From: Kathy Rogers
To: Anne Hartridge; Celeste Cantu; Egel, Rob; Evoy, Barbara; Jines, Beth; Katz, Richard; Lauffer, Michael; Polhemus, Darrin; Rukeyser, William; Secundy, Gerald
Date: 11/4/2005
Time: 1:00:00 PM - 2:00:00 PM
Subject: Assemblyman Blakeslee to Meet Staff re: Los Osos
Place: Conf. Room 2550

Assemblyman Blakeslee has requested a meeting tomorrow. He will bring along contractors on the Los Osos project. The meeting will be held in Conf. Room 2550. Please plan on attending, if you are available. For those who need to call in, the executive meet-me line has been reserved. Please call in: (916) 255-2094. Thank you.

Barbara/Darrin, I know you are both busy with the funding fair. I hope one of you can make this meeting. I'm sorry that it had to be scheduled on Friday. Thank you!

*Kathleen Rogers
SWRCB-Executive Office
1001 I Street, Floor 25
Sacramento, CA 95814
916/341-5615
FAX: 916/341-5621
Email: kr Rogers@waterboards.ca.gov
.....><(((o>*

CC: Hard, Bonnie; Kathy Rogers



From: Roger Briggs [Rbriggs@waterboards.ca.gov]
Sent: Tuesday, October 25, 2005 4:31 PM
To: Barbara Evoy; Celeste Cantu; Darrin Polhemus; Gerald Secundy; Rob Egel; Richard Katz
Cc: Anne Hartridge; Allan Patton; Beth Jines; Christopher Stevens; Lori Okun
Subject: Re: A delay in Measure B hearing- Los Osos

Superior Ct Judge Hilton ruled in favor of the District's (remember - the old District, not the current one) request to invalidate Measure B. Measure B authors appealed that ruling. The appeal was scheduled for hearing tomorrow, but the NEW CSD last week stipulated with the authors to Dec 14, and the reason given by the court was because the CSD told the court a settlement is pending. But at the same time the CSD has actively sought and received a delay in the resolution of Measure B, the CSD is saying they can't proceed with the already started treatment plant because of Measure B.
Roger Briggs

>>> Richard Katz 10/25/2005 4:08 PM >>>
Just for clarification, has any court ruled on Measure B?

Thanks

>>> Barbara Evoy 10/25/05 1:03 PM >>>
This could be very unfortunate. Anne Hartridge heard yesterday that the Measure B hearing had been delayed on Los Osos - it appears until Dec. 14. We were hoping to have a prompt hearing on Wednesday, followed by a quick decision. As long as the validity of Measure B is in question, we have more unknowns with Los Osos. We are of the belief that it is in effect unless overturned by the courts, thereby canceling our SRF construction contract and that of the individual contractors.

>>> Anne Hartridge 10/25/2005 9:47:46 AM >>>
continued to 12/14



From: Roger Briggs [Rbriggs@waterboards.ca.gov]
Sent: Tuesday, October 25, 2005 2:20 PM
To: Barbara Evoy; Celeste Cantu; Darrin Polhemus; Gerald Secundy; Rob Egel; Richard Katz
Cc: Anne Hartridge; Allan Patton; Beth Jines; Christopher Stevens
Subject: Re: A delay in Measure B hearing- Los Osos

Anne said Measure B "had been delayed." That is passive voice. One might assume the court delayed it. However, the CSD actively delayed it. I understand that last week the CSD stipulated to the delay with Al Barrow and friends (Measure B authors). That is, the District deliberately acted to delay resolution of Measure B. They then turn around and say, "we have no choice but to go to a new site because of Measure B."

>>> Gerald Secundy 10/25/2005 1:21 PM >>>
Rats!! Jerry


>>> Barbara Evoy 10/25/05 1:03 PM >>>
This could be very unfortunate. Anne Hartridge heard yesterday that the Measure B hearing had been delayed on Los Osos - it appears until Dec. 14. We were hoping to have a prompt hearing on Wednesday, followed by a quick decision. As long as the validity of Measure B is in question, we have more unknowns with Los Osos. We are of the belief that it is in effect unless overturned by the courts, thereby canceling our SRF construction contract and that of the individual contractors.

>>> Anne Hartridge 10/25/2005 9:47:46 AM >>>
continued to 12/14

~~XXXXXXXXXX~~

From: Roger Briggs [Rbriggs@waterboards.ca.gov]
Sent: Tuesday, October 25, 2005 11:56 AM
To: Darrin Polhemus
Cc: Anne Hartridge; Allan Patton; Barbara Evoy; Gerald Secundy
Subject: and another thing...


Darrin,
Whatever site they choose outside of town will need to be rezoned from agriculture to public services. That will require a County or Coastal General Plan Amendment... which means hearing from the Planning Commission, and then with the Coastal Commission like the former CSD did in 2002. Those hearings will add at least six months or more to the timeline (probably more since the neighbors already object). This process was needed before the CSD could apply for a CDP for the current project.
Also Darrin, I've got a Harbor District meeting tonight (about 6:45), so plz try calling me on my cell (805-235-1766) if you call after 6:45.
thanks,
Roger



From: Richard Katz [rkatz@waterboards.ca.gov]
Sent: Monday, November 07, 2005 12:11 PM
To: Gerald Secundy; Michael Lauffer
Cc: Bonnie Hard; Celeste Cantu; Tam Doduc
Subject: Assm Blakeslee, again

As I've discussed with Gerry and Tam (I left you a message Michael), at the request of Assembly Republican Leader Kevin McCarthy, we'll be having one more meeting with Sam (and maybe his staff, no one from Los Osos or contractors), tomorrow, Tuesday at 2:30 in Assemblman McCarthy's capitol office (rm 3104).

From the SWRCB; Gerry, Michael and Richard will be attending.


From: Gerald Secundy [gsecundy@waterboards.ca.gov]
Sent: Monday, November 21, 2005 10:01 AM
To: Celeste Cantu; Tam Doduc; William Rukeyser
Cc: LeoMinosaRscuFnd@aol.com; MWintemute@CALEPA.ca.gov; TSolorio@CALEPA.ca.gov; richard.katz@vzw.blackberry.net; Art Baggett; Anne Hartridge; Barbara Evoy; Beth Jines; Chris Davis; Carmencita Sannebeck; Christopher Stevens; Darrin Polhemus; Liz Kanter; Michael Lauffer; Richard Katz; Selica Potter; Sandra Salazar-Thompson
Subject: Re: op-ed on Los Osos

It's nice to see that there are some intelligent and caring people in the world! Jerry

>>> William Rukeyser 11/21/05 9:46 AM >>>
From the SLO Tribune (today)

Posted on Mon, Nov. 21, 2005

Viewpoint On the Los Osos Sewer Project/Let's keep our Anns independent

By Doug Morin
The Tribune

Lately, I've taken to cringing when folks ask me where I live. The question was posed to me just recently, and my reply drew the typical reaction: "Hey, what's the deal with Los Osos? Are you guys nuts? Why should I, as a citizen of California, tolerate your town's pollution of the environment? You deserve to get fined. No offense, by the way."

None taken.

Really, who cares if a bunch of squabbling, selfish baby boomers end up costing themselves a small fortune? The current board is pushing us toward monthly payments of \$300 to \$400, maybe \$500, with their NIMBY battle to move the treatment plant. And from the perspective of the outside world looking in, we deserve it.

That last sentence would've made a good stopping place, except for one thing: my good neighbor, Ann.

I'm guessing Ann's in her mid-80s. She's much too private to volunteer such information, and I would never ask. She built the little house next door with her husband back in the 1950s, and although he died years ago, Ann shows no sign of slowing down. I see her outside every day, sweeping the patio, trimming the bottle brush hedge, plucking little weeds from the sand verbena, and the conversation is always the same:

"Hi Ann."

"Oh, hello there. Are you keeping busy?"

"Yes ma'am. Pretty busy."

"Me too. Always something to do. Busy, busy, busy."

And off she scurries to her next task. My point is that Ann is independent. But I don't think she's rich, and I'm worried that our current Community Services District board's mindset will cause her unnecessary hardship.

Board President Lisa Schicker claims she wouldn't be able to live with herself if she were to allow construction on the Tri-W site. With all due respect, Ms. Schicker needs to face reality and channel her excellent leadership qualities toward battles she can win. If she can find it in her power to allow the Anns in our community to keep their dignity and independence, that's something we all can live with.

It's more important than any treatment plant location.

Doug Morin is a land surveyor and longtime San Luis Obispo County resident. He lives in
Daywood Park.

William L. Rukeyser
State Water Resources Control Board
(916) 341-7365

From: Richard Katz [rkatz@waterboards.ca.gov]
Sent: Monday, November 21, 2005 9:20 AM
To: Art Baggett; Celeste Cantu; Gerald Secundy; Tam Doduc
Cc: Beth Jines; Michael Lauffer; William Rukeyser
Subject: Fwd: Forwarding of SWRCB Letter Re: Structured Negotiations

Attachments: Forwarding of SWRCB Letter Re: Structured Negotiations



Forwarding of
SWRCB Letter Re:...

Is this their best response?? Looks like they think they have legal recourse? They need new counsel-even if everything they say is true (which obviously it isn't), the only thing that matters is what the Board does and that was last weeks action.

I'd suggest a response if any, from OCC, once again in clear language what is and what isn't!

[REDACTED]

From: Daniel Bleskey [dbleskey@losososcsd.org]
Sent: Sunday, November 20, 2005 9:38 PM
To: gsecundy@waterboards.ca.gov
Cc: abaggett@waterboards.ca.gov; BEvoy@waterboards.ca.gov; CCantu@waterboards.ca.gov; News from Los Osos; RKatz@waterboards.ca.gov; tdoduc@waterboards.ca.gov; Chuck Cesanna, Director; John Fouche; Julie tacker; Lisa Schicker; Steve Senet Director
Subject: Forwarding of SWRCB Letter Re: Structured Negotiations
Attachments: Letter from SWRCB 10-21-05.pdf

Dear Mr. Secundy,

I am writing this message to provide you the information regarding my understanding why I believed that the discussions that the LOCSD entered into with SWB SRF staff on October 24, 2005, were in fact "Structured Negotiations". Attached is a copy of the letter from your staff entitled "AGREEMENT FOR STRUCTURED NEGOTIATIONS; LOS OSOS COMMUNITY SERVICES DISTRICT (DISTRICT); WASTEWATER COLLECTION, TREATMENT AND DISPOSAL PROJECT; STATE REVOLVING FUND (SRF) LOAN PROGRAM PROJECT NO. C-06-4014-110". This letter was sent from Celeste Cantu to Assemblyman Blakeslee setting the conditions of the discussions between state SWB staff and representatives from the LOCSD.

Although you were emphatic, on two occasions during the November 16, 2005, State Water Board meeting, that these discussions were not a negotiation, the attached document shows otherwise. This is but one example of the lack of detail your staff provided your board on the 16th. There are other examples of insufficient details and lack of "facts" in SWB staff report that were minimally necessary for you and your fellow board members to make a fair assessment of the situation and an informed decision.

If you would like to discuss this further please let me know.

Very Respectfully Submitted,

D. M. Bleskey



Alan C. Lloyd, Ph.D.
Agency Secretary

State Water Resources Control Board

Executive Office

Tom M. Dodue, Board Chair
1001 I Street • Sacramento, California 95814 • (916) 341-5615
Mailing Address: P.O. Box 100 • Sacramento, California • 95812-0100
Fax (916) 341-5621 • <http://www.waterboards.ca.gov>



Arnold Schwarzenegger
Governor

OCT 21 2005

The Honorable Assemblyman Sam Blakeslee
1104 Palm Street
San Luis Obispo, CA 93401

Dear Assemblyman Blakeslee:

AGREEMENT FOR STRUCTURED NEGOTIATIONS; LOS OSOS COMMUNITY SERVICES DISTRICT (DISTRICT); WASTEWATER COLLECTION, TREATMENT AND DISPOSAL PROJECT; STATE REVOLVING FUND (SRF) LOAN PROGRAM PROJECT NO. C-06-4014-110

Thank you for your letter of October 17, 2005, requesting that we participate in discussions on the District's project. We greatly appreciate all your effort and energy in trying to find a solution to the current dilemma facing this project. As expressed in our phone conversations with you, we very much want to reach a quick conclusion of the current situation and find a way to rapidly progress to completion of a project that will protect Los Osos's water quality and provide the community with long need wastewater treatment facilities.

In order to proceed with talks regarding the future of the SRF loan for the District's project, we must have agreement from all parties to the following conditions:

1. No project sites are off the table for consideration, and this includes the current Tri-W location.
2. The State Water Resources Control Board (State Water Board) will not incur any further liabilities during the discussion timeframe and will continue to withhold any payments until further notice as described in our letter of October 18, 2005, to the District.
3. Discussions must begin immediately and should proceed without pause until agreement is reached or the parties agree that a quick resolution is unattainable. We are prepared to begin as early as Monday, October 24, 2005.
4. All parties will be committed to negotiate for one week.
5. The discussions will be led by yourself or a neutral party of your designation, but at all times will be overseen by you.
6. The discussion leader will have sole approval of which technical experts may participate in the discussions. We highly recommend that a representative of the current design team, Mr. Steve Highland, be available to provide support.

California Environmental Protection Agency

Assemblyman Blakeslee

- 2 -

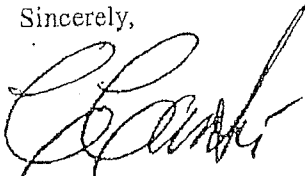
OCT 21 2005

7. The first step of the discussions will be a true time-cost analysis comparing the costs of the current project with that of any possible alternatives and the costs associated with the delays to implement those alternatives.
8. Any consideration of an agreement to proceed and further expend SRF loan funds must also include a guaranteed method of repayment.
9. It is understood that the State Water Board does not speak for the Central Coast Regional Water Quality Control Board, and that they must continue their independent action.

If these conditions can be agreed to, I am prepared to send Mr. Darrin Polhemus of my staff to participate in the discussions first thing Monday morning. I wish to emphasize that our first and highest priority is to protect the water quality of the Los Osos area. This being said, we must also act to preserve the integrity of the SRF program at all costs. Because of this we feel that a very quick resolution is need.

I wish to again thank you for all the time you have invested to date and your willingness to volunteer to lead us in this effort.

Sincerely,



Celeste Cantú
Executive Director



From: Michael Lauffer [MLauffer@waterboards.ca.gov]
Sent: Wednesday, November 23, 2005 9:55 AM
To: RKsylmar@aol.com; Gerald Secundy; William Rukeyser
Cc: Celeste Cantu
Subject: Los Osos Call
Importance: High

Let's shoot for 10 a.m. Call-in number 916.255.2094.

It's definitely the last call I want to be on.
-maml

Michael A.M. Lauffer, Chief Counsel
Office of the Chief Counsel
State Water Resources Control Board
1001 I Street, 22nd Floor
Sacramento, CA 95814-2828

Phone: 916.341.5183
Facsimile: 916.341.5199
Internet: mlauffer@waterboards.ca.gov

From: Roger Briggs [Rbriggs@waterboards.ca.gov]
Sent: Tuesday, October 25, 2005 4:07 PM
To: Barbara Evoy; Celeste Cantu; Darrin Polhemus; Gerald Secundy; Rob Egel; Richard Katz
Cc: Anne Hartridge; Allan Patton; Beth Jines; Christopher Stevens; Lori Okun
Subject: Re: A delay in Measure B hearing- Los Osos

I have a class starting at 9, so would be nice to take care of this betwixt 8 & 9.

>>> Darrin Polhemus 10/25/2005 3:01 PM >>>

I have put on the table that it needs to be moved back up, and dismissed by the courts. They are outside talking about it now. I still have a chance.

While I have everyone's attention. Can I get a conference call setup for tomorrow morning to discuss where I am at with negotiations. I will go over to Rogers office and call in from there. I am suppose to draft up a position that I will take and want to run it by everyone. We will be meeting at 1 PM tomorrow so anytime before that would be good. Maybe around 10 AM?

Barbara, can you have Anne do the setup please.

Thanks,
Darrin

>>> Roger Briggs 10/25/2005 2:19:31 PM >>>

Anne said Measure B "had been delayed." That is passive voice. One might assume the court delayed it. However, the CSD actively delayed it. I understand that last week the CSD stipulated to the delay with Al Barrow and friends (Measure B authors). That is, the District deliberately acted to delay resolution of Measure B. They then turn around and say, "we have no choice but to go to a new site because of Measure B."

>>> Gerald Secundy 10/25/2005 1:21 PM >>>

Rats!! Jerry

>>> Barbara Evoy 10/25/05 1:03 PM >>>

This could be very unfortunate. Anne Hartridge heard yesterday that the Measure B hearing had been delayed on Los Osos - it appears until Dec. 14. We were hoping to have a prompt hearing on Wednesday, followed by a quick decision. As long as the validity of Measure B is in question, we have more unknowns with Los Osos. We are of the belief that it is in effect unless overturned by the courts, thereby canceling our SRF construction contract and that of the individual contractors.

>>> Anne Hartridge 10/25/2005 9:47:46 AM >>>

continued to 12/14

From: Darrin Polhemus [DPolhemus@waterboards.ca.gov]
Sent: Tuesday, October 25, 2005 8:17 AM
To: Anne Hartridge; Barbara Evoy; Beth Jines; Celeste Cantu; Gerald Secundy; Roger Briggs; Rob Egel
Cc: Allan Patton
Subject: Re: Darrin is alive and well

Got your note Roger. I will be working these points in today.

Darrin

>>> Roger Briggs 10/25/2005 5:00 AM >>>

As an add on to my previous note (below) - where I focused on likely added costs... You shouldn't just be looking at it from a "which is cheaper" standpoint. What about another 5 year delay? The original CSD actually had a site already eyeballed, and it took them seven years to get to construction. So five years would be a reasonable assumption. Who knows how much costs will escalate in say five years? And what if that 5-year delay is followed by another project-killer? Why should this discharger be allowed another five years of resource damage and public health threats considering the compromises we have already made?

Also on the Prop 218 discussion, the players should realize the CSD is not necessarily getting good legal advice.

roger

Roger W. Briggs PE
Executive Officer
Central Coast Regional Board
805-549-3140
fax 805-788-3511

Note the new email address: rbriggs@waterboards.ca.gov
and web site: <http://www.waterboards.ca.gov/centralcoast/>

>>> Roger Briggs 10/24/05 6:26 PM >>>

Thanks. I'm still here at the office, but headed home soon.

As far as out of town possibly being cheaper, they need to factor in lots of potential added costs for mitigation (the site would mean crossing over wetlands, possibly a creek with pipelines); probably added O&M for more raw sewage pumping costs; litigation costs (they were significant for the existing site - and you can count on more legal challenges from a variety of parties); land aquisition; sunk costs for existing planning and design which would have to be redone (\$); the new Los Osos CSD bid factor (potential bidders will bump up the contingency costs due to the recent history of the CSD and the bidders will be fewer and farther between than they were before); inflation; Coastal Commission wild card; etc., etc.

>>> Barbara Evoy 10/24/05 5:52 PM >>>

they just finished up at the Assemblyman's office. Darrin said they were all very cordial today. They ran through different scenarios and penciled them out. Tomorrow they will add detail. It appears that moving the site out of town may indeed be cheaper, but that is without the addition of RB fines, and many of the external costs associated with a move - and without a discussion of what alternative financing may cost. Tomorrow they will also discuss 218 and what the ramifications of that are.

Darrin will be calling Roger at home to update him.

From: Beth Jines [BJines@waterboards.ca.gov]
Sent: Tuesday, November 01, 2005 9:18 AM
To: Anne Hartridge; Barbara Evoy; Celeste Cantu; Darrin Polhemus; Lori Okun; Michael Lauffer; Tom Howard; William Rukeyser
Cc: Gerald Secundy; Richard Katz; Tam Doduc
Subject: Re: Los Osos

The meeting is at 9:30 in room 2520. Darrin, pls bring what you have completed to the mtg. Thanks!

Beth Jines
Acting Deputy Director
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814
bjines@waterboards.ca.gov
bjines@vzw.blackberry.net
Office Phone: 916.341.5260
Cell Phone: 916.502.3615
Fax: 916.341.5252

>>> Celeste Cantu 11/1/2005 9:09 AM >>>

Dear Team, I have Salton Sea all day today but will return for the ACL meeting and our bd briefing at 11:30 in my office.

For starters we need to:

Staff meet ASAP this morning to craft a written response to CSD for our BD committee consideration. Correspondence will be from staff not our bd.

With our bd committee's consent we may keep this alive and build a sewer plant, but we need to carefully craft our strategy. Darrin did a very good job bringing the CSD closer to reality. The proposal is not complete or well crafted and can only be considered as draft. It is not something in final form that we can take to our bd. They must get an attorney for us to work with.

Lets revisit our initial prerequisite letter and regain control of the process. We need to reintegrate that prerequisite letter and fully flesh out the requirements in very explicit terms that they can understand. The prerequisites must be met before we can recommend anything to our bd.

We must clearly id a 2 step process, staff work resulting in a recommendation to our bd and bd work that happens at a scheduled board meeting.

Lets make it clear that Darrin was not part of a negotiation team and this proposal is not a bilateral document. Darrin was sent there to serve as a staff resource to make certain that the new CSD bd understood the ramifications of their actions and the full cost to their community. Darrin did a very good job and the CSD bd is in a better place to move forward now than last week. WE are pleased with their progress but the proposal still needs work before it can be presented to our bd.

Measure B is not our problem and we will not partner with them. It is their problem and it was bad faith when they had the appeal delayed. We demand as a prerequisite for proposal consideration by our bd that the CSD petition the ct for a speedy review.

We need to do a general reality check on the draft proposal. Are the numbers and time frames legit?

We need a detailed time frame with milestones. When milestones are missed they must immediately resume with the approved site. There are other points that you all need to bring up that are escaping me at this moment.

We have at least 3 options for considerations by our bd.

1. Declare the contract in default due to measure b. No sewer is built and water quality continues to deteriorate, we sue for the \$6 million SRF spent and recover it years from now.

2. demand that the CSD bd get Measure b repealed and commence on approved project. The CSD dig their heels in, suffer ACLs and SRF is out millions or they go along and build it.

3 Staff recommends approval of their proposal for consideration of another site while holding the state harmless, and protecting Water quality in the intervening years as they struggle for approvals. After delays they build a sewer plant somewhere.

Beth and Bill, we probably need a press communication out of this.

Good luck.

Celeste Cantú, Executive Director
State Water Resources Control Board
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