November 5, 2026

DISCUSSION ITEM STAFF REPORT

ITEM 8.A. Adoption of Resolution Approving the Project Funding Agreement and Promissory Note with the County of San Luis Obispo for Emergency Ocean Outfall Project

Recommendations:

1. Adopt the attached Resolution finding that entering the Agreement is in the best interests of the District and necessary to fund the emergency ocean outfall repairs; approving the Agreement and Note substantially in the form presented; authorizing the Board Chairperson to excute the agrement and Note; approve pledge of District revenues as set forth in the Agreement; Authorizing the Board Chairperson and Public Works Division Manager to request advances under the agreement, remit proceeds and take other actions necessary to administer the Agreement; and authorize budget adjustments to account for advances and repayment.

Discussion:
On October 23, 2026, your Board accepted Cleanup and Abatement Account (CAA) Funding from the State Water Resources Control Board for the purpose of completing emergency repairs to the District's ocean outfall.

The CAA grant is funded on a cost-reimbursement basis. Project expenditures are authorized for reimbursement under the grant once the award is confirmed. The grant agreement takes some time to finalize and may come after work is complete. Once the grant agreement is finalized, reimbursement requests may be submitted for expenses previously paid.

The delay between project completion, required payments to vendors, and receipt of grant reimbursement creates a cash flow challenge to the District's limited resources. The County of San Luis Obispo has offered temporary cash flow support in the form of a Credit Line secured by the grant reimbursement and backed by District revenues including property taxes. The Credit Line is limited to outfall repair project expenses.

Staff requests Board approval of the recommended actions.

Attachments:

1. Resolution
2. Project Funding Agreement
3. Promissory Note

RESOLUTION NO. 26-XXX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT APPROVING THE PROJECT FUNDING AGREEMENT AND PROMISSORY NOTE BETWEEN THE COUNTY OF SAN LUIS OBISPO AND THE SAN SIMEON COMMUNITY SERVICES DISTRICT FOR EMERGENCY OCEAN OUTFALL PROJECT

WHEREAS, the San Simeon Community Services District ("District") wastewater treatment system includes an ocean outfall that discharges treated effluent in compliance with operational permits; and

WHEREAS, the ocean outfall needs maintenance and repair work that has been delayed by lack of funding; and

WHEREAS, on September 21, 2026, Governor Newsom proclaimed a statewide State of Emergency due to the strengthening El Niño event and accompanying potential for disruption and damage to infrastructure, and the proclamation provides for local agencies to begin preparations to prevent and respond to potential damage from elevated coastal water levels and high-impact storms; and

WHEREAS, the California State Water Resources Control Board ("State Water Board") maintains a Cleanup and Abatement Account ("CAA") to provide grants for projects, including emergency projects, that require immediate action to mitigate a significant threat to the environment or a threat to public health and safety, and the State Water Board has approved CAA grant funding for the District's outfall repair project in the amount of $379,148; and

WHEREAS, during the special District Board of Directors ("Board") meeting on October 23, 2026, the Board adopted Resolution No. 26-516 finding that emergency conditions exist, accepting the CAA grant funding, and authorizing the ocean outfall repairs; and

WHEREAS, the CAA grant is funded on a cost-reimbursement basis, and project expenditures are authorized for reimbursement under the grant once the award is confirmed; and

WHEREAS, the CAA grant agreement takes time to finalize and will likely come after the ocean outfall repairs are complete; and

WHEREAS, the District needs to complete the ocean outfall repairs as soon as possible, and the District needs an advance of funds to pay for the ocean outfall repairs before the CAA grant provides reimbursement; and

WHEREAS, the County of San Luis Obispo has agreed to advance the initial financing for the ocean outfall repairs subject to the terms of the proposed Project Funding Agreement Between the County of San Luis Obispo and the San Simeon Community Services District for Emergency Sewer Outfall Project (the "Agreement") and the related Promissory Note (the "Note"); and

WHEREAS, under the Agreement, the County will establish a line of credit for the District in an amount up to four hundred thousand dollars ($400,000.00), and the District Board Chairperson, Karina Tiwana, and Suzy Watkins, Division Manager for San Luis Obispo County Public Works, will be authorized to request advances for the ocean outfall repairs; and

WHEREAS, under the Agreement, the District will be required to remit CAA grant reimbursement proceeds to the County to repay advances, will remain responsible for repayment of the outstanding principal balance by the maturity date set forth in the Agreement if CAA reimbursement is canceled, reduced, delayed, or denied, and, in the event of default, will pledge lawfully available District revenues and authorize the County to offset amounts due from District funds in the County's possession, including District property tax revenue, notwithstanding Government Code section 907; and

WHEREAS, the advances will be used solely for the ocean outfall repair project and are not expected to exceed the CAA grant amount, except as otherwise authorized by the Board; and

WHEREAS, the Board finds that entering into the Agreement is in the District's best interests and necessary to fund the ocean outfall repairs.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the San Simeon Community Services District as follows:

1. The Board finds and that entering into the Agreement is in the best interests of the District and necessary to fund the emergency ocean outfall repairs.
2. The Agreement and the Note, in the principal amount of up to $400,000.00, are hereby approved in substantially the form presented to the Board.
3. The District Board Chairperson is authorized to execute the Agreement and the Note on behalf of the District, with such changes as the Chairperson, upon the advice of District Counsel, determines are necessary or appropriate and do not materially increase the District's obligations, such execution to be conclusive evidence of such approval.
4. The Board expressly approves the pledge of lawfully available District revenues and the authorization for the County to offset amounts due from District funds and property tax revenue in the County's possession, each as set forth in the Agreement.
5. The District Board Chairperson and Suzy Watkins, Division Manager, are authorized to request advances under the Agreement, to remit CAA grant reimbursement proceeds to the County, and to take all other actions necessary to administer the Agreement, consistent with Resolution No. 26-516.
6. District staff are authorized to make such budget adjustments as are necessary to receive the advances and account for their repayment.

[Signatures on the following page.]

Upon motion of _____, seconded by _____, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAINING:

The foregoing resolution is hereby adopted on the _____ day of _____, 2026.

_____
Chairperson of the Board of Directors

ATTEST:

By: _____
San Simeon Community Services District

APPROVED AS TO FORM AND LEGAL EFFECT:

By: _____
District Counsel, Nubia I. Goldstein

PROJECT FUNDING AGREEMENT
BETWEEN THE COUNTY OF SAN LUIS OBISPO AND THE SAN SIMEON COMMUNITY SERVICES DISTRICT FOR EMERGENCY SEWER OUTFALL REPAIR PROJECT

This Project Funding Agreement ("Agreement") is entered into by and between the County of San Luis Obispo ("County") and the San Simeon Community Services District ("District") (each a "Party" and collectively, "Parties").

WHEREAS, the District owns and operates a wastewater treatment facility regulated by the California Regional Water Quality Control Board, Central Coast Region ("Central Coast Water Board"); and

WHEREAS, the Central Coast Water Board has identified the condition of the wastewater treatment facility's outfall as functional, but deteriorating;

WHEREAS, the latest outfall inspection report recommended that repairs be conducted as soon as possible;

WHEREAS, the Central Coast Water Board has issued a notice of violation of the District's National Pollutant Discharge Elimination Permit associated with the need to complete the repairs;

WHEREAS, the State Water Resources Control Board's Division of Financial Assistance ("DFA") approved the District's request for grant funding from the Cleanup and Abatement Account in the amount of three hundred seventy-nine thousand one hundred forty-eight dollars ($379,148.00) to support the emergency outfall repair work ("Project");

WHEREAS, under the grant funding program, the DFA will reimburse the District for costs associated with the Project on a cost-reimbursement basis, and the Parties acknowledge that the grant agreement may not be finalized, and reimbursement may not be received, until after the Project is complete;

WHEREAS, on September 21, 2026, Governor Newsom issued a proclamation of a state of emergency, finding that a developing El Nino event can be associated with exceptionally wet and destructive winter conditions in California;

WHEREAS, the District intends to complete the Project as soon as possible to avoid any potential environmental, health, and safety impacts in the event of an atmospheric river or other destructive winter conditions;

WHEREAS, the District is in need of an advance of funds to meet the initial financial needs required to complete the Project;

WHEREAS, it is in the best interests of the County and the District for the County to advance the initial financing for the Project to prevent any environmental impacts that could affect health and public safety; and

NOW, THEREFORE, pursuant to California Government Code section 26227, the Parties agree as follows:

1. **LINE OF CREDIT**. The County hereby establishes a line of credit (the "Credit Line") for the District in the principal amount of up to four hundred thousand dollars ($400,000.00) (the "Credit Limit"). No interest shall accrue on any Advances made pursuant to this Agreement. In connection herewith, the District shall execute and deliver to the County a Promissory Note in the amount of the Credit Limit and in substantially the form attached to this Agreement. All sums advanced on the Credit Line or pursuant to the terms of this Agreement (each an "Advance") shall become part of the principal of said Promissory Note. In the event of any conflict between this Agreement and the Promissory Note, this Agreement shall control.

2. **ADVANCES**. Requests for Advances may be made from time to time in amounts not to exceed one hundred thousand dollars ($100,000.00) per Advance, such as the District may choose; provided, however, any requested Advance will not, when added to the outstanding principal balance of all previous Advances, exceed the Credit Limit of four hundred thousand dollars ($400,000.00). Requests for Advances must be made in writing, which may be delivered by email to the County Auditor-Controller, by such officer of the District authorized by it to request such Advances. Until such time as the County may be notified otherwise, the District hereby authorizes its District Board Chairperson, Karina Tiwana, or written designee, to request Advances. Each request

shall state the amount requested and include a brief description of the Project costs incurred or anticipated to be incurred and a certification that the Advance will be used solely for the Project; no other conditions, documentation, or approvals shall be required as a condition of an Advance. The County shall disburse each Advance promptly after receipt of a request that complies with this Section. No additional Advances will be made after November 1, 2027. The funds from Advances will be used by the District solely for the Project.

3. **REPAYMENT.** Upon receipt of any reimbursement from the DFA for Project costs financed through Advances under this Agreement, District shall remit such reimbursement proceeds to the County within fifteen (15) business days after the reimbursement funds are deposited and available to the District, up to the outstanding principal balance. Any remaining outstanding principal balance shall be due and payable on the later of (a) December 1, 2027, or (b) ninety (90) days after the District's receipt of the final DFA reimbursement payment for the Project, but in no event later than June 30, 2028 (the "Maturity Date"). In the event DFA reimbursement is canceled, reduced, or denied, the District shall remain responsible for repayment of the outstanding principal balance.

4. **DEFAULT.** The District shall be in default if it fails to repay any amount when due, uses Advances for purposes other than the Project, or otherwise fails to comply with any material provision of this Agreement. Upon the occurrence of a default, the County may declare the entire unpaid principal balance to be immediately due and payable without presentment, demand, protest, or other notice of any kind. The County may suspend or terminate any obligation it may have hereunder to make additional Advances. To the extent permitted by law, the District waives any rights to presentment, demand, protest, or notice of any kind in connection with this Agreement. No failure or delay on the part of the County in exercising any right, power, or privilege hereunder will preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided

herein are cumulative and not exclusive of any other rights or remedies provided by law or in equity. The District agrees to pay all costs of collection incurred by reason of the default, including court costs and reasonable attorney's fees.

5. **SECURITY.** The account receivable constituting the security on which the promissory note is being issued is the anticipated revenue from the funds to be received from the DFA. In addition, in the event of default, the District pledges to pay the promissory note from unrestricted revenue funds lawfully available to the District for repayment, excluding funds that are restricted by law, grant, bond covenant, or contract to other purposes.

6. **PROPERTY TAX OFFSET.** Notwithstanding the provisions of Government Code section 907, in the event of a default, the District authorizes the County to offset the unpaid principal balance then due from funds due and owing to the District in the possession of the County, including, but not limited to, District property tax revenue. Should said funds be insufficient, the District authorizes the County to offset the remaining unpaid principal balance from property tax revenue collected by the County for distribution to the District each fiscal year, until the balance is satisfied. The County shall provide the District with a written accounting of each offset.

7. **RECORDS.** District agrees that the County shall have the right, upon reasonable advance written notice, to review and to copy any records and supporting documentation related to the use of Advances under this Agreement. The District shall retain all financial accounts, documents, and records regarding the Project for three (3) years following final repayment of all amounts due under this Agreement, or such longer period as may be required by the DFA grant agreement. The District agrees to allow the County access to such records during normal business hours.

8. **INDEMNIFICATION.** To the fullest extent permitted by law, the District shall indemnify, defend (with counsel reasonably acceptable to County) and hold harmless the County, its officials, officers, agents, and employees, from and against any and all claims, demands, damages, liabilities, losses, costs and expenses (including attorney's fees and costs of litigation), of every nature arising out of the performance of this Agreement, except where caused by the sole negligence or willful misconduct of the County.

9. **COMPLIANCE WITH LAW.** The District agrees to comply with all applicable federal, state, and local government statutes, laws, regulations, codes, ordinances, orders, or other governmental requirements that apply to the Project.

10. **THIRD PARTY BENEFICIARIES.** The Parties to this Agreement do not intend to create rights in, or grant remedies to, any third party as a beneficiary of this Agreement, or any duty, covenant, obligation or understanding established herein.

11. **SEVERABILITY.** In the event any provision of this Agreement is unenforceable or held to be unenforceable, then the Parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.

12. **COUNTERPARTS.** This Agreement may be executed in two or more counterparts, each of which shall be deemed the original, but all of which together shall constitute one and the same contract.

13. **NOTICE.** Any written notice will be deemed effective upon receipt when personally delivered, delivered by recognized overnight courier, or delivered by email with confirmation of transmission (provided a copy is also sent by one of the other methods in this Section), or three (3) business days after deposit in the U.S. mail, certified or registered mail, return receipt requested, postage prepaid, and addressed to the party to which notice is being given as follows, or at such other address as a party may designate in writing:

County: County of San Luis Obispo
Attn: Auditor-Controller
1055 Monterey St., Room D220
San Luis Obispo, CA 93408
E-mail:

District: San Simeon Community Services District
111 Pico Ave.
San Simeon, CA 93452
E-mail:

14. **GENERAL PROVISIONS**. This Agreement will be binding upon and inure to the benefit of the District and the County, their respective successors and assigns, except that neither Party may assign or transfer its rights or delegate its duties hereunder without the prior written consent of the other Party, which shall not be unreasonably withheld. This Agreement, the Promissory Note, and all documents and instruments associated herewith will be governed by and construed and interpreted in accordance with the laws of the State of California. Before initiating any legal action concerning this Agreement or the Promissory Note, the Parties shall meet and confer in good faith for at least fifteen (15) days after written notice of the dispute; provided that either Party may seek provisional relief to prevent irreparable harm. Each Party has participated in drafting this Agreement, and no provision shall be construed against either Party as the drafter. This Agreement will be deemed to express, embody, and supersede any previous understanding, agreements, or commitments, whether written or oral, between the parties with respect to the general subject matter hereof. This Agreement may not be amended or modified except in writing signed by the parties.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date the last Party signs below.

Borrower: San Simeon Community Services District	Lender: County of San Luis Obispo
_____	_____ James Hamilton, Auditor-Controller
_____ Printed Name and Title	_____ Date
_____ Date	
Approval as to Form and Legal Effect:	Approval as to Form and Legal Effect: JON ANSOLABEHERE County Counsel
_____	Daniel Solson Chief Deputy County Counsel
_____ Date	November 02, 2026 Date

PROMISSORY NOTE

$400,000.00 San Luis Obispo, CA _____ Date

This Promissory Note (the "Note") is made and executed as of the date referred to above, by and between the San Simeon Community Services District (the “District"), and the County of San Luis Obispo ("County"). By this Note, the District promises and agrees to pay to the order of the County, the principal sum of Four Hundred Thousand and 00/100 Dollars ($400,000.00), or the aggregate unpaid principal amount of all advances made by the County to the District pursuant to the terms of the Project Funding Agreement (the "Agreement"), whichever is less. The Note shall bear no interest, and the District shall be obligated to repay only the outstanding principal balance, together with any applicable costs of collection as provided herein.

Upon receipt of any reimbursement from the State Water Resources Control Board’s Division of Financial Assistance (“DFA”) for the Project costs financed through Advances under the Agreement, the District shall remit such reimbursement proceeds to the County within fifteen (15) business days after the reimbursement funds are deposited and available to the District, up to the outstanding principal balance. Any remaining outstanding principal balance shall be due and payable on the Maturity Date as defined in, and subject to the repayment provisions of, Section 3 of the Agreement.

Any notice or demand to be given to the parties hereunder shall be given in the manner, and shall be effective at the time, provided in the Agreement, addressed to the party at its address specified in the Agreement, or at such other address as one of the parties may hereafter designate in writing to the other party.

Except for the notices required under the Agreement, the District waives presentment for payment, protest, notice of protest, and notice of dishonor, and agrees that this Note, or any payment hereunder, may be extended from time to time by the County without in any way affecting its liability hereunder.

In the event any payment under this Note is not made at the time and in the manner required, the District agrees to pay any and all costs and expenses which may be incurred by the County in connection with the enforcement of any of its rights under this Note or under any such other instrument, including court costs and reasonable attorneys' fees.

This Note shall be governed by and construed and enforced in accordance with the laws of California.

District: San Simeon Community Services District

_____

_____

Printed Name and Title

_____

Date

County: County of San Luis Obispo

_____

James Hamilton, Auditor-Controller

_____

Date