



August 6, 2026

DISCUSSION ITEM STAFF REPORT

ITEM 8.A. Receive and File NBS Analysis

Recommendations:

1. Receive and File the Final Draft NBS Analysis of San Simeon Community Services District

Discussion:

The draft NBS report was presented for review at the June 10, 2026 Board meeting. The attached final draft report includes several revisions in response to comments received from the SSCSD board and community. A redline version is also attached to indicate where changes were made.

Revisions include:

- Clarification of purpose of the report
- Expanded discussion of potential successor agencies
- Discussion of additional analysis needed in the dissolution process for capital planning, revenue requirements, and alternative funding resources
- Addition of prior SSCSD documents and context for historic reference

The report is responsive to LAFCO's request for analysis of existing and potential future governance structures along with analysis of SSCSD assets, liabilities and issues for consideration. The purpose of the study is to provide the framework for discussion among Potential Successor Agencies (PSAs).

The completed study will help elected boards and staff of the PSAs determine whether they are willing and able to support ongoing services within the SSCSD area and how the PSA can structure that support. The PSAs will then respond to LAFCO.

The next step is for the County Board of Supervisors to receive the report and provide direction to County staff whether to continue evaluating the County as a PSA.

It is requested that your Board receive and file the report.

Attachments:

1. Report
2. Redline of revisions

COUNTY OF SAN LUIS OBISPO

Comprehensive Analysis of:

San Simeon Community Services District

August 2026



nbsgov.com

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1. Executive Summary

Background – San Simeon Community Services District

San Simeon is a small, primarily commercial village located in the County of San Luis Obispo (the “County”) and was developed to provide tourist/recreation services along the central coast. It provides food and lodging facilities for State Parks (Hearst Castle) visitors and tourists driving the scenic Highway 1 route between the City of San Luis Obispo and the Monterey Peninsula. San Simeon evolved from the 1940 sale of the area by W.R. Hearst to permit recreational development. Present uses are concentrated on the frontage roads along Highway 1. The area encompasses approximately 100 acres, surrounded on its East side by Hearst Ranch areas devoted to grazing. On the West are the bluffs and beach of the Pacific Ocean.

The San Simeon Acres Community Services District was formed in 1961 and later renamed to the San Simeon Community Services District (SSCSD). The SSCSD was initially formed to provide street lighting, water, and street maintenance to San Simeon Acres.

In the early 1980s, the San Luis Obispo Local Agency Formation Commission (“LAFCO”) investigated several alternatives for reorganizing the SSCSD, including consolidation with the Cambria Community Services District (“CCSD”), incorporation, reorganization into a County Service Area (“CSA”)¹, or, as it remains today, a Community Services District (“CSD”)². The SSCSD currently provides water, sewer (added in 1964), road maintenance, street lighting, and hazardous weed abatement to its residents and associated businesses supporting transient visitors.

The permanent population within the SSCSD is limited, as very little year-round residential development has occurred. Anticipated future growth could be in multiple family units to provide second homes or retirement units or to serve those working in the local businesses. Economic development is oriented to tourism and recreation. Motels, restaurants, and specialty retail shops serving visitors to the central coast have been developed. There is currently a development moratorium.

The SSCSD has an annual expense budget of approximately \$1.7M³ and total balance sheet assets of approximately \$3.3M⁴. The SSCSD is governed by a five-member, elected Board of Directors.

The current LAFCO jurisdictional boundary map is included in Figure 1 below.

¹ Principal Act Government Code §25210-25217.4

² Principal Act Government Code §61000-61250

³ See Table 2 -SSCSD Proposed Budget 2026/27

⁴ See Table 1 - SSCSD Balance Sheet

Figure 1. SSCSD Jurisdictional Boundary



Dissolution Summary

On May 30, 2024, the SSCSD applied to LAFCO for the dissolution of the SSCSD (the “Dissolution Application”)^{5,6}. Under the applicable State Government Code⁷, ““Dissolution” means the disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers, except as the commission may otherwise provide pursuant to Section 56886 or for the purpose of winding up the affairs of the district”. The Dissolution Application proposed the transfer all of SSCSD’s present active services to the County and involved the formation of a new County CSA. This would include transferring management, administration, operations, and financial responsibilities. There was no proposed change in the level of services to be provided in the affected territory. If LAFCO approved the application, then the SSCSD would be dissolved.

LAFCO provided the SSCSD with a 30-day Review of Application for the Dissolution of the SSCSD (the “Application Response”)⁸. The Application Response outlined additional information that is required for LAFCO to fully evaluate the Dissolution Application and placed the application on hold. The hold period is intended to allow the County, SSCSD and other agencies time to fully identify the issues and potential impacts of alternatives.

Goals and Approach

The Dissolution Application proposes the County as the Successor Agency. This report is prepared to provide the additional detail requested in the Application Response in order for the SSCSD, LAFCO and the County to better identify the responsibilities, obligations and liabilities of the SSCSD and to evaluate the effects of any proposed changes. This report will also provide an analysis of other Potential Successor Agencies (“PSAs”) and service structures that might serve those PSAs with the estimated impacts on the PSAs and the community itself.

This report’s approach is to evaluate each service provided by the SSCSD. The evaluation includes an inventory of assets, an estimate of the assets’ condition, a review of the SSCSD’s current funding to provide the services, a list of the PSAs, costs associated with each PSA, impacts on the levels of service provided to the SSCSD community, costs for staffing and structure to continue to provide services.

This report is intended to provide a high-level overview of key concerns, potential organizational structures, and investment priorities. The information assembled regarding required and recommended projects, and the associated cost estimates, provides a baseline to identify the key issues and plan for the continuation of services to the community.

The execution of any outcome will be subject to the approval of the necessary funding (through taxes, assessments, rates, fees, charges, etc.) to accomplish the continued provision of service. All additional future funding will be based upon refined cost estimates which will support the proposed charges and will reflect the needs of the service provider.

⁵ SSCSD Resolution #24-476

⁶ LAFCO File number 2-R-24

⁷ Government Code §56035

⁸ Attached within Exhibit 1

Capital costs are expected to be similar, regardless of what form the successor agency takes. From this shared foundation, the engaged agencies will conduct additional review and continue detailed discussions to determine their recommendations for a path forward. Those recommendations will be subject to further review and discussion by the elected boards of the impacted agencies, as well as stakeholder vetting through the LAFCO process.

Summary Finding

The SSCSD is located in a remote area with no adjacent jurisdictions with the ability to provide local services. The CCSD is the closest⁹ non-adjacent local jurisdiction with the authority to provide local services and the County is the sole overlapping local jurisdiction.

Upon considering the possible options, several potential outcomes exist for dissolution or reorganization of the SSCSD. Some outcomes are more viable than others, and this report does not explore outcomes which are considered unlikely or would require extraordinary steps, additional approvals, and further legal analysis. The two primary outcomes follow with a brief discussion of secondary outcomes.

1. As proposed in the Dissolution Application, the SSCSD is reorganized with the concurrent establishment of a new County Service Area (the “New CSA”). The New CSA assumes responsibility for the provision of selected local services and is able to utilize additional revenue-raising authority provided under CSA law which may be required to maintain the levels of service.

The County does have a number of well-run CSAs including CSA 1 - Nipomo Area, CSA 7/7A/7C - Oak Shores, CSA 10/10A - Cayucos Area, CSA 12 - Avila Beach Area, CSA 16 – Shandon, CSA 18 - San Luis Obispo Country Club Area, CSA 23 - Santa Margarita. These County CSAs evidence an existing, successful framework to provide critical services including water and sewer services¹⁰ and support the option to create the New CSA as the Successor Agency.

- a. NOTE: The New CSA may contract with CCSD or other parties for services as negotiated.
- b. NOTE: The New CSA will need to include State Parks within the CSA boundary¹¹.

2. The SSCSD is reorganized (consolidated) with the CCSD for the provision of local services.
 - a. NOTE: This option may be impractical due to local governance issues associated with the distance between the communities, infrastructure limitations, and the need for CCSD approval. The scope of this analysis does not include detailed evaluation of the CCSD systems, capacity, infrastructure, or costs associated with CCSD system upgrades to provide services to SSCSD area.

Both of the above outcomes will require LAFCO approval of a specific Plan for Service addressing the transfer of any assets, liabilities, revenues, obligations and service responsibilities together with a comprehensive funding plan to ensure the provision of services. A tax exchange agreement would also be

⁹ Distance approximately 5 miles.

¹⁰ <https://www.slocounty.ca.gov/departments/public-works/committees-programs/county-service-areas>

¹¹ LAFCO 30-day Response Letter, Attached within Exhibit 1

required as part of the dissolution process to determine the allocation of existing property tax revenues following dissolution.

Secondary Outcomes

Several other outcomes may be legally or theoretically possible but are not considered primary outcomes at this time due to complexity, limited precedent, or the need for extraordinary approvals. The following outcomes are recognized as possible but not developed further in this report. They include:

1. Special legislation authorizing a unique service delivery or funding structure for the SSCSD community.
2. Creation of a Joint Powers Authority if two or more public agencies agree to jointly provide or manage services.
3. Privatization or contract operation by a private utility operator subject to regulatory approval, resolution of asset and liability issues, and a separate rate-setting process through the California Public Utilities Commission.
4. Formation of a mutual water company¹² for provision of water service only. This structure would require property-owner participation, transfer of water system assets, resolution of liabilities and obligations, and creation of a private governance structure.
5. Creation of individual special purpose districts such as an independent Water District¹³ or a Sanitary /Sanitation District¹⁴.
6. Creation of individual, standalone special purpose financing districts such as a Road Maintenance District¹⁵ or a Lighting and Landscaping District¹⁶.
7. Transfer to the State of California (“State”) as a PSA. Specifically regarding the provision of water and sewer services, the State generally limits itself to setting standards, monitoring activities, and managing the State’s water resources. The State does, in certain very limited circumstances related to State owned and operated facilities, provide water and/or sewer services to private property associated with supporting State facilities in remote areas. The facts regarding SSCSD and its proximity and relationship to the Hearst Castle State Park may justify the State’s interest in considering this option. A specific determination by the State that SSCSD’s water and wastewater services are sufficiently connected to State operations will be required to pursue this option. Consultation with the State will inform the viability of this option as it is an exceptionally rare occurrence. While the State is not considered to be a primary option to assume these local services, the State has enacted legislation which might provide State financial assistance to disadvantaged communities. The SSCSD’s potential participation in the following State financial assistance programs is not part of this report.

¹² *Corporations Code §14300 et seq*

¹³ *County Water District - Water Code Div. 12, California Water District - Water Code Div. 13, Municipal Water District - Water Code Div. 20. All subject to LAFCO approval*

¹⁴ *Sanitary District - Health & Safety Code, Division 6, County Sanitation Districts - Health & Safety Code, Division 5. All subject to LAFCO approval.*

¹⁵ *Such as Benefit Assessment Act of 1982 - Government Code §54703 et seq. Subject to Prop 218 approval.*

¹⁶ *Landscaping and Lighting Act of 1972 - Streets & Highways Code §22500 et seq. Subject to Prop 218 approval.*

- a. Assembly Bill 805 (2024) related to inadequate sewer systems.
 - b. Senate Bill 200 (2019) SAFER program related to inadequate water systems.
8. Lastly, the option to do nothing must be addressed. If nothing is done, it is likely the SSCSD will eventually not be able to provide services due to some combination of a lack of funding, leadership, infrastructure, and/or permitting to operate its systems, etc.

Summary Action

Given these findings, the County, LAFCO, and PSAs (including the County, a new County Service Area, and/or CCSD) must evaluate successor service responsibilities, long-term liabilities, including the capital and regulatory commitments associated with either rebuilding SSCSD's standalone systems or consolidating services regionally. This report provides the factual foundation for that discussion and evaluation.

2. Services and Assets

The following local services and associated assets are included in this report.

1. Water Service
2. Sewer Service
3. Road / Storm Drain Maintenance
4. Street Lighting
5. Hazardous Weed Abatement
6. Pico Stairway Maintenance
7. General Administration

The SSCSD Balance Sheet and Preliminary Budget for FY 2026/27 are included below.

Table 1. SSCSD Balance Sheet

San Simeon CSD Balance Sheet	
Fixed Assets	As of October 31, 2025
1400 Fixed assets	
1420 Building and structures	279,580.67
1480 Earthquake 2003	0.00
1500 Equipment	\$0.45
1500a Equip-PA System	7,591.16
1500b Equip-Muffin Monster	5,098.32
Total for 1500 Equipment	\$12,689.93
1540 Major Water Projects	0.00
1560 Pipe bridge	29,497.00
1580 Sewer plant	869,352.16
1590 Sewer plant equipment	12,468.83
1600 Water system	235,615.43
1620 WWTP expansion	299,565.92
1630 Tertiary Project	568,063.00
1640 Wellhead Rehab Project	448,253.95
1650 Walkway access projects	26,791.00
1660 RO Unit	950,521.38
1680 Generator	18,291.00
Total for 1400 Fixed assets	\$3,750,690.27
1450 Construction in Progress	
1670 Reservoir / Water Tanks	287,693.56
Total for 1450 Construction in Progress	\$287,693.56
1690 Accumulated depreciation	-1,921,019.44
Total for Fixed Assets	\$2,117,364.39
Other Assets	0.00
1830 Contingent liability reserve	
Total for Other Assets	\$0.00
Total for Assets	\$3,327,956.12

Table 2. SSCSD Preliminary Budget FY 2026/27

Fund Accounts		Wastewater Fund	Water Fund	Roads, Lighting, Weed Abatement	Total Preliminary Budget
Allocations		65%	30%	5%	100%
4000	Operating Revenues				
4005	Utility fees-waste Anticipated revenue- wastewater	\$ 665,900	\$0	\$0	\$ 665,900
4010	Utility fees-water Anticipated revenue- water	\$0	\$587,400	\$0	\$ 587,400
4012	Meter/Service fees Anticipated revenue- other	\$0	\$132,500	\$0	\$ 132,500
4050	State Parks-wastewater	\$67,100	\$0	\$0	\$ 67,100
	Total Operating Revenue	\$733,000	\$719,900	\$0	\$1,452,900
	Property Taxes				
4100	Prop Tax Income	\$0	\$0	\$121,400.00	\$ 121,400
	Total Property Taxes	\$0	\$0	\$121,400.00	\$121,400
	Other Income				
8010	Interest Income - CLASS	\$26,000	\$12,000	\$2,000	\$40,000
8020	Interest- money market	\$20	\$9	\$2	\$30
8044	Grant Funds	\$0	\$0	\$0	\$0
4013	Late fees & adjustments	\$0	\$0	\$0	\$0
	Total other Income	\$26,020	\$12,009	\$2,002	\$40,030
	Total Income	\$759,020	\$731,909	\$123,402	\$1,614,330
	Expense				
6000	Accounting	\$12,903	\$5,955	\$993	\$ 19,850
6020	Bank Fees	\$1,098	\$507	\$84	\$ 1,689
6025	Bookkeeping	\$29,368	\$13,554	\$2,259	\$ 45,181
6030	Director Fees	\$2,340	\$1,080	\$180	\$ 3,600
6031	Payroll Expense	\$179	\$83	\$14	\$ 275
6035	Dues and Subscriptions	\$3,276	\$1,512	\$252	\$ 5,040
6045	Electrical Power	\$59,632	\$25,557	\$0	\$125,000
6050	Election Expenses	\$263	\$122	\$20	\$ 405
6055	Road Maintenance	\$0	\$0	\$0	\$0
6060	RipRap Engineering	\$0	\$0	\$0	\$0
6065	Equipment Rental	\$0	\$0	\$0	\$0
6075	Insurance-PERS Health	\$0	\$0	\$0	\$0
6076	Pension Plan - PERS Retirement	\$11,478	\$5,297	\$883	\$17,658
6080	Insurance - Liability	\$8,427	\$3,890	\$648	\$12,965
6095	LAFCO Costs Apportionment	\$2,265	\$1,045	\$174	\$3,484
6100	Legal Fees	\$54,600	\$25,200	\$4,200	\$84,000
6105	Licenses and permits	\$11,493	\$5,305	\$884	\$17,682
6110	Memberships and seminars	\$0	\$0	\$0	\$0
6115	Miscellaneous expenses	\$0	\$0	\$0	\$0
6120	Office Expenses	\$29,246	\$13,498	\$2,250	\$ 44,994
6125	O & M operations	\$467,147	\$251,540	\$0	\$ 718,687
6130	Operating Repairs & Supplies	\$0	\$0	\$0	\$0
6135	Weed Abatement	\$0	\$0	\$6,000	\$6,000
6145	Professional Fees	\$26,000	\$12,000	\$2,000	\$40,000
6191	Emergency Water Standby	\$0	\$15,202	\$0	\$15,202
6192	Excess Repairs	\$65,000	\$30,000	\$5,000	\$100,000

Fund Accounts		Wastewater Fund	Water Fund	Roads, Lighting, Weed Abatement	Total Preliminary Budget
6195	Website Support	\$4,290	\$1,980	\$330	\$6,600
6200	Violations				
		\$789,003	\$413,327	\$26,171	\$1,268,312
Other Expenses					
9010	Depreciation Expense	\$56,793	\$26,212	\$4,369	\$87,374
9030	Capital Projects/Improvements	\$0	\$0	\$0	\$0
9020a	Water Well Loan Interest	\$0	\$10,525	\$0	\$10,525
9020b	Water Well Loan Repayment	\$0	\$10,165	\$0	\$10,165
	Capital Project - Pipe Bridge Painting	\$0	\$0	\$0	\$0
	Capital Proj- Outfall Line Repair	\$0	\$0	\$0	\$0
	Reorg Study	\$74,100	\$34,200	\$5,700	\$114,000
	Reorg County & LAFCO Labor	\$9,750	\$4,500	\$750	\$15,000
	County CalWARN Response	\$124,800	\$57,600	\$9,600	\$192,000
	Total Other Expenses	265,443	\$143,202	\$20,419	\$429,064
	Total Expense	\$1,054,446	\$556,529	\$46,590	\$1,697,376
	Net Operating Income(Loss)	(\$295,427)	\$175,380	\$76,812	(\$83,046)
	Use of Reserves				\$83,046

Water Service

Schaaf & Wheeler Consulting Civil Engineers (“Schaaf”) acting as a subconsultant to NBS prepared the Potable Water System Assessment Report dated May 4, 2026 (the “Schaaf Water Report”)¹⁷. The Schaaf Water Report is summarized below. Please refer to the Schaaf Water Report contained in Exhibit 2 for additional details.

In 2025 the SSCSD engaged Akel Engineering Group to provide an updated System-Wide Water Supply Assessment to evaluate the impact of SSCSD water demands on water supplies and to analyze the sufficiency of water supply through the horizon year of 2045. The SSCSD also retained Stillwater Sciences and Cleath-Harris Geologists in 2025 to prepare the Pico Creek Instream Flow Study. Those studies do not specifically address the infrastructure and obligations which are the focus of this report, but they are included as reference materials to inform planning discussions by the PSAs.

SYSTEM OVERVIEW

The SSCSD potable water system consists of two shallow groundwater wells (constructed 1952 and 1967) drawing from the Pico Creek–influenced basin; a treatment building with cartridge filtration (185 gpm) and reverse osmosis (266.5 gpm permeate); a partially buried 150,000-gallon concrete reservoir; and a gravity-fed distribution network. The distribution network largely dates to the 1960s–1970s and is predominantly asbestos cement pipe (“ACP”).

¹⁷ Attached within Exhibit 2

The SSCSD water system provides services to residential and commercial properties as well as water for fire protection throughout the community. An overview of the water system is shown below.

Figure 2. SSCSD Water System Overview



The SSCSD contracts with Fluid Resource Management (“FRM”) to operate the water system. FRM has been the contract operator for approximately 3 years, and thus, their knowledge of the system is limited to their experiences.

CONDITION & USEFUL LIFE

Schaaf reports that conversations with FRM indicate that the water supply system is in good condition overall. The only area of particular concern is the reservoir. Each component of the water system is summarized below with an estimate of its remaining useful life. With the exception of the reservoir, none of the existing facilities require *immediate* repair or replacement.

Water Wells: The existing well equipment, piping, pumps, building, and electrical equipment are functioning and in good condition, with the only visible signs of distress being corrosion of certain exterior components which is common given the site’s proximity to the ocean.

With proper maintenance and continued upkeep, Schaaf estimates that the wells and their appurtenances have 20 to 25 years of useful life remaining, with the following caveats:

- Operators noted that the standby generator is not in good condition, and likely should be replaced.
- Rotating mechanical equipment like pumps, typically has a replacement interval between 10 and 15 years.

- Typically, shallow wells can have lifespans of 50 years or more, depending on the materials of construction. The two existing wells were constructed in 1952 and 1967. Though there are no indications of an imminent well failure, the two existing wells are past their typical expected lifespan, and it would be prudent to budget for their replacement. Schaaf & Wheeler also noted that the existing concrete well pedestals do not appear to conform to modern dimensions required by the California Division of Drinking Water (DDW).

Water Filtration & Treatment: The primary treatment system employs cartridge filters and is in very good condition with approximately 10–15 years of useful life remaining. However there is supply-chain risk to secure replacement cartridge filters. On the occasion when the groundwater contains elevated chlorides, a different method is used. The water is treated using a Reverse Osmosis (“RO”) system. The RO system is in good condition with approximately 15-20 years of useful life remaining.

Reservoir: The existing reservoir is the most critical item for immediate replacement and should be replaced as soon as possible.

The existing water reservoir is located on Hearst property under an easement granted June 9, 1972 to SSCSD by the Hearst Corporation (“Hearst”). In a letter dated February 1, 2017, Hearst outlined preliminary terms for SSCSD and Hearst to negotiate a modification of the existing easement to accommodate relocation and expansion of the water reservoir capacity. That non-binding Letter of Intent (“2017 LOI”) noted requirements including but not limited to: a) conditions for maximum capacity and viewshed; and b) approvals by Hearst and California Rangeland Trust, including review by their own experts and lawyers. The deadline for the 2017 LOI expired in December 2018 without completion of a formal agreement. The document does provide a roadmap to restart discussions to explore relocated and/or expanded use of Hearst property.

Per SSCSD’s Master Plan, the amount of required storage is 1.6 million gallons. This is necessary to maintain safe drinking water, meet Division of Drinking Water standards, and provide critical fire storage. The Master Plan was prepared by Phoenix Civil Engineering and adopted by the SSCSD board in 2018. The Master Plan includes analysis and phasing of capital improvements for potable water, wastewater, recycled water and road systems. The fire suppression storage requirement was calculated based on California Fire Code. The Master Plan notes that in many communities such as this, the fire storage requirement exceeds the requirements for operational and emergency drinking water. The Master Plan contemplates replacement and expansion of water storage capacity through the phased installation of four storage tanks of 400,000 gallons each. In 2020, Phoenix Engineering delivered a set of 95% submittal plans to SSCSD for Phase 1 of the water system improvements. The plans included engineering for installation of the first water tank, and site construction for the second tank with installation scheduled for Phase 2.

Distribution: FRM indicated no issues with the existing distribution system, however the Master Plan does indicate upsizing and/or replacement of the majority of the water system as well as the construction of several new pipelines to increase fire flow capacity of the system. Schaaf recommends budgeting for replacing at least 1% of the distribution system annually, though that timeline may need to accelerate depending on future conditions of the pipeline. By replacing 1% annually, pipeline replacement budgets can be aligned with an expected pipeline life of 100 years. This could be extrapolated to replacing 10% every 10 years in order to make the replacement project meaningful in size. Although this may need to be accelerated drastically to prevent issues from the existing pipes exceeding their service life.

ADDITIONAL CONSIDERATION - FIRE FLOW & REFILL

The existing system is not capable of meeting the current fire flow demands of 6,000 GPM for 4 hours. Construction of a substantially increased reservoir would allow the existing system to meet a portion of the current fire flow requirements. However, without a water source capable of refilling the tank in the required 8 hours, the system will remain noncompliant. The lack of a total of 3,000 gallons per minute of well production and treatment capacity means that the water system is likely to remain noncompliant regardless of improvements made.

If a water source capable of meeting the required fire flow replenishment rate were available, the treatment systems would need to be substantially upsized to accommodate the substantially increased flow with a minimum required capacity of 3,000 GPM. Schaaf recommends alternative fire protection strategies should be coordinated with the appropriate fire authority.

IMPROVEMENT SCHEDULE PRIORITIES

1. Reservoir – treat as near-term critical project;
2. Wells – initiate phased replacement, prioritize generator replacement;
3. Treatment – maintain and plan mid-life refurbishment over 10–20 years;
4. Distribution – implement a programmatic replacement plan ($\geq 1\%/yr$) including upsizing and hydrant additions as per the Master Plan.

IMPROVEMENT COSTS

The estimated costs to implement the improvements and equipment replacements identified above are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 15% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, survey etc. These costs do not include annual ongoing costs such as electricity, replacement parts, or other maintenance and operating expenses.

Table 3. SSCSD Preliminary Water System Rehabilitation Costs

Item	Units	Quantity	Unit Cost	Extended Cost
Wells				
Replacement Well Drilling and Construction	EA	2	\$ 250,000.00	\$ 500,000.00
Well Mechanical Equipment (Per Well)	EA	2	\$ 150,000.00	\$ 300,000.00
Electrical Controls	LS	1	\$ 250,000.00	\$ 250,000.00
Standby Generator	LS	1	\$ 200,000.00	\$ 200,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Well Subtotal				\$ 1,300,000.00
Treatment System*				
Filter System Package	LS	1	\$ 200,000.00	\$ 200,000.00
RO System Package	LS	1	\$ 250,000.00	\$ 250,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Treatment System Subtotal				\$ 500,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 12,530,000.00
Construction Cost Contingency (30%)				\$ 3,759,000.00
Estimated Engineering and Administrative Costs (15%)				\$ 1,879,500.00
Successor Agency Staffing Costs (30%)				\$ 3,759,000.00
Grand Total				\$ 21,927,500.00

* Treatment System is not identified for immediate replacement - cost included to provide budgeting estimate.

** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.

ALTERNATIVE WATER SERVICE OPTIONS

Service from Cambria: It may be technically feasible to obtain water service from CCSD through the construction of a new transmission pump station and pipeline, running parallel to Highway 1 but the CCSD does not have sufficient water available to meet the current water demands within its existing service area. As of August 2025, there are a total of 676 single-family, multi-family, and commercial properties on the water waitlist for CCSD. Because CCSD does not currently have sufficient water to meet its own demand, it is not considered a viable alternative and is not considered further.

Desalination System: A seawater desalination system would provide the SSCSD with a locally controlled, drought-resilient water supply that is independent of imported water or groundwater basin constraints.

However, it is a capital-intensive, energy-dependent, and operationally complex system that would be heavily scrutinized, particularly along the Central Coast. Key hurdles include:

- Infrastructure limitations – Desalination is energy-intensive, it is not clear that there is sufficient electrical capacity to provide reliable power.
- Environmental limitations – This will require preparation of an EIR. Furthermore, construction will require a coastal development permit from the Coastal Commission. Additional state and federal permitting would be required from CDFW, DDW, RWQCB, USACE, NOAA/NMFS, and local agencies. Typically, desalination projects require more than 20 permits.
- Potential Public Opposition – Environmental watchdog groups concerned about coastal development and environmental impacts.
- Timeline – Navigating the hurdles and challenges of constructing and permitting a desalination system for San Simeon is likely to take 10 or more years.
- Additional environmental issues – The desalination plant will require preparation of an Environmental Impact Report (“EIR”), as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the Coastal Commission.

Ideally, the desalination system would have a capacity of 3,000 GPM to meet the required fire tank refill rate, but doing so will substantially oversize the system for regular operation. If constructed, a Desalination system should be sized to accommodate the maximum day demand, as identified in the Master Plan. Sizing for the maximum day demand will not allow for a fast enough tank refill, but it may be possible to coordinate with the fire marshal to develop alternative, acceptable methods of compliance such as additional fire storage.

The estimated costs to construct a desalination system are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 15% allocation of estimated construction costs to fund engineering designs, standard permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. Lastly a 30% allocation of the force main and desalination plant cost is included for the special permits required specifically for desalination plants.

These costs do not include costs associated with, rights-of-way, additional studies such as a required EIR, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc. These costs do not include annual ongoing costs such as electricity, replacement parts, or other maintenance and operating expenses.

Table 4. SSCSD Preliminary Desalination Plant Cost Estimate

Item	Units	Quantity	Unit Cost	Extended Cost
Forcemain Pipeline*				
8-inch PVC C900 (Connection to (E) System)	LF	200	\$ 400.00	\$ 80,000.00
Surge Valve Appurtenances	LS	1	\$ 75,000.00	\$ 75,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Pipeline Subtotal				\$ 205,000.00
Desalination Plant*				
Property/Land Purchase	LS	1	\$ 3,500,000.00	\$ 3,500,000.00
Seawater Catchment	LS	1	\$ 400,000.00	\$ 400,000.00
Pre-treatment System	LS	1	\$ 450,000.00	\$ 450,000.00
Reverse Osmosis System	LS	1	\$ 2,500,000.00	\$ 2,500,000.00
Chemical Post-treatment	LS	1	\$ 550,000.00	\$ 550,000.00
Brine Management System	LS	1	\$ 400,000.00	\$ 400,000.00
Power/Energy for Desalination Plant	LS	1	\$ 400,000.00	\$ 400,000.00
Desalination Plant Subtotal				\$ 8,200,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 19,135,000.00
Special Desalination Permitting (30%)				\$ 2,521,500.00
Construction Cost Contingency (30%)				\$ 5,740,500.00
Estimated Engineering and Administrative Costs (15%)				\$ 2,870,250.00
Successor Agency Staffing Costs (30%)				\$ 5,740,500.00
Grand Total				\$ 36,007,750.00

* Special Desalination Permitting applies to force main and Desal plant only.

** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.

Sewer Service

Schaaf acting as a subconsultant to NBS prepared the Wastewater Collection and Treatment Assessment Report dated May 4, 2026 (the “Schaaf Sewer Report”)¹⁸. The Schaaf Sewer Report is summarized below.

SYSTEM OVERVIEW

SSCSD’s wastewater system collects wastewater from the community mostly through 6-inch vitrified clay pipe (“VCP”), which was largely constructed in the 1960s and 1970s. The system includes a collection system consisting of approximately 1.6 miles of predominantly 6-inch VCP gravity mains (one 8-inch to the headworks) with 29 manholes, and a WWTP located at 9245 Balboa Avenue. The WWTP provides the common stages of treatment. First, it passes through screening, then grit and sludge removal. After that, it enters the aeration basins, followed by final sedimentation and disinfection before being discharged to an ocean outfall. Wastewater operations are also contracted to FRM. The service area includes flows from the San Simeon community and California State Parks’ Hearst San Simeon Historical Monument. The State Parks collection system includes a connection serving the Old Simeon area. Those flows are captured at the State Parks meter to SSCSD.

Figure 3. SSCSD Sewer System Overview



CONDITION & USEFUL LIFE

Based on the age of the SSCSD wastewater collection and treatment system (60 + years), the components are near or past their design lifespan. However, with diligent maintenance and triage of maintenance items as they occur, operation of the system could continue indefinitely. Schaaf reports that conversations with

¹⁸ Attached within Exhibit 2

FRM and field observations indicate that the wastewater system requires improvements to multiple items. The main concerns observed during Schaaf's field visit:

- Water infiltration into gravity system.
- Reduced structural integrity in surrounding walls of existing treatment plant and in basins.
- Repair of the Ocean Outfall¹⁹.

Collection System: The VCP collection system is beyond a typical service life and exhibits wet-weather inflow & infiltration. Schaaf recommends a collection system rehabilitation be performed over approximately 10 years with the following considerations:

- Conducting CCTV inspections for all pipelines would provide a more accurate assessment of their condition. This would show any major infiltration into the pipeline that needs repair or replacement as a majority of the system is past its service life.
- As stated in the Master Plan, an option for extending the life of the pipelines is to install a Cured-in-Place piping (CIPP) liner throughout.

The Master Plan notes there are a total of four pipelines identified for upsizing. The pipelines would be upsized to 8-inch PVC pipe and one 10-inch PVC for the pipeline to the headworks vault.

FRM staff observed a significant increase in wastewater influent to the treatment plant during the wet season and visually confirmed water infiltration into manholes during system checks. Based on these observations and staff input, most manholes appear to be in satisfactory condition with an estimated remaining life of 5 to 10 years. However, the manholes showing signs of infiltration should be repaired or replaced as soon as possible. Schaaf recommends conducting video inspections of all manholes to identify any additional structures requiring repair or replacement.

WWTP: The WWTP shows structural cracking, staining, corrosion of aeration piping and perimeter fencing, and corrosion on other exposed equipment. Given the age and poor condition of much of the core WWTP infrastructure, Schaaf estimates it has exceeded its designed useful life, though continued operation is clearly possible through diligent monitoring and repairs.

Ocean Outfall: Per the J.F. Brennan Company, Inc.'s ("Brennan") outfall inspection performed on 8/5/25 (the "Brennan Report")²⁰, the ocean outfall is in poor to serious condition. Heavy deterioration and unsupported sections of pipe were discovered which require ballast repairs as soon as possible.

PERMITTING

Coastal Development Permit CDP 3-19-0020 the (the "CDP")²¹ limits improvements at the existing site to critical maintenance and requires relocation of the WWTP by July 11, 2029 (the "expiration date"). The CDP provides for potential modification of the expiration date subject to submission of documentation showing significant and diligent progress towards meeting the relocation requirement. This is the primary driver of near-term capital planning. Per the CDP requirements, the existing treatment plant requires relocation immediately. As such, the SSCSD should budget for the plant relocation as soon as possible. In order to avoid a wholesale reconfiguration of the collection system, it is assumed that a below-grade sewage pump

¹⁹ Per the Brennan Report - Attached within Exhibit 2

²⁰ Attached within Exhibit 2

²¹ Attached within Exhibit 3

station would be installed at the headworks of the existing treatment plant to convey the sewage to the replacement treatment plant. As discussed later in this report, the fastest feasible timeline for replacement of the wastewater treatment plant is 5 to 10 years. The CDP requires planning for relocation of wastewater treatment functions and states that planning should include an analysis of alternatives involving the construction of a package plant or combining services with other existing WWTPs.²²

It should be noted that the Central Coast Regional Water Board Order R3-2022-0003 permits 0.2 MGD average dry-weather and 0.45 MGD peak wet weather flows. Historical flows (2019–2025) range ~0.058–0.088 MGD AAF with peaks up to ~0.379 MGD. The WWTP is operating within this permit envelope.

PLANT RELOCATION

In 2008, Rincon Consultants, Inc. (“Rincon”) reviewed and developed alternate locations in San Simeon for the relocation of the existing WWTP. Their report used multiple criteria to screen potential properties that would meet the needs of a relocated WWTP. The list of criteria from the report included:

- Size: areas approximately one-acre or greater in size.
- Topography: Flat or gently sloping topography considered and not steep slopes or on or near coastal bluffs.
- Land Use Designations and Zoning: County of San Luis Obispo North Coast Area Plan and Coastal Zone Land Use Ordinance were considered.
- Sensitive Receptors: potential impacts to neighboring properties resulting from construction and operation of the WWTP, including odor, noise and obstruction of ocean views.
- Visibility: where general visibility was limited, including visibility from roads, residences or hotels, and the beach.
- Important Farmland: the California Department of Conservation Farmland Mapping and Monitoring Program (FMMP) was referenced to determine the presence of Prime or Unique Farmland and with the intent of avoiding those areas.
- Biological Resources: areas not supporting sensitive habitat or special-status plant and animal species were considered.
- Cultural Resources: consideration was given to areas that have been previously disturbed, as the areas are not likely to contain important cultural resources.

Rincon located nine potential sites, labeled A through I with the map shown in Figure 4 below. After reviewing the criteria for all nine potential sites, Rincon rejected seven of them. The remaining two potential sites, D and E, were deemed satisfactory with the caveat of possibly requiring an amendment to the North Coast Area Plan to change the land use designation to Public Facility and a zone change.

In 2021, SSCSD engaged Dudek to provide consulting services for preparation of a Coastal Hazards Response Plan (“CHRP”) as a condition of the WWTP CDP. The CHRP was intended to evaluate alternatives for relocation of wastewater treatment functions, including the identification of a preferred inland site or sites, the evaluation of a package plant treatment system, and the possibility of combining services with other nearby existing WWTPs. The CHRP was also intended to provide details of costs, funding and timing for relocation and restoration of the existing site. The Dudek effort was paused at the draft stage in 2023. SSCSD records indicate the work was put on hold for multiple reasons, including organizational instability at

²² Per CDP Special Condition 3 – Attached within Exhibit 4

the board and administrative levels; community division and uncertainty over potential inland sites; and lack of funding for the remaining work. A 2023 public presentation for stakeholder input was the only deliverable finalized by Dudek.

This Dudek presentation included preliminary cost estimates for construction and operation of a replacement WWTP. The analysis included conventional activated sludge (“CAS”) and a package plant, identified as a membrane bioreactor (“MBR”). Dudek’s construction estimates included contingencies of 30% construction, 20% engineering design, and 25% land, easement and permitting. The estimated capital cost for a package plant in 2023 was \$15.7M. Additional capital costs of \$2.1M to \$8.6M were estimated for a new conveyance system from the existing plant to the new treatment location. The combined WWTP and conveyance costs presented for a package plant range from \$17.8M to \$23.8M. The Dudek cost estimates are provided for WWTP and conveyance only and do not include rehabilitation and replacement costs for the existing collection system.

Dudek provided the presentation for community discussion of alternatives in March 2023. District records do not include any recording or minutes of that workshop. Anecdotal information indicates that the community was divided on potential locations for wastewater treatment within existing SSCSD boundaries, and the concept of WWTP relocation on Hearst property was the preferred alternative among residents.

The San Simeon community proposed an updated LOI with Hearst to include discussion of WWTP relocation near the water reservoir. The 2017 LOI from Hearst referenced treatment of existing wastewater flows from Hearst properties in Old San Simeon noted as 3,000-5,000 gpd and requested additional capacity up to 15,000 gpd for future potential construction. Pursuing this location as an alternative would require Hearst preliminary agreement and negotiation of terms with as well as approvals from Hearst, California Rangeland Trust and other stakeholders.

The Rincon study was conducted in 2008, with the Dudek presentation providing additional information in 2023, with additional discussion held during the intervening years. The site analysis should be updated to evaluate current conditions and potentially expand the suitability criteria.

Figure 4. SSCSD Potential WWTP Relocation Site Map (prepared 2008)



IMPROVEMENT SCHEDULE

1. WWTP - immediately begin siting, CEQA/permitting, design, and delivery of a replacement facility. The fastest feasible replacement timeline is 5 to 10 years.
2. Ocean Outfall – immediate repairs to ballast and pipe²³.
3. Service Area - formalize a new wastewater service agreement with State Parks, meter any external flows, and confirm the practical service area boundary.
4. Piping and associated manholes - rehabilitate at a rate of 10% of per year over a 10-year horizon with piping repairs and manhole sealing prioritized by infiltration and capacity needs.

IMPROVEMENT COSTS

The estimated costs to implement the equipment replacements identified above are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 30% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. These costs do not include costs associated with rights-of-way, studies, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc.

²³ Per Brennan Report - Attached within Exhibit 2

Table 5. SSCSD Preliminary WWTP Replacement Cost Estimate

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Item	Units	Quantity	Unit Cost	Extended Cost
Wastewater Treatment Plant and Appurtenances				
Influent Pump Station	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Piping to New WWTP	LS	1	\$ 750,000.00	\$ 750,000.00
Package Treatment System	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Misc. Improvements	LS	1	\$ 250,000.00	\$ 250,000.00
Real Estate Acquisition	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Treatment System Subtotal				\$ 5,500,000.00
Construction Cost Contingency (30%)				\$ 1,650,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,650,000.00
Successor Agency Staffing Costs (30%)				\$ 1,650,000.00
Treatment System Greand Total				\$ 10,450,000.00
Collection and Treatment System Grand Total				\$ 17,180,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

ALTERNATIVE SEWER SERVICE OPTION

Considering the permitting restrictions requiring the WWTP to be re-sited by July 11, 2029, there are two potential wastewater treatment alternatives; 1) relocating the WWTP within the SSCSD (estimated above) or, 2) provide a connection to CCSD for treatment. No other local municipalities or wastewater service providers exist in proximity to the SSCSD.

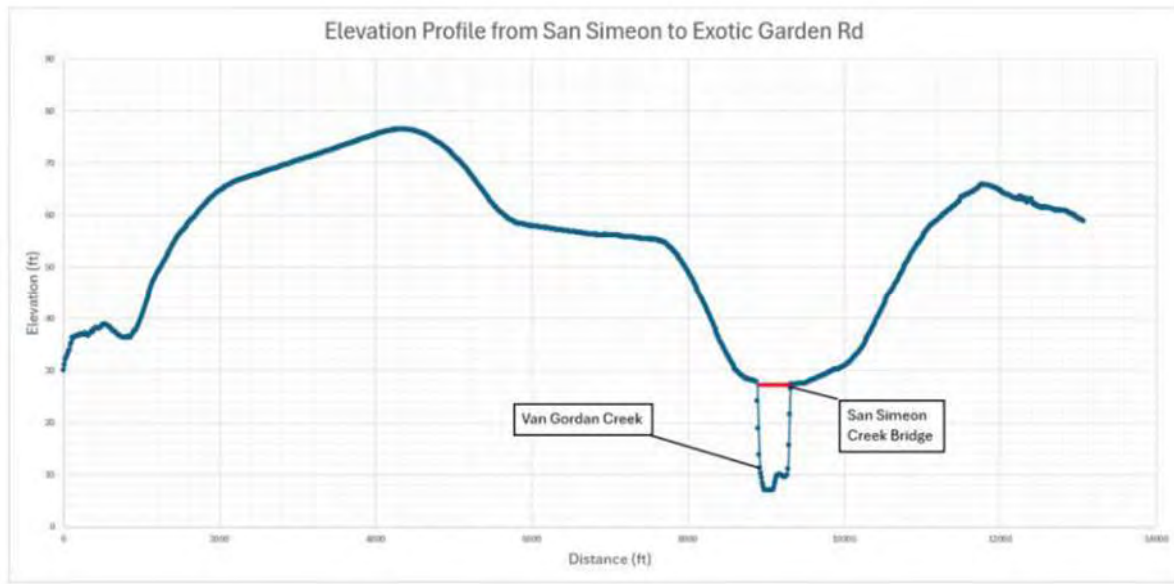
Connection to CCSD: The connection to CCSD would require SSCSD to route sewage to CCSD's WWTP. CCSD's average annual flows are well below the design flow given by the General Order²⁴. SSCSD's average wet weather flow according to the Master Plan is 81,900 gallons per day (gpd) or about 0.082 MGD. Taking CCSD's inflows into account, the CCSD WWTP would likely be able to accommodate this small increase of daily wastewater inflow. Detailed negotiations with CCSD are required to verify the feasibility and acceptability of this connection.

²⁴ General Order No. R3-2020-0020

HYDRAULICS TO CCSD

The elevation profile between SSCSD and CCSD is not flat. Figure 5 below shows the elevation profile across the span. Schaaf prepared cost estimates for two conveyance configurations using a 6-inch force main (single and dual pump stations).

Figure 5. SSCSD Hydraulics to CCSD



For the single pump station configuration, a station would be constructed at the SSCSD WWTP plant head works, and pump through a dedicated force main to the connection point on Exotic Garden Rd. Schaaf anticipates that sufficient power would be available at the SSCSD WWTP to serve the anticipated 20 horsepower pumps. The dual pump station option would include a pump station at the SSCSD WWTP and a second pump station near San Simeon Creek Bridge. While sufficient power is present at the SSCSD WWTP, it is unlikely that sufficient electrical service exists at the midpoint. A new electrical service should be planned at the second pump station site.

COSTS TO CONNECT TO CCSD

Connecting to CCSD's WWTP will require pump station(s) as outlined above. It also requires coordinating with Caltrans and CCSD to know where trenching will occur on Highway 1 and within the city limits of Cambria. These kinds of costs are difficult to estimate without further contact and coordination with these entities.

The costs of the two pump station alternatives are shown in Tables 6 and 7. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 30% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. These costs do not include

costs associated with rights-of-way, studies, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc.

Table 6. SSCSD Costs to Connect to CCSD Single Pump Station

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Item	Units	Quantity	Unit Cost	Extended Cost
Single Pump Station Configuration				
Lift Station - Civil	LS	1	\$ 450,000.00	\$ 450,000.00
Lift Station - Electrical	LS	1	\$ 550,000.00	\$ 550,000.00
20 HP Pumps, 2 Each Installed	LS	1	\$ 350,000.00	\$ 350,000.00
Flow Meter	LS	1	\$ 50,000.00	\$ 50,000.00
Diesel Generator	LS	1	\$ 110,000.00	\$ 110,000.00
6-inch Force Main	LF	12000	\$ 200.00	\$ 2,400,000.00
6-inch Gravity Pipe via Trenching	LF	1100	\$ 300.00	\$ 330,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Single Pump Station Subtotal				\$ 5,540,000.00
Construction Cost Contingency (30%)				\$ 1,662,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,662,000.00
Successor Agency Staffing Costs (30%)				\$ 1,662,000.00
Single Pump Station Grand Total				\$ 10,526,000.00
Collection and Single Pump Station Grand Total				\$ 17,256,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

Table 7. SSCSD Costs to Connect to CCSD Dual Pump Station

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Dual Pump Station Configuration				
Lift Station 1 - Civil	LS	1	\$ 300,000.00	\$ 300,000.00
Lift Station 1 - Electrical	LS	1	\$ 375,000.00	\$ 375,000.00
6 HP Pumps, 2 Each Installed	LS	1	\$ 100,000.00	\$ 100,000.00
Diesel Generator	LS	1	\$ 60,000.00	\$ 60,000.00
Lift Station 2 - Civil	LS	1	\$ 350,000.00	\$ 350,000.00
Lift Station 2 - Electrical	LS	1	\$ 450,000.00	\$ 450,000.00
12 HP Pumps, 2 Each Installed	LS	1	\$ 225,000.00	\$ 225,000.00
Flow Meter	LS	2	\$ 50,000.00	\$ 100,000.00
Diesel Generator	LS	2	\$ 100,000.00	\$ 200,000.00
6-inch Force Main	LF	9100	\$ 200.00	\$ 1,820,000.00
6-inch Gravity Pipe via Trenching	LF	4000	\$ 300.00	\$ 1,200,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Real Estate Acquisition	LS	1	\$ 500,000.00	\$ 500,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Dual Pump Station Subtotal				\$ 6,980,000.00
Construction Cost Contingency (30%)				\$ 2,094,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 2,094,000.00
Successor Agency Staffing Costs (30%)				\$ 2,094,000.00
Dual Pump Station Grand Total				\$ 13,262,000.00
Collection and Dual Pump Station Grand Total				\$ 19,992,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

The single pump option is obviously the most economical option. However, the dual pump system cost information is provided in recognition that a single pump system may not be adequate due to the complications of distance and elevation changes. Further engineering study will be required to determine the adequacy of any solution.

ADDITIONAL CONSIDERATIONS

Schaaf identified a number of additional hurdles and estimate it is likely to take 5-10 years to resolve them. It is important to note that the costs of addressing the hurdles listed below are not included in this study.

- Interagency agreements and coordination – Negotiating terms and operational aspects including pricing structure, priority of service definitions, and agreement clauses will require time.
- Environmental limitations – This will require preparation of an EIR as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the California Coastal Commission.

CCSD's feasibility study from MKN & Associates discusses a transmission main from CCSD's Emergency Advanced Water Treatment Plant (AWTP) to San Simeon's WWTP to dispose of brine through the SSCSD's existing ocean outfall. This could be part of the overarching consolidation of SSCSD and CCSD systems. Construction of this transmission main is not included in the cost estimates shown herein and could substantially increase the project costs expected to be covered by CCSD. Some efficiencies could also be realized with a combined effort versus design and construction of separate wastewater and brine connections.

Legacy Agreement: The SSCSD had a fifty-year agreement with California State Parks to serve Hearst Castle Visitor's Center and a portion of San Simeon State Beach. Old San Simeon Village (Hearst Ranch houses, Hearst Ranch Winery and Sebastian's Deli) also discharges wastewater through a connection to the State Parks system. These flows are included in the total volume metered at State Parks' connection to the SSCSD collection system. The agreement allowed a wastewater capacity total of 50,000 gpd to be treated by the SSCSD's WWTP. The agreement recently expired in 2021 and a new agreement and billing arrangement are needed for wastewater services for the Hearst San Simeon Historical Monument. Though a formal agreement isn't in place, SSCSD continues to receive and treat sewage from the Hearst San Simeon Historical Monument. This inflow is discharged into the SSCSD sewer system at a manhole near the intersection of Highway 1 and Pico Ave. Given the previous agreement, and current accommodations, Schaaf recommends that any selected alternative continue to provide sewer treatment services to the Hearst San Simeon Historical Monument.

Hearst's 2017 LOI estimates wastewater volume from Old San Simeon in the range of 3,000 – 5,000 gpd. The LOI requests continuation of services and agreement to accommodate a future increase up to 15,000 gpd. The Successor Agency should consider Hearst's requested future capacity in negotiations and address terms around how that capacity could be reserved, guaranteed and priced.

Road Maintenance

The roads within the SSCSD are maintained by the California Department of Transportation (“Caltrans”), the County, the SSCSD, and private property owners. The SSCSD road maintenance is funded by ad valorem property taxes²⁵. The SSCSD Proposed Budget for FY 2026/27 lists the total annual estimated costs to be \$0. NBS notes the SSCSD paid an invoice to Wilber Construction Inc. dated 5/3/2024 for \$34,950.00 for seven asphalt patches. It is unclear where in the SSCSD the work was performed.

There are five options available for ongoing road maintenance for the roadways currently maintained by SSCSD.

1. If the property owners want the roads upgraded to County standards, they can petition the County to include the roads into the County Maintained Road System under the County’s Cooperative Road Improvement Program²⁶. The program requires the roads to be brought up to County standards prior to acceptance for ongoing maintenance and provides a vehicle to fund the required improvements as well as engineering and project management to complete the improvements. This program is fully funded by the property owners, including administrative costs.
2. If a CSD is formed, the CSD may fund road maintenance services to the desired level.
3. The property owners might establish a maintenance funding instrument without application into the County Maintained Road System. This may include a special assessment district or a special tax district administered by the County. Any special district will be fully funded by the property owners, including administrative costs and subject to the policies, practice and approval of the County.
4. The property owners can cooperatively and privately maintain the roads.
5. The roads can become unmaintained public roads and there will be no public road maintenance performed.

Road maintenance does not necessarily require a successor agency and may be addressed at a future date. The figure below shows the roadways and the associated maintenance agency.

²⁵ SSCSD Plan for Services pg. 6, Attached within Exhibit 1

²⁶ <https://www.slocounty.ca.gov/departments/public-works/services/programs-outreach/cooperative-road-improvement-program>

Figure 6. SSCSD Road Maintenance – Responsible Agency



A storm drain plan was located and is included in the figure below. Figure 7 identifies storm drain sections located in public roadways as “District maintained.” No supporting record of SSCSD storm drain ownership or maintenance has been located, and there is contradictory information on this point. There is also no record of SSCSD costs associated with the maintenance of any storm drains. This issue requires additional research.

[illegible]

Street Lighting

The SSCSD provides street lighting services which are currently funded by ad valorem property taxes²⁷. There are approximately 40 streetlights in the SSCSD which are owned and maintained by PGE. SSCSD records indicate an average annual electric expense of \$10,000 for street lighting.

Figure 8. SSCSD Streetlights



²⁷ SSCSD Plan for Services pg. 6, Attached within Exhibit 1

Weed Abatement

The SSCSD has authority to enforce weed abatement on undeveloped parcels within the District. The costs of abatement, if unpaid by the property owner, are subject to a lien against the parcel.

Pico Stairway Maintenance

The Pico Stairway is a local beach access stairway and viewing area located at the coastal termination of Pico Avenue. This facility is maintained by the SSCSD as part of a California Coastal Commission (the “CCC”) permit to operate the wastewater treatment plant. This arrangement is complicated by the fact that this facility is situated upon private property with no recorded easement. The facility is in disrepair as noted by the Ashley & Vance Engineering, Inc. Observation Memo dated June 27, 2024 (the “Observation Memo”)²⁸. The SSCSD has placed several signs warning the public that the stairway is unusable and dangerous. The Observation Memo concludes that the facility should be removed and/or replaced. The SSCSD does not have a cost estimate for this work. The CCC issued an enforcement warning on January 16, 2024²⁹ outlining the history, violations, required resolution and enforcement remedies which include various fines.

Based solely on a visual inspection of the Pico Stairway and not considering underlying structural issues, the stairway is generally usable and is being used for beach access. However, given the structural considerations, conditions may change rapidly given environmental factors.

General Administration (District Office)

The SSCSD’s office space is located at 111 Pico Avenue. APN 013041005 consisting of 0.35 acres. The SSCSD lists its Building and Structures Fixed assets as having a balance sheet value of approximately \$280k³⁰. The building size is approximately 400 SqFt³¹.

Other Assets/Equipment/Improvements

The SSCSD does not own any other material assets beyond those listed above³².

²⁸ Attached within Exhibit 4

²⁹ Attached within Exhibit 3

³⁰ SSCSD Balance Sheet Comparison as of October 31, 2025, Attached within Exhibit 1

³¹ Per Google Earth estimation - Construction and condition is unknown.

³² SSCSD Balance Sheet Comparison as of October 31, 2025, Attached within Exhibit 1

3. Obligations and Additional Issues

Debt Obligation

The SSCSD secured a \$500k loan for rehabilitation of its water wells from the United States Department of Agriculture (the “USDA”). The loan is dated September 23, 2013, with a term not to exceed 40 years. The annual interest rate is 2.75%. The SSCSD pledged its water rate revenue to repay the loan and makes semi-annual payments of \$10,345 on each March 23 and September 23. The current balance outstanding is approximately \$416k³³. The loan’s Reserve Requirement is \$20,690 and the SSCSD maintains this fund balance³⁴.

Additional Issues

The SSCSD is navigating the following special circumstances which merit mention in this report.

FUNDING NEEDS EXCEED CURRENT RATE CAPACITY

This report identified several projects required to achieve and/or maintain regulatory compliance as well as numerous additional projects that are necessary for ongoing operations. The total cost for priority projects alone will create significant rate increases if funded within standard financing timelines of 40 years or less.

San Simeon has a low median household income and is identified by State agencies as a disadvantaged community. This status provides eligibility for certain types of state funding as well as priority scoring in grant opportunities. The combination of a small, rural disadvantaged community requiring investment in utility infrastructure puts San Simeon in a competitive position for funding to support needed projects.

However, several standards need to be met before applying for grants, loans or other supplemental funding. These standards include a stable governing agency, significant progress towards project engineering and permitting, and sufficient funding through customer rates to complete the project. Identifying and obtaining supplemental funding should be a priority once a successor agency is established, stabilizing rates are approved, and defined projects are advanced to the point of funding qualification.

CAVALIER SETTLEMENT AGREEMENT

The SSCSD entered into a Settlement Agreement with Cavalier Inn & V&H Holdings³⁵ (collectively “Cavalier”) on August 31, 2022 (the “Settlement Agreement”). The SSCSD holds approximately \$680k³⁶ of capacity fee deposits for Cavalier. The Settlement Agreement acknowledges Cavalier is in Position No. 1 of the Hook-up Waiting List and that Cavalier has a vested contractual right and entitlement to water and sewer service capacity. The Settlement Agreement and associated issues should be reviewed by any PSA’s Counsel to determine which obligations and/or liabilities may follow to the PSA. This information may also inform requirements (capacities) for service when estimating the required infrastructure for the water and sewer systems.

³³ Per Oct 31, 2025 Balance Sheet Acct: 2520, Attached within Exhibit 1

³⁴ In account 1017c, Attached within Exhibit 1

³⁵ Attached within Exhibit 3

³⁶ Balance of \$678,999 in account 1017f, Attached within Exhibit 1

PIPE BRIDGE

The SSCSD utilizes a pipe bridge on to convey water and sewer service across the Arroyo Del Padre Juan. There are a few issues with the pipe bridge. Needed maintenance repairs are completed but the bridge should be re-evaluated and routinely monitored due to the ongoing effects of the coastal environment. Approximately two years ago, a major rain event deposited a large number of tree limbs just above the pipe bridge. The property owner (Cavalier) required the SSCSD to obtain an easement prior to accessing the debris for removal. The easement is not yet recorded and the debris removal work remains to be performed. In the intervening time, the number and location of limbs has shifted. The remaining limbs may be a threat to the pipe bridge structure during another heavy rain event. The situation should be reviewed and addressed.

STATE PARKS (HEARST CASTLE)

The SSCSD provides the California Department of Parks and Recreation’s facility Hearst Castle (“State Parks”) with sewer services. There is no current sewer service agreement with State Parks. Documentation of all property outside the SSCSD boundary and discharging wastewater to SSCSD should be performed so that the actual service area can be determined. This need to determine the service area boundary is also noted in Section 4 of LAFCO’s Application Response. Section 4 also notes that if a CSA is selected as the successor agency, a new CSA boundary will need to include affected/served State Park (or other) areas.

Table 8. SSCSD Summary of Obligations & Issues

Obligation / Issue	Key Facts	Implication for PSA	Immediate Action
USDA Water Well Loan	Original \$500k (2013, 2.75%); current balance ≈ \$416k; semi-annual payments \$10,345; reserve requirement \$20,690.	Debt and covenants transfer to successor; pledge of water revenues must be honored.	Confirm payoff schedule; maintain reserve; disclose in reorganization terms.
Cavalier Settlement & Capacity Deposits	\$679k held in capacity fees; #1 on hookup list; vested rights to water/sewer capacity.	May drive the sizing of replacement or regional facilities; legal obligations follow successor.	Counsel review; memorialize obligations in PSA agreements/rate studies.
Pipe Bridge Over Arroyo Del Padre Juan	Debris upstream; easement pending; immediate repairs completed. Needs eval, replacement estimate ~\$0.66–\$0.70M.	Shared water/sewer risk; coastal permitting; potential emergency repairs.	Secure easement; remove debris; plan replacement with CCC noticing.
State Parks/Hearst Castle Service	Flows received without current agreement; historic allowance up to 50,000 gpd expired in 2021.	Must formalize service boundary, cost recovery; include State Parks in CSA boundary if applicable.	Negotiate new agreement; document actual service area.

4. RECOMMENDED NEAR-TERM ACTIONS

NBS recommends the following actions to be completed by the SSCSD in the next 6-18 months.

1. Continue Cal-WARN agreement with County of San Luis Obispo Public Works.
2. Continue operating the CSD throughout the LAFCO proceedings.
3. Cooperatively define service structures with amenable PSA (County, CSA, CCSD) and jointly prepare LAFCO submittals, including boundary adjustments to include State Parks if required.
 - See the Services Summary Tables below for an outline of the services, options, estimated costs, timelines, and key risks.
4. As existing funding allows:
 - Execute interim outfall ballast repair (~\$150k).
 - Negotiate and adopt a formal wastewater service agreement with State Parks.
 - Evaluate current status of debris behind pipe bridge. Secure pipe bridge access easement; remove debris; evaluate replacement schedule and funding.

The following additional actions should be undertaken as soon as practicable once a PSA has established authority to proceed.

1. Select preferred wastewater path (local replacement vs. regional conveyance) and initiate CEQA/permitting accordingly.
 - Start WWTP siting, zoning/plan amendments (if needed), OR advance CCSD intertie preliminary design and MOUs.
 - Apply to CCC for time extension to complete relocation of WWTP.
 - Perform legal review of Cavalier Settlement obligations and review the SSCSD capacity/connection policies and planning requirements.
 - Authorize collection system CCTV and prioritize a rehabilitation plan to reduce inflow/infiltration.
2. Begin phased water reservoir replacement project definition and fire authority coordination on alternative fire protection strategies.

Services Summary Tables

Table 9. SSCSD Water Service Options and Costs Summary

Option	Scope / Notes	Capex (Appx)	Timeline	Permits / Agreements	Key Risks
Reinvest in SSCSD System	Replace reservoir (critical) and upsize; well replacement + standby generator; cartridge/RO with mid-life rehab.	\$21.9M , excl. addtl. power.	Phased approach, near-term incremental reservoir replacement; long term funding requirements to meet priorities.	DDW coordination; fire authority strategy; CEQA for tank & mains.	Fire flow non-compliance without source upgrade; supply-chain for filters.
Local Seawater Desalination	New SWRO plant sized to maximum day demand; intake/discharge; power upgrades; not fire compliant.	\$36.0M , excl. addtl. power.	≥10 years (permitting-intensive).	Multiple State/Federal permits + CEQA/EIR.	Permitting, high ongoing energy cost; environmental scrutiny; public opposition risk. Fire flow non-compliance

Table 10. SSCSD Sewer Service Options and Costs Summary

Option	Scope / Notes	Capex (Appx)	Timeline	Permits / Agreements	Key Risks
Replace / relocate WWTP in SSCSD	Site, permit, design, and construct replacement WWTP; add headworks pump station; rehab collection (CIPP/upsizes); repair outfall.	\$17.2M , WWTP replacement, Collection rehab.	5–10 years.	CEQA; CDP compliance; RWQCB Order R3-2022-0003; site zoning/plan amendments as needed.	CDP relocation deadline vs delivery time; land acquisition; power extension; construction in coastal zone.
Convey to CCSD WWTP (regional treatment)	New force main (~5 miles) with pump station(s) to CCSD headworks; decommission/repurpose SSCSD WWTP; rehab collection, coordinate service to State Parks.	Single PS: \$17.3M ; Dual PS: \$20.0M ; Collection rehab.	5–10 years.	EIR; Coastal Dev. Permit; Caltrans encroachment ; interagency agreement (capacity, pricing, curtailment, term).	Mid-point power availability; public acceptance; additional AWTP/ brine line concepts not included in cost.

Table 11. SSCSD Other Services, Options and Costs Summary

Service	Current Provider / Ownership	Annual Cost (Budget)	Funding Source	PSA Requirements
Road Maintenance / Storm Drains	Shared: Caltrans, County, SSCSD, private	Cost dependent on selected solution	Ad valorem property tax, or other depending on service level.	None or adopt maintenance program; coordinate roles.
Street Lighting	Approx. 40 lights owned/maintained by PG&E	\$10,000/yr	Ad valorem property tax or other	Maintain PG&E service; ensure continued funding.
Weed Abatement	SSCSD Authority for undeveloped parcels within District	Pass through when powers exercised	Actual cost levied to parcels serviced	Ensure program continuity.
Pico Stairway	Facility on private property; SSCSD maintenance per CCC permit	No estimate available; CCC enforcement active.	N/A (capital TBD)	Resolve property rights/easement; coordinate removal or replacement; address CCC enforcement to avoid fines.
General Administration (District Office)	111 Pico Ave (APN 013041005); ~400 sf building; book value ~\$280k	N/A (asset value)	N/A	Decide on disposition/continued use; account for asset transfer at dissolution.

5. Exhibits

Exhibit 1) Combined Financial and LAFCO Documents

- a) SSCSD FY 2025/26 Preliminary Budget
- b) SSCSD Financial Summary as of October 31, 2025
- c) SSCSD Audited Financials FY 2023/24
- d) SSCSD Resolution of Application for Dissolution
- e) SSCSD Application for Dissolution (Includes Plan for Services)
- f) LAFCO 30-day Review Letter

Exhibit 2) Combined Utility Studies

- a) Schaaf Water Report
- b) Schaaf Sewer Report
- c) Brennan Report

Exhibit 3) Combined Obligations, Agreements & Misc. Information

- a) USDA Loan Agreement
- b) Cavalier Settlement Agreement
- c) Wilbur Construction Invoice
- d) 1972_Easement Agreement & Deed Hearst Corporation
- e) Hearst LOI 2-1-17 Final Executed

Exhibit 4) Additional Supporting Information Vol. 1

- a) Akel Water Report
- b) Ashley Vance Pico Stairs Observation Letter
- c) CCC Pico Stairs Enforcement Warning Letter
- d) Coastal Development Permit 3-19-0020

Exhibit 5) Additional Supporting Information Vol. 2

- a) Pico Creek Stream Flow Management Plan for Dissolution report
- b) Dudek FINAL_SHM NO.2_CHRP PPPrez Mar 8_2023

EXHIBIT 1 TABLE OF CONTENTS

Combined Financial and LAFCO Documents

a) SSCSD FY 2025/26 Preliminary Budget	Page 2
b) SSCSD Financial Summary as of October 31, 2025	Page 4
c) SSCSD Audited Financials FY 2023/24	Page 10
d) SSCSD Resolution of Application for Dissolution	Page 32
e) SSCSD Application for Dissolution (Includes Plan for Services)	Page 35
f) LAFCO 30-day Review Letter	Page 51

San Simeon Community Services District
Preliminary Budget
Fiscal Year 2025-2026

	Fund Accounts	Wastewater Fund	Water Fund	Roads, Lighting, Weed Abatement	Total Preliminary Budget
Allocations (unchanged from FY24-25)		65%	30%	5%	100%
4000	Operating Revenues				
4005	Utility fees-waste	\$ 472,537	\$0	\$0	\$473,000
4010	Utility fees-water	\$0	\$429,493	\$0	\$430,000
4025	Meter/Service fees	\$0	\$105,288	\$0	\$106,000
4050	State Parks-wastewater	\$35,000	\$0	\$0	\$35,000
	Total Operating Revenue	\$507,537	\$534,781	\$0	\$1,044,000
4100	Property Taxes				
4101	4110 Prop Tax current secured	\$0	\$0	\$104,000.00	\$ 104,000
	Total Property Taxes	\$0	\$0	\$104,000.00	\$104,000
	Other Income				
	Interest Income - CLASS	\$32,500	\$15,000	\$2,500	\$50,000
	Interest- money market	\$0	\$0	\$0	\$0
	Grant Funds	\$0	\$0	\$0	\$0
	Late fees & adjustments	\$0	\$0	\$0	\$0
	Total other Income	\$32,500	\$15,000	\$2,500	\$50,000
	Total Income	\$540,037	\$549,781	\$106,500	\$1,198,000
	Expense				
6000	Accounting	\$15,470	\$7,140	\$1,190	\$ 23,800
6020	Bank Fees	\$1,105	\$510	\$85	\$ 1,700
6025	Bookkeeping	\$29,445	\$13,590	\$2,265	\$ 45,300
6030	Director Fees	\$2,210	\$1,020	\$170	\$ 3,400
6031	Payroll Expense	\$585	\$270	\$45	\$ 900
6035	Dues and Subscriptions	\$3,315	\$1,530	\$255	\$ 5,100
6045	Electrical Power	\$70,000	\$30,000	\$10,800	\$110,300
6050	Election Expenses	\$325	\$150	\$25	\$ 500
6055	Road Maintenance	\$0	\$0	\$15,000	\$15,000
6075	Insurance-PERS Health	\$3,575	\$1,650	\$275	\$5,500
6076	Pension Plan - PERS Retirement	\$12,870	\$5,940	\$990	\$19,800
6080	Insurance - Liability	\$8,450	\$3,900	\$650	\$13,000
6095	LAFCO Costs Apportionment	\$2,145	\$990	\$165	\$3,300
6100	Legal Fees	\$78,000	\$36,000	\$6,000	\$120,000
6105	Licenses and permits	\$16,452	\$4,096	\$316	
6115	Miscellaneous expenses	\$13,585	\$6,270	\$1,045	\$20,900
6120	Office Expenses	\$26,000	\$12,000	\$2,000	\$ 40,000
6125	O & M operations	\$466,700	\$251,300	\$0	\$ 718,000
6130	Operating Repairs & Supplies	\$12,740	\$6,860	\$0	\$19,600
6135	Weed Abatement	\$0	\$0	\$2,500	\$2,500
6145	Professional Fees	\$78,000	\$36,000	\$6,000	\$120,000
6180	Street lights	\$0	0	\$10,000	\$10,000
6191	Emergency Water Standby	\$0	\$27,000	\$0	\$27,000
6192	Excess Repairs	\$48,750	\$22,500	\$3,750	\$75,000
6195	Website Support	\$4,290	\$1,980	\$330	\$6,600

San Simeon Community Services District
Preliminary Budget
Fiscal Year 2025-2026

Other Expenses

Depreciation Expense	\$28,397	\$13,106	\$2,184	\$ 87,400
Capital Projects/Improvements	\$0	\$0	\$0	\$0
Water Well Loan Interest	\$0	\$11,641	\$0	\$15,000
Water Well Loan Repayment	\$0	\$9,049	\$0	\$9,100
Capital Project - Pipe Bridge Painti	\$7,000	\$3,000	\$0	\$10,000
Capital Proj- Outfall Line Repair	\$0	\$0	\$0	\$0
Reorg Study	\$85,150	\$39,300	\$6,550	\$131,000
Reorg County & LAFCO Labor	\$26,000	\$12,000	\$2,000	\$25,000

Total Other Expenses	146,547	\$88,096	\$10,734	\$277,500
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Total Expense	\$1,040,559	\$558,792	\$74,590	\$1,684,700
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Net Operating Income(Loss)	(\$500,521)	(\$9,011)	\$31,910	(\$486,700)
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Balance Sheet Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
As of October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	AS OF OCTOBER 31, 2025	AS OF OCTOBER 31, 2024 (PY)	\$ CHANGE (PY)
Assets			
Current Assets			
Bank Accounts			
1010 Petty cash	150.00	150.00	0.00
1015 Pac Prem Ckg-6603	-3,011.82	37,752.09	-40,763.91
1017 Money Market PPBI	-\$1,532,399.65	-\$1,397,444.31	-\$134,955.34
1017a Pac Prem - Mon Mkt Unrestricted	-20,496.82	-20,496.82	0.00
1017b USDA short lived asset fund	5,000.00	5,000.00	0.00
1017c USDA Reserve for Annual Pymt	20,690.00	20,690.00	0.00
1017d Operating Reserves	340,000.00	340,000.00	0.00
1017e Reserves-Capital Rehab & Replac	448,076.82	448,076.82	0.00
1017f Capacity Fees Held	678,999.00	678,999.00	0.00
1017g Wait List deposits held	93,538.60	93,538.60	0.00
1017h Cust sec dep held (06/30/22)	8,450.00	8,450.00	0.00
Total for 1017 Money Market PPBI	\$41,857.95	\$176,813.29	-\$134,955.34
1018 California Class I	347,219.68	333,457.98	13,761.70
1019 California Class II	733,447.35	704,377.90	29,069.45
1040 Cash in county treasury	0.00	0.00	0.00
1050 LAIF - non-restricted cash	571.81	571.81	0.00
Total for Bank Accounts	\$1,120,234.97	\$1,253,123.07	-\$132,888.10
Accounts Receivable			
1201 - Accounts recvbl-other	0.00	0.00	0.00
Total for Accounts Receivable	\$0.00	\$0.00	\$0.00
Other Current Assets			
1014 *Deposits in Transit	0.00	0.00	0.00
1200 Accounts receivable default	81,270.29	48,643.52	32,626.77
1202 Accounts receivable - other	0.00	0.00	0.00
1210 Undeposited funds	0.00	0.00	0.00
1220 A/R - Hearst Castle	0.00	0.00	0.00
1230 Interest receivable	0.00	0.00	0.00
1300 Prepaid insurance expense	9,086.47	8,748.97	337.50
Total for Other Current Assets	\$90,356.76	\$57,392.49	\$32,964.27
Total for Current Assets	\$1,210,591.73	\$1,310,515.56	-\$99,923.83

Balance Sheet Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
As of October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	AS OF OCTOBER 31, 2025	AS OF OCTOBER 31, 2024 (PY)	\$ CHANGE (PY)
Fixed Assets			
1400 Fixed assets			
1420 Building and structures	279,580.67	279,580.67	0.00
1480 Earthquake 2003	0.00	0.00	0.00
1500 Equipment	\$0.45	\$0.45	\$0.00
1500a Equip-PA System	7,591.16	7,591.16	0.00
1500b Equip-Muffin Monster	5,098.32	5,098.32	0.00
Total for 1500 Equipment	\$12,689.93	\$12,689.93	\$0.00
1540 Major Water Projects	0.00	0.00	0.00
1560 Pipe bridge	29,497.00	29,497.00	0.00
1580 Sewer plant	869,352.16	869,352.16	0.00
1590 Sewer plant equipment	12,468.83	12,468.83	0.00
1600 Water system	235,615.43	235,615.43	0.00
1620 WWTP expansion	299,565.92	299,565.92	0.00
1630 Tertiary Project	568,063.00	568,063.00	0.00
1640 Wellhead Rehab Project	448,253.95	448,253.95	0.00
1650 Walkway access projects	26,791.00	26,791.00	0.00
1660 RO Unit	950,521.38	950,521.38	0.00
1680 Generator	18,291.00	18,291.00	0.00
Total for 1400 Fixed assets	\$3,750,690.27	\$3,750,690.27	\$0.00
1450 Construction in Progress			
1670 Reservoir / Water Tanks	287,693.56	287,693.56	0.00
Total for 1450 Construction in Progress	\$287,693.56	\$287,693.56	\$0.00
1690 Accumulated depreciation	-1,921,019.44	-1,833,644.56	-87,374.88
Total for Fixed Assets	\$2,117,364.39	\$2,204,739.27	-\$87,374.88
Other Assets			
1830 Contingent liability reserve	0.00	0.00	0.00
Total for Other Assets	\$0.00	\$0.00	\$0.00
Total for Assets	\$3,327,956.12	\$3,515,254.83	-\$187,298.71

Balance Sheet Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
As of October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	AS OF OCTOBER 31, 2025	AS OF OCTOBER 31, 2024 (PY)	\$ CHANGE (PY)
Liabilities and Equity			
Liabilities			
Current Liabilities			
Accounts Payable			
2000 Accounts payable	0.00	68,406.45	-68,406.45
Total for Accounts Payable	\$0.00	\$68,406.45	-\$68,406.45
Credit Cards			
Other Current Liabilities			
2020 Other accrued liabilities	0.00	0.00	0.00
2100 Payroll liabilities	-\$3,772.66	-\$1,004.28	-\$2,768.38
CA PIT/ SDI	-125.91		-125.91
CA SUI/ ETT	40.35		40.35
Federal Taxes (941/943/944)	1,167.11		1,167.11
Federal Unemployment (940)	16.14		16.14
Total for 2100 Payroll liabilities	-\$2,674.97	-\$1,004.28	-\$1,670.69
2500 Customer security deposits	8,050.00	8,050.00	0.00
2510 Connect hookup wait list	93,538.60	93,538.60	0.00
2515 Unearned Revenue- Capacity Fees	678,999.00	678,999.00	0.00
Total for Other Current Liabilities	\$777,912.63	\$779,583.32	-\$1,670.69
Total for Current Liabilities	\$777,912.63	\$847,989.77	-\$70,077.14
Long-term Liabilities			
2520 USDA Loan Principal Bal	416,499.72	416,499.72	0.00
Total for Long-term Liabilities	\$416,499.72	\$416,499.72	\$0.00
Total for Liabilities	\$1,194,412.35	\$1,264,489.49	-\$70,077.14
Equity			
3200 Fund balance (= PY Net Inc)	-856,066.69	-697,395.89	-158,670.80
Net Income	12,105.70	-31,336.38	43,442.08
3201 Net Investment in Capital Asset	1,980,565.00	1,980,565.00	0.00
3204 BOD Assigned-Rehab & Replace			
3204G Board Assigned for General CIP	50,051.03	50,051.03	0.00
3204S Board Assigned for WW CIP	199,047.69	199,047.69	0.00
3204W Board Assigned for Water CIP	198,978.10	198,978.10	0.00
Total for 3204 BOD Assigned-Rehab & Replace	\$448,076.82	\$448,076.82	\$0.00
3207 BOD Assigned for Oper Reserves			
3207G Op Reserves -Gen Fd	40,000.00	40,000.00	0.00
3207S Op Reserves - Sewer Fd	150,000.00	150,000.00	0.00
3207W Op Reserves - Water Fd	150,000.00	150,000.00	0.00
Total for 3207 BOD Assigned for Oper Reserves	\$340,000.00	\$340,000.00	\$0.00

Balance Sheet Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
As of October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	AS OF OCTOBER 31, 2025	AS OF OCTOBER 31, 2024 (PY)	\$ CHANGE (PY)
3210 Moved to acct 3220- U-U Equity	0.00	0.00	0.00
3211 Restricted-USDA Annual Loan Pmt	20,690.00	20,690.00	0.00
3212 Restricted-USDA Short Liv Ass	5,000.00	5,000.00	0.00
3220 Unrestricted-Undesignatd Equity	271,846.27	271,846.27	0.00
3900 Suspense	-88,673.33	-86,680.48	-1,992.85
Total for Equity	\$2,133,543.77	\$2,250,765.34	-\$117,221.57
Total for Liabilities and Equity	\$3,327,956.12	\$3,515,254.83	-\$187,298.71

Profit and Loss Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
July 1-October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	JUL 1 - OCT 31 2025	JUL 1 - OCT 31 2024 (PY)	\$ CHANGE (PY)
Income			
4000 Services			
4005 Services - waste	188,654.53	192,454.65	-3,800.12
4010 Services - water	171,668.64	175,184.16	-3,515.52
4012 Services - base service fee	35,163.88	34,993.92	169.96
4013 Late fees and adjustments	1,307.87	2,302.51	-994.64
4050 State of CA- H Castle WW Trmt		39,003.71	-39,003.71
Total for 4000 Services	\$396,794.92	\$443,938.95	-\$47,144.03
4100 Property tax income			
4110 Prop tax current secured	2,225.31	2,377.72	-152.41
4120 Prop tax current supp secured	634.78	844.89	-210.11
4130 Prop tax current unsecured	19.71	3,769.60	-3,749.89
4140 Prop tax current supp unsee	4,103.16	88.00	4,015.16
4150 Prop tax prior secured	-64.01	-112.64	48.63
4160 Prop tax prior supp secured	8.65	-7.89	16.54
4170 Prop tax prior unsecured	31.05	16.55	14.50
4180 Prop tax prior supp unsecured	5.30	4.31	0.99
4190 Prop tax penalties and interest	82.98	55.33	27.65
4295 Prop tax - unitary	0.08	0.36	-0.28
4299 Prop tax - other	751.11	751.10	0.01
Total for 4100 Property tax income	\$7,798.12	\$7,787.33	\$10.79
Total for Income	\$404,593.04	\$451,726.28	-\$47,133.24
Cost of Goods Sold			
Gross Profit	\$404,593.04	\$451,726.28	-\$47,133.24
Expenses			
6020 Bank fees	634.41	519.66	114.75
6025 Bookkeeping	11,690.00	16,648.50	-4,958.50
6030 Directors fee	1,600.00	1,600.00	0.00
6035 Dues and subscriptions	838.00	5,039.99	-4,201.99
6045 Electrical power			
6045B Electrical - PGE bills	43,642.78	43,413.42	229.36
6045C Electrical - PGE Street Lights	3,283.58	3,402.68	-119.10
Total for 6045 Electrical power	\$46,926.36	\$46,816.10	\$110.26
6076 Pension plan - PERS retirement	4,642.50	5,886.00	-1,243.50
6080 Insurance - liability	4,543.16	4,216.14	327.02
6100 Legal fees	47,966.69	43,886.15	4,080.54
6115 Miscellaneous expenses	445.20	1,255.60	-810.40
6120 Office expenses	19,015.43	11,504.76	7,510.67
6125 Operations management	207,577.00	271,308.63	-63,731.63

Profit and Loss Comparison
SAN SIMEON COMMUNITY SERVICES DISTRICT
July 1-October 31, 2025

DISTRIBUTION ACCOUNT	TOTAL		
	JUL 1 - OCT 31 2025	JUL 1 - OCT 31 2024 (PY)	\$ CHANGE (PY)
6135 Weed abatement	\$78.00	\$296.00	-\$218.00
6135-1 Weed Abatement - NEC	1,350.00	1,000.00	350.00
Total for 6135 Weed abatement	\$1,428.00	\$1,296.00	\$132.00
6145 Professional fees	-2,751.00	53,735.17	-56,486.17
6192 Repair & Maint-Dist Responsblty			
6192A R&M Exp -Outfall Inspection	13,964.00		13,964.00
Total for 6192 Repair & Maint-Dist Responsblty	\$13,964.00		\$13,964.00
6200 Violations - 0 budget	3,000.00		3,000.00
Payroll Expenses	\$220.00		\$220.00
Taxes	262.28		262.28
Wages	2,690.00		2,690.00
Total for Payroll Expenses	\$3,172.28		\$3,172.28
6000 Accounting		8,000.00	-8,000.00
6031 Payroll expenses-yr taxes		122.40	-122.40
6105 Licenses and permits		162.00	-162.00
6130 R&M allowance - GES Contract		14,837.50	-14,837.50
Total for Expenses	\$364,692.03	\$486,834.60	-\$122,142.57
Net Operating Income	\$39,901.01	-\$35,108.32	\$75,009.33
Other Income			
8010 Interest income	11,667.15	18,188.01	-6,520.86
8020 Interest - money market	7.50	29.72	-22.22
8044 Grant income		25,117.50	-25,117.50
Total for Other Income	\$11,674.65	\$43,335.23	-\$31,660.58
Other Expenses			
9010 Depreciation expense	29,124.96	29,124.96	0.00
9020 USDA loan repayment			
9020a USDA loan repay - interest	5,512.57	5,789.47	-276.90
9020b USDA loan repay - prin	4,832.43	4,555.53	276.90
Total for 9020 USDA loan repayment	\$10,345.00	\$10,345.00	\$0.00
9030 Capital proj/improve		93.33	-93.33
Total for Other Expenses	\$39,469.96	\$39,563.29	-\$93.33
Net Other Income	-\$27,795.31	\$3,771.94	-\$31,567.25
Net Income	\$12,105.70	-\$31,336.38	\$43,442.08

SAN SIMEON COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS

June 30, 2024

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SAN SIMEON COMMUNITY SERVICES DISTRICT
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June 30, 2024

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INTRODUCTORY SECTION

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Board of Directors

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jacqueline Diamond	First Chair	2026
Karina Tiwana	Director	2026
Holly Le	Director	2024
Michael Donahue	Director	2026

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Simeon Community Services District
San Simeon, California

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the San Simeon Community Services District, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the San Simeon Community Services District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the San Simeon Community Services District, as of June 30, 2024, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Simeon Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Simeon Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the San Simeon Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Simeon Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the schedules of revenues, expenses, and changes in net position by function on pages 1, 15, and 16 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The schedules of revenues, expenses, and changes in net position by function is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses, and changes in net position by function are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December XX, 2024, on our consideration of the San Simeon Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the San Simeon Community Services District's 2023 financial statements, and our report dated August 21, 2024 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Santa Maria, California
December XX, 2024

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2024
with Comparative Totals for June 30, 2023

	2024	2023
ASSETS		
Current Assets:		
Petty cash	\$ 150	\$ 150
Cash and investments	1,282,912	1,713,064
Accounts receivable	165,933	119,863
Total current assets	1,448,995	1,833,077
Capital Assets:		
Non-depreciable:		
Construction in progress	331,172	287,694
Depreciable:		
Sewer plant	1,797,238	1,797,238
Water plant	1,634,391	1,634,391
Building	279,580	279,580
Equipment	12,690	12,690
Land improvements	26,791	26,791
Less: Accumulated depreciation	(1,804,702)	(1,717,160)
Net capital assets	2,277,160	2,321,224
Total assets	3,726,155	4,154,301
LIABILITIES		
Current Liabilities:		
Accounts payable	198,830	175,192
Customer deposits	101,589	101,689
Unearned revenue	678,999	678,999
Legal settlement payable		85,000
Current portion of loan payable	9,557	9,300
Total current liabilities	988,975	1,050,180
Long-Term Liabilities		
Long-term portion of loan payable	397,642	407,199
Total long-term liabilities	397,642	407,199
Total Liabilities	1,386,617	1,457,379
NET POSITION		
Net investment in capital assets	1,869,961	1,904,725
Restricted for:		
USDA loan reserve	25,690	25,690
Unrestricted:		
Board assigned for water capital improvements	198,978	198,978
Board assigned for wastewater capital improvements	199,048	199,048
Board assigned for general capital improvements	50,051	50,051
Board committed for operating reserves	340,000	340,000
Undesignated	(344,190)	(21,570)
Total net position	\$ 2,339,538	\$ 2,696,922

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2024

With Comparative Totals for the Fiscal Year Ended June 30, 2023

	2024	2023
Operating Revenues:		
Services-waste	\$ 502,561	\$ 499,165
Services-water	451,437	447,407
State of CA-Hearst Castle		38,707
Services-other	104,901	105,517
Late fees and adjustments	25,233	5,618
Total operating revenues	1,084,132	1,096,414
Operating Expenses:		
Accounting		9,775
Bank fees	1,373	934
Bookkeeping	55,825	27,478
Directors' fees	4,700	5,400
Payroll expenses	1,093	413
Dues and subscriptions	5,858	6,644
Road maintenance	53,588	
Insurance-health	10	(385)
PERS Retirement	12,994	17,203
Insurance-liability	13,797	11,768
LAFCO budget allocation	6,327	3,023
Legal fees	100,974	258,884
Legal settlement		85,000
Licenses and permits	19,519	15,219
Miscellaneous	24,570	2,071
Depreciation	87,542	87,390
Office expenses	28,602	611
Operations management	723,895	620,825
Repairs and maintenance allowance - GES contract	64,381	40,000
Professional fees	198,394	231,974
Emergency stand by	27,113	25,226
Repairs	13,221	105,157
Utilities	114,337	94,239
Website	5,588	5,400
Weed abatement	5,090	
Total operating expenses	1,568,791	1,654,249
Net operating income (loss)	(484,659)	(557,835)
Non-Operating Revenues (Expenses):		
Property taxes	91,861	100,772
Interest expense	(11,390)	(11,641)
Interest income	21,686	2,745
Total non-operating revenues (expenses)	102,157	91,876
Capital Contributions:		
Grant income	25,118	96,647
Total capital contributions	25,118	96,647
Changes in net position	(357,384)	(369,312)
Net position - beginning of fiscal year	2,696,922	3,066,234
Net position - end of fiscal year	\$ 2,339,538	\$ 2,696,922

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2024
With Comparative Totals for the Fiscal Year Ended June 30, 2023

	2024	2023
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,037,962	\$ 1,780,173
Payments to suppliers	(1,536,808)	(1,388,234)
Payments to employees	(5,803)	(5,428)
Net cash provided (used) by operating activities	<u>(504,649)</u>	<u>386,511</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(43,478)	(2,500)
Capital grants	25,118	96,647
Interest payments	(11,390)	(11,641)
Principal loan payments	(9,300)	(9,050)
Net cash provided (used) by capital and related financing activities	<u>(39,050)</u>	<u>73,456</u>
Cash Flows from Noncapital Financing Activities:		
Property taxes	91,861	100,772
Net cash provided by noncapital and related financing activities	<u>91,861</u>	<u>100,772</u>
Cash Flows from Investing Activities:		
Investment income	21,686	2,745
Net cash provided by investing activities	<u>21,686</u>	<u>2,745</u>
Net increase (decrease) in cash and cash equivalents	(430,152)	563,484
Cash and cash equivalents, beginning of fiscal year	1,713,214	1,149,730
Cash and cash equivalents, end of fiscal year	<u>\$ 1,283,062</u>	<u>\$ 1,713,214</u>
Reconciliation to Statement of Net Position		
Petty cash	\$ 150	\$ 150
Cash and investments	1,282,912	1,713,064
	<u>\$ 1,283,062</u>	<u>\$ 1,713,214</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ (484,659)	\$ (557,835)
Adjustments to reconcile operating loss to net cash provided (used)		
by operating activities:		
Depreciation	87,542	87,390
Change in Operating Assets and Liabilities:		
(Increase) decrease in accounts receivable	(46,070)	5,670
Increase (decrease) in accounts payable	23,638	88,197
Increase (decrease) in customer deposits	(100)	(910)
Increase (decrease) in unearned revenue		678,999
Increase (decrease) in legal settlement payable	(85,000)	85,000
Net cash provided (used) by operating activities	<u>\$ (504,649)</u>	<u>\$ 386,511</u>

See accompanying notes to basic financial statements.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - NATURE OF DISTRICT

San Simeon Community Services District (the "District") is a political subdivision of the State of California. The District administers the following community services as provided by its charter: water, sanitation, streets, lighting, weed abatement, and general and administrative services.

The District is a Community Services District as defined under State Code Section: 61000. A Community Services District is a public agency (State Code Section: 12463.1) which is a State instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).
- B. Basis of Accounting - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.
- C. Budget - Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.
- D. Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and in banks and short-term, highly liquid investments with a maturity of three months or less, which include money market funds, cash management pools in County Treasury and the state Local Agency Investment Fund (LAIF). Cash held in the county and state pooled funds is carried at cost, which approximates fair value. Interest earned is deposited quarterly into the participant's fund. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.
- E. Property, Plant and Equipment - Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation - Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-50 years) under the straight-line method of depreciation.
- G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.
- H. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- I. Customer Deposits - Customer deposits are recorded as a liability of the District. The District requires an advance deposit of \$50 for new customers.
- J. Net Position - GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. Net Position (Continued) - Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.
- K. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Comparative Data/Total Only - Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the District's financial position, operations, and cash flows. Also, certain prior fiscal amounts may have been reclassified to conform to the current fiscal year financial statements presentation.
- M. Property Taxes - The County levies, bills, and collects property taxes and special assessments for the District. Property taxes levied are recorded as revenue in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, excluding unitary tax (whether paid or unpaid). The County remits tax monies to the District every month and twice a month in December and April. The final amount which is "teetered" is remitted in August each year.

Tax collections are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the tax becomes delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payment.

Property valuations are established by the Assessor of the County for the secured and unsecured property tax rolls. Under the provisions of Article XIII A of the State Constitution, properties are assessed at 100% of purchase price or value in 1978 whichever is later. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

M. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No. 102	"Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104	"Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value. On June 30, 2024, the District had the following cash and temporary investments on hand:

Deposits:	
Cash on hand	\$ 150
Cash in banks	85,886
	<u>86,036</u>
Investments:	
Money market funds	176,784
California CLASS	1,019,648
State of California Local Agency Investment Fund (LAIF)	594
	<u>1,197,026</u>
Total Cash and Investments	<u>\$1,283,062</u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Petty cash	\$ 150
Cash and investments	1,282,912
Total cash and investments	<u>\$1,283,062</u>

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There are no investments measured under Levels 1, 2, or 3.

Investments Authorized by the District's Investment Policy

The following table identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	20%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
California CLASS	N/A	None	
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
State Registered Warrants, Notes or Bonds	N/A	None	None
Notes and Bonds for other Local California Agencies	5 years	None	None

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Money market funds	\$ 176,784	\$ 176,784	\$ -	\$ -	\$ -
California CLASS	1,019,648	1,019,648			
LAIF	594	594			
Total	<u>\$ 1,283,062</u>	<u>\$ 1,283,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Money market funds	\$ 176,784	N/A	\$ -	\$ -	\$ -	\$ 176,784
California CLASS	1,019,648					1,019,648
LAIF	594	N/A				594
Total	<u>\$1,283,062</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,283,062</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District's investments that are required to be reported.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 – SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal years ended June 30, 2024, and June 30, 2023, are shown below and on the following page:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Non-depreciable capital assets:				
Construction in progress	\$ 287,694	\$ 43,478	\$ -	\$ 331,172
Total non-depreciable capital assets	<u>\$ 287,694</u>	<u>\$ 43,478</u>	<u>\$ -</u>	<u>\$ 331,172</u>
Depreciable capital assets:				
Sewer plant	\$ 1,797,238	\$ -	\$ -	\$ 1,797,238
Water plant	1,634,391			1,634,391
Building	279,580			279,580
Land improvements	26,791			26,791
Equipment	12,690			12,690
	<u>3,750,690</u>			<u>3,750,690</u>
Accumulated depreciation	1,717,160	87,542		1,804,702
Total depreciable capital assets	<u>\$ 2,033,530</u>	<u>\$ (87,542)</u>	<u>\$ -</u>	<u>\$ 1,945,988</u>
Net capital assets	<u>\$ 2,321,224</u>	<u>\$ (44,064)</u>	<u>\$ -</u>	<u>\$ 2,277,160</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4 – SCHEDULE OF CAPITAL ASSETS (Continued)

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable capital assets:				
Construction in progress	\$ 287,694	\$ -	\$ -	\$ 287,694
Total non-depreciable capital assets	<u>\$ 287,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,694</u>
Depreciable capital assets:				
Sewer plant	\$ 1,797,238	\$ -	\$ -	\$ 1,797,238
Water plant	1,631,891	2,500		1,634,391
Building	279,580			279,580
Land improvements	26,791			26,791
Equipment	12,690			12,690
	<u>3,748,190</u>	<u>2,500</u>		<u>3,750,690</u>
Accumulated depreciation	1,629,770	87,390		1,717,160
Total depreciable capital assets	<u>\$ 2,118,420</u>	<u>\$ (84,890)</u>	<u>\$ -</u>	<u>\$ 2,033,530</u>
Net capital assets	<u>\$ 2,406,114</u>	<u>\$ (84,890)</u>	<u>\$ -</u>	<u>\$ 2,321,224</u>

Depreciation expense for the fiscal years ended June 30, 2024 and 2023 was \$87,542 and \$87,390 respectively.

NOTE 5 – CUSTOMER DEPOSITS

The liability for customer deposits consists of the following as of June 30, 2024 and 2023:

	2024	2023
Hook-up deposits	\$ 93,539	\$ 93,539
Customer meter deposits	<u>8,050</u>	<u>8,150</u>
	<u>\$ 101,589</u>	<u>\$ 101,689</u>

The hook-up deposits are from customers on a waiting list to connect into the system. Each deposit represents total hook-up fees owed by the customer based on the fee schedule in place at the time of the payment. Additional fees may be required from the customer, based on the current fee schedule, when the utility connection is completed.

Customer meter deposits consist of a \$50 refundable deposit required for each metered customer before any service can be provided by the District.

NOTE 6 – LOAN PAYABLE

On July 11, 2011, the District applied for a \$500,000 loan from the United States Department of Agriculture. The loan was approved, and the District began to draw on the loan during the 13/14 fiscal year. The District is required to make semi-annual payments of \$10,345. The agreement is secured by a first lien and a pledge of revenues from the water system. In the event of a default by the District, the remaining amount of the note shall become due. Future minimum payments are as follows on the next page:

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 6 – LOAN PAYABLE (Continued)

Fiscal year Ended June 30,	Principal	Interest	Total
2025	\$ 9,557	\$ 11,133	\$ 20,690
2026	9,822	10,868	20,690
2027	10,094	10,596	20,690
2028	10,374	10,316	20,690
2029	10,661	10,029	20,690
2030-2034	57,898	45,552	103,450
2035-2039	66,370	37,080	103,450
2040-2044	76,082	27,368	103,450
2045-2049	87,215	16,235	103,450
2050-2053	69,126	34,324	103,450
Total	<u>\$ 407,199</u>	<u>\$ 213,501</u>	<u>\$ 620,700</u>

NOTE 7 – LONG TERM LIABILITIES – SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal years ended June 30, 2024 and June 30, 2023, are shown below:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within one year
Loan payable (Direct Borrowing)	\$ 416,499	\$ -	\$ 9,300	\$ 407,199	\$ 9,557
Totals	<u>\$ 416,499</u>	<u>\$ -</u>	<u>\$ 9,300</u>	<u>\$ 407,199</u>	<u>\$ 9,557</u>

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within one year
Loan payable (Direct Borrowing)	\$ 425,549	\$ -	\$ 9,050	\$ 416,499	\$ 9,300
Totals	<u>\$ 425,549</u>	<u>\$ -</u>	<u>\$ 9,050</u>	<u>\$ 416,499</u>	<u>\$ 9,300</u>

NOTE 8 – JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et. Seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing programs listed below for the program period July 1, 2023 through June 30, 2024.

General and Auto Liability, Public Officials' and Employees' Errors, and Employment Practices Liability and Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201112. This covers \$2,500,000 per occurrence, subject to policy deductibles.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201112. This policy includes a \$400,000 Public Employee Dishonesty Blanket Coverage.

Property Loss: Special District Risk Management Authority, coverage number PPC SDRMA 201112. This policy covers the replacement cost for property on file, \$1,000,000,000 per occurrence, subject to policy deductibles.

SAN SIMEON COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 8 – JOINT POWERS AUTHORITY (Continued)

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 201112. This covers \$100,000,000 per occurrence, subject to policy deductibles.

The District also participated in the elective comprehensive/collision coverage on selected vehicles, subject to policy deductibles.

Personal Liability Coverage for Board Members: This policy covers \$500,000 per occurrence, coverage number LCA SDRMA 201112, annual segregate per each selected/appointed official, subject to policy deductibles.

Members are subject to dividends and/or assessments, in accordance with Second Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied.

NOTE 9 – RELATED PARTY TRANSACTION

The District has an agreement with Grace Environmental Services to oversee the daily operations of the District with the President of Grace Environmental Services, Charles Grace, serving as the General Manager. San Simeon Community Services District paid \$870,686 for their services including \$97,573 for operations which includes staffing, \$5,500 for electricity, and \$49,431 for preventative maintenance during the 2023/24 fiscal year. The relationship was ended in August 2023.

NOTE 10 – CONTINGENCIES AND SUBSEQUENT EVENTS

The District sent a Resolution of Application for Dissolution to LAFCO in late May 2024 identifying the District request for the County to take over District operations. The response letter from LAFCO identified how the County and the District need to collaborate to a successful dissolution. The District formed a re-organization Board in October 2024 to address the process and have scheduled monthly meetings with the County. The dissolution process is quite complicated in identifying how finances, property, property taxes, water and wastewater operations, administrative functions, as well as necessary physical upgrades to District functions and equipment will be transferred to the County and the process is currently ongoing.

SUPPLEMENTARY INFORMATION

Copy

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2024

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 502,561	\$ 451,437	\$ -	\$ 953,998
Service charges			104,901	104,901
Late fees and adjustments			25,233	25,233
	<u>502,561</u>	<u>451,437</u>	<u>130,134</u>	<u>1,084,132</u>
Total operating revenues	<u>502,561</u>	<u>451,437</u>	<u>130,134</u>	<u>1,084,132</u>
Operating Expenses:				
Bank fees			1,373	1,373
Bookkeeping	8,460	8,460	38,905	55,825
Directors' fees	1,734	1,733	1,233	4,700
Payroll expenses	120	120	853	1,093
Dues and subscriptions	2,572	3,086	200	5,858
Road maintenance			53,588	53,588
Insurance-health	5	5		10
PERS Retirement	6,497	6,497		12,994
Insurance-liability	2,928	3,660	7,209	13,797
LAFCO budget allocation	2,109	2,109	2,109	6,327
Legal fees	30,799	32,536	37,639	100,974
Licenses and permits		16,195	3,324	19,519
Miscellaneous	656	656	23,258	24,570
Depreciation	39,350	43,835	4,357	87,542
Office expenses	6,195	6,195	16,212	28,602
Operations management	397,260	315,468	11,167	723,895
Repairs and maintenance allowance - GES contract	39,251	20,187	4,943	64,381
Professional fees	79,398	64,411	54,585	198,394
Emergency stand by		27,113		27,113
Repairs	9,482	3,646	93	13,221
Utilities	52,782	52,231	9,324	114,337
Website	2,361	2,361	866	5,588
Weed abatement	5,090			5,090
	<u>687,049</u>	<u>610,504</u>	<u>271,238</u>	<u>1,568,791</u>
Total operating expenses	<u>687,049</u>	<u>610,504</u>	<u>271,238</u>	<u>1,568,791</u>
Net operating income (loss)	<u>(184,488)</u>	<u>(159,067)</u>	<u>(141,104)</u>	<u>(484,659)</u>
Non-Operating Revenues (Expenses):				
Property taxes			91,861	91,861
Interest expense		(11,390)		(11,390)
Interest income			21,686	21,686
		<u>(11,390)</u>	<u>113,547</u>	<u>102,157</u>
Total non-operating revenues (expenses)		<u>(11,390)</u>	<u>113,547</u>	<u>102,157</u>
Capital Contributions				
Grant income	25,118			25,118
	<u>25,118</u>			<u>25,118</u>
Total capital contributions	<u>25,118</u>			<u>25,118</u>
Change in net position	<u>\$ (159,370)</u>	<u>\$ (170,457)</u>	<u>\$ (27,557)</u>	<u>\$ (357,384)</u>

SAN SIMEON COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION
For the Fiscal Year Ended June 30, 2023

	<u>Sanitation Fund</u>	<u>Water Fund</u>	<u>General</u>	<u>Total</u>
Operating Revenues:				
Utility sales	\$ 499,165	\$ 447,407	\$ -	\$ 946,572
Service charges			105,517	105,517
State of CA-Dept. of Parks and Recreation	38,707			38,707
Late fees and adjustments	464	(866)	6,020	5,618
Total operating revenues	<u>538,336</u>	<u>446,541</u>	<u>111,537</u>	<u>1,096,414</u>
Operating Expenses:				
Accounting	3,258	3,258	3,259	9,775
Bank fees			934	934
Bookkeeping	9,159	9,159	9,160	27,478
Directors' fees	1,600	1,600	2,200	5,400
Payroll expenses	130	130	153	413
Dues and subscriptions	708	1,196	4,740	6,644
Insurance-health	(193)	(192)		(385)
PERS Retirement	8,602	8,601		17,203
Insurance-liability	5,197	5,394	1,177	11,768
LAFCO budget allocation	756	756	1,511	3,023
Legal fees	77,744	92,372	88,768	258,884
Licenses and permits		85,000		85,000
Miscellaneous	11,484	3,735		15,219
Depreciation	2,071			2,071
Office expenses	38,331	43,682	5,377	87,390
Operations management			611	611
Repairs and maintenance allowance - GES contract	308,849	250,206	61,770	620,825
Professional fees	20,000	16,000	4,000	40,000
Emergency stand by	132,555	55,879	43,540	231,974
Repairs		25,226		25,226
Utilities	52,222	47,770	5,165	105,157
Website	5,362	70,362	18,515	94,239
Weed abatement	1,800	1,800	1,800	5,400
Total operating expenses	<u>679,635</u>	<u>721,934</u>	<u>252,680</u>	<u>1,654,249</u>
Net operating income (loss)	<u>(141,299)</u>	<u>(275,393)</u>	<u>(141,143)</u>	<u>(557,835)</u>
Non-Operating Revenues (Expenses):				
Property taxes			100,772	100,772
Interest expense		(11,641)		(11,641)
Interest income			2,745	2,745
Total non-operating revenues (expenses)		<u>(11,641)</u>	<u>103,517</u>	<u>91,876</u>
Capital Contributions				
Grant income	96,647			96,647
Total capital contributions	<u>96,647</u>			<u>96,647</u>
Change in net position	<u>\$ (44,652)</u>	<u>\$ (287,034)</u>	<u>\$ (37,626)</u>	<u>\$ (369,312)</u>

RESOLUTION NO. 24-XXX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT OF APPLICATION FOR DISSOLUTION

WHEREAS, the San Simeon Community Services District ("District") Board of Directors ("Board") approved a resolution during the Board meeting on March 15, 2024, directing District staff to prepare a Resolution of Application for Dissolution; and

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires a Resolution of Application for Dissolution to include the provisions under Government Code section 56700; and

WHEREAS, the District's proposal for dissolution is made pursuant to Part 3: Commission Proceedings for a Change of Organization or Reorganization of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the nature of the District's proposal is for a change of organization whereby the District will be dissolved, and the services currently provided by the District and management, administration, operations, and financial responsibilities will be transferred to the County of San Luis Obispo ("County"); and

WHEREAS, a new County Service Area ("CSA") will be formed to provide the services that are currently provided by the District, and there will be no change in the level of services provided; and

WHEREAS, there will be no change in the boundaries of the affected territory as shown in the attached District Map and Legal Boundaries, which sets forth a description of the District boundaries accompanied by a map showing the boundaries; and

WHEREAS, the District does not propose any terms or conditions beyond the transfer of the services currently provided by the District and management, administration, operations, and financial responsibilities to the County; and

WHEREAS, the reasons for the proposal are that the District faces an increasingly complex environment for services and management that is internally unsustainable and unresolvable, as further explained in the attached San Simeon Community Services District Dissolution Summary and Background; and

WHEREAS, the District requests that proceedings be taken for the District's proposal for dissolution pursuant to Part 3: Commission Proceedings for a Change of Organization or Reorganization of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the proposal for dissolution is consistent with the sphere of influence of the affected district; and

WHEREAS, the proposal for dissolution requires the formation of a CSA to assume the services currently provided by the District, and a plan for services prepared pursuant to Government Code section 56653 is attached.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the **SAN SIMEON COMMUNITY SERVICES DISTRICT** to adopt this Resolution of Application for Dissolution.

The Board further resolves and hereby requests that the San Luis Obispo Local Agency Formation Commission proceed with the processing of this Resolution for Application of Dissolution as authorized and in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

ADOPTED by the Board of Directors of the **SAN SIMEON COMMUNITY SERVICES DISTRICT** on [REDACTED], 2024, by the following roll call votes:

AYES:

NOES:

ABSENT:

ABSTAINED:

Chairperson, Board of Directors of the
San Simeon Community Services District

ATTEST:

Patrick Faverty, Ed.D. Interim General Manager
San Simeon Community Services District

APPROVED AS TO FORM:

District Legal Counsel, Nubia I. Goldstein



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San Luis Obispo LAFCO
Attn: Rob Fitzroy, Executive Officer
1042 Pacific Street, #A
San Luis Obispo, CA 93401

Subject: **Application for Dissolution of the San Simeon Community Service District**

Dear Mr. Fitzroy:

Our office represents the San Simeon Community Service District (the "District") and I serve as the District's General Counsel. The District Board of Directors adopted Resolution No. 24-476, at the May 2, 2024, Board meeting formally approving an application for dissolution and directing staff to transmit this enclosed application to LAFCO for processing. The application provides detailed information and necessary documentation supporting the District's request.

Please do not hesitate to contact Patrick Faverty or myself if you require any additional information or clarification regarding the application.

Thank you for your attention to this matter.

Kind regards,

White Brenner LLP

A handwritten signature in blue ink, appearing to read "Nubia Goldstein".

Nubia I. Goldstein
District General Counsel

Enclosures

CC: Patrick Faverty, Interim General Manager
San Simeon CSD Board of Directors

San Simeon Community Services District **Dissolution Summary and Background**

Dissolution Summary

The San Simeon Community Services District (SSCSD) was formed in 1961. It currently provides water, sewer, road maintenance, street lighting, and weed abatement to approximately four hundred (400) residents and hotels for transient visitors.

The district faces an increasingly complex environment for services and management that is internally unsustainable and unresolvable. The district has become unstable.

The plan is to transfer all San Simeon Community Services District's (CSD) present active services to the County of San Luis Obispo. The proposal requires the formation of a new County Service Area (CSA). There would be no change in the level of services provided or in the affected territory.

San Simeon CSD would be dissolved, and a new County Service Area would be formed to provide all present services. This would involve transferring management, administration, operations, and financial responsibilities.

Having the county provide the community's water, wastewater, and other services via a dedicated county service area has many advantages. The county has a sizeable skilled staff, including engineering, permitting, accounting, finance, legal, administration, and operations. These resources can be applied to benefit CSAs. San Simeon CSD will never match these skills and the depth of resources. Service and management continuity will no longer be an issue for the community.

The County Service Area structure will provide stable, capable, cost-effective governance for the San Simeon community.

Below are the primary reasons for SSCSD's dissolution and transfer of service provisioning to a new County Service Area.

1. San Simeon needs a long-term, stable, capable governance structure to continue providing critical services to our disadvantaged community.
2. The community's health and safety are the priorities.
3. The district has tried various governance and operations approaches and faced multiple challenges over the years. District management and administration remain unacceptably deficient. There is no backup.

4. in 2022, under the California Voting Rights Act, the community's two hundred voters were divided into five mini-voting districts, adversely impacting governance. The district has struggled to maintain a five-member Board.
5. In 2019, an After-the-Fact Coastal Development Permit ("ATF-CDP") from the California Coastal Commission requires the District to move its wastewater treatment plant away from the ocean where it is currently located, which has become an increasingly urgent task due to rising tide levels.
6. The district lacks the experience or staff to manage district development after a forty (40) year moratorium.
7. The district has failed to maintain its infrastructure properly.
8. The district is challenged to secure grants to cover the relocation of the wastewater treatment plant and infrastructure improvements.
9. The district only has approximately two hundred (200) residential and commercial ratepayers and an annual budget of approximately One Million Two Hundred Thousand Dollars (\$1,200,000).

San Simeon CSD History and General

History

San Simeon Acres is a small commercial village developed to provide tourist/recreation services along the central coast. It provides food and lodging facilities for Hearst Castle visitors as well as tourists driving the scenic Highway 1 route between San Luis Obispo and the Monterey Peninsula. San Simeon Acres evolved from a 1940 sale of the area by W.R. Hearst to permit recreation development. Present uses are concentrated on the frontage roads along Highway 1. The village reserve line encompasses approximately 100 acres, surrounded on its East side by Hearst Ranch areas devoted to grazing. On the West are the bluffs and beach of the Pacific Ocean. Future development can only occur within the presently subdivided area. The Service Area Boundary and Sphere of Influence are the same as the County's Village Reserve line.

Residential Multi-Family. The areas beyond the commercial frontage are designated for multiple-family residential uses. These include the existing mobile home park and scattered multiple-family units. It is anticipated that expansion of multiple-family units will include triplex, apartments and townhouse developments. In addition, expansion of commercial uses such as motels beyond the frontage may be appropriate following

developmental review.

Commercial Retail. Commercial development in San Simeon is oriented to the traveling public using Highway 1 in visiting the central coast. The village provides the nearest accommodations for the more than 1,800,000 persons that visit Hearst San Simeon Historical Monument annually. Frontage roads to the east and west of Highway 1 provide access to the commercial areas.

The San Simeon Community Services District was formed following an election in 1961 for the purpose of providing street lighting, water, and street maintenance to the San Simeon Acres commercial strip bordering Highway 1. In the early 1980's LAFCO investigated several alternatives for reorganization of the CSD which included consolidation with Cambria CSD, incorporation, formation into a County Service Area, or, as it remains today, a Community Services District.

The San Simeon Community Services District currently provides water services to this area from wells located along Pico Creek with a permitted total production of 140 acre-feet. The wells are capable of producing over 400 acre-feet per year but any increase would require approval from the State Water Resources Control Board and California Coastal Commission. The wastewater treatment service was added in 1964. The CSD currently provides services to the approximately 160 permanent residents and up to 1,500 transient visitors.

The permanent population in San Simeon is limited, as very little year-round residential development has occurred. Anticipated future growth could be in multiple family units to provide second homes or retirement units, or to serve those who work in the local businesses. Economic development is oriented to tourism and recreation. Motels, restaurants and specialty retail shops serving visitors to the central coast have been developed.

San Simeon CSD - Ten-Year Operational History and Present Status

The 2014 Emergency – The District Faced Complete Shutdown of Water and Wastewater Operations and Administration

In 2014, San Simeon CSD faced a complete collapse/shutdown of operations, administration, and management when its provider of these services, APTwater Services LLC, parent company, went bankrupt. APTwater Services stopped paying district bills including electric bills and other suppliers. This was costly because the district had continued to pay APTwater Services for some time despite them failing to pay its suppliers. Ultimately the district had to pay these bills. The final blow came when it stopped payroll for its staff running San Simeon – operators, the district office staff; and the district general manager.

This was a convoluted and conflicted situation. At the time, Charles Grace was the general manager of the startup company, APTwater Systems LLC, while simultaneously contracting himself out as the General Manager of San Simeon CSD. APTwater Systems' parent company had gone bankrupt without notice to the district and ultimately stopped paying Grace. To Grace's credit, he stepped in and personally paid the operators and administration persons salaries until a contract for services could be completed with his company. A major service disruption was avoided.

With the assistance of the prominent San Simeon hotel officer/owner, an emergency services contract was arranged and signed on August 14, 2014, with Grace's own company Grace Environmental Services (GES). A company Grace had formed one year earlier in Ventura. Under his company's new contract, he continued acting as San Simeon's General Manager with the district, paying his company for operations, administration, and his general manager services. Note that there was no record of him officially being appointed the district's general manager or taking the required oath of office.

The emergency services contract with Grace's new company prevented a complete shutdown of San Simeon CSD's critical water and wastewater services.

This kind of close-call situation should never happen to San Simeon or any other community. If a contractor is used for essential community services, it must be of sufficient size, experience, and financial stability.

January 2016 to September 2023 – Grace Environmental Services LLC Provides Operations, Administration, and General Manager Services

In January 2016, a five-year plus two-year extension contract was sole-sourced to Charles Grace's company, Grace Environmental Services, a single-member LLC. At the end of that seven-year term, the agreement was extended one year to January 2024. Grace continued as the district general manager. Again, there was no record of him officially being appointed the district's general manager or taking the oath of office. This was later confirmed by the District Attorney and Grace's attorneys.

Grace's company was relatively small.

At San Simeon's site, he had one senior operator and a trainee. Neither of them was full-time in San Simeon. In 2022, the long-time San Simeon CSD operator decided to move out of state. For a half-year, the San Simeon wastewater treatment plant was operated with a lower-than-required skill level operator. Grace received a notice of violation from the California Water Quality Control Board for doing this. In addition, he had refused to disclose the names of the operators to the public. For this, he received a violation for failure to adequately disclose operator credentials. He finally disclosed that he was using Morro Bay employees on weekends to aid operations.

This thin staffing level and secrecy of operations staff and associated certification levels are unacceptable for contractors operating critical water and wastewater services. During the Covid pandemic, there was a concern that the senior operator could become ill, leaving the district in a compromised position.

The district should never be exposed to this substandard/suboptimal level of staffing and secret contractor staffing again.

2023 Water Supply Emergency

In the spring of 2023, San Simeon experienced a day or so of heavy rainfall. This caused tremendous amounts of ultrafine particles to be washed into Pico Creek. The district's filtration systems were unable to filter out these ultrafine particles. Potable water had to be hauled in special tankers from Cambria to San Simeon for over two days. The water was pumped from a Cambria fire hydrant in front of the Veteran's Hall.

This heavy rainfall was a rare event. This situation would have been avoided had the district upgraded its aging, undersized water storage reservoir to new, larger water storage tanks as have been proposed for many years. Larger storage tanks would have provided several days to a week of potable water, covering periods of heavy rainfall and associated ultrafine particles in Pico Creek. See the infrastructure section below for more on the district's water storage challenges.

June 2023 to Present – Abrupt Change of Services from Grace Environmental Services LLC Leading In-Part to the Present Unstable Situation

In 2023 a multiyear investigation by the San Luis Obispo County District Attorney's Office concluded and found the Grace Environmental Services contracts with San Simeon CSD to violate state laws including conflict of interest laws. For most of the past ten years, the district has been operating with an apparent conflict of interest. The district general manager provided all district services via his own company.

The final court settlement agreement effectively required the immediate removal of Charles Grace as San Simeon's General Manager. This resolved the main conflict of interest and violation of state law but left the district without a general manager. Further, Grace was not allowed to bid on replacement services at the end of his contract.

The situation became unstable at that point.

A San Simeon resident, Dr. Patrick Faverty, applied for the interim general manager position and was appointed interim general manager soon after that. He remains in that position as of the date of this paper.

The new board terminated Grace Environmental Services contract entirely on September 18, 2023. There has been an abrupt hostile transition of operations, administration, and general management.

A solid and much larger operations company was selected and has taken over water and wastewater operations, Fluid Resource Management. To FRM's credit and experience, the transition of water and wastewater operations was flawless. They now have six operators trained on San Simeon's water and wastewater systems.

San Simeon CSD - Governance and Representation – District Board Instability

In 2022, at the strong recommendation of then-District Counsel Minnery, San Simeon CSD was divided into five voting districts/areas to comply with the California Voting Rights Act. The district has two hundred registered voters. These mini-voting areas went into effect with the November 2022 elections. In early 2023, two directors resigned. Eventually, one candidate came forward for Area A. No candidate came forward from Area C, which has only twenty-four registered voters. That area remains unrepresented.

Pew research conducted as study finding that: "For the first time, Pew Research asked a question about who seeks out these offices and found that about 2% of Americans say they have ever run for federal, local, or state elected office."

So, 2% of the population seek office over their entire lifetime. San Simeon has 450 residents and 200 registered voters. Statistically, one can conclude that it will be difficult for San Simeon to fill seats in each of the tiny voting areas.

Canvassing several other counties, the next smallest CSD that went to district voting was in the thousands of registered voters. San Simeon CSD is likely the smallest community to redistrict in the State.

It is more challenging for small and disadvantaged San Simeon to maintain a five-member board or even a three-member board. Things get iffy with a three-member board, and someone is ill, on vacation, or out on business. Board turnover presents more problems.

San Simeon CSD is currently operating with a four-member board, which was only created with some resident arm-twisting. As a result, an area of the community has been left without representation.

It is unlikely that the community will ever again have elections in which residents can choose from multiple candidates. Instead, local and County appointments and uncontested elections will be the norm for San Simeon CSD.

The change to mini-voting districts/areas in San Simeon has raised serious concerns about the district's continued governance. A community services district must have a capable and stable governance structure to provide critical water and wastewater services for present and future needs.

A County Service Area provides a more stable governance structure through experienced staff resources and a Board of Supervisors for final decision-making. The proposed new San Simeon County Service Area can have an advisory council representing the San Simeon community's interests.

San Simeon Community Services District Dissolution Application – Plan for Services

Summary

This section of the dissolution application provides the plan for services. The plan is for a complete transfer of San Simeon Community Services District's ("San Simeon CSD" or "District") present active and inactive services, which include water, wastewater treatment, road maintenance, street lighting, and weed abatement, to the County of San Luis Obispo ("County"). The proposal requires the formation of a new county service area ("CSA"). Under this proposal there would be no change in the level of services provided or in the boundaries of the affected territory.

San Simeon CSD would be dissolved, and a new CSA would be formed to provide the services. This would involve transferring management, administration, operations, and financial responsibilities from the District to the County via a new CSA.

Although not directly addressed in the plan for services under Government Code section 56653, it is important to note that San Simeon CSD does not have employees. All management, administration, and operations services are provided via independent contractors on limited term contracts that could terminate upon dissolution of the District. However, transferring the Fluid Resources Management ("FRM") contract for water and wastewater operations to the County would seem prudent and could be negotiated directly with FRM. The continuity of the San Simeon community's water and wastewater services during the transition is critical. Regional Government Services ("RGS") is involved with San Simeon CSD financial accounting and may be a valuable resource during the transition. The part-time bookkeeper, currently working with the District on a limited contract, may also be helpful during this period.

Plan For Services - Gov. Code § 56653

Gov. Code § 56653 (b) (1): Enumeration and description of the services currently provided; and Gov. Code. § 56653 (b) (2): Level and range of services.

Exhibit 4.1 is the 2018 San Simeon CSD Master Plan and provides details on the District's present services, plans for those services, and estimated infrastructure upgrade costs. Selected in-progress and planned actions are outlined below.

Water

San Simeon CSD provides potable water to eleven visitor-serving hotels and residents within the 105-acre community. Approximately 230 water connections serve 450 residents, 1,100 hotel rooms, and restaurants.

Exhibit 4.2 is San Simeon CSD's Amended License for Diversion and Use of Water PERMIT 12465 LICENSE 12272.

The District can withdraw up to 140 acre-feet annually from the Pico Creek water basin. Present usage averages 77 acre-feet per year. Hotels consume approximately 65% of the water. Hotel water usage peaks during summer and holidays, which can double the average.

Exhibit 4.3 is the Superintendent's Report Data Summary Sheet from December 2022, showing monthly treatment volumes for 2021 and 2022.

The District operates two wells located downslope of the District office adjacent to the Pico Creek lagoon. Each well can produce 300 gallons per minute of water. An aging generator backs up the two main wells. A third standby well is located on the Hearst Ranch and rented from Hearst Corp. The District pays Hearst Corp. \$10,000 annually for this emergency standby well. The well has not been used for over ten years.

Besides the well-pumping and disinfection facilities, the District has two smaller (3-cartridge) Harmso filtration vessels. These filtration units are used during the rainy season. One unit is a pre-filter, and the second provides final filtration using certified LT-2 cartridges. Historically, during the heaviest rains, the capabilities of these small filter vessels have been exceeded. Rain flows rapidly down from Rocky Butte into Pico Creek, washing dirt and fine particles into the creek, causing turbidity levels to rise. In February 2024, the turbidity levels exceeded allowable limits by a small amount, and a citation was issued by the Division of Drinking Water to the San Simeon CSD. At this time, there are no plans to increase filtration capabilities. The Division of Drinking Water is monitoring the situation.

In 2016-2017, the District installed a Wigen Water Technologies Water reverse osmosis desalination facility. It was a \$1 million facility, including the containment building. State and Federal grants provided funding. The unit can treat 300 gallons per minute of water with chloride (salt) levels up to 3,000 mg/liter. Over the past eight years, the unit has seen limited use of approximately sixteen weeks. Its use may be required at the end of the hotel's peak visitor season and before the first rain when the wells are the lowest and seawater intrudes the Pico Creek lagoon. This facility does not have a generator backup.

The RO/Desalination facility was partially built on Hearst Corp. property without authorization or a boundary survey. It took some time to obtain an encroachment easement agreement from Hearst Corp. The district now pays \$5,000 annually for an easement.

The San Simeon CSD's Master Plan calls for water tanks to be installed for fire protection, health, and safety. Hearst Corp. delayed issuing an easement for the District's water tanks until the RO/Desalination facility encroachment was resolved. Unfortunately, in the meantime the County and the State Water Resources Board rescinded grant funding for the District's new water tank due to these encroachment-related delays.

The San Simeon CSD's water storage currently consists of a single 150,000-gallon in-ground reservoir. It is a very old, end-of-life reservoir. It is a wood-covered, plastic-lined concrete unit located on Hearst Corp. property. An open-ended lease agreement for its location exists

with Hearst Corp. that terminates when the reservoir is no longer used for its intended purpose.

A 150,000-gallon storage tank is inadequate fire suppression. The district has been planning to install new steel tank water storage facilities for many years. A request for bids for a new steel tank on Hearst Corp. property was issued in 2019. Unfortunately, as noted above, the grant funding was rescinded due to unresolved encroachment issues.

The community water supply is gravity-fed from the reservoir and distributed primarily via six-inch asbestos cement water lines, which have an estimated life of 50-70 years. Eight-inch water lines are the present standard for residential areas. The San Simeon CSD Master Plan provides details on existing and future water lines (see Exhibit 4.1).

The District contracts with FRM for the District's water and wastewater services. The three-year contract began in late 2023. The contract has two one-year optional extensions.

A District challenge is lifting the nearly forty-year water moratorium. A will-serve letter was issued for fifteen condominium units on Avonne Avenue in 2022, in an effort to provide interested property owners with an indication of the District's desire to lift the moratorium. However, for any development to proceed, the County must amend the North Coast Area Plan to allow for development, which entails approval from the County and California Coastal Commission ("CCC"). The District has conducted two required studies and is in the process of updating one of the studies. The CCC and County have not approved the amendment to the North Coast Area Plan that would allow development.

Lifting the moratorium is a major challenge for the District and due to the District's actions to seek dissolution, the moratorium activity and ultimately the decision whether to end it will likely require County involvement.

Wastewater Treatment

San Simeon CSD processes wastewater for hotels, restaurants, and residents within its boundaries. In addition, the District processes wastewater from State Parks Hearst Castle operations and nearby old San Simeon area Hearst Corp.

Exhibit 4.4 is the California Regional Water Quality Control Board's "WASTE DISCHARGE REQUIREMENTS ORDER NO. R3-2022-0003, NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) PERMIT NO. CA0047961 – SAN SIMEON COMMUNITY SERVICES DISTRICT, WASTEWATER TREATMENT PLANT, SAN LUIS OBISPO"

The existing wastewater treatment plant uses conventional-activated sludge technologies and has a design capacity of 200,000 gallons per day ("GPD") to its present capacity. The treatment plant has an older but still operational generator.

Exhibit 4.5 is a report showing monthly treatment volumes for 2021 and 2022.

Under the existing permit, the District is authorized to produce recycled water. It did so for a few years but then ceased production due to a lack of usage and the availability of nearby Cambria non-potable water. The recycling facilities remain in place but are idle.

Relative to active maintenance of the existing wastewater facilities, an aging pipe bridge carrying wastewater to the plant needs replacement. The bridge was poorly maintained for many years. Temporary repairs were made in 2022. Engineering work for a replacement bridge has been completed. Permitting for the replacement is needed, along with the issuance of bids for construction and installation. This is considered a high-priority project.

Exhibit 4.6 is Coastal Development Permit CDP 3-19-0020, dated July 18, 2019. This permit allows the continued use of the present wastewater treatment facility for up to twenty years, subject to its relocation away from the coast within those twenty years. Other terms and conditions apply, including formal five-year progress reviews. The first review is due July 11, 2024.

The permit required the completion of a Coastal Hazards Response Plan (“CHRP”), including a plan for relocating the treatment plant. The CHRP was due by July 11, 2022. One two-year extension was granted to July 11, 2024, but it will also not be met. With CCC acknowledgment, this study has been placed on hold during the District’s dissolution process. It is important to note that the County obtained a Local Coastal Program grant to fund part of the District’s costs and the County’s costs in the development of the CHRP for changes to the County General Plan.

Selecting the site of a new treatment facility has been controversial. A site in an existing residential area was previously proposed, but the District Board recently passed a resolution to stop further consideration of sites within District boundaries. Preliminary and encouraging discussions have been held with Hearst Corp. for a location on their property. The new treatment plant would be collocated with the District’s new water tanks. This proposed site is in an area that Hearst Corp. had preliminarily found acceptable.

Over fifty years ago, State Parks paid San Simeon CSD to increase the wastewater treatment plant’s capacity from 150,000 to its present 200,000 GPD to process wastewater associated with the Hearst Castle Visitor’s Center. The fifty-year agreement ended two or three years ago. A new State Parks wastewater agreement is pending. Under the original agreement, State Parks were billed at a special rate based on a percentage of total operational costs. The San Simeon CSD’s plan is to take State Parks to a standard usage billing rate. Despite having twenty-five percent of the plant’s capacity dedicated to State Parks wastewater treatment, State Parks has not participated in any of the planning for the new treatment plant nor offered to pay any of the study costs.

The District is looking into the treatment of Hearst Corp. wastewater. It was recently discovered that San Simeon CSD has been processing nearby Hearst Corp. wastewater without the District’s knowledge. The amount processed may be from 3,000 to 5,000 GPD.

The wastewater appears to have been generated in the old San Simeon area by Sebastians restaurant, the Hearst wine-tasting operations, and ranch housing. Hearst Corp. wastewater treatment is complex because there is only a single 3-mile pipeline from the old San Simeon area and Hearst Castle operations to San Simeon CSD. Hearst Corp. wastewater is comingled with State Parks wastewater, and there is only a single billing to State Parks that apparently includes Hearst Corp. wastewater processing without San Simeon CSD's knowledge. The District has requested State Parks records showing the arrangement between State Parks and Hearst Corp.

Road Maintenance

There are approximately two miles of District-maintained roads in San Simeon, which are in the residential areas. The hotels and restaurants front County-maintained roads paralleling Coast Highway 1.

The District-maintained roads are in disrepair as, maintenance has not been properly funded.

The District is in the process of repairing potholes, and some larger areas of pavement need replacement.

Street Lighting

Street lighting is provided and maintained by PG&E.

Weed Abatement

Weed abatement primarily consists of annual weed cutting, as required by CalFire. The District sends notices to lot owners for the required abatement.

Solid Waste

The San Simeon CSD underwent the LAFCO process to obtain solid water authority to assist with road repair costs, but the District never executed a franchise agreement with the solid waste hauling company. The District has never exercised its solid water authority.

Gov. Code § 56653 (b)(3): An indication of when those services can feasibly be extended to the affected territory, if new services are proposed.

This section does not apply. No new services are proposed.

Gov. Code § 56653 (b)(4): An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.

No improvements, upgrades, or other conditions would be imposed. Since the dissolution of San Simeon CSD and the creation of a CSA are for the same territory and the same

services, no improvements or upgrades within the affected territory are conditions of the dissolution and establishment of a CSA.

Gov. Code § 56653 (b)(5): Information with respect to how those services will be financed.

The same services as provided today by San Simeon CSD are proposed for a new CSA. The services would be financed as they are today. Water and wastewater are enterprise funds that would continue to be financed by rates and charges. Road maintenance, street lighting, and weed abatement are non-enterprise funds that could continue to be financed by ad valorem property taxes.

Exhibit 4.8 contains the District's financial statements for Fiscal Year 2022-23, and Exhibit 4.9 is the District's most recent audit for Fiscal Year 2021-2022.

Present water and wastewater rates are provided in Exhibit 4.10. Billings are monthly. Separate rate studies were started in 2019-20 for water and wastewater but were not completed. The rate structure needs updating to align with generally accepted practices per the American Water Association M1 Principles of Water Rates, Fees, and Charges.

Fiscal Year 2023-24 was the last year of a 5-year approved Prop. 218 rate increase plan.

As of April 29, 2024, the District's checking and savings balances totaled \$1,335,773.00. Refundable deposits included in this total were \$93,538.00 for waitlist deposits, and \$682,887.00 in capacity fees. Net available cash after deduction of refundable deposits was \$559,348.00, Fiscal year 2022-2023 books were closed in March 2024 and submitted to the auditors. Monthly financial reports are now in development. The District's books and reporting are planned to be up to date by June 2024.

Plan For Services – Supplemental Responses Gov. Code § 56824.12 (a)

The District is not proposing to provide a new or different function or class of services or divestiture of the power to provide particular functions or classes of services. Nonetheless, the District provides the responses below with regard to the District's existing services, which will be assumed by the new CSA after the District dissolves. Under the proposal, San Simeon CSD would be dissolved, and a new CSA would be created to assume the services.

Gov. Code § 56824.12 (a) (1): The total estimated cost to provide the new or different function or class of services within the special district's jurisdictional boundaries.

No new or different function or class of services are proposed. Exhibit 4.12 is the San Simeon CSD Budget for Fiscal Year 2023-2024 and provides the total estimated costs for providing water, wastewater, road maintenance, street lighting, and weed abatement within the District's jurisdictional boundaries.

The estimated costs provided here are based on San Simeon CSD's Fiscal Year 2023-2024 budget. County staff would be expected to provide their cost estimates for these services as part of the evaluation of this proposal.

Gov. Code § 56824.12 (a)(2): The estimated cost of the new or different function or class of services to customers within the special district's jurisdictional boundaries. The estimated costs may be identified by customer class.

No new or different function or class of services are proposed. Exhibit 4.13 provides San Simeon CSD's present service fees by type of service and customer class for the enterprise services of water and wastewater. Non-enterprise road maintenance, street lighting, and weed abatement services are paid from property taxes.

County staff would be expected to provide their estimates for these fees as part of the evaluation of this proposal.

Gov. Code § 56824.12 (a)(3): An identification of existing providers, if any, of the new or different function or class of services proposed to be provided and the potential fiscal impact to the customers of those existing providers.

No new or different function or class of services are proposed. The CSA may choose to contract with existing District service providers for the continuation of current services.

County staff would be expected to provide their estimates of costs and fees as part of the evaluation of this proposal.

Gov. Code § 56824.12 (a)(4): A written summary of whether the new or different function or class of services or divestiture of the power to provide particular functions or classes of services, within all or part of the jurisdictional boundaries of a special district, pursuant to subdivision (b) of Section 56654, will involve the activation or divestiture of the power to provide a particular service or services, service function or functions, or class of service or services.

No new or different function or class of services are proposed. Under the proposal, San Simeon CSD would be dissolved and no longer provide water, wastewater, road maintenance, street lighting, and weed abatement within the District's jurisdictional boundaries. San Simeon CSD would divest itself of all services. A new CSA would be created to assume these services.

Gov. Code § 56824.12 (a)(5): A plan for financing the establishment of the new or different function or class of services within the special district's jurisdictional boundaries.

No new or different function or class of services are proposed. Exhibit 4.12 provides San Simeon CSD's budget for Fiscal Year 2023-2024, showing revenue by source. Non-enterprise services of road maintenance, street lighting and weed abatement are paid from property taxes.

These fees and property taxes finance San Simeon CSD's present services. State and Federal loans and grants supplement these revenue sources and assist in funding infrastructure improvements.

County staff would be expected to provide their plan for financing as part of the evaluation of this proposal.

Gov. Code § 56824.12 (a)(6): Alternatives for the establishment of the new or different functions or class of services within the special district's jurisdictional boundaries.

No new or different function or class of services are proposed. A CSA would provide all existing services. This is the current proposal. The County presently operates multiple CSAs for unincorporated areas. A CSA approach allows for services to be customized for the needs of each area and fees to be independent of other communities. The CSA structure allows for community input/representation. The county has experience dealing with the needs of multiple communities via the CSA structure.

As a potential alternative, the District considered whether the Cambria Community Services District ("Cambria CSD") could annex the territory and services of San Simeon CSD. However, the District determined that this was not a viable option, due to current challenges Cambria CSD is facing.

Given the long list of challenges and limited potential benefits, the District determined that the Cambria CSD is not a viable alternate successor agency. The best option for the District is dissolution and creation of a CSA to provide services to the San Simeon community.



San Luis Obispo Local Agency Formation Commission

SENT VIA E-MAIL ONLY

DATE: JUNE 26, 2024

TO: PATRICK FAVERTY, GENERAL MANAGER
PATRICK@SANSIMEONCSD.ORG

FROM: ROB FITZROY, EXECUTIVE OFFICER
IMELDA MARQUEZ-VAWTER, ANALYST

SUBJECT: 30-DAY REVIEW OF APPLICATION FOR THE DISSOLUTION OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT | LAFCO FILE NO. 2-R-24

Dear Patrick,

Thank you for submitting the Resolution of Application to dissolve the San Simeon Community Services District (SSCSD). We understand that the SSCSD has faced many challenges over the years, and we will strive to make this process collaborative, effective, and efficient for the benefit of the community. As noted in our presentation to your Board of Directors, the dissolution process is complicated and lengthy, and given the unique challenges of the district, will require extensive coordination and analysis. We look forward to working with SSCSD, the County, and other agencies that will be involved in the process. We have included all referral responses, to date, from affected agencies in Attachment A.

This letter formally documents that the application for the proposed dissolution of the SSCSD was received in three parts on May 24, May 28, and May 30, 2024. LAFCO staff have completed an initial 30-day review of the application submittal and find that the application is incomplete and not sufficient for filing. The application will remain on hold until the items requested below are submitted pursuant to Government Code Section 56658. Once all the items requested have been submitted and the application is deemed complete, then a Certificate of Filing will be issued with a specified LAFCO hearing date. The following items are requested, in part, pursuant to Government Code Section 56652.

1. LAFCO received a referral response letter from Matthew Pontes, SLO County Administrative Officer, dated June 6, 2024, requesting the application be placed on hold to allow the County more time to review and analyze the proposal, and to allow time for direction and a formal decision of the County Board of Supervisors (BOS) (see Attachment A). It is important to note that the dissolution of any agency transferring all responsibilities and liabilities to another agency is a complicated endeavor that can take over a year to process. The process requires a comprehensive analysis of existing and future governance structures and the services to be provided. It requires a detailed Plan for Service pursuant to Government Code Section 56653. The information within the Plan for Service should be informed by a comprehensive analysis reflective of the entirety of the action. This was not provided in the application submitted by the District, and such analysis is necessary for the LAFCO Commission, the County, and other affected agencies to make a fully informed decision when considering the dissolution.

COMMISSIONERS

Chairperson

MARHSALL OCHYLSKI
Special District Member

Vice-Chair

STEVE GREGORY
City Member

JIMMY PAULDING

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Special District Member

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County Member

ED EBY

Special District Member

CARLA WIXOM

City Member

David Watson

Public Member

STAFF

ROB FITZROY

Executive Officer

IMELDA MARQUEZ-VAWTER

Analyst

MORGAN BING

Clerk Analyst

BRIAN A. PIERIK

Legal Counsel

The Plan for Service submitted by the District provides some information related to potential benefits, reduced costs, etc.; however, the information contained therein does not encompass the entirety of the proposed dissolution.

As such, the application will be placed on hold, in part, until the County and District analyzes the impacts of dissolution and other alternatives, the BOS provides direction and ultimately takes action on the matter, and a Plan for Service informed by a comprehensive analysis is provided.

2. A key aspect is whether this application will include the formation of a County Service Area (CSA). Please be advised that the application submitted by the SSCSD consists solely of a dissolution. Moreover, there are several ways this application could transpire and evolve through agency coordination noted above; LAFCO will need clarification and direction from SSCSD and the County on which path is intended and being proposed.

If the County wishes to pursue the formation of a CSA concurrently with the proposed dissolution, then the application would need to be modified to include both the dissolution of SSCSD and the formation of a CSA. In this case, the proposal would be considered a reorganization as defined in Government Code Section 56073. SSCSD and the County would need to provide LAFCO with a revised Resolution of Application, with all associated documents as outlined in the application packet. This would include, but not be limited to, a revised resolution from each applicable Board, Plan for Services, and a map and legal description of the proposed CSA.

3. As noted, no comprehensive analysis was prepared to inform the submitted Plan for Service that reflects the entirety of the dissolution. The costs, assets, liabilities, etc. that would be transferred/born to the County were not identified, nor were future rates to the existing community projected. However, we recognize that the submitted Plan for Services states that County input and analysis were not included and would be necessary. Depending on the outcome of the dissolution application and whether this ultimately becomes a reorganization, the Plan for Services document will need to be updated accordingly.

As currently proposed, input on the Plan for Services is required from the County, as the successor agency, and should contain the information outlined in the "Plan for Services Requirements" section of the LAFCO Application and comply with Government Code Section 56653. This document should also contain analysis related to cost, time, and staffing to take on the responsibilities for winding up the affairs of the dissolved district and determine if they plan to pursue the formation of a CSA. If it is determined that the County intends to pursue CSA formation, then the Plan for Services should provide an analysis related to costs, time, and staffing to take on the responsibilities as a newly formed CSA.

The final plan for transferring services to the County needs to include all agreed-upon arrangements for the County to assume all the district's responsibilities, including financing/funding at a defined level of service, transfers of any district assets, and any terms and conditions from any party. Please know when processing a change of organization or reorganization the Commission may impose one or more of the terms and conditions outlined in Government Code Section 56886 or other conditions of approval.

4. As SSCSD is aware, there was a legacy "Outside User Agreement" of 50 years with State Parks. This agreement has since expired. SSCSD's proposal states that the service area being transferred to the County would only consist of the existing CSD boundary. Clarification is needed as to how State Parks would continue to obtain service, as they are an existing customer of SSCSD. If a CSA is formed, the affected State Parks area currently served by SSCSD would need to be included in its boundary. Due to regulatory changes, an outside user agreement would no longer be a feasible option, so any future boundary change or formation will need to address this issue.

5. A Property Tax Agreement must be approved by resolution by the Board of Supervisors to transfer property tax revenues and annual tax increment from SSCSD. This is a required step and involves the County Auditor/Assessor and the State Board of Equalization. This process adjusts the Tax Rate Areas due to the Dissolution of the District. We have already given notice of application to the County Assessor and Auditor, as required by law. However, we understand many aspects of the dissolution are not yet known, and in particular, it is not known if the County as a Successor Agency would choose to pursue the formation of a CSA and how, if, and when taxes would be transferred. Once the aforementioned details are resolved, the appropriate path for the tax exchange process will be identified.
6. Advisement. A critical step in the process is the protest proceedings. We recommend early coordination and community involvement. If LAFCO approves the dissolution, a protest period would follow as required under Government Code Section 57092. SSCSD registered voters and landowners will have an opportunity to protest any action of LAFCO, and if certain thresholds are met, it could affect the overall outcome. If at least 25% of landowners who own at least 25% of assessed value within SSCSD protest during the protest proceedings OR if at least 25% of registered voters file a protest during protest proceedings, then the item goes to an election. If LAFCO receives 50% or more protests from the registered voters residing in SSCSD, then the action shall be terminated pursuant to Government Code Section 57078, without an election.
7. Advisement. The proposed dissolution requires discretionary action of the Commission. As such, the proposed dissolution is subject to environmental review under the California Environmental Quality Act. Based on the status of the proposed dissolution at this time it is not possible to make an environmental determination. Once sufficient details of the proposed dissolution are known, LAFCO will be able to make a determination as to how the California Environmental Quality Act will be complied with.

Once we receive the requested information, the application will be reviewed for completeness. Other information needs or questions may arise as our review of the application continues. If you have any questions or would like to arrange a meeting, please let us know. Thank you.

Attachment A: Referral Response letters from Affected Agencies

cc. Brian Pierik, LAFCO Legal Counsel
Matthew Pontes, SLO County Administrative Officer
Rebecca Campbell, SLO County Assistant Administrative Officer
Jacqueline Diamond, SSCSD Board Director
Karina Tiwana, SSCSD Board Director
Michae Donohue, SSCSD Board Director
Holly Le, SSCSD Board Director

Attachment A

Referral Response letters from Affected Agencies



COUNTY OF SAN LUIS OBISPO
ADMINISTRATIVE OFFICE

Matthew P. Pontes *County Administrative Officer*

June 6, 2024

San Luis Obispo
Local Agency Formation Commission
1042 Pacific Street, Suite A
San Luis Obispo, CA 93401

RE: LAFCO NO. 2-R-24 – Dissolution of San Simeon Community Service District

Dear Mr. Fitzroy:

This letter is to notify the San Luis Obispo Local Agency Commission (LAFCO) that the County has reviewed the referral for LAFCO File No. 2-R-24 Dissolution of San Simeon Community Services District (SSCSD) and this letter transmits the County's comments on the application and the application process.

The SSCSD's application proposes that the County assume all existing SSCSD responsibilities and liabilities. As LAFCO's referral letter states, this will require extensive review and analysis, as well as a formal decision of the County Board of Supervisors. The County formally requests that LAFCO pause consideration of the SSCSD's application for dissolution to allow the County time to review, analyze, as well as allow the County Board of Supervisors time to agendize a discussion on the SSCSD's request.

Sincerely,

Matthew P. Pontes
County Administrator

June 21, 2024

Rob Fitzroy
Executive Officer, Local Agency Formation Commission
1042 Pacific Street Suite A
San Luis Obispo, CA 93401

Subject: LAFCO No. 2-R-24 | Dissolution of San Simeon Community Service District

Dear Mr. Fitzroy,

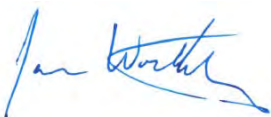
The San Luis Obispo Council of Governments (SLOCOG) staff appreciates the opportunity to review the LAFCO No. 2-R-24: Dissolution of San Simeon Community Service District application. The State of California and Federal Highways Administration designate SLOCOG as the Regional Transportation Planning Agency (RTPA) and the Metropolitan Planning Organization (MPO), respectively, for the region. While SLOCOG does not have permit or regulatory authority for land use proposals, SLOCOG is responsible for planning the long-term viability of the regional surface transportation system, and for programming funds to achieve the objectives of the adopted [2023 Regional Transportation Plan](#) (2023 RTP). The 2023 RTP is the blueprint for our region's future transportation system and thrives to accommodate growth while improving the quality of life for the region's residents.

After reviewing the application, SLOCOG staff does not have a position on the dissolution of the San Simeon CSD. However, the application mentioned that the district-maintained roads are "in disrepair as maintenance has not been properly funded." The application showcases a larger problem that is not inherent solely to San Simeon. Our region does not spend enough on transportation to maintain and improve our systems. Most of our cities are unable to keep up with needed road maintenance. Costs have increased, but revenues have not. The unincorporated county and its communities continue to see the average road condition decline. Since 2017, this decline has continued and will continue without an influx of new funding.

San Simeon is largely a visitor serving area and under the current unincorporated funding structure, visitors do not contribute to the repair of these local roads. Twenty-five counties in California have a dedicated funding source that is guaranteed for transportation and road maintenance. We don't. Earlier this year, SLOCOG polled and engaged with the public to consider developing a voter ballot measure that would result in new, dedicated funds for road maintenance and transportation improvements. Efforts were halted in May; however, the need for new funds persists.

Thank you again for the opportunity to provide input. We wish you and all parties involved continued success. If there are any questions, please do not hesitate to contact me at (805) 788-2002 or jworthley@slocog.org.

Sincerely,



James Worthley, SLOCOG Deputy Director

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POTABLE WATER SYSTEM ASSESSMENT REPORT

San Simeon Water System Assessment

Job # NBSG.05.25

May 4, 2026

PREPARED FOR:

NBS
32605 Temecula Pkwy, Ste. 316
Temecula, CA 92592



SCHAAF & WHEELER
CONSULTING CIVIL ENGINEERS

4699 Old Ironsides Drive, Suite 350, Santa Clara, CA 95054
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1. Background

San Simeon is a small unincorporated community on California's central coast in San Luis Obispo County. San Simeon is bordered on the west side by the Pacific Ocean, on east side by Hearst Corporation-owned open space, and by California State Parks property on the north and south sides. Pico Creek is a perennial stream bordering the community on the north. The community is approximately 100 acres in area and consists of residential and tourist-centric commercial properties. Per the 2020 census, the San Simeon population is 445 with 296 housing units. The San Simeon Community Services District (SSCSD) provides water and wastewater services to the community. See Figure 1 for the location of San Simeon.



Figure 1 – System Location

Potable and fire-suppression water for the community is provided by two primary groundwater wells which draw from the Pico creek-influenced groundwater basin. Groundwater is treated using various treatment technologies, depending on groundwater quality, and stored in a 150,000 gallon reservoir. Potable water is distributed to approximately 225 customers through a network of pressurized water distribution pipes. The water distribution network was constructed during the 1960s and 1970s as San Simeon was constructed, and is mostly constructed of Asbestos Cement Pipe (ACP).

On May 30, 2024, SSCSD submitted an application for dissolution to the County Local Agency Formation Commission (LAFCo). In considering this dissolution application, the County has tasked NBS and Schaaf & Wheeler (as a subconsultant to NBS) with providing a summary of

SSCSD's water system assets, their condition, and any known or anticipated deficiencies. Specifically, within the context of this report, Schaaf & Wheeler provides:

- A summary of existing water system assets, including their age, condition, and remaining useful life.
- Detailed descriptions of existing or anticipated deficiencies, and the likely cost for remedying them.
- Feasibility analysis of alternative water system configurations to meet the current and future needs of the community.

2. Water System Assets

2.1 Water System Description

The existing SSCSD water system extracts water through one of two primary wells located to the north of SSCSD's office and pumps the water to a treatment building located adjacent to the SSCSD office. After treatment, the water is pumped to a partially buried, 150,000-gallon reservoir. The water distribution system is gravity-fed from the reservoir, providing water services to residential and commercial properties as well as fire protection throughout the community. An overview of the water system is shown in Figure 2.

SSCSD contracts with Fluid Resource Management (FRM) to operate the system. FRM has been the contract operator for approximately 3 years, and thus, their knowledge of the system is limited to their experiences.



Figure 2 – Water System Overview

2.1.1 Existing System Components

Conversations with the system operator from FRM indicate that the water supply system is in overall good condition, with the only area of particular concern noted as the reservoir. While each component of the water system is summarized and described below with an estimate of its remaining useful life, it should be emphasized that with the exception of the reservoir, none of the existing facilities require immediate repair or replacement.

2.1.1.1 Wells

As previously discussed, SSCSD owns and operates two primary wells that are located adjacent to each other approximately 200 feet northwest of the SSCSD office and approximately 350 feet south of Pico Creek. Per conversations with FRM, the wells are relatively shallow at a depth of approximately 50 feet below ground level. The wells currently produce approximately 80 acre-feet per year (AFY) or about 71,400 gallons per day (GPD) according to the Water Assessment report from Akel Engineering. The amount of production from the wells generally meets current domestic demands from San Simeon. Each well is equipped with a submersible well pump. Also on the well site is a CMU building that houses electrical components and chemical metering pumps. Though the exact age is unknown, the existing well equipment, piping, pumps, building, and electrical equipment are in good condition, with the only visible signs of distress being corrosion of certain exterior components which is common given the site's proximity to the ocean.

With proper maintenance and continued upkeep, we estimate that the wells and their appurtenances have 20 to 25 years of useful life remaining, with the following caveats:

- Operators noted that the standby generator is not in good condition, and likely should be replaced.
- Rotating mechanical equipment like pumps, typically has a replacement interval between 10 and 15 years.
- Typically, shallow wells can have lifespans of 50 years or more, depending on the materials of construction. The two existing wells were constructed in 1952 and 1967. Though there are no indications of an imminent well failure, the two existing wells are past their typical expected lifespan, and it would be prudent to budget for their replacement. Schaaf & Wheeler also noted that the existing concrete well pedestals do not appear to conform to modern dimensions required by the California Division of Drinking Water (DDW). This should be addressed as part of a future well rehabilitation project.

It is important to note that the maximum identified fire flow shown in the water master plan is 6,000 gallons per minute (GPM) for a duration of four hours – totalling 1.44 million gallons of fire storage. California fire code requires fire storage to be replenished in no more than eight hours. To achieve this, a nominal well production and treatment system capacity of 3,000 GPM is required. However, with the existing well production, the water system lacks the means of providing for the required refill rate. The system is likely to remain noncompliant regardless of improvements made, and alternative fire protection strategies should be considered.

If a water source capable of meeting the required fire flow replenishment rate were available, the treatment systems would need to be substantially upsized to accommodate the substantially increased flow with a minimum required capacity of 3,000 GPM.

2.1.1.2 Treatment System

From the wells, the water is pumped to the water treatment building, located adjacent to the SSCSD office. The treatment building houses two separate treatment technologies – each used independently of the other. Because the equipment is housed in a building it is likely that the useful life can be extended, since it is not regularly exposed to inclement weather conditions or corrosive ocean air:

- To the maximum extent possible, the water is treated using a cartridge filter system. The filter system has a maximum capacity of 185 GPM, which limits the refill rate of the reservoir should high system demands drain it. Based on observation of the system, it is in very good condition and we estimate that the filter system has 10 to 15 years of useful life remaining. Operators indicated some uncertainty with the ability to obtain replacement filters, which has led them stockpile a six-week inventory. Should replacement filters become unavailable, replacement of the filtration system may be required before physical conditions require it.
- When the groundwater contains elevated chlorides, the water is treated using a reverse osmosis (RO) treatment system. The capacity of the RO system is 266.5 GPM of permeate with a feed flow of 325 GPM. The treatment system is approximately 10 years old, and is in good condition. No issues with the RO system were noted by the operators or observed during our field visit. With an assumed life span of 25 years, the RO system likely has 15 to 20 years of useful life remaining.

2.1.1.3 Reservoir

After treatment, the water is pumped to a partially buried concrete reservoir with a nominal storage capacity of 150,000 gallons. Upon observation of the reservoir, the roof is in need of replacement, and the interior condition of the structure and lining is unknown. Water system operators indicate a need to replace the reservoir due to its age and condition. Furthermore, as indicated in SSCSD's water master plan, approximately 1.6 million gallons of water storage is required for the water system. As such, the existing reservoir should be replaced as indicated in the SSCSD water master plan.

2.1.1.4 Distribution System

From the reservoir, water travels to the distribution system for use by the end users and to provide fire protection. Much of the existing distribution system was constructed in the 1950s and 1960s out of ACP. The nominal design life for ACP is 50 years, but many cases have been documented where ACP has been in service for 70 to 100 years with favorable installation conditions. Operators indicated no issues like no sedimentation build up or excess flushing with the existing distribution system. The water master plan does indicate upsizing and/or replacement of the majority of the water system as well as the construction of several new pipelines and looping dead-end lines to increase fire flow capacity of the system and improve residual pressures in the system. In total, 11 pipelines are identified for upsizing while five new pipe segments are identified. Additionally, five new fire hydrants are identified as part of the master plan. Replacement pipelines are expected to be AWWA C900 PVC which has a nominal 100-year design life. As such, it is prudent to budget for replacing 1% of SSCSD's water pipe annually. This could be extrapolated to replacing 10% every 10 years in order to make replacement project meaningful in size. Although this may need to be accelerated drastically to prevent issues from the existing pipes exceeding their service life.

2.2 Improvement Schedule

Wells – As mentioned in the previous section, the shallow wells are in good condition and with proper maintenance the wells and their appurtenances likely have 20 to 25 years of useful life remaining. However, the existing wells are, for all intents and purposes, at the end of their useful planning life even though they are currently in good working order. As such, it is prudent to plan for their replacement as soon as possible. Practically speaking, each well should be replaced in a phased approach, as budget allows so that consistent water production can be maintained. Along with the wells, the generator is also in need of replacement and should be planned accordingly.

Treatment System – The existing treatment systems are in good working order and expected to have 10-20 years of useful life remaining, depending on the treatment system. Stockpiling of replacement filters when available is required as the availability of them in the future is not known. If filters are no longer available or manufactured, replacement of the system will be required.

Reservoir – The existing reservoir is the most critical item for immediate replacement and should be replaced as soon as possible. Per SSCSD's master plan, the amount of required storage is 1.6 million gallons. This is necessary to maintain safe drinking water, meet Division of Drinking Water standards, and provide critical fire storage.

Distribution System – As previously indicated, it is recommended to budget for replacing at least 1% of the distribution system annually, though that timeline may need to accelerate depending on future conditions of the pipeline. By replacing 1% annually, pipeline replacement budgets can be aligned with an expected pipeline life of 100 years.

Fire Protection – In its current configuration, the system is not capable of meeting the current fire flow demands of 6,000 GPM for 4 hours. Construction of substantially increased storage capacity would allow the existing system to meet the fire flow requirements, but without a source capable of refilling the tank in 8 hours, the system would remain noncompliant. As discussed below, the high cost and lack of such large available source means that the system is likely to remain noncompliant regardless of improvements made, and alternative fire protection strategies should be considered.

2.3 Improvement Costs and Replacement Costs

Estimated costs to construct the identified improvements are shown in Table 1. Table 1 also includes present-value replacement costs of equipment not currently needing replacement to serve is an inventory of total water system assets. Note that costs are presented in May 2026 dollars, and a 30% contingency is included to account for project uncertainty. Also included is a 15% design and administration contingency. These costs do not include operational costs like electricity, replacement parts, and other operating costs.

Table 1 – Preliminary Replacement Cost Estimate (May 2026)

Item	Units	Quantity	Unit Cost	Extended Cost
Wells				
Replacement Well Drilling and Construction	EA	2	\$ 250,000.00	\$ 500,000.00
Well Mechanical Equipment (Per Well)	EA	2	\$ 150,000.00	\$ 300,000.00
Electrical Controls	LS	1	\$ 250,000.00	\$ 250,000.00
Standby Generator	LS	1	\$ 200,000.00	\$ 200,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Well Subtotal				\$ 1,300,000.00
Treatment System*				
Filter System Package	LS	1	\$ 200,000.00	\$ 200,000.00
RO System Package	LS	1	\$ 250,000.00	\$ 250,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Treatment System Subtotal				\$ 500,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 12,530,000.00
Construction Cost Contingency (30%)				\$ 3,759,000.00
Estimated Engineering and Administrative Costs (15%)				\$ 1,879,500.00
County Staffing Costs (20%)				\$ 2,506,000.00
Grand Total				\$ 20,674,500.00
* Treatment System is not identified for immediate replacement - cost included to provide budgeting estimate.				
** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.				

3. Alternative Service Options

Considering the water needs of the community there are two potential alternatives for supply San Simeon with the necessary water; service from Cambria, and a desalination system. No other local municipalities or water service providers exist in proximity to San Simeon.

3.1 Alternative Discussion

Service from Cambria – It may be technically feasible to obtain water service from Cambria through the construction of a new transmission pump station and pipeline, running parallel to Highway 1 but the Cambria Community Services District (CCSD) does not have sufficient water available to meet the current water demands within its existing service area. As of August 2025, there are a total of 676 single family, multi-family, and commercial properties on the water waitlist for CCSD. Because CCSD does not currently have sufficient water to meet its own demand, it is not considered a viable alternative, and is not considered further.

Desalination System – A seawater desalination system would provide San Simeon with a locally controlled, drought-resilient water supply that is independent of imported water or groundwater basin constraints. However, it is a capital-intensive, energy-dependent, and operationally complex system that would be heavily scrutinized, particularly along the Central Coast. Key hurdles include:

- Infrastructure limitations – Desalination is energy-intensive, it is not clear that there is sufficient electrical capacity to provide reliable power.
- Environmental limitations – This will require preparation of an EIR. Furthermore, construction will require a coastal development permit from the Coastal Commission. Additional state and federal permitting would be required from CDFW, DDW, RWQCB, USACE, NOAA/NMFS, and local agencies. Typically, desalination projects require more than 20 permits.
- Potential Public Opposition – Environmental watchdog groups concerned about coastal development and environmental impacts.
- Timeline – Navigating the hurdles and challenges of constructing and permitting a desalination system for San Simeon is likely to take 10 or more years.

Ideally, the desalination system would have a capacity of at least 3,000 GPM to meet the required fire tank refill rate, but doing so will substantially oversize the system for regular operation. If constructed, a Desalination system should be sized to accommodate the maximum day demand, as identified in the water system master plan. Sizing for the maximum day demand will not allow for a fast enough tank refill, but it may be possible to coordinate with the fire marshal to develop alternative, acceptable methods of compliance such as additional fire storage.

3.2 Alternative Costs

The estimated costs to implement the desalination system identified in section 3.1 is shown in Table 2. Note that costs are presented in May 2026 dollars, and a 30% contingency is included to account for project uncertainty. Also included is a 15% design and administration contingency. Table 3 has an additional cost for permitting related to desalination plants.

Table 2 – Preliminary Desalination Plant Cost Estimate (2025)

Item	Units	Quantity	Unit Cost	Extended Cost
Forcemain Pipeline*				
8-inch PVC C900 (Connection to (E) System)	LF	200	\$ 400.00	\$ 80,000.00
Surge Valve Appurtenances	LS	1	\$ 75,000.00	\$ 75,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Pipeline Subtotal				\$ 205,000.00
Desalination Plant*				
Property/Land Purchase	LS	1	\$ 3,500,000.00	\$ 3,500,000.00
Seawater Catchment	LS	1	\$ 400,000.00	\$ 400,000.00
Pre-treatment System	LS	1	\$ 450,000.00	\$ 450,000.00
Reverse Osmosis System	LS	1	\$ 2,500,000.00	\$ 2,500,000.00
Chemical Post-treatment	LS	1	\$ 550,000.00	\$ 550,000.00
Brine Management System	LS	1	\$ 400,000.00	\$ 400,000.00
Power/Energy for Desalination Plant	LS	1	\$ 400,000.00	\$ 400,000.00
Desalination Plant Subtotal				\$ 8,200,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 19,135,000.00
Special Desalination Permitting (30%)				\$ 2,521,500.00
Construction Cost Contingency (30%)				\$ 5,740,500.00
Estimated Engineering and Administrative Costs (15%)				\$ 2,870,250.00
County Staffing Costs (20%)				\$ 3,827,000.00
Grand Total				\$ 34,094,250.00
* Special Desalination Permitting applies to Forcemain and Desal plant only.				
** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.				

4. Summary

The SSCSD water distribution system, including wells, pipelines, and reservoir, is at the end of its service life and requires replacement of all items, some more immediate than others as discussed above. The treatment system is in good working order and expected to have 10-20 years of useful life remaining.

The reservoir is a strong candidate for replacement and should occur as soon as practical. Replacement of the existing reservoir with a larger one fit for fire flow demands is estimated to cost approximately \$5 million alone.

Connection to Cambria is not considered viable since they do not have sufficient supply for their current demands.

Alternatively, adding a desalination plant to the system would eliminate the need for new wells as there would be a constant supply of potable water from the desalination plant. The cost to install a desalination plant is approximately \$14.7 million.

Appendix

References

San Simeon Community Service District Master Plan, by Phoenix Civil Engineering, Inc., May 2018

2025 System-Wide Water Supply Assessment, by Akel Engineering Group, Inc., August 2025

WASTEWATER COLLECTION AND TREATMENT ASSESSMENT REPORT

Existing Facilities Assessment

Job # NBSG.05.25

May 4, 2026

PREPARED FOR:

NBS
32605 Temecula Pkwy, Ste. 316
Temecula, CA 92592



SCHAAF & WHEELER
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1. Background

San Simeon is a small unincorporated community on California's central coast in San Luis Obispo County. San Simeon is bordered on the west side by the Pacific Ocean, on east side by Hearst Castle State Park-owned open space, and by California State Parks property on the north and south sides. The community is approximately 100 acres in area and consists of residential and tourist-centric commercial properties. Per the 2020 census, the San Simeon population is 445 with 296 housing units. The San Simeon Community Services District (SSCSD) provides water and wastewater services to the community. See Figure 1 for the location of San Simeon.



Figure 1 – System Location

San Simeon has a wastewater treatment plant located on 9245 Balboa Avenue that receives wastewater from the community as well as from the nearby Hearst Castle State Park.

On May 30, 2024, SSCSD submitted an application for dissolution to the County Local Agency Formation Commission (LAFCo). In considering this dissolution application, the County has tasked NBS and Schaaf & Wheeler (as a subconsultant to NBS) with providing a summary of SSCSD's water system assets, their condition, and any known or anticipated deficiencies.

2. Wastewater System Assets

2.1 Sanitary Sewer System Description

The existing SSCSD wastewater system collects wastewater from the community mostly through 6-inch VCP, which was largely constructed in the 1960s and 1970s. The amount of gravity pipe in their system, not including the pipe coming from the Hearst Castle State Park area, is approximately 1.6 miles. SSCSD has contracted with Fluid Resource Management (FRM) to operate the wastewater system. An overview of the wastewater system is shown in Figure 2.



Figure 2 – Wastewater System Map

2.1.1 Existing System Components

Conversations with the system operator from FRM, field observations and statements from the San Simeon CSD Master Plan indicate that the wastewater system requires improvements to multiple items. There are three main concerns observed during the field visit:

- Water infiltration into gravity system.
- Reduced structural integrity in surrounding walls of treatment plant and in basins.
- Relocation of the entire wastewater treatment plant.

Each component of the wastewater system is described and summarized with an estimate of its remaining useful life. It is important to note that the only documentation provided for the review of the wastewater system was the previously-prepared wastewater master plan. Schaaf & Wheeler has no records of CCTV inspections or detailed system history.

2.1.1.1 Gravity Pipe and Manholes

SSCSD owns the 1.6-mile-long gravity sewer system, and FRM is responsible for maintenance. Most of the gravity pipeline consists of 6-inch vitrified clay pipe (VCP), with a single 8-inch VCP line that connects to the headworks vault at the entrance to the wastewater treatment plant (WWTP). Older VCP, such as that installed in San Simeon, is typically installed without gasketed joints and these joints tend to leak over time. Additionally, VCP is very brittle and prone to cracks and breaks, which can allow for additional infiltration. Based on the age of the system, the existing VCP sewer mains are past their service life. Visual observation of the pipe was only performed at manhole connections, but the pipes appear to be in standard condition and can provide service with the following considerations:

- Conducting CCTV inspections for all pipelines would provide a more accurate assessment of their condition.
- As stated in the Master Plan, an option for extending the life of the pipelines is to install a Cured-in-Place piping (CIPP) liner throughout.
- Operators noted increased flows during wet-weather, indicating inflow and/or infiltration into the system. Damaged VCP is a common source of infiltration in aging sewer systems.

It is important to note that in the Master Plan, there are a total of four pipelines identified for upsizing; two on Castillo Dr, one at the end of San Simeon Ave and across the WWTP into the headworks vault. The pipelines would be upsized to 8-inch PVC pipe and one 10-inch PVC for the pipeline to the headworks vault. The total amount of pipe upsized is about 1,200 linear feet.

The system includes a total of 29 sewer manholes. FRM staff observed a significant increase in wastewater influent to the treatment plant during the wet season and visually confirmed water infiltration into manholes during system checks. While operators have noted infiltration at manholes, they appear to be in satisfactory structural condition with no visible signs of corrosion or degradation. However, the manholes showing signs of infiltration should be repaired or replaced as soon as possible. Repairing the leaking manholes will allow continued use for the next 50 years. Items to consider:

- Conducting video inspections of all manholes would help identify which structures require rehabilitation, and which do not..

In the Master Plan, it is proposed that there is an addition of a new manhole on Castillo Drive.

2.1.1.2 Wastewater Treatment Plant

The wastewater system for the entire community converges at a headworks vault adjacent to the treatment plant, and it goes through common stages of treatment. First, it passes through screening, then grit and sludge removal. After that, it enters the aeration basins, followed by final sedimentation and disinfection before being discharged to an ocean outfall.

During the field observation, an aeration basin was empty, and cracks and fractures showed infiltration stains. The aeration basins also contained corroded piping that needs to be addressed. The perimeter of the WWTP included numerous fence posts that were severely corroded at the base and were supported by older, already corroded posts. The concrete walls supporting the fence line were fractured where the posts met them, and rebar was exposed at

the top where the fence posts would connect. Other equipment, such as generators, was also substantially corroded. Photos are attached showing these observations. Given the age and poor condition of much of the core WWTP infrastructure, we estimate it has exceeded its useful life, though continued operation is clearly possible through diligent monitoring and repairs.

Despite potential ongoing maintenance and repairs that may extend the facility's operation, the California Coastal Commission issued a Coastal Development Permit for San Simeon Community Services District (CDP 3-19-0020) that states the WWTP requires relocation by July 11, 2029. This limits the amount and types of repairs that can be conducted to the WWTP to only maintenance and repairs critical to continued WWTP operation.

2.1.1.3 Historical and Current Waste Discharge Requirements

The Central Coast Regional Water Board issued Order No. R3-2022-0003 for Waste Discharge Requirements (WDR) for the San Simeon WWTP in 2022. This order supersedes the previous one (R3-2013-0021) from 2013. According to the permits, the facility permitted flow is 0.2 MGD (daily average dry-weather flow) and 0.45 MGD (peak wet weather flow). The facility design flow is also 0.2 MGD (average dry-weather flow). Tables 2-1 and 2-3 summarize the WDR requirements for the WWTP.

Table 2-1: San Simeon WDR Flow Requirements

Year	Maximum Daily Flow (MGD)	Average Daily Dry-Weather Flow (MGD)
2009	0.16	0.085
2010	0.20	0.095
2011	0.20	0.093
2015	0.161	0.086
2016	0.180	0.093
2017	0.331	0.092
2018	0.289	0.079
2019	0.158	0.088
2020	0.144	0.064

The years from 2012 – 2014 were not included in this table as they were not added in either General Permit order numbers. For 2020, the values are below average, likely there was less demand for motel/hotel use during that time due to the Covid-19 pandemic. If the average monthly flows were to exceed the 0.2 MGD stated in the WDR, San Simeon may be subject to administrative or civil liability, criminal penalties and/or other enforcement remedies.

A draft feasibility study from MKN & Associates mentions additional historical flow data for San Simeon from 2019 through 2025. A summary of the data containing average and maximum annual flows are in Table 2-2 below.

Table 2-2: San Simeon Historical Flows

Year	Average Annual Flow, AAF (MGD)	Maximum Month Flow, MMF (MGD)	Peak Day Flow, PDF (MGD)
2019	0.088	0.106	0.201
2020	0.063	0.081	0.144
2021	0.062	0.082	0.379
2022	0.060	0.077	0.160
2023	0.070	0.105	0.257
2024	0.070	0.116	0.261
2025	0.058	0.069	0.179

Table 2-3: San Simeon WDR Loading Requirements

Parameter	Units	Average Monthly	Average Weekly	Maximum Daily	Instantaneous Minimum ^[3]	Instantaneous Maximum ^[4]
BOD ₅ ^[1]	mg/L	30	45	90		
BOD ₅ ^[1]	lbs/day ^[2]	50	75	150		
TSS ^[1]	mg/L	30	45	90		
TSS ^[1]	lbs/day ^[2]	50	75	150		
pH	standard units				6.0	9.0
Oil and Grease	mg/L	25	40	75		
Oil and Grease	lbs/day ^[2]	42	67	125		
Settleable Solids	mL/L	1.0	1.5	3.0		
Turbidity	NTU	75	100	225		

^[1] The average monthly percent removal for BOD and TSS must not be less than 85 percent.

^[2] Mass loading limits were calculated using the following formula:
 $\text{lbs/day} = \text{pollutant concentration (mg/L)} * \text{permitted flow (0.2 MGD)} * \text{conversion factor (8.34)}$

^[3] The daily maximum must apply to flow weighted 24-hour composite samples. The daily maximum mass emission must be determined using the daily maximum effluent concentration limit as C_e and the observed flow rate, Q , in MGD.

^[4] The instantaneous maximum must apply to grab sample determinations.

2.1.1.4 Permit Conditions Associated with CDP 3-19-0020

The California Coastal Commission issued a Coastal Development Permit for San Simeon Community Services District (CDP 3-19-0020) on July 18, 2019. The permit is fairly limiting in allowable improvements to the WWTP – allowing only maintenance and repairs critical to continued WWTP operation. Furthermore, CDP 3-19-0020 requires the relocation of the WWTP by July 11, 2029. While CDP 3-19-0020 does have the potential to extend the date due for WWTP relocation at the 5 year check-in, Schaaf & Wheeler has no knowledge of SSCSD's efforts to extend this deadline.

2.1.2 Wastewater Treatment Plant Relocation

A WWTP siting study performed by Rincon Consultants, Inc. reviewed and developed alternate locations in San Simeon for the relocation of the existing WWTP. This study used multiple criteria to screen potential properties that would meet the needs of a relocated WWTP. The study is included as an appendix. The list of criteria from the report included:

- Size: areas approximately one-acre or greater in size.
- Topography: Flat or gently sloping topography considered and not steep slopes or on or near coastal bluffs.
- Land Use Designations and Zoning: County of San Luis Obispo North Coast Area Plan and Coastal Zone Land Use Ordinance were considered.
- Sensitive Receptors: potential impacts to neighboring properties resulting from construction and operation of the WWTP, including odor, noise and obstruction of ocean views.
- Visibility: where general visibility was limited, including visibility from roads, residences or hotels, and the beach.
- Important Farmland: the California Department of Conservation Farmland Mapping and Monitoring Program (FMMP) was referenced to determine the presence of Prime or Unique Farmland and with the intent of avoiding those areas.
- Biological Resources: areas not supporting sensitive habitat or special-status plant and animal species were considered.
- Cultural Resources: consideration was given to areas that have been previously disturbed, as the areas are not likely to contain important cultural resources.

Rincon located nine potential sites, labeled A through I with the map shown in Figure 3. Reviewing the criteria for all nine potential sites and Rincon rejected seven of them. The remaining two potential sites, D and E, were deemed satisfactory with the caveats of possibly requiring an amendment to the North Coast Area Plan to change the land use designation to Public Facility and a zone change. However there was recently an application with the Planning department for adding multi-family homes for site D. This potentially limits the relocation site to site E instead. Whichever site is ultimately settled on, the property would need to be acquired by the SSCSD.

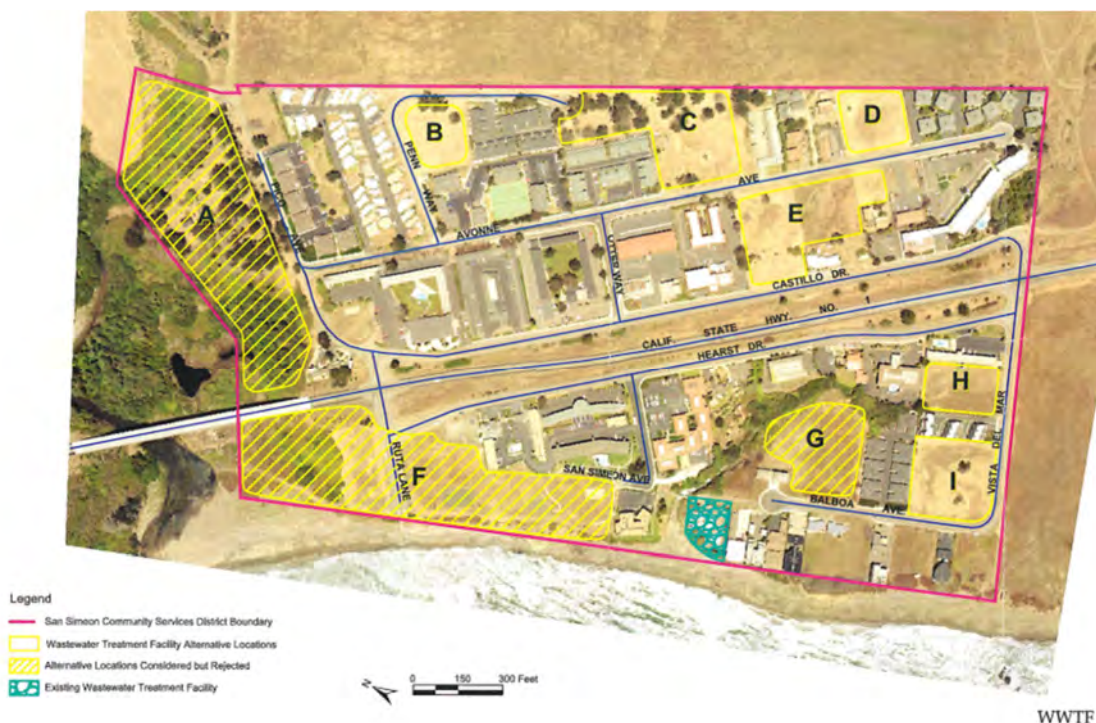


Figure 3 – Potential WWTP Relocation Site Map

2.1.3 Current and Legacy Agreements of SSCSD

According to the San Simeon CSD Master Plan the WWTP provides services to the San Simeon community's wastewater and the nearby Hearst San Simeon Historical Monument.

San Simeon had a fifty-year agreement for California State Parks' Hearst Castle Visitor's Center and San Simeon Village (Hearst Ranch houses, Hearst Ranch Winery and Sebastian's Deli). The agreement allowed a wastewater capacity total of 50,000 gpd to be treated by San Simeon's WWTP. The agreement recently expired in 2021 and a new agreement and billing arrangement are required for wastewater services for the Hearst San Simeon Historical Monument. Though a formal agreement isn't in place, SSCSD continues to receive and treat sewage from the Hearst San Simeon Historical Monument. This inflow is discharged into the SSCSD sewer system at a manhole near the intersection of Highway 1 and Pico Ave.

Given the previous agreement, and current accommodations, Schaaf & Wheeler recommends that any selected alternative continue to provide sewer treatment services to the Hearst San Simeon Historical Monument.

2.2 Improvement Schedule

Collection System – As previously indicated, the collection system is beyond its estimated design life based on age and materials of construction, though it is still serving its purpose. Assuming a 10 year rehabilitation period for budgeting purposes, it is prudent to budget for rehabilitating 10% of SSCSD's collection system annually using Cured-In-Place Pipe lining as mentioned in the Master Plan. The four segments of pipe that were recommended upsizing per the Master Plan (as previously described) can likely be replaced using pipe bursting methods.

Manholes – Manholes should be rehabilitated at the same time that the pipes connecting to them are rehabilitated. As such, SSCSD should budget for rehabilitating 10% of the manholes annually.

Wastewater Treatment Plant – Per the CDP permit requirements, the existing treatment plant requires relocation immediately, by July 11, 2029. As such, SSCSD should budget for the plant relocation as soon as possible. In order to avoid a wholesale reconfiguration of the collection system, it is assumed that a below-grade sewage pump station would be installed at the headworks of the existing treatment plant to convey the sewage to the replacement treatment plant. As discussed later in this report, the fastest feasible timeline for replacement of the wastewater treatment plant is 5 to 10 years. SSCSD should convey this information to the coastal commission and amend the permit to extend the expiration of the CDP 3-19-0020 permit, if possible.

2.3 Improvement Costs

The estimated costs to implement the improvements and equipment replacements identified in section 2.2 are shown in the table below. Note that costs are presented in 2026 dollars, and a 30% contingency is included to account for project uncertainty. Also included is a 30% design and administration contingency to account for substantial permitting efforts anticipated.

Table 2-4: Preliminary Replacement Cost Estimate (May 2026)

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
County Staffing Costs (20%)				\$ 708,500.00
Collection System Grand Total				\$ 6,376,500.00
Item	Units	Quantity	Unit Cost	Extended Cost
Wastewater Treatment Plant and Appurtenances				
Influent Pump Station	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Piping to New WWTP	LS	1	\$ 750,000.00	\$ 750,000.00
Package Treatment System	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Misc. Improvements	LS	1	\$ 250,000.00	\$ 250,000.00
Real Estate Acquisition	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Treatment System Subtotal				\$ 5,500,000.00
Construction Cost Contingency (30%)				\$ 1,650,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,650,000.00
County Staffing Costs (20%)				\$ 1,100,000.00
Treatment System Grand Total				\$ 9,900,000.00
Collection and Treatment System Grand Total				\$ 16,276,500.00
*Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.				

3. Alternative Service Options

3.1 Connection to Cambria

While repairing, upgrading and relocating the existing system is an immediate option, the other viable alternative option is connecting to the nearby Cambria system for wastewater services. There are no other nearby communities with the operational and managerial capacity to receive and treat wastewater from San Simeon. This alternative would involve comparable environmental, real estate, and engineering efforts, along with a similar project timeline.

3.1.1 Cambria Description

The town of Cambria is located about 5 miles southeast of San Simeon, with a population of 6,038 as of 2023. The sanitary sewer collection system includes 10 lift stations and 59 miles of gravity sewer and force mains¹. The discharge from the system travels to Cambria's WWTP that was originally constructed in 1970 and upgraded in 1995 to improve the plant's ability to reliably meet the discharge requirements by the Regional Water Quality Control Board.

With new General Order R3-2020-0020, Cambria's WWTP is permitted for design flow of 0.99 MGD and a peak design capacity of 2.5 million gallons per day (MGD) during storm events. A draft feasibility study from MKN & Associates shows the historical flows for Cambria from 2019 – 2025. A table summarizing those inflows to the WWTP are shown below.

Table 3-1: Cambria Historical Flows

Year	Average Annual Flow, AAF (MGD)	Maximum Month Flow, MMF (MGD)	Peak Day Flow, PDF (MGD)
2019	0.601	0.990	1.418
2020	0.514	0.616	0.867
2021	0.543	0.697	2.632
2022	0.483	0.648	1.327
2023	0.629	1.194	2.302
2024	0.598	1.085	1.694
2025	0.519	0.636	1.138

Cambria's average annual flows are well below the design flow given by the General Order. From San Simeon's Master Plan, San Simeon's average wet weather flow from the Master Plan is 81,900 gallons per day (gpd) or about 0.082 MGD. Taking Cambria's current inflows into account, the Cambria WWTP would likely be able to accommodate this small increase of daily

¹ Referenced from Cambria Sewer System Management Plan, 2018.

wastewater inflow. Detailed negotiations with Cambria are required to verify the feasibility and acceptability of this connection.

San Simeon's flow into Cambria's WWTP will be treated to the effluent limits from their General Order No. R3-2020-0020. Cambria's effluent limits are shown in the table below.

Table 3-2: General Order No. R3-2020-0020 Summary

Parameter	Units	25-Month Rolling Median	Sample Maximum	30 Day Average	7-Day Average
Total Nitrogen	mg/L	10	--	--	--
Total Suspended Solids	mg/L	--	--	30 and average percent removal must not be less than 85 percent	45
BOD ₅	mg/L	--	--	30 and average percent removal must not be less than 85 percent	45
Settleable Solids	mL/L	--	0.5	0.1	0.3
Sulfate	mg/L	250	500	--	--
Boron	mg/L	0.5	--	--	--
Sodium	mg/L	250	--	--	--
pH	NA	--	--	Between 6.5 and 8.4	--

3.1.2 Hydraulics to Cambria

The profile between San Simeon and Cambria is not flat, containing three peaks along Highway 1. Figure 4 shows the profile across the approximately five-mile span. The connection point for the wastewater alternative is at around the midpoint of this profile at Exotic Gardens Rd. Figure 5 will show its profile. There are several pumping options for transferring wastewater to Cambria.

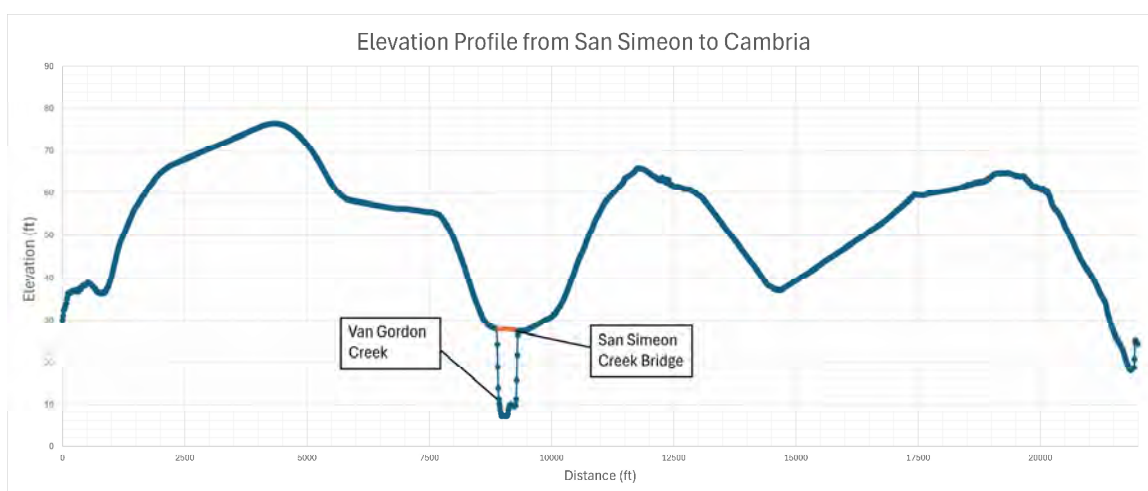


Figure 4 – Topographic Profile from San Simeon (Left) to Cambria (Right)

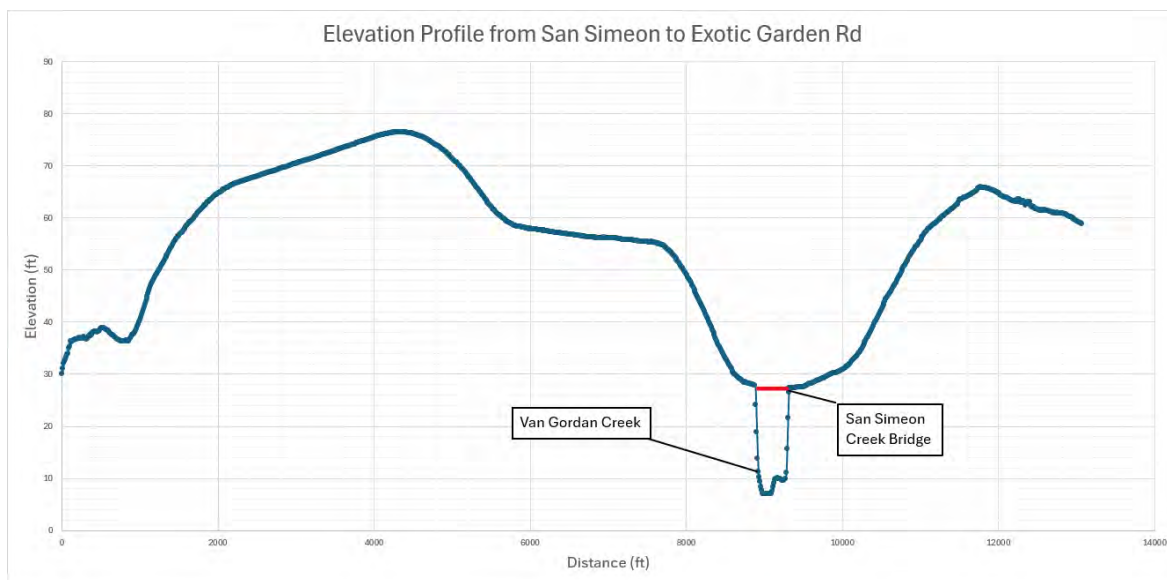


Figure 5 – Topographic Profile from San Simeon (Left) to Exotic Gardens (Right)

Schaaf & Wheeler analyzed a single pump station and dual pump station configuration for conveying sewage from San Simeon to Cambria. In general, both configurations are viable, and would utilize 6-inch diameter force mains.

For the single pump station configuration, a station would be constructed at the SSCSD WWTP plant head works, and pump through a dedicated force main to the connection point on Exotic Garden Rd. We anticipate that sufficient power would be available at the SSCSD WWTP to serve the anticipated 20 horsepower pumps.

The dual pump station option would include a pump station at the SSCSD WWTP and a second pump station near San Simeon Creek Bridge. While sufficient power is present at the SSCSD WWTP, it is unlikely that sufficient electrical service exists at any of the midpoints. A new electrical service should be planned for at the second pump station site.

3.1.3 Cost to Cambria

Connecting to Cambria's WWTP will require pump station(s) as outlined above. It will require coordinating with Caltrans and Cambria Community Services District to know where trenching will occur on Highway 1 and within the city limits of Cambria. These kinds of costs are difficult to estimate without further contact and coordination with these entities. The cost of both pump station alternatives are shown in Table 3-3 and Table 3-4.

Table 3-3: Preliminary San Simeon to Cambria Single PS Cost Estimates (May 2026)

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
County Staffing Costs (20%)				\$ 708,500.00
Collection System Grand Total				\$ 6,376,500.00
Item	Units	Quantity	Unit Cost	Extended Cost
Single Pump Station Configuration				
Lift Station - Civil	LS	1	\$ 450,000.00	\$ 450,000.00
Lift Station - Electrical	LS	1	\$ 550,000.00	\$ 550,000.00
20 HP Pumps, 2 Each Installed	LS	1	\$ 350,000.00	\$ 350,000.00
Flow Meter	LS	1	\$ 50,000.00	\$ 50,000.00
Diesel Generator	LS	1	\$ 110,000.00	\$ 110,000.00
6-inch Force Main	LF	12000	\$ 200.00	\$ 2,400,000.00
6-inch Gravity Pipe via Trenching	LF	1100	\$ 300.00	\$ 330,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Single Pump Station Subtotal				\$ 5,540,000.00
Construction Cost Contingency (30%)				\$ 1,662,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,662,000.00
County Staffing Costs (20%)				\$ 1,108,000.00
Single Pump Station Grand Total				\$ 9,972,000.00
Collection and Single Pump Station Grand Total				\$ 16,348,500.00
*Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.				

Table 3-4: Preliminary San Simeon to Cambria Dual PS Cost Estimate (May 2026)

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
County Staffing Costs (20%)				\$ 708,500.00
Collection System Grand Total				\$ 6,376,500.00
Item	Units	Quantity	Unit Cost	Extended Cost
Dual Pump Station Configuration				
Lift Station 1 - Civil	LS	1	\$ 300,000.00	\$ 300,000.00
Lift Station 1 - Electrical	LS	1	\$ 375,000.00	\$ 375,000.00
6 HP Pumps, 2 Each Installed	LS	1	\$ 100,000.00	\$ 100,000.00
Diesel Generator	LS	1	\$ 60,000.00	\$ 60,000.00
Lift Station 2 - Civil	LS	1	\$ 350,000.00	\$ 350,000.00
Lift Station 2 - Electrical	LS	1	\$ 450,000.00	\$ 450,000.00
12 HP Pumps, 2 Each Installed	LS	1	\$ 225,000.00	\$ 225,000.00
Flow Meter	LS	2	\$ 50,000.00	\$ 100,000.00
Diesel Generator	LS	2	\$ 100,000.00	\$ 200,000.00
6-inch Force Main	LF	9100	\$ 200.00	\$ 1,820,000.00
6-inch Gravity Pipe via Trenching	LF	4000	\$ 300.00	\$ 1,200,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Real Estate Acquisition	LS	1	\$ 500,000.00	\$ 500,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Dual Pump Station Subtotal				\$ 6,980,000.00
Construction Cost Contingency (30%)				\$ 2,094,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 2,094,000.00
County Staffing Costs (20%)				\$ 1,396,000.00
Dual Pump Station Grand Total				\$ 12,564,000.00
Collection and Dual Pump Station Grand Total				\$ 18,940,500.00
*Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.				

The estimates shown above do not include costs associated with extending necessary electrical services to sites not currently supplied with sufficient electrical power. Considering this, the single pump option is likely the most viable option, but a number of hurdles still exist, including:

- Development of interagency agreements defining long term pricing structure, priority of service definitions, and agreement duration and exit clauses.
- Environmental limitations – This will require preparation of an EIR as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the California Coastal Commission.
- Potential Public Opposition – Public perception as to “why should Cambria take San Simeon’s sewage?”.

Navigating the hurdles listed above is likely to take 5-10 years.

There is potential for shared costs for joint trench and joint electrical for both water & sewer for connection to Cambria. It could save on trenching and multiple easements for force mains/gravity mains to Cambria. However there are multiple hurdles which include:

- Infrastructure limitations – Joint trenching would require a large portion of Highway 1 to be reduced for approximately 2.5 miles for a long period of time.
- Environmental limitations – This will require preparation of an EIR as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the Coastal Commission. Joint trenching water, sewer, electrical and other utilities would require a waiver from the Division of Drinking Water as spacing would be required for all utilities to be trenched.

The draft feasibility study from MKN & Associates discusses about a transmission main from Cambria's Emergency Advanced Water Treatment Plant (AWTP) to San Simeon's WWTP location to dispose of brine through the SSCSD's existing ocean outfall. This would be part of the overarching consolidation of San Simeon and Cambria systems. Construction of this transmission main is not included in the cost estimates shown herein and could substantially increase the project costs.

4. Summary

The SSCSD wastewater collection and treatment system components are fully beyond their intended design lives, but with diligent maintenance and triage of maintenance items as they occur, operation of the system could continue indefinitely.

The collection system is a strong candidate for rehabilitation, but targeted rehabilitation should occur as soon as practical. Rehabilitation of the existing system is estimated to cost approximately \$4.5 million.

The WWTP requires relocation to be in compliance with CDP 3-19-0020. This fact, coupled with the poor condition of the existing facility makes it prudent to focus resources on siting and constructing a replacement facility as soon as possible. Replacement of the WWTP is estimated to cost approximately \$8.8 million.

Alternatively, the WWTP may be able to be eliminated, with sewage flows routed to Cambria. The cost to route sewer flows to Cambria is estimated between \$8.9 million and \$11.2 million, excluding any required utility service extensions and interagency agreement costs.

Appendix

References

Draft Cambria Community Services District Wastewater Treatment Plant Flow and Loads Analysis & Future Consolidation Feasibility Study, by MKN Associates, January 2026

Sewer System Management Plan, by Cambria Community Services District, 2018

San Simeon Community Service District Master Plan, by Phoenix Civil Engineering, Inc., May 2018

Attachments

CDP 3-19-0020

Alternatives Analysis for Relocation of the San Simeon Community Services District Wastewater Treatment Facility

Facility Information from Order No. R3-2022-0003

Photos



California Coastal Commission

COASTAL DEVELOPMENT PERMIT

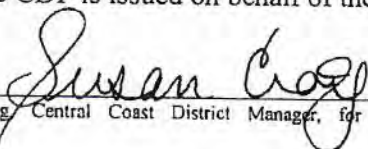
CDP 3-19-0020 (San Simeon Community Services District)

Issue Date: July 18, 2019

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Coastal development permit (CDP) number 3-19-0020 was approved by the California Coastal Commission on July 11, 2019. CDP 3-19-0020 provides for the after-the-fact recognition and retention of: 1) a riprap revetment fronting the wastewater treatment plant (WWTP) (completed in 1983); 2) replacement of a portion of the ocean outfall pipeline (completed in 1984) and other repairs and replacements to the outfall (completed between 2010-2013); 3) improvements to a pipe support structure across Arroyo del Padre Juan Creek, including placement of riprap at abutments (completed in 1995); 4) full replacement of the pipe support structure (completed in 1999); and 5) other WWTP structural and component upgrades and related development over many years. The approval also includes new riprap augmentation of the revetment fronting the WWTP (adding two feet in height). This project is located on the bluff, beach, and riparian area fronting the San Simeon WWTP at 9245 Balboa Avenue in the unincorporated San Simeon Acres area of North San Luis Obispo County immediately adjacent to Arroyo del Padre Juan Creek (APNs 013-031-028 and 013-031-041) (all as more specifically described in the Commission's CDP file). CDP 3-19-0020 is subject to certain terms and conditions, including the standard and special conditions beginning on page 2 of this CDP.

By my signature below, the CDP is issued on behalf of the California Coastal Commission:


Susan Craig, Central Coast District Manager, for John Ainsworth, Executive Director

Acknowledgement

The undersigned Permittee acknowledges receipt of this coastal development permit and agrees to abide by all terms and conditions thereof. The undersigned Permittee acknowledges that Government Code Section 818.4 (which states in pertinent part that "a public entity is not liable for injury caused by the issuance of any permit") applies to the issuance of this coastal development permit.

Authorized Representative of San Simeon CSD

Date

CDP 3-18-0020 (San Simeon Community Services District)

Issue Date: July 18, 2019

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Standard Conditions

1. **Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the Permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
2. **Expiration.** If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
3. **Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.
4. **Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
5. **Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

Special Conditions

1. Approved Project.

- a. **ATF Development.** This CDP authorizes after-the-fact development consisting of: 1) the placement of over 650 cubic yards of riprap on the beach and fronting the bluffs immediately adjacent to the San Simeon Community Services District's (District's) wastewater treatment plant (WWTP) in 1983 (as described and shown on the plan sheet titled *Site Map* dated June 2016 and dated received in the Coastal Commission's Central Coast District Office on December 23, 2015); 2) the placement of up to 450 cubic yards of riprap along both sides of Arroyo del Padre Juan Creek and improvements to a pipe support structure crossing the creek, both in 1995 (as shown on a plan sheet from John Wallace & Associates dated received in the Central Coast District Office on December 23, 2015); 3) replacement of the entire pipe support structure with a new structure in 1999; 4) replacement of 600 feet of outfall pipe in 1984 and replacement of a 100-foot section of outfall pipe between 2010 and 2013; and 5) other structural and component upgrades and development relating to the WWTP over many years (as described in **Exhibits 4 and 15**).
- b. **New Development.** This CDP also authorizes: additional riprap atop the existing riprap fronting the bluffs at the WWTP (up to an additional two feet in height) (see **Special Condition 4**); native habitat restoration in Arroyo del Padre Juan Creek (see **Special Condition 6**); public access improvements on the bluff south of Vista Del Mar Avenue (see **Special Condition 7**); an ocean outfall assessment (see **Special Condition 9**); and decommissioning and demolition of the WWTP in the future and restoration of the site (see **Special Condition 10**).

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- c. **Maintenance.** This CDP also authorizes maintenance of the following: the existing and new riprap on the beach and fronting the bluffs at the WWTP until the WWTP is decommissioned and demolished and the site restored, including removal of the riprap (see **Special Condition 5**); the native habitat restoration in Arroyo del Padre Juan Creek (see **Special Condition 6**); and the public access improvements on the bluff south of Vista Del Mar Avenue (see **Special Condition 7**)
- d. **Other Minor Measures.** This CDP also authorizes limited additional measures necessary to address coastal hazards (including as exacerbated by sea level rise) in order to ensure the continuous operation of the WWTP for the duration of the authorized approval to protect water quality and public health, upon determination by the Executive Director that the limited additional measures fall within the scope of authorized development pursuant to this CDP and do not require a CDP amendment. Any such measures shall be the minimum necessary to abate the identified problem.
- e. **Interim Authorization.** By acceptance of this CDP, the Permittee acknowledges and agrees that this approval is an interim authorization (i.e., for up to 10 years, subject to potential extensions, as specified in **Special Condition 2**) for the Approved Project as specified in subsections (a) through (d) above, to allow for the continued operation and function of the District's WWTP over this timeframe to protect the WWTP against erosion and potential water quality and public health impacts, while simultaneously providing the Permittee time to plan for and consider inland alternatives for future wastewater treatment functions, such as WWTP relocation away from existing and future coastal hazards at this low-lying shoreline location. The habitat restoration and public access improvements described in **Special Conditions 6 and 7** are not subject to the 10-year authorization timeframe, and instead are authorized and required permanently.

2. Duration of Authorization. The Approved Project identified in **Special Condition 1** is authorized for up to 10 years from the date of approval (i.e., through July 11, 2029, the expiration date of this CDP, subject to potential extension as detailed below), subject to a compliance check-in after five years by the Executive Director (i.e., by July 11, 2024). By acceptance of this CDP, the Permittee acknowledges and agrees that such development authorized pursuant to this CDP is only permitted for up to the next 10 years to provide the Permittee adequate time to secure funding and to plan, develop, consider, and implement a project designed to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) that minimizes coastal hazard threats (see also **Special Condition 3**). The duration of authorization parameters above do not apply to the habitat restoration and public access components of the project (see **Special Conditions 6 and 7**), which are authorized and required permanently.

The Permittee also acknowledges and agrees that it shall remove the Approved Project in its entirety and restore the affected bluff and creek areas to their pre-development condition or better within one year of cessation of wastewater treatment operations at the Balboa Avenue site, or by expiration of this CDP, whichever comes first. Prior to initiating decommissioning and removal of the WWTP and resultant site restoration activities, the Permittee shall submit a plan for same to the Executive Director for review and approval pursuant to **Special Condition 10**.

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The expiration date of this CDP may only be modified (a) by the Commission via a CDP amendment, or (b) as part of the Executive Director's check-in process below. In the case of a Permittee-proposed CDP amendment, the Commission shall only consider such a request if the Permittee submits a complete CDP amendment request (i.e., including all necessary information identified by the Executive Director as required for filing purposes) to the Commission prior to the expiration date of this CDP (i.e., before July 11, 2029). Any CDP amendment request that includes proposed retention of the Approved Project and WWTP in its current location beyond the expiration date of this CDP may not be accepted for filing without a showing of significant and diligent action taken in furtherance of implementing the approved Coastal Hazards Response Plan (see **Special Condition 3**), and may not just rely on an expectation of long-term operation of the WWTP at the present location beyond the expiration date of this CDP.

The Permittee shall be subject to a five-year check-in with the Executive Director on the status of its CDP compliance efforts following approval of this CDP. In no event later than July 11, 2024, the Permittee shall request a determination from the Executive Director about whether significant and diligent progress has been made by the Permittee on meeting the terms and conditions of this CDP, particularly in furtherance of implementing the Coastal Hazards Response Plan required by **Special Condition 3**. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) evidence of steps taken in compliance with **Special Condition 3**; (2) evidence of public and other outreach undertaken by the Permittee toward CDP compliance; (3) identification of potential alternatives to be considered through this CDP to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) that minimizes coastal hazard threats; and (4) identification of funding sources. The Executive Director's determinations with respect to whether the Permittee is making significant and diligent progress shall be governed by the following:

- a) **Progress Made and CDP Authorization Continues.** If the Executive Director determines that significant and diligent progress is being made towards such compliance, then the Executive Director shall provide written notification of same to the Permittee, and the remaining five-year authorization specified under this CDP will continue until authorization expiration on July 11, 2029 (potentially subject to additional extension(s) per subsection b. below).
- b) **Progress Made and CDP Expiration Extended.** If the Executive Director determines that significant and diligent progress is being made towards such compliance, but that the Permittee, for good cause, will be not able to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) by the expiration date of this CDP as contemplated by the Coastal Hazards Response Plan (see **Special Condition 3** below), then the CDP expiration may be extended in five-year increments by the Executive Director up to ten additional years (i.e., to either July 11, 2034, or July 11, 2039), subject to additional Executive Director check-ins every five years following the first check-in by July 11, 2024 (i.e. no later than July 11, 2029 and July 11, 2034 (if applicable)).
- i) **July 11, 2029 Check-In.** The Executive Director five-year check-in by July 11, 2029 for determination that significant and diligent progress is being made, if necessary, shall substantially follow the same process and be governed by the same standards as specified

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above for the first Executive Director five-year check-in by July 11, 2024. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) the Permittee has finalized its Coastal Hazards Response Plan; (2) any environmental/permitting documents or other governmental approvals required with respect to the Coastal Hazards Response Plan are being diligently pursued; (3) identified funding sources are being diligently pursued; and (4) the Permittee has selected an identified preferred alternative to pursue.

- ii) **July 11, 2034 Check-In.** The Executive Director five-year check-in by July 11, 2034 for determination that significant and diligent progress is being made, if applicable, shall substantially follow the same process and be governed by the same standards as specified above for the Executive Director five-year check-ins on July 11, 2024 and July 11, 2029. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) any environmental/permitting documents or other governmental approvals required with respect to the Coastal Hazards Response Plan have been approved and/or material progress has been made with respect to such approvals being pursued in relation to the status at the July 11, 2029 five-year check-in; (2) identified funding sources have been secured and/or material progress has been made with respect to such funding being pursued in relation to the status at the July 11, 2029 five-year check-in; and (3) the Permittee has provided an up-to-date timeline, including benchmarks, with respect to projected implementation of the Coastal Hazards Response Plan.
- iii) If the authorization period of this CDP is still effective by July 11, 2039, but the Permittee, for good cause, will still not be able to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location), the Permittee must submit a CDP amendment application prior to expiration of this CDP to the Commission for consideration of changes to the CDP authorization beyond July 11, 2039.

Any extension of CDP authorization duration past July 11, 2029 shall include assessment of additional project impacts on coastal resources for the additional period of CDP duration, and assessment of additional mitigation if the Executive Director concludes that the original CDP mitigations do not adequately address the additional impacts accruing from the extended CDP authorization duration.

- c) **Progress Not Made and CDP Authorization Suspended.** If the Executive Director concludes at any particular five-year check-in that, based on information submitted as part of the check-in process and/or based on other available evidence, the Permittee is not making significant and diligent progress with respect to compliance with the terms and conditions of this CDP (and, particularly, in furtherance of implementing the Coastal Hazards Response Plan required by **Special Condition 3**), then the Executive Director shall provide written notification of same to the Permittee and this CDP authorization shall be suspended, subject to the right of the Permittee

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to dispute the Executive Director's determination to the Commission for consideration and potential action regarding progress made in terms of compliance with the terms and conditions of this CDP at a public hearing, where the Commission may either: (a) concur with the Executive Director's determination, at which point the Commission may amend the CDP authorization period, potentially subject to new or modified conditions to ensure compliance of the CDP as approved or, if the Commission does not amend the CDP authorization period, upon concurrence with the Executive Director's determination the CDP authorization will be deemed to have expired; or (b) determine that significant and diligent progress is being made towards such compliance, and the remaining five-year authorization specified under this CDP will continue until the next CDP five-year authorization period or CDP expiration, whichever is applicable.. If the Permittee does not dispute the Executive Director's determination to the Commission within 30 days of said determination, this CDP authorization will be deemed to have expired. Any Commission extension of the CDP authorization duration past July 11, 2029 shall include an assessment of additional project impacts on coastal resources for the additional period of CDP duration, and an assessment of additional mitigation if the Commission concludes that the original CDP mitigations do not adequately address the additional impacts accruing from the extended CDP authorization duration.

3. Coastal Hazards Response Plan. WITHIN THREE YEARS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than July 11, 2022), the Permittee shall submit two copies of a Coastal Hazards Response Plan to the Executive Director for review and approval. The Response Plan shall be developed in coordination with appropriate staff and agencies at San Luis Obispo County, the Regional Water Quality Control Board, and any other relevant agencies with authority over the development to propose a new and/or relocated WWTP and/or associated wastewater functions. The Response Plan shall build upon the work completed to date as described in the document titled *Alternatives Analysis for Relocation of the San Simeon Community Services District Wastewater Treatment Plant* (dated April 18, 2008 and received in the Coastal Commission's Central Coast District Office on December 23, 2015) and the document titled *San Simeon Community Services District Estimated WWTP Life Expectancy Analysis* (dated August 18, 2016 and dated received in the Central Coast District Office on August 29, 2016). The Response Plan shall provide a clear long-term plan for providing necessary wastewater treatment functions at an inland location or locations that are not subject to the significant coastal hazards threatening the existing WWTP as identified in the Commission-adopted findings for this CDP.

The Response Plan shall, at a minimum, identify a preferred inland site or sites for District wastewater treatment functions, including evaluating alternative wastewater treatment options in-lieu of building a new inland WWTP (including the construction of an inland package plant or plants, the possibility of combining services with other nearby existing WWTPs, and similar alternatives), and shall provide details regarding the mechanisms, costs, funding options, and timing for potential relocation and for full restoration of the existing WWTP site. Expected costs to purchase land for a relocated plant, to decommission the existing plant and to restore the site, to upgrade any relocated wastewater treatment functions to include water recycling (including addressing the potential for joint satellite facilities and/or collaborations with nearby communities and wastewater service providers for water recycling) must be included. The Response Plan shall provide a detailed evaluation of whether the use of the WWTP outfall

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can be eliminated and the outfall removed as part of moving wastewater functions to a more inland location. Any costs associated with new and/or upgraded outfall pipelines, pumps, and/or lift stations deemed necessary (including rerouting of sewer pipes to a relocated plant, etc.) shall also be included. The Response Plan shall include a timeline of potential major relocation events, including expected timeframes for land acquisition, planning, permitting, design, construction and eventual operation of a relocated plant or alternative wastewater treatment solutions that avoid the significant coastal hazards that threaten the existing WWTP as identified in the Commission-adopted findings for this CDP. Extension to the three-year deadline for submittal of the Coastal Hazards Response Plan may be granted by the Executive Director for good cause, but in no event may it be extended beyond the five-year compliance check-in required by **Special Condition 2**.

4. Additional Riprap Installation Plan. PRIOR TO INSTALLATION OF ADDITIONAL RIPRAP as authorized by **Special Condition 1(b)**, the Permittee shall submit two copies of a Riprap Installation Plan to the Executive Director for review and approval. The Plan shall provide for the placement of additional riprap along the exposed fill areas located between the top of the existing riprap revetment and the existing WWTP perimeter wall to an elevation of approximately 22.5 to 23.0 feet, as shown on **Exhibit 4**. The Plan shall provide for this additional riprap to be installed as soon as possible following approval of the Plan by the Executive Director and shall describe all aspects of the riprap construction methodology (e.g., riprap to be used (which may include riprap that has migrated seaward from the existing revetment); minor changes to the existing revetment if required to account for the placement of the additional riprap; machinery to be used; construction staging areas; time and duration of construction; construction access (e.g., from the area of the WWTP itself or from the beach); etc.). All riprap installation activities shall be subject to a Construction Plan, which shall, at a minimum, include the following:

- a. **Construction Areas.** The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view. All such areas within which construction activities and/or staging are to take place shall be minimized to the fullest extent feasible in order to have the least impact on public access, beach and creek habitat, and ocean resources, including by using inland areas for staging and storing construction equipment and materials as feasible.
- b. **Construction Methods.** The Construction Plan shall specify the construction methods to be used, including all methods to be used to keep the construction areas separated from public recreational use and habitat areas (including using unobtrusive fencing or equivalent measures to delineate construction areas), and including verification that equipment operation and equipment and material storage will not significantly degrade public views during construction to the maximum extent feasible.
- c. **Construction BMPs.** The Construction Plan shall identify the type and location of all erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including at a minimum the following: (1) silt fences, straw wattles, or equivalent apparatus, shall be installed at the perimeter of the construction site to prevent construction-related runoff and/or sediment from discharging to the ocean; (2) equipment washing, refueling, and/or servicing shall take place at least 50 feet from the bluff edge, and all

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construction equipment shall be inspected and maintained at an offsite location to prevent leaks and spills of hazardous materials at the project site; (3) the construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep materials covered and out of the rain, including covering exposed piles of soil and wastes; dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather; remove all construction debris from the site); and (4) all erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each work day.

- d. **Construction Site Documents.** The Construction Plan shall provide that copies of the signed CDP and the approved Construction Plan shall be maintained in a conspicuous location at the construction job site at all times, and that such copies shall be available for public review on request. All persons involved with the construction shall be briefed on the content and meaning of the CDP and the approved Construction Plan, and the public review requirements applicable to them, prior to commencement of construction.
- e. **Construction Manager.** The Construction Plan shall provide that a construction manager be designated to be contacted during construction should questions arise regarding the construction (in case of both regular inquiries and emergencies), and that the construction manager's contact information (i.e., address, phone numbers, email, etc.) including, at a minimum, a telephone number and email that will be made available 24 hours a day for the duration of construction, is conspicuously posted at the job site where such contact information is readily visible from public viewing areas (while minimizing public view impacts), along with an indication that the construction manager should be contacted in the case of questions regarding the construction (in case of both regular inquiries and emergencies). The construction manager shall record the name and contact information (i.e., address, email, phone number, etc.) and nature of all complaints received regarding the construction, and shall investigate complaints and take remedial action, if necessary, within 24 hours of receipt of the complaint or inquiry. All complaints and inquiries shall be documented, including any actions taken by the construction manager in response, and shall be provided to the Executive Director at least monthly during all construction.

5. **Riprap Revetment and Pipe Structure - Monitoring, Repair and Maintenance.** The Permittee shall ensure that the condition and performance of the approved riprap revetment (which is located on the seaward and creek sides of the WWTP's vertical containment wall) and the pipe support structure (located in and above Arroyo del Juan Padre Creek) (both authorized by **Special Conditions 1 and 2**) must be regularly monitored by a licensed civil engineer with experience in coastal structures and processes. Such monitoring evaluation shall at a minimum address whether any significant weathering or damage has occurred that would adversely impact future performance of these structures, and identify any structural damage requiring repair to maintain the as-built project in its approved and/or required state for the duration of the authorization. A monitoring report prepared by a licensed civil engineer with experience in coastal structures and processes, and covering the above-described evaluations, shall be submitted to the Executive Director for review and approval at least every five years from the date of approval (i.e., by July 11, 2024, July 11, 2029, and additional periodic terms should the expiration date of this CDP be extended as described in **Special Condition 2**). The monitoring report shall provide for

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evaluation of the condition and performance of the revetment and the pipe support structure, and shall recommend any necessary maintenance, repair, changes or modifications.

This CDP authorizes revetment and pipe support structure repair and maintenance as described in this special condition. The Permittee acknowledges and agrees to: (a) maintain the approved revetment and the pipe support structure in a structurally sound manner and in their approved states; (b) retrieve and restack any portion of the permitted revetment or related improvements that become displaced or otherwise substantially impair beach access and recreation; and (c) annually or more often inspect the revetment and the pipe support structure for signs of failure and, with respect to the revetment, any displaced riprap. Any such repair- or maintenance-oriented development associated with the approved riprap revetment and pipe support structure shall be subject to the following:

- a. **Repair and Maintenance.** "Repair" and "Maintenance," as it is understood in this special condition, means development that would otherwise require a CDP whose purpose is to bring the condition of the overall permitted riprap revetment and the pipe support structure into conformance with its approved configuration, including retrieval of any riprap that may be displaced from the approved configuration.
- b. **Other Agency Approvals.** The Permittee acknowledges that this repair and maintenance condition does not obviate the need to obtain authorizations from other agencies for any future maintenance and/or repair episodes.
- c. **Repair and Maintenance Notification.** At least 30 days prior to commencing any repair and/or maintenance event, the Permittee shall notify, in writing, planning staff of the Coastal Commission's Central Coast District Office. The notification shall include: a detailed description of the repair and/or maintenance event proposed; any plans, engineering and/or geology reports describing the event; a construction plan that complies with all aspects of the approved riprap construction plan (see **Special Condition 4**); identification of a construction manager and his/her contact information (i.e., email, phone numbers, etc.) as described above (see **Special Condition 4(e)**); other agency authorizations; and any other supporting documentation (as necessary) describing the repair and/or maintenance event. The repair and/or maintenance event shall not commence until and unless the Permittee has been informed by planning staff of the Coastal Commission's Central Coast District Office that the repair and/or maintenance event complies with this CDP. If the Permittee has not been given a verbal response or sent a written response within 30 days of the notification being received in the Central Coast District Office, the repair and/or maintenance event shall be authorized as if planning staff affirmatively indicated that the event complies with this CDP. The notification shall clearly indicate that the repair and/or maintenance event is proposed pursuant to this CDP, and that the lack of a response to the notification within 30 days constitutes approval of it as specified in this CDP. Absence of such description in the notification shall negate the automatic approval provisions of this condition.
- d. **Emergency.** In the event of an emergency requiring immediate maintenance, the notification of such an emergency episode shall be made as soon as possible, and shall (in addition to the foregoing information) clearly describe the nature of the emergency. Nothing in this condition shall serve to waive any Permittee rights that may exist in cases of emergency pursuant to

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Coastal Act Section 30611, Coastal Act Section 30624, and Subchapter 4 of Chapter 5 of Title 14, Division 5.5, of the California Code of Regulations (Permits for Approval of Emergency Work).

- e. **Non-compliance Proviso.** If the Permittee is not in compliance with any of the conditions of this CDP, or is in violation of the permitting requirements of the Coastal Act otherwise related to the WWTP site, at the time that a repair and/or maintenance event is proposed, then the repair and/or maintenance event that might otherwise be allowed by the terms of this future repair and maintenance condition may not be allowed by this condition, subject to determination by the Executive Director. Any proposed repair and/or maintenance event that planning staff of the Coastal Commission's Central Coast District Office determines to not be in compliance with this CDP shall require a CDP amendment or a new CDP.
- f. **Duration and Scope of Covered Revetment Repair and Maintenance.** Future revetment and pipe support structure repair and maintenance under this CDP is allowed subject to the above terms throughout the duration of the authorization (see **Special Condition 2**). The Permittee shall maintain the approved revetment and the pipe support structure in their approved state during the period of authorization.

6. Creek Enhancement. NO LATER THAN ONE YEAR FROM THE APPROVAL OF THIS CDP (i.e., no later than July 11, 2020), the Permittee shall submit two copies of a Creek Enhancement Plan to the Executive Director for review and approval. The Plan shall provide for: a) the removal of all invasive ice plant and *Myoporum* and other nonnative species in the portions of Arroyo del Padre Juan Creek that are in the vicinity of the buried riprap (i.e., in the creek, along the creek bank, and in the creek floodplain, as roughly shown in yellow and green in **Exhibit 9**); and b) restoration of this area through the planting of appropriate native vegetation designed to increase the biological productivity and native species richness of the creek environment. The Permittee shall provide plans and photos of the project area for where the removal and restoration shall occur, and a timeline for when this work shall occur. Other requisite plan elements include a description of the methods of nonnative plant removal and restoration planting, identification of an appropriate reference site and sampling scheme for derivation of the restoration plant palette, as well as a description of the source of plant materials to be used in the restoration, and a list of specific, measurable performance criteria to be achieved. Regular monitoring and provisions for remedial action to occur over the continued life of the Approved Project (such as replanting as necessary based on a failure to achieve performance criteria) shall be identified to ensure restoration success, as well as a timeline for reporting monitoring findings to the Executive Director. The Plan shall provide for this restoration being completed according to the provisions of the approved Creek Enhancement Plan within two years of the approval of this CDP (i.e., by July 11, 2021). Extension to the restoration completion deadline may be granted by the Executive Director for good cause.

7. Public Access Overlook. NO LATER THAN ONE YEAR FROM APPROVAL OF THIS CDP (i.e., no later than July 11, 2020), the Permittee shall submit two copies of a Public Access Overlook Plan to the Executive Director for review and approval. The Overlook Plan shall provide a public access overlook on State Parks' property (subject to State Park's concurrence) on the blufftop overlooking the ocean in the vicinity of the intersection of Balboa Avenue and Vista Del Mar Avenue, with a connecting

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path (at least 4 feet wide) back to the intersection (see **page 6 of Exhibit 12**). All such development shall be sited and designed to blend seamlessly into the natural environment and to protect public views, including through use of natural materials (e.g., decomposed granite paths, wood materials otherwise, etc.). The overlook shall include at least one bench and one picnic table, at least one public access directional sign at the intersection of Balboa Avenue and Vista Del Mar Avenue, and may include one educational interpretive sign at the overlook itself. Sign details showing the location, materials, design, and text of all public access signs shall be provided as part of the Overlook Plan. The signs shall be designed so as to provide clear information without impacting public views and site character. The directional sign shall include the Commission's access program "feet and wave" logo and the California Coastal Trail logo. Construction on the overlook shall commence immediately upon approval of the Overlook Plan by the Executive Director. The path and overlook area and all related amenities shall be available to the general public free of charge, and shall be maintained in their approved state by the Permittee in perpetuity consistent with the terms and conditions of this CDP. The Plan shall provide for overlook construction and availability to the public according to the provisions of the approved Public Access Overlook Plan within two years of the approval of this CDP (i.e., by July 11, 2021). Extension to the construction/public availability deadline may be granted by the Executive Director for good cause.

8. Ocean Outfall Mitigation Fee. WITHIN SIX MONTHS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than January 11, 2020), the Permittee shall compensate for ocean substrate habitat impacts resulting from placement of the outfall through payment of a \$3,141.43 mitigation fee to the Regents of the University of California on behalf of the UC Davis Wildlife Health Center. The mitigation fee shall be used by the SeaDoc Society, a marine ecosystem health program of the UC Davis Wildlife Health Center, to remove lost fishing gear offshore of the central coast of California as part of its "California Lost Fishing Gear Recovery Project" in accordance with the terms and conditions of a Memorandum of Agreement (Agreement) (see draft of Agreement in **Exhibit 19**) between the California Coastal Commission and the Regents of the University of California on behalf of the Wildlife Health Center. If the Executive Director determines that the UC Davis Wildlife Health Center is not carrying out the ocean substrate impact mitigation project in accordance with the terms and conditions of the Agreement, the Executive Director shall require transfer of any mitigation fee funds remaining at the time of such determination to an alternative entity to implement an alternative ocean substrate mitigation project acceptable to the Executive Director.

9. Ocean Outfall Assessment Plan. WITHIN SIX MONTHS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than January 11, 2020), the Permittee shall submit two copies of an Outfall Integrity Assessment Plan to the Executive Director for review and approval. The Assessment Plan shall include a procedure for undertaking a complete inspection of the existing outfall line from the WWTP connection point to the outfall line's termination point in the ocean to assess whether the outfall is leaking or is in danger of leaking or having any type of failure. The Permittee shall undertake the outfall line assessment consistent with the approved Assessment Plan. If the assessment shows that the outfall line is leaking, or that the diffusers are not functioning as designed, or that portions of the outfall are at risk of failing, the Permittee shall submit a complete CDP amendment request within 30 days to address the compromised condition of the outfall line.

10. WWTP Site Restoration Plan and Dedication. The Permittee shall decommission and remove the

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WWTP and all related development in its entirety, and shall restore the affected blufftop, bluff and creek areas (shown in **Exhibit 3**) to their natural conditions (through re-contouring as necessary, and nonnative and invasive plant removal and via the planting of appropriate native plant species in the creek (pursuant to the requirements of **Special Condition 6**) within one year of cessation of wastewater treatment operations at the Balboa Avenue site (see **Special Condition 2**). Prior to initiating decommissioning and removal of the WWTP and resultant restoration activities, the Permittee shall submit a Plan for same to the Executive Director for review and approval. The Plan shall include removal of all WWTP components and infrastructure from the WWTP site itself, from any public or non-public right-of-way, and from any other adjacent impacted properties, including the creek (subject to property owner consent). The Plan shall include a description of the methods of nonnative plant and/or invasive plant removal and will describe the methods that will be used to restore the WWTP site to a safe and level configuration that roughly matches the surrounding areas.

WITHIN THREE MONTHS OF EXECUTIVE DIRECTOR APPROVAL OF THE WWTP SITE RESTORATION PLAN, the Permittee shall also execute and record a document, in a form and content acceptable to the Executive Director, irrevocably offering to dedicate a fee interest to the restored WWTP site (comprised of the parcels designated as APNs 013-031-028, -041, and -046¹ as shown on **Exhibit 21** hereto) to a public agency or private entity approved by the Executive Director for open space conservation and public park purposes in perpetuity. No development, as defined in Section 30106 of the Coastal Act, shall occur within the restored WWTP site except for development related to parks and open space purposes, which may include, but is not limited to, the construction of trails, stairways, benches, bicycle racks, picnic tables, trash and recycling receptacles, signage, and planting and maintenance of native non-invasive drought-tolerant vegetation, in each case consistent with the Site Restoration Plan. The document shall provide that the offer shall not be used or construed to allow anyone to interfere with any rights of public access which may exist on the WWTP site.

The recorded document shall include legal descriptions of the entire WWTP site being dedicated (i.e., APNs 013-031-028, -041, and -046 as shown on **Exhibit 21**), and corresponding graphic depictions prepared by a licensed surveyor based on an onsite inspection. The document shall be recorded free of prior liens and any other encumbrances which the Executive Director determines may affect the interest being conveyed.

The offer to dedicate shall run with the land in favor of the People of the State of California, binding successors and assigns of the Permittee or landowner in perpetuity, and shall be irrevocable for a period of 21 years, such period running from the date of recording, and indicate that the restrictions on the use of the land shall be in effect upon the existing WWTP permanently ceasing operations, and remain as covenants, conditions and restrictions running with the land in perpetuity, notwithstanding any revocation of the offer.

11. Assumption of Risk, Waiver of Liability, and Indemnity Agreement. By acceptance of this CDP, the Permittee acknowledges and agrees on behalf of itself and all successors and assigns:

¹ APN 013-031-46 is the upcoast-most portion of the Balboa Avenue right-of-way. This portion of the right-of-way is owned by the District.

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- a. **Coastal Hazards.** That the site is subject to extreme coastal hazards including but not limited to episodic and long-term shoreline retreat and coastal erosion, high seas, ocean waves, storms, tsunami, coastal flooding, landslides, bluff and geologic instability, and the interaction of same;
- b. **Assume Risks.** To assume the risks to the Permittee and the property that is the subject of this CDP of injury and damage from such hazards in connection with this permitted development;
- c. **30235 Waiver.** To waive any rights that the Permittee may have under Coastal Act Section 30235, the San Luis Obispo County LCP, or other applicable laws, to shoreline armoring beyond what is recognized in this CDP to protect the existing WWTP and development authorized by this CDP for the limited duration of 10 years (potentially subject to additional extension per **Special Condition 2**);
- d. **Waive Liability.** To unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards;
- e. **Indemnification.** To indemnify and hold harmless the Coastal Commission, its officers, agents, and employees with respect to the Commission's approval of the project against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any injury or damage due to such hazards; and,
- f. **Property Owner Responsible.** That any adverse effects to property caused by the Approved Project shall be fully the responsibility of the property owner.

12. Future Permitting. All future proposed development related to this CDP and/or this site (including any repair, maintenance, or improvements that might otherwise not require a CDP) shall require a new CDP or a CDP amendment that is processed through the Coastal Commission, unless the Executive Director determines a CDP or CDP amendment is not legally required.

13. Landowner Authorization. WITHIN 90 DAYS OF ISSUANCE OF THE CDP, the Permittee shall submit written evidence from adjacent property owners agreeing that they have authorized the Applicant to retain development authorized by this CDP on their property. Such written evidence to authorize riprap retention at 9231 Balboa Avenue shall be provided by all owners of property at this address whose authorization is not already included in **Exhibit 13**, or from an authorized representative of any homeowners' association at this address. Written evidence to authorize retention of riprap and the portion of the pipe support structure located on Cavalier Acres, Inc. property shall be provided by an authorized representative of Cavalier Acres, Inc.

14. Other Authorizations. WITHIN 90 DAYS OF ISSUANCE OF THE CDP, the Permittee shall provide to the Executive Director written documentation of authorizations from the Regional Water Quality Control Board, the California State Lands Commission and the U.S. Army Corps of Engineers, or evidence that no such authorizations are required. The Permittee shall inform the Executive Director of any changes to the project required by any other such authorizations. Any such changes shall not be

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incorporated into the project until the Permittee obtains a Commission amendment to this CDP, unless the Executive Director determines that no amendment is legally required.

15. Minor Changes. The Permittee shall undertake development in conformance with the terms and conditions of this CDP, including with respect to all Executive Director-approved plans and other materials, which shall also be enforceable components of this CDP. Any proposed project changes, including in terms of changes to identified requirements in each condition, shall either (a) require a CDP amendment, or (b) if the Executive Director determines that no amendment is legally required, then such changes may be allowed by the Executive Director if such changes: (1) are deemed reasonable and necessary; and (2) do not adversely impact coastal resources.

16. Liability for Costs and Attorneys' Fees. The Permittee shall reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys' fees (including but not limited to such costs/fees that are: (1) charged by the Office of the Attorney General; and/or (2) required by a court) that the Coastal Commission incurs in connection with the defense of any action brought by a party other than the Permittee against the Coastal Commission and/or its officers, employees, agents, successors and assigns challenging the approval or issuance of this CDP, the interpretation and/or enforcement of the CDP conditions, or any other matter related to this CDP. The Permittee shall reimburse the Coastal Commission within 60 days of being informed by the Executive Director of the amount of such costs/fees. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission and/or its officers, employees, agents, successors and assigns.

ATTACHMENT F – FACT SHEET

As described in section 2.2 of this Order, the California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) incorporates this Fact Sheet as findings of the Central Coast Water Board supporting the issuance of this Order. This Fact Sheet includes the legal requirements and technical rationale that serve as the basis for the requirements of this Order.

This Order has been prepared under a standardized format to accommodate a broad range of discharge requirements for dischargers in California. Only those sections or subsections of this Order that are specifically identified as “not applicable” have been determined not to apply to this discharger. Sections or subsections of this Order not specifically identified as “not applicable” are applicable to this discharger.

1. PERMIT INFORMATION

The following table summarizes administrative information related to the San Simeon Wastewater Treatment Plant (Facility).

Table F-1. Facility Information

WDID	3 400110001
GeoTracker No.	NPD100051554
ECM/CIWQS	255462
Discharger	San Simeon Community Services District
Name of Facility	San Simeon Wastewater Treatment Plant
Facility Address	9245 Balboa Road San Simeon, CA 93446 San Luis Obispo County
Facility Contact, Title and Phone	Charles Grace, General Manager, (805) 927-4778
Authorized Person to Sign and Submit Reports	Charles Grace, General Manager, (805) 927-4778 Jerry Copeland, Chief Plant Operator (805) 765-7163
Mailing Address	111 Pico Avenue, San Simeon, CA 93452
Billing Address	111 Pico Avenue, San Simeon, CA 93452
Type of Facility	POTW
Major or Minor Facility	Minor
Threat to Water Quality	2
Complexity	B
Pretreatment Program	No

Facility Permitted Flow	0.2 million gallons per day (MGD) (daily average dry weather flow); 0.45 MGD (peak wet weather flow)
Facility Design Flow	0.2 million gallons per day (MGD) average dry weather flow
Watershed	San Simeon Hydrologic Sub-Area
Receiving Waters	Pacific Ocean (within the Monterey Bay National Marine Sanctuary)
Receiving Water Type	Marine

- 1.1. The San Simeon Community Services District (Discharger) is the owner and operator of the Facility, a publicly owned treatment works (POTW). For the purposes of this Order, references to the “discharger” or “permittee” in applicable federal and state laws, regulations, plans, or policy are held to be equivalent to references to the Discharger herein.
- 1.2. The Facility discharges wastewater to the Pacific Ocean, a water of the United States. The Discharger was previously regulated by Order No. R3-2013-0021 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0047961, adopted on December 5, 2013, which expired on February 1, 2019. Attachment B provides maps showing the area around the Facility, the discharge and monitoring locations, and of the Facility. Attachment C provides flow schematics of the Facility.
- 1.3. When applicable, state law requires dischargers to file a petition with the State Water Board, Division of Water Rights and receive approval for any change in the point of discharge, place of use, or purpose of use of treated wastewater that decreases the flow in any portion of a watercourse. The State Water Board retains separate jurisdictional authority to enforce any applicable requirements under California Water Code section 1211. This is not an NPDES permit requirement.
- 1.4. The Discharger filed a Report of Waste Discharge (ROWD) and submitted an application for reissuance of its waste discharge requirements (WDRs) and NPDES permit on April 6, 2018.
- 1.6. Section 122.46 of title 40 of the Code of Federal Regulations (40 C.F.R.) limit the duration of NPDES permits to a fixed term not to exceed five years. However, pursuant to California Code of Regulations, title 23, section 2235.4, the terms and conditions of an expired permit are automatically continued pending reissuance of the permit if the Discharger complies with all federal NPDES requirements for continuation of expired permits.

2. FACILITY DESCRIPTION

2.1. Description of Wastewater and Biosolids Treatment and Controls

The Discharger owns and operates a wastewater collection, treatment, and disposal facility, which provides service to the community of San Simeon and the Hearst San Simeon National Historic Monument Visitor Center. The Facility receives domestic and commercial wastewater and currently serves a population

of approximately 462 people. The Facility receives intermittent⁶ flows of reverse osmosis concentrate from the San Simeon Community Services District drinking water treatment facility.

The Discharger owns and operates a wastewater collection, treatment and disposal system. The collection system is composed of approximately 1.6 miles of predominately 6-inch diameter pipe. The existing treatment plant has been in operation since 1961 and is considered a secondary treatment facility. The treatment system consists of a comminutor, a 90,000-gallon equalization basin, four activated sludge tanks, four clarifiers, a chlorine contact chamber, and dechlorination. Wastewater is discharged via an 800-foot ocean outfall at Discharge Point 001 to the Pacific Ocean, a water of the United States. The minimum initial dilution ratio of seawater to effluent is 115:1.

A tertiary treatment package unit was constructed in 2012 to provide recycled water for irrigation use within the service area.

Biosolids from the clarifiers are pumped to a spare aeration basin which is used as an aerobic digester. When solids concentration exceeds 2 percent, the contents are pumped to another sludge storage tank. Approximately once per month, 6,000 gallons of the concentrated biosolids are trucked to Liberty Composting, Lost Hills, California for disposal.

This Order provides the option for the Discharger to develop a hauled saline waste program that will allow it to accept and discharge concentrates from water filtration systems such as reverse osmosis or ion exchange treatment systems via Discharge Point 001. . Prior to discharging hauled saline waste through the ocean outfall, the Discharger must submit a hauled saline waste disposal study to the Executive Officer for their approval.⁷ This Order authorizes such discharges and implements development of a hauled saline waste study and institutes monitoring and reporting of hauled saline waste wastes.

Historic flows observed at the Facility during the term of the previous Order are summarized below

⁶ The drinking water filtration system reverse osmosis unit runs only on days when chloride levels in groundwater exceeds 250 mg/L. Historically, the maximum flow rate and number of days flow is present, respectively, is 9,000 gallons per day and 26 days per year.

⁷ Central Coast Water Board staff will convene a technical advisory group to review the hauled saline waste study and provide comments to the Executive Officer. California Coastal Commission, Monterey Bay National Marine Sanctuary, California Fish and Wildlife, and California State Parks will be invited to participate in the technical advisory group.

Table F-2. Historic Flows

Year	Maximum Daily Flow (MGD)	Annual Average Daily Dry-Weather Flow (MGD)
2015	0.161	0.086
2016	0.180	0.093
2017	0.331	0.092
2018	0.289	0.079
2019	0.158	0.088
2020	0.144	0.064

2.2. Discharge Points and Receiving Waters

Secondary treated wastewater is discharged to the Pacific Ocean through an 800-foot outfall/diffuser system. The outfall (Discharge Point 001) terminates in the Pacific Ocean at coordinates 35° 36' 32" N, 121° 09' 05" W.

Discharge Point 002 represents tertiary-treated recycled water before it is distributed for reuse.

Table F-3. Discharge Points and Receiving Water

Discharge Point	Effluent Description	Discharge Point Latitude	Discharge Point Longitude	Receiving Water
001	Secondary treated domestic wastewater	35° 36' 32" N	121° 09' 05" W	Pacific Ocean ⁵
002 ⁸	Tertiary-treated domestic wastewater	--	--	Discharge to land for irrigation purposes

⁵ Discharges into Monterey Bay National Marine Sanctuary

2.3. Summary of Existing Requirements and SMR Data

Effluent limitations contained in the existing Order for discharges from Discharge Point 001 and representative monitoring data from the previous order are as follows:

⁸ Discharge Point 002 is a point of compliance for tertiary-treated water prior to distribution, and not an actual discharge location.

Table F-4. Historic Effluent Limitations and Monitoring Data from Discharge Point 001 from February 1, 2014 to September 8, 2021

Parameter	Units	Effluent Limit: Average Monthly	Effluent Limit: Average Weekly	Effluent Limit: Maximum Daily	Highest Average Monthly Discharge	Highest Average Weekly Discharge	Highest Daily Discharge
Biochemical Oxygen Demand 5-day @ 20°C (BOD ₅)	milligram per liter (mg/L)	30	45	90	11	11	11
BOD ₅	pounds per day (lbs/day)	50	75	150	10.48	10.48	10.48
BOD ₅	percent removal	≥85 ^[1]			92.5 ^[1]		
Total Suspended Solids (TSS)	mg/L	30	45	90	36	36	36
TSS	lbs/day	50	75	150	29.3	29.3	29.3
TSS	percent removal	≥85 ^[1]			79 ^[1]		
pH	standard units			6.0 to 9.0 ^[2]			6.06 to 8.23 ^[2]
Oil and Grease	mg/L	25	40	75	5	5	5
Settleable Solids	milliliter per liter per hour (mL/L/hr)	1.0	1.5	3.0		1.14	3
Total Coliform	MPN/100 mL	230 ^[3]		2,400 ^[3]	26.5 ^[4]		5,400 ^[5]
Total Chlorine Residual	µg/L	230 ^[6]		930 ^[7] 6,900 ^[8]	20 ^[6]		840 ^{[7][8]}
Chronic Toxicity	Toxic Units Chronic (TU _c)			116			5.56
Acute Toxicity	Toxic Units Acute (TU _a)			3.8			0.18

ND = Not Detected

^[1] Lowest average monthly percent removal.

^[2] Applied as instantaneous minimum and maximum values.

^[3] The total coliform concentrations must not exceed a 30-day geometric mean of 230 MPN/100 mL and no single sample shall exceed 2,300 MPN/100 mL.

^[4] 30-day geometric mean

^[5] Single sample maximum

^[6] 6-Month median

[7] Daily maximum

[8] Instantaneous maximum

2.4. Compliance Summary

2.4.1. Effluent Limitation Compliance Summary. The Discharger violated its numeric effluent limitations twice during the term of the previous order. The following table summarizes the violations of effluent limitations based on data collected from February 2014 through July 2021.

Table F-5. Compliance Summary^[1]

Parameter	Monitoring Period	Violation Type	Number of Violations	Reported Value Range	Permit Limitation	Units
Total Suspended Solids	May 2014	Percent Removal, Monthly Average	1	82%	85%	Percent Removal
Total Suspended Solids	August 2015	Monthly Average	1	36	30	mg/L

^[1] Compliance summary of numeric effluent violations from February 2014 through July 2021.

2.5. Planned Changes

Potential changes to the facility include the addition of storage and disposal facilities associated with implementation of the hauled saline waste disposal program. There are no other planned changes at the facility for the duration of this permit term.

3. APPLICABLE PLANS, POLICIES, AND REGULATIONS

The requirements contained in this Order are based on the requirements and authorities described in this section.

3.1. Legal Authorities

This Order serves as WDRs pursuant to article 4, chapter 4, division 7 of the California Water Code (commencing with section 13260). This Order is also issued pursuant to section 402 of the federal Clean Water Act (CWA) and implementing regulations adopted by the U.S. Environmental Protection Agency (U.S. EPA) and chapter 5.5, division 7 of the California Water Code (commencing with section 13370). It shall serve as an NPDES permit authorizing the Discharger to discharge into waters of the United States at the discharge locations described in Table 1 subject to the WDRs in this Order.



CCSD WWTP Retaining Walls



CCSD WWTP Retaining Wall Cracking



CCSD WWTP Retaining Wall Cracking



CCSD WWTP Generator Corrosion



CCSD WWTP Generator Corrosion



CCSD WWTP Fence Corrosion



CCSD WWTP Fence Corrosion



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Aeration Basin Cracking



CCSD WWTP Piping Corrosion



CCSD WWTP Piping Corrosion



CCSD WWTP Wall Reinforcement Failure



INSPECTION REPORT

Prepared for:

San Simeon Community Services District



**SAN SIMEON COMMUNITY
SERVICES DISTRICT**

Owner: **San Simeon Community Services District**

Project: **Offshore Outfall Inspection - 2025**

Location: **San Simeon, CA**

Inspection Date: **8/5/2025**

Prepared by:

J.F. Brennan Company, Inc.

818 Bainbridge Street

La Crosse, WI 54603

Phone: 608.784.7173

jfbrennan.com



ISO 9001
Quality
Management
Systems
CERTIFIED

FS 719120

ISO 14001
Environmental
Management
CERTIFIED

EMS 719118

ISO 45001
Occupational
Health and Safety
Management
CERTIFIED

OHS 719119





August 6, 2025

Geoff English
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452
805-927-4778
genglish@sansimeoncsd.org

RE: **Offshore Outfall Inspection - 2025**

Mr. Geoff English,

Attached is our report summarizing the inspection carried out for the **Offshore Outfall Inspection - 2025** project. Still photographs and videos are included within this report. Hard copy reports along with a flash drive containing the report, video and still photos will be mailed to the CSD's address.

Should you have any questions and/or comments please feel free to contact me at the phone number and/or email listed below. Thank you for allowing us to provide these services for you and we look forward to working with you again in the near future.

Respectfully Submitted,

Lauren Collins
Senior Project Manager
J.F. Brennan Company, Inc. (Brennan)
Mobile: 707.389.0678
Email: lcollins@jfbrennan.com





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1. EXECUTIVE SUMMARY

Project:	Offshore Outfall Inspection - 2025
Scope of Work:	The outfall inspection was performed to determine the overall condition and functionality of the outfall.
Inspection Team:	Dive Superintendent – Duane Black
Period of Performance:	8/5/2025 to 8/5/2025
Onsite Rep:	Geoff English
Weather:	Partly Cloudy, 50-70 °F
Water Visibility:	Poor to Nil
Maximum Depth:	25-feet.
Coordinates:	35°36'39.1"N 121°08'54.9"W (35.610853, -121.148575)
Dive Mode:	No Decompression, Air
Dive Station:	Dive Support Vessel “Bella G”
Access Location:	Ocean Outfall

Condition Assessment: **Poor to Serious**

Summary of Findings:

- The outfall continues to show signs of heavy deterioration and unsupported sections of pipe.

Summary of Recommendations:

- Continue with regular annual inspections of the outfall to determine operational integrity. The ballast repairs should be conducted as soon as possible.

2. INTRODUCTION/BACKGROUND

Structure Data:

Owner:	San Simeon Community Services District
Structure:	Ocean Outfall
Location:	San Simeon, CA



3. METHOD OF INVESTIGATION

A Level I visual and tactile inspection of structures was performed on the outfall. Observations were recorded utilizing High Definition video. Underwater visibility was poor but still photos were taken and included in [Appendix A](#).

All dives were conducted in accordance with Brennan's Safe Diving Practices Manual as well as all pertinent ADCI, OSHA, and USCG regulations. Additionally, all dives adhered to the dive schedules and decompression tables outlined in the U.S. Navy Dive Manual, Rev. 7a.

All measurements referenced hereinafter were approximate and reflect the conditions on-site at the time of the inspection.

The three (3) levels of underwater inspections are described as:

Level I - A simple visual or tactile (by feel) inspection, without the extensive use of tools or measuring devices. It is usually employed to gain an overview of the structure and will precede or verify the need for a more detailed Level II or Level III inspection.

Level II - A detailed inspection which involves physically cleaning or removing growth from portions of the structure. In this way, hidden damage may be detected and assessed for severity. This level is usually performed on at least a portion of a structure, supplementing Level I.



Level III - A highly detailed inspection of a structure which is warranted if extensive repair or replacement is being considered. This level requires extensive cleaning, detailed measurements, and testing techniques that may be either destructive or non-destructive in nature.

4. INSPECTING FINDINGS

Brennan mobilized Dive Support Vessel “Bella G” at Morro Bay Harbor and traveled to the work site where the vessel was anchored over the end cap of the outfall pipe. Brennan deployed a diver and inspected the pipeline and described his observations. The diver called out observations every twenty feet or whenever something of interest was noted or any anomalies. The pipeline is presently exposed 80-90%. The end anchor was severely corroded and much of the grout has cracked and spalled off and is laying on bottom adjacent to the outfall. As with previous inspections, Brennan noted sections of unsupported pipe, spanning 5’ to 15’, with water gaps ranging 6” – 12”. All but one of the anodes were completely depleted and the brackets were found loose but in place.

The diffusers are clear and unobstructed. These diffusers are secure, open, undamaged, and flowing adequately. The flange hardware appears to be intact and tight. The outfall continues to show an abundant amount of marine growth (mainly kelp) on and all around it. A 1-inch hole on the crown of the pipe near Diffuser #4 was located which was not present in 2022. Overall, the outfall is severely deteriorating but appears to be functioning properly.

Still photographs are included in [Appendix A](#). Refer to [Routine Underwater Condition Assessment Rating Descriptions](#) below for explanations of above noted condition rating(s).

STATION	COMMENTS
STA 8+40	Spalled and delaminated anchor. Bottom of pipe was mixed with sand and rock. Unsupported span of approx. 10’ with a 6”-12” gap. Anodes missing, anode brackets loose.
STA 8+20	Unsupported spans of pipe, 10-15’ with 6”-12” gaps. Anodes missing, anode bracket loose.
STA 8+00	Unsupported spans of pipe, 10-15’ with 6”-12” gaps. Anodes missing, anode bracket loose. 1” dia. hole on crown of pipe near 4 th diffuser.
STA 7+80	Unsupported spans of pipe, 10-15’ with 6”-12” gaps. Anodes missing, anode bracket loose.



STA 7+60	Unsupported spans of pipe, 10-15' with 6"-12" gaps. Anodes missing, anode bracket loose.
STA 7+40	Unsupported spans of pipe, 10-15' with 6"-12" gaps. Anodes missing, anode bracket loose.
STA 7+20	Unsupported spans of pipe, 10-15' with 6"-10" gaps.
STA 7+00	Unsupported spans of pipe, 10-15' with 6"-8" gaps.
STA 6+80	Unsupported spans of pipe, 10-15' with 3-6" gaps.
STA 6+60	Pipe completely buried in sand.

5. RECOMMENDATIONS

Brennan recommends the ballast repairs be conducted as soon as possible in order to properly support the outfall. Additionally, a repair to the hole on the crown of the pipe, found near the 4th diffuser (inshore), needs to be repaired as soon as possible. Routine inspections will continue to provide the necessary data to mitigate further damage to the line.

An immediate post-event inspection should be conducted on the structures after any significant or unusual event, including but not limited to: flood or earthquake or other event that has potential to cause damage to the structure.



6. ROUTINE UNDERWATER CONDITION ASSESSMENT RATING DESCRIPTIONS

Good: No visible or only minor damage was noted. Structural elements may show very minor deterioration, but no overstressing was observed. No repairs are required.

Satisfactory: Limited minor to moderate defects or deterioration are observed, but no overstressing was observed. No repairs are required.

Fair: All primary structural elements are sound, but minor to moderate defects or deterioration was observed. Localized areas of moderate to advanced deterioration may be present but do not significantly reduce the load-bearing capacity of the structure. Repairs recommended, but the priority of the recommended repairs was low.

Poor: Advanced deterioration or overstressing was observed on widespread portions of the structure but does not significantly reduce the load-bearing capacity of the structure. Repairs may need to be carried out with moderate urgency.

Serious: Advanced deterioration, overstressing, or breakage may have significantly affected the load-bearing capacity of primary structural components. Local failures are possible and loading restriction may be necessary. Repairs may be carried out on a high-priority basis with urgency.

Critical: Very advanced deterioration, overstressing or breakage has resulted in localized failure(s) of primary structure components. More widespread failures are possible or likely to occur, and load restriction should be implemented as necessary. Repairs may need to be carried out on a very high priority basis with strong urgency.



7. APPENDIX A – PROJECT PHOTOGRAPHS

**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #1

Client:

San Simeon Community
Services DistrictDescription:

Diffuser #1, intact, flowing

Location:

San Simeon, CA

**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #2

Client:

San Simeon Community
Services DistrictDescription:

Diffuser #2, intact, flowing

Location:

San Simeon, CA



**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #3

Client:

San Simeon Community
Services DistrictDescription:

Loose anode brackets

Location:

San Simeon, CA

**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #4

Client:

San Simeon Community
Services DistrictDescription:1" diameter hole in crown of
pipe near Diffuser #4

Location:

San Simeon, CA



**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #5

Client:

San Simeon Community
Services District**Description:**Typ. Marine growth
accumulation on outfall

Location:

San Simeon, CA

**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #6

Client:

San Simeon Community
Services District**Description:**Loose anode brackets, missing
anode, hardware present

Location:

San Simeon, CA



**J.F. Brennan Company, Inc.**Offshore Outfall Inspection -
2025

Photo #7

Client:

San Simeon Community
Services District**Description:**Typ. Bell & Spiggot section of
pipe

Location:

San Simeon, CA

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LOAN AGREEMENT
San Simeon Community Services District
Well Rehabilitation Project

Dated as of September 23, 2013

by and between the

UNITED STATES OF AMERICA,
acting through
RURAL UTILITIES SERVICE,
UNITED STATES DEPARTMENT OF AGRICULTURE,
as Lender

and the

San Simeon Community Services District as Borrower

*original sent
to Visalia office*

MISCELLANEOUS

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Exhibit A:	Loan Provisions
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ARTICLE I
DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. All capitalized terms used in this Loan Agreement shall have the respective meanings given such terms herein. In addition, unless the context otherwise requires, the terms defined in this Section 1.1 shall for all purposes of this Loan Agreement have the meanings herein specified.

"Additional Payments" means the amounts payable by the Borrower under Section 3.5.

"Borrower" means the San Simeon Community Services District, San Simeon, California, a Community Services District organized and operating under the Section 61,000 et. Seq. of the Government Code of the State of California.

"Capitalized Interest" means any amount of interest payable with the proceeds of the Loan and funded with the Loan.

"County" means the County of San Luis Obispo, State of California.

"Costs of Issuance" means amount of the costs of and incidental to the completion, execution and delivery of this Loan Agreement as set forth in Exhibit A hereto.

"Coverage Percentage" means the amount of one hundred and ten percent (110%).

"Enterprise" means the existing facilities and property owned by the Borrower in connection with (water) (sewer) system of the Borrower, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Borrower.

"Federal Securities" means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

"Fiscal Year" means the twelve-month period beginning July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the Borrower from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to connection charges and earnings on the investment of any funds held by the Borrower; but excluding (a) the proceeds of any ad valorem property taxes levied for the purpose of paying bonded indebtedness of the Borrower and (b) the proceeds of any special assessments or special taxes levied upon real property by the Borrower for the purpose of paying debt service on special assessment bonds or special tax obligations of the Borrower.

"Interest Rate" means the rate of interest per annum on the unpaid principal balance of the Loan computed on a 365-day year as set forth in Exhibit A.

"Prior Obligations" means any obligations of the Borrower payable from and secured by a pledge of and a prior lien upon any of the Net Revenues and not on a parity with the Loan Repayments.

"Project" means the District's Well Rehabilitation Project, consisting of all of the facilities and improvements to be acquired, constructed and installed by the Borrower from the proceeds of the Loan and constituting part of the Enterprise, as described more fully in Exhibit B attached hereto and by this reference incorporated herein.

"Project Fund" means the special fund established under Section 3.02 hereof to pay the Costs of Issuance, the costs of the acquisition, construction and installation of the Project and related costs.

"Reserve Requirement" means the requirements of the Lender that the Borrower establish certain reserves for the purposes and in the amounts specified in Section 3.2.

"State" means the State of California.

"Term of this Loan Agreement" or **"Term"** means the time during which this Loan Agreement is in effect, as provided in Section 3.3.

"Treasurer" means the chief financial officer or finance director of the Borrower, who may be the treasurer/tax collector of the County as the ex-officio treasurer for purposes of this Loan Agreement.

Section 1.2. Exhibits. The Exhibits A and B are attached to, and by reference made a part of, this Loan Agreement.

ARTICLE III

TERMS OF LOAN

Section 3.1. The Loan. The Lender hereby agrees to lend to the Borrower and the Borrower hereby agrees to borrow from the Lender, the amount of the Loan under the terms and provisions set forth in this Loan Agreement. The Loan shall be made by the Lender to the Borrower in immediately available funds on the in one or more advances, as determined by the Lender. If the Loan is made in more than one advance, the date and amount of each advance shall be recorded in the Record of Advances in Exhibit A. The purpose of the Loan shall be to finance the acquisition, construction and installation of the Project, pay the Costs of Issuance and provide for Capitalized Interest, if part of the Loan. The Borrower shall disburse the proceeds of the Loan for only for such purposes. The Loan is made under the Consolidated Farm and Rural Development Act, as amended and the regulations issued thereunder and shall be subject to such Act and regulations.

Section 3.2. Application of Loan Proceeds; Funds. The proceeds of the Loan shall be disbursed by the Lender to Borrower in accordance with the regulations and procedures of the Lender. On or before any advance of the Loan by the Lender, the Borrower shall cause to be established and maintained with the Treasurer the following special funds:

(a) The Loan Fund. The Loan Fund shall be established by the Borrower to pay the Loan Repayments as herein provided. Any portion of the Loan specified as Capitalized Interest shall be deposited in the Loan Fund.

(b) The Project Fund. The Project Fund shall be established by the Borrower with the proceeds of the Loan remaining after the deposits set forth in 3.2 (a) above. Amounts in the Project Fund shall be applied by the Borrower to pay, or to reimburse the Borrower for payment of, the Costs of Issuance and the cost of acquiring, construction, improving and equipping the Project. Monies in the Project Fund shall be held and disbursed by the Borrower in accordance with the requirements of the Lender, including, if required, the establishment of a supervised bank account. After payment of all of the Costs of Issuance and of the costs of the Project, any monies remaining in the Project Fund shall be transferred to the Loan Fund to make Loan Repayments.

(d) The Reserve Fund. Within one calendar year of the date of this Loan Agreement, the Borrower shall cause the Reserve Fund shall be established with the Treasurer from the Net Revenues by depositing a sum equal to one-tenth of an average annual Loan Repayment each year for a period of ten years from the date of this Loan Agreement such that Reserve Fund shall equal approximately one year's annual Loan Repayment. Monies in the Reserve Fund may be used to make Loan Repayments in the event there are not otherwise available sufficient sums to pay for the Loan Repayments and for only such other purposes as may be approved by the Lender, including, but not limited to the Maintenance and Operation and improvement of the Enterprise, except that in the event that the amount in the Reserve Fund is equal to exceeds the outstanding amount of the Loan, then the Reserve Fund shall be applied in liquidation of the Loan.

Section 3.3. Term. The Term of this Loan Agreement shall begin on the date of this Loan Agreement and end on the date shown in Exhibit A.

eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Lender or the Treasurer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

(c) Legal Actions. The Borrower may, however, at the Borrower's own cost and expense and in the Borrower's own name or in the name of the Lender prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect the Borrower's rights hereunder, and in such event the Lender hereby agrees to cooperate fully with the Borrower.

Section 3.7. Pledge and Application of Net Revenues.

(a) Pledge. All of the Net Revenues and all moneys on deposit in any of the funds and accounts established hereunder are hereby irrevocably pledged to the punctual payment of the Loan Repayments and any Parity Obligations, and the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Loan Repayments and any Parity Obligations remain unpaid, provided, however, that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by this Section 3.7. Except for any Prior Obligations, such pledge shall constitute a first and exclusive lien on the Net Revenues and such other moneys for the payment of the Loan Repayments and any Parity Obligations in accordance with the terms hereof and the terms of the Parity Obligations. The Borrower and the Lender hereby agree that such pledge of the Net Revenues is intended and shall be construed in all respects to be subject to the payment of the Prior Obligations, which are hereby acknowledged to be secured by a superior pledge and lien are established by the Parity Obligations.

(b) Deposit Into Special Fund; Transfers to Make Loan Repayments. All of the Gross Revenues shall be deposited by the Borrower immediately upon receipt in one or more special funds to be held and maintained by the Borrower. The Borrower covenants and agrees that all Net Revenues will be held by the Borrower in such special fund or funds in trust for the benefit of the Lender and for the benefit of the owners of any Prior Obligations and/or Parity Obligations. On or before each Loan Repayment Date during the Term of this Loan Agreement, commencing at least two business days before the first Loan Repayment Date, the Borrower shall withdraw from such special fund or funds and transfer to the Treasurer, for deposit in the Loan Fund, an amount of Net Revenues equal to the aggregate amount of the Loan Repayment coming due and payable on the next succeeding Loan Repayment Date. Any amounts on deposit in the Loan Fund on any Interest Payment Date shall be credited towards the amount then required to be deposited by the Borrower with the Treasurer pursuant to the preceding sentence. In addition, the Borrower shall withdraw from special funds such amounts of Net Revenues at such times as shall be required to: (i) make up any deficiency in the Reserve Fund, the notice of which deficiency shall have been given by the Treasurer to the Borrower; and (ii) pay the principal of and interest on any Prior Obligations and/or Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Prior Obligations and/or Parity Obligations.

(c) Other Uses Permitted. The Borrower shall manage, conserve and apply the Net Revenues on deposit in such special fund in such a manner that all deposits required to be made pursuant to the preceding paragraph will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default shall have occurred

ARTICLE IV

COVENANTS OF THE BORROWER

Section 4.1. Release and Indemnification. The Borrower shall and hereby agrees to indemnify and save the Lender and its officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Enterprise by the Borrower, (b) any breach of default on the part of the Borrower in the performance of any of its obligations under this Loan Agreement, (c) any intentional misconduct or negligence of the Borrower or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, and (d) any intentional misconduct or negligence of any lessee of the Borrower with respect to the Enterprise. No indemnification is made under this Section 4.1 or elsewhere in this Loan Agreement for willful misconduct, negligence, or breach of duty under this Loan Agreement by the Lender, its officers, agents, employees, successors or assigns.

Section 4.2. Sale or Eminent Domain Taking of Enterprise. Except as provided herein, the Borrower covenants that the Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Loan Repayments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Loan Agreement. The Borrower shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Loan Repayments, or which otherwise would impair the rights of the Lender with respect to the Net Revenues. If any substantial part of the Project shall be sold, the payment thereof shall either (a) be used for the acquisition or construction of improvements, extensions or facilities constituting part of the Project, or (b) be paid to the Treasurer for deposit into the Loan Fund, to be used to pay or prepay the Loan Repayments in the manner provided in this Loan Agreement.

Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the Borrower, shall either (a) be used for the acquisition or construction of improvements and extension of the Enterprise, or (b) be paid to the Treasurer for deposit into the Loan Fund to be used to pay or prepay the Loan Repayments in the next available prepayment date under Section 6.3.

Section 4.3. Insurance. The Borrower shall at all times maintain with responsible insurers all such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise shall be damaged or destroyed, such part shall be restored to use. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair or rebuild such damaged or destroyed portion of the Enterprise, and to the extent not so applied, shall be paid to the Treasurer for deposit into the Loan Fund used to prepay the Loan Repayments on the next available prepayment date under Section 6.3. The Borrower shall also maintain with responsible insurers worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the Borrower and the Lender.

Fiscal Year. In the event that the amount of such existing unencumbered fund balances, excluding Net Revenues, becomes less than the amount of Maximum Annual Debt Service during any Fiscal Year, the Borrower shall thereupon fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during such Fiscal Year which are sufficient to yield Net Revenues in such Fiscal Year (excluding connection charges) at least equal to one hundred percent (100%) of the amount of Loan Repayments and Reserve Requirements and any payments of principal and interest on any Prior and/or Parity Obligations coming due and payable during such Fiscal Year.

Section 4.6. Additional Obligations; Prior Obligations. The Borrower shall not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments. Without limiting the generality of the foregoing sentence, the Borrower shall not issue or incur any bonds or other obligations on a parity with the Prior Obligations. The Borrower shall faithfully perform and observe all of the covenants and agreements on its part provided in the ordinances and resolution authorizing the Prior Obligations, and shall not suffer any event of default to occur with respect to any of the Prior Obligations.

Section 4.7. Parity Obligations. Except for obligations incurred to prepay or post a security deposit for the Loan in whole or in part under Section 6.1, the Borrower shall not issue or incur any Parity Obligations without the prior written approval of the Lender unless:

(a) The Borrower is not then in default under the terms of this Loan Agreement; and

(b) The Net Revenues (excluding connection charges), calculated in accordance with sound accounting principles, as shown by the books of the Borrower for the latest Fiscal Year or as shown by the books of the Borrower for any twelve (12) month period selected by the Borrower in its sole discretion ending not more than ninety (90) days prior to the adoption of the resolution or ordinance authorizing such Parity Obligations, in either case verified by a certificate or opinion of an independent certified public accountant employed by the Borrower, plus, at the option of the Borrower, any or all of the items hereinafter in this Section designated (i) and (ii), at least equal one hundred twenty percent (120%) of the amount of Maximum Annual Debt Service.

The items any or all of which may be added to such Net Revenues for the purpose of issuing or incurring Parity Obligations under the Loan Agreement are the following:

(i) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or such twelve (12) month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements, and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Borrower.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1. Events of Default Defined. The following shall be Events of Default under this Loan Agreement:

(a) Failure by the Borrower to pay any Loan Repayment or to pay other amounts required to be paid hereunder at the time specified herein.

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part, other than in clause (a) of this Section 5.1, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Borrower by the Lender, provided, however, that the Lender and the Borrower may agree that action by the Borrower to cure such failure may be extended beyond such thirty-day period.

(c) The filing by the Borrower of a voluntary petition in bankruptcy, or failure by the Borrower promptly to lift any execution, garnishment or attachment, or adjudication of the Borrower as a bankrupt, or assignment by the Borrower for the benefit of creditors, or the entry by the Borrower into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Borrower in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

Section 5.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Lender shall have the right, at its option and without any further demand or notice to:

(a) declare all Principal Amounts of the unpaid Loan Repayments, together with accrued interest thereon at the Interest Rate from the immediately preceding Loan Repayment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable, provided, however, that the provisions of this clause (a) are subject to the condition that if, at any time after the principal components of the unpaid Loan Repayments shall have been so declared due and payable pursuant to the preceding subsection (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Borrower shall deposit with the Treasurer a sum sufficient to pay all principal components of the Loan Repayments coming due prior to such declaration and all matured interest components (if any) of the Loan Repayments, and the reasonable expenses of the Treasurer (including any fees and expenses of its attorneys and court and other collection costs), and any and all other defaults known to the Treasurer (other than in the payment of the principal and interest components of the Loan Repayments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, the Lender, by written notice to the Borrower and to the Treasurer, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments then due or thereafter to become due during the Term of this Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant

ARTICLE VI

PREPAYMENT OF LOAN

Section 6.1. Security Deposit. Notwithstanding any other provision of this Loan Agreement, the Borrower may on any date secure the payment of Loan Repayments in whole or in part, by irrevocably depositing with the Treasurer an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Loan Repayments, including the principal and interest components thereof, when due under Section 3.4(a), or (b) invested in whole or in part in Federal Securities in such amount as will, in the opinion of an independent certified accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all the aggregate total of the Loan Repayments remaining to be paid under Section 3.4(a) on the next Interest Payment Date which is at least thirty (30) days and not more than ninety (90) days after establishment of such deposit. In the event a security deposit is made under this Section, all obligations of the Borrower under this Loan Agreement, and the pledge of Net Revenues and all other security provided by this Loan Agreement for such obligations, shall cease and terminate, excepting only the obligation of the Borrower to make, or cause to be made, all of Loan Repayments from such security deposit at one time upon the established Interest Payment Date. Such security deposit shall be deemed to be and shall constitute a special escrow fund for the advanced prepayment of such Loan Repayments. Nothing herein shall be deemed to permit an advanced defeasance or refunding of the obligations under this Loan Agreement.

Section 6.2. Optional Prepayment. The Borrower shall have the option to prepay the unpaid principal balance of the Loan in whole, or in part in any integral multiple of the amount shown in Exhibit A, or any Loan Repayment Date, by paying a prepayment price equal to the principal amount of the Loan to be prepaid, together with the interest required to be paid on such date. Such prepayment price shall be deposited by the Treasurer in the Loan Fund to be applied to the prepayment of Loan Agreement. The Borrower shall give the Treasurer notice of its intention to exercise its option not less than sixty (60) days in advance of the date of exercise.

Section 6.3. Mandatory Prepayment from Insurance or Eminent Domain. The Borrower shall be obligated to prepay the unpaid principal balance of the Loan in whole on any date, or in part in any integral multiple of the amount shown in Exhibit A on any Loan Repayment Date, from and to the extent of any proceeds of insurance award or condemnation award with respect to the Enterprise theretofore deposited in the Loan Fund for such purpose under Sections 4.2 or 4.3. The Borrower and the Lender hereby agree that such proceeds, to the extent remaining after payment of any delinquent Loan Repayments, shall be credited towards the Borrower's obligations under this Section 6.3.

Section 6.4. Credit for Amounts on Deposit. In the event of prepayment of the Loan in full under this Article VI, all amounts then on deposit in the funds held by the Treasurer shall, at the election of the Borrower, be credited towards the amounts then required to be so prepaid.

Section 6.5. Refinancing Requirement. The Borrower understands and agrees that the Loan is made under and is subject to the provisions of and the regulations of the Lender promulgated under the Consolidated Farm and Rural Development Act of 1961, as amended. Among such provisions is the requirement of the refinancing of the Loan at market rates and terms under the conditions specified by the Lender under such regulations. The Borrower

ARTICLE VII

MISCELLANEOUS

Section 7.1. Notices. All written notices to be given under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth in Exhibit A, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective forty-eight (48) hours after deposit in the United States mail, first class postage prepaid or, in the case of personal delivery, upon delivery to the address set forth in Exhibit "A."

Section 7.2. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Lender and the Borrower and their respective successors and assigns.

Section 7.3. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court or competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.4. Net-net-net Contract. This Loan Agreement shall be deemed and construed to be a "net-net-net" contract, and the Borrower hereby agrees that the Loan Repayments shall be an absolute net return to the Lender, free and clear of any expenses, charges or set-offs whatsoever.

Section 7.5. Further Assurances and Corrective Instruments. The Lender and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Loan Agreement.

Section 7.6. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.7. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of California and the United States of America. The provisions of Form RUS BULLETIN 1780-27 are hereby incorporated herein by this reference, whether or not such form has been adopted by the Board of the Borrower, provided, however, that all references in such form to "bonds" shall be deemed to refer to this Loan Agreement.

Section 7.8. Lender and Borrower Representatives. Whenever under the provisions of this Loan Agreement the approval of the Lender or the Borrower is required, or the Lender or the Borrower is required to take some action at the request of the other, Borrower and Lender, respectively, shall designate in writing to the each other an authorized representative, and each party hereto shall be authorized to reply upon any such approval or request provided by such representative.

Section 7.9. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or Section of this Agreement.

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Loan Agreement to be executed by their duly authorized officers as of the date first above written.

LENDER:

UNITED STATES OF AMERICA, acting
through UNITED STATES DEPARTMENT
OF AGRICULTURE, RURAL UTILITIES
SERVICE

By: Alfred Correale

Name (print) Alfred Correale

Title: Programs Specialist

BORROWER:

SAN SIMEON COMMUNITY SERVICES
DISTRICT

By: Charles Groce

Name (print) Charles Groce

Title: General Manager

EXHIBIT A

LOAN AGREEMENT
San Simeon Community Services District
Well Rehabilitation Project

LOAN PROVISIONS

1. The loan amount is \$ 500,000.00 and the Interest Rate is 2.75% per annum.
2. The Costs of Issuance are \$0.00 *(and the Capitalized Interest is \$0.00)*.
3. The principal and interest shall be paid in the following fully amortized installments of principal and interest on or before the following Loan Repayment Dates:

\$10,345 on September 23, 2014,
\$10,345 on March 23, 2014

and

\$10,345 thereafter on September 23 and March 23rd of each year until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable not later than 40 (forty) years from the date of this Agreement.

4. The minimum dollar amount for optional or mandatory prepayment on any Loan Repayment Date is \$1,000.00.
5. Notices under this Loan Agreement shall be sent to:

District: San Simeon Community Services District
111 Pico Av
San Simeon, CA 93452
Attn: General Manager and Board President

Lender: Rural Utilities Service, USDA
Rural Development
920 E Stowell Rd
Santa Maria, CA 93454
Attn: Community Programs Specialist

Treasurer: (not applicable) _____

Attn: _____

EXHIBIT B

LOAN AGREEMENT San Simeon Community Services District Well Rehabilitation Project

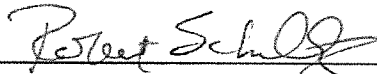
PROJECT DESCRIPTION

The Project consists of the rehabilitation and/or construction of *water* system public improvements including related design, environmental analysis, construction plans and bidding, the acquisition of all lands, easements, rights-of-way, licenses, franchises, and permits and the construction of all auxiliary work necessary and/or convenient to the accomplishment thereof, (including, but not limited to the removal and disposal of toxic materials related to the public improvements), in accordance with plans and specifications to be approved by the District:

CERTIFICATE OF OWNER'S ATTORNEY

I, the undersigned, Robert Schultz, the duly authorized and acting legal representative of San Simeon Community Services District, do hereby certify as follows:

I have examined the attached Contract(s) and performance and payment bond(s) and the manner of execution thereof, and I am of the opinion that each of the aforesaid agreements has been duly executed by the proper parties thereto acting through their duly authorized representatives; that said representatives have full power and authority to execute said agreements on behalf of the respective parties named thereon; and that the foregoing agreements constitute valid and legally binding obligations upon the parties executing the same in accordance with terms, conditions, and provisions thereof. I also am of the opinion that the Contractor's insurance coverage(s) complies with the requirements of the Contract.


(Attorney's Signature)

DATE: 6/25/13

RESOLUTION NO.13-356

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT APPROVING THE NOTICE OF AWARD OF CONTRACT TO RAMINHA CONSTRUCTION FOR AN AMOUNT NOT TO EXCEED \$377,500 AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT FOR THE SSCSD WELL REHABILITATION PROJECT (N0:2013-02).

WHEREAS, the San Simeon Community Services District owns and maintains production Wells #1 and # 2 located the terminus of Pico Avenue in San Simeon California; and

WHEREAS, the San Simeon Community Service District Board of Directors approved the San Simeon Community Service District Wellhead Facility Rehabilitation Project consisting of the following major work tasks:

- Replacement of potable water Wells #1 and #2 pump and motor assemblies with submersible pumping units and associated piping.
- Selected demolition of existing aboveground improvements and installation of piping and associated appurtenances.
- Construction of a concrete masonry unit building to house the electrical, disinfection and SCADA equipment.
- Replacement of existing SCADA equipment at the potable water Well and reservoir site
- Related site improvements.

WHEREAS, bids for the San Simeon Community Services District Wellhead Facility Rehabilitation Project were solicited, received and opened on January 22, 2013 in accordance with California Public Contracts Code Section 4105.5 and other applicable law; and

WHEREAS, it was determined that Raminha Construction's bid satisfied the bidding requirements and was the successful bidder for Construction of the Wellhead Facility Rehabilitation Project; and

WHEREAS, it has been verified that Raminha Construction possesses a valid California Contractor's License as required to qualify to perform the Wellhead Facility Rehabilitation Project; and

WHEREAS, sufficient funds have been budgeted for this project through a low interest loan obtain form the United States Department of Agriculture (USDA).

NOW, THEREFORE, BE IT RESOLVED:

1. The above recitals are true and correct and are hereby incorporated into this resolution as findings of the Board of Directors of the San Simeon Community Services District.
2. In accordance with California Public Contract Code Section 20160 and following other applicable law, the Board of Directors of the San Simeon Community Services District hereby finds that the bid of Raminha Construction for the Wellhead Facility Rehabilitation

Project to be the lowest, responsive bid and waives any irregularities in such bid, if any, in accordance with applicable law.

3. The Board of Directors hereby awards the contract for doing the construction work and furnishing the materials, supplies and equipment to be furnished by the lowest responsible bidder, to Raminha Construction in the amount of \$377, 500. This amount being the base bid for the project. Said award is contingent upon the verification of all required documentation and approval by the USDA.
4. The Board of Directors authorizes the General Manager to make and enter into a written contract, approved as to form by the District Counsel and USDA, with said bidder, and to receive and approve all bonds in connection therewith.

UPON MOTION of **Director Fields** seconded by **Director Price**, and on the following roll call vote to wit:

AYES: 4

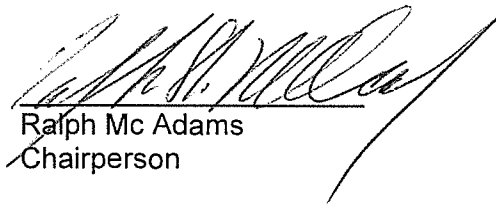
NOES: 0

ABSENT: 0

ABSTAIN: 0

The foregoing Resolution is hereby Passed and Adopted this 15th day of May, 2013.

ATTEST:


Ralph Mc Adams
Chairperson

ATTEST:


Charles Grace
General Manager/
District Secretary

RESOLUTION NO. 13-358

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER SYSTEM FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the San Simeon Community Services District (SSCSD)) to raise a portion of the cost of such undertaking by issuance of a loan agreement in the principal amount of Five Thousand Dollars (\$500,000.00) pursuant to the provisions of California Government Code Section 61000 et. Seq.; and

WHEREAS, the SSCSD intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking;

NOW THEREFORE, in consideration of the premises the SSCSD hereby resolves:

SECTION 1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of a loan agreement containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.

SECTION 2. To refinance the unpaid balance, in whole or in part, of its loan agreement upon the request of the Government if at any time it shall appear to the Government that the SSCSD is able to refinance its loan agreement by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).

SECTION 3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.

SECTION 4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the SSCSD. Such indemnification shall be payable from the same source of funds pledged to pay the loan agreement or any other legally permissible source.

SECTION 5. That upon default in the payments of any principal and accrued interest on the loan agreement or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the SSCSD (payable from the source of funds pledged to pay the loan agreement or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the

SSCSD, and default under any such instrument may be construed by the Government to constitute default hereunder.

SECTION 6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.

SECTION 7. Not to defease the loan agreement, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the loan agreement.

SECTION 8. To place the proceeds of the loan agreement on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

SECTION 9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.

SECTION 10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted. Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503..

SECTION 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.

SECTION 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.

SECTION 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the SSCSD is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.

SECTION 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the

loan agreement if sufficient funds are not otherwise available and prior approval of the Government

is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.

SECTION 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the SSCSD or public body.

SECTION 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the SSCSD as long as the loan agreement are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the SSCSD and the Government or assignee.

UPON MOTION of Director Williams, seconded by Director McAdams, and on the following roll call vote to wit:

AYES: 4

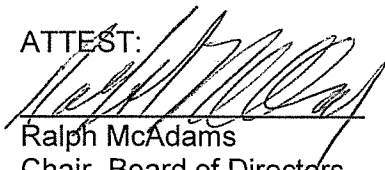
NOES: 0

ABSENT: 1

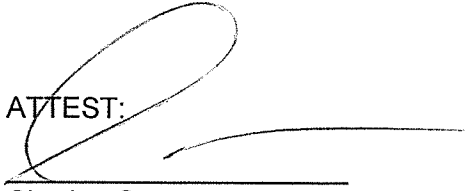
ABSTAIN: 0

The foregoing Resolution is hereby Passed and Adopted this 18th day of June 2013.

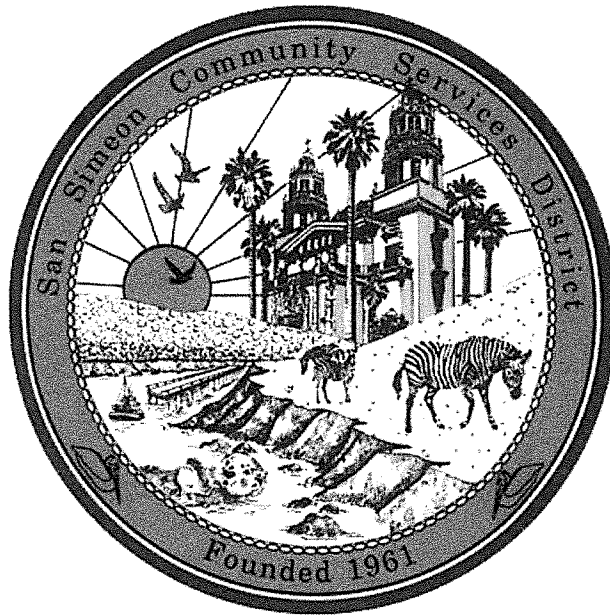
ATTEST:


Ralph McAdams
Chair, Board of Directors

ATTEST:


Charles Grace
General Manager/
District Secretary

San Simeon Community Services District



NOTICE TO CONTRACTORS, BIDDING REQUIREMENTS, GENERAL CONDITIONS AND SPECIAL PROVISIONS, PROPOSAL AND CONTRACT

WELLHEAD FACILITY REHABILITATION PROJECT

PROJECT NUMBER: 2012-02

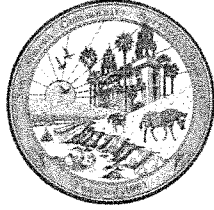
June 2013 Conformed Set

Approved:

A handwritten signature in black ink, appearing to read "Charles Grace", is written over a horizontal line.

Charles Grace
General Manager
111 Pico Avenue
San Simeon, California 93452

San Simeon Community Services District



111 Pico Avenue, San Simeon, California 93452
(805) 927-4778 Fax (805) 927-0399

April 2, 2013

Robert Neilson, P.E. | State Engineer
Rural Development
U.S. Department of Agriculture
3530 W. Orchard Court | Visalia, CA 93277-7360

Dear Mr. Neilson:

The semi paved road leading from the end of Pico Avenue (located in San Simeon) to the San Simeon Community Services' District (SSCSD) well site has provided a course of access for San Simeon staff to the well site for approximately 50 years.

The Hearst Corporation and the SSCSD have a long standing mutually cooperative relationship such that SSCSD anticipates no issues with access to the SSCSD well site so long as necessary.

If you have any questions regarding this matter please contact me at 805 927 4778.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Grace", with a long horizontal line extending to the right.

Charles Grace
San Simeon CSD
General Manager

Task Order 4-07
Well Rehab

Date	Invoice #	Amount
4/22/2009	7053586	\$1,216.90
3/30/2009	7052244	\$2,411.10
8/13/2008	58463	\$2,187.70
7/8/2008	57336	\$1,911.60
6/13/2008	56624	\$604.80
5/13/2008	55806	\$9,548.60
4/18/2008	55094	\$8,920.80
3/14/2008	54011	\$6,115.50
2/13/2008	52874	\$2,738.40
1/17/2008	52064	\$16,043.40
12/12/2007	50821	\$2,230.20
Total		\$53,929.00

Task Order 1-08
Well Rehab CPS
(construction Phase Services)

2/8/2010	7072574	\$907.20
5/15/2009	7055272	\$266.75
2/23/2009	7050079	\$334.80
Total		\$1,508.75

Task Order 2-08
Scada/Telemetry

9/24/2008	59750	\$334.00
10/24/2008	60534	\$5,972.40
11/21/2008	61203	\$4,363.20
12/16/2008	61880	\$167.40
12/31/2008	62217	\$167.40
2/23/2009	7050080	\$334.80
3/20/2009	7051647	\$4,630.50
4/22/2009	7053571	\$4,834.50
Total		\$20,804.20

Task Order 7-09
On call services

6/11/2010	7080504	\$487.50
3/18/2010	7074853	\$2,166.75
1/18/2010	7071170	\$742.00
6/5/2009	7056597	\$2,926.80
Total		\$6,323.05

Task Order 4-07	\$53,929.00
Task Order 1-08	\$1,508.75
Task Order 2-08	20,804.20
Task Order 7-09	\$6,323.05
Total Well Rehab Task Orders	\$82,565.00



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You must meet certain prerequisites to register. Meeting the prerequisites may take **2 business days** or more, so please start early!

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Registration Prerequisites

1. Valid Email Address
2. DUNS Number (Recipients only)
3. CCR registration (Prime Recipients and Sub Recipients of financial assistance only)

. Valid Email Address

All registrants must have a valid email address to submit ARRA reports on the FederalReporting.gov website. Federal Agency users must register using a valid government email address (email extension .gov, .mil, .fed.us, and si.edu).

2. DUNS Number

All Recipient organizations must have a DUNS number. You can obtain the DUNS number from your award document. (If not found on the award document, use the DUNS number your organization provided on the application for award.)

If your organization does not know its DUNS or needs to register for one, visit the [Dun & Bradstreet website](#).

For more information about DUNS requirements for registration, visit the [Dun & Bradstreet website](#).

3. CCR Registration

Prime Recipients must also register in the Central Contractor Registration (CCR) database. Sub Recipients of financial assistance (i.e.,

Registration Confirmation

Your registration request has been accepted! You will receive an email from DoNotReply@FederalReporting.gov containing your temporary FederalReporting.gov password and any other registration instructions

Your confirmation number is 152757. Please keep this number for your records.

If you have not received an email within 48 hours, please contact the [Service Desk](#).

OK

grants and loans) must also register. Visit [CCR](#) for more information.

Federal Agency Users - Agency 2-Digit Code

For registration, Federal Agency users will need the 2-digit department-level code for your agency. If you are unsure of your 2-digit code, see the Reference Lookup for Agency Codes spreadsheet on the [Downloads](#) page.

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Create a User ID and Password on FederalReporting.gov. Your registration Email will be your User ID for signing in.

When your registration is complete, you will receive an email confirmation.

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Committed to the future of rural communities.

**United States Department of Agriculture
Rural Development
California
www.rurdev.usda.gov/ca**

July 11, 2011

LETTER OF CONDITIONS

Terry Lambeth, Chairman
San Simeon Community Services District
111 Pico Av
San Simeon, CA 93452

Subject: Application for USDA Rural Development's Water and Waste Disposal Program for well refurbishment, and appurtenant equipment and structure

Dear Mr Lambeth:

This letter, with attachments, establishes conditions that must be understood and agreed to by the applicant before further consideration may be given to their application. Any changes in project cost, source of funds, scope of services or any other significant change in the project or applicant must be reported to and approved by USDA Rural Development by written amendment to this letter. Any change not approved by USDA Rural Development will be cause for discontinuing processing of the application.

This letter is not to be considered as loan approval or as representation to the availability of funds. The application can be processed on the basis of a USDA Rural Development loan not to exceed \$500,000. Funds for this project are provided by the Rural Utilities Service (RUS). The loan will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is mailed by USDA Rural Development. This is also the date that the interest rate is established.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds," within the next ten (10) days, if you desire that we give further consideration to your application. The execution of these and all other documents required by USDA Rural Development must be authorized by appropriate resolutions of the applicant's governing body.

The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, whichever is less, unless you choose otherwise.

920 E Stowell Rd Santa Maria, CA 93454
Phone: (805) 928-9269 ext. 119 • Fax: (805) 928-9644 • TDD: (530) 792-5848

Committed to the future of rural communities

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

The loan will be repayable over a period not to exceed 40 years from the date of loan closing at the intermediate interest rate. The first interest installment will be due no later than one full year from the date of loan closing. The loan repayment will be made in amortized semi-annual installments.

You may be required to refinance (graduate) the unpaid balance of the RD loan, in whole or in part, if at any time RD determines your entity is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

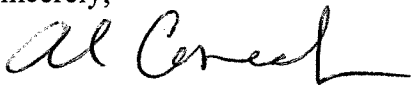
Based on Standard Form 424, "Application for Federal Assistance," the project cost and funding will be as follows:

a.	<u>Project Cost</u>	
	Preliminary Engineering	\$\$ 3,780
	Design Engineering	75,328
	Project Inspection Fees	39,096
	Bidding & Award Service	2,246
	Construction Phase Services	17,630
	As-built Drawings	907
	Legal	5,000
	Construction	356,200
	Contingencies	68,700
	TOTAL:	\$535,807
		<i>-\$35,620 10% of con. cost</i>
b.	<u>Source of Funds</u>	
	USDA Loan	\$ 500,000
	District Cash & Pre-paid	35,807
	TOTAL:	\$ 535,807

Section I of the attached conditions (Items 1—16) will be satisfied prior to interim loan closing or before construction begins, whichever occurs first, in either case not later than one (1) year from the date of this letter. **In the event the project has not advanced to the point of construction within one (1) year, USDA Rural Development reserves the right to discontinue the processing of the application.**

If you have any questions, feel free to contact this office.

Sincerely,



Al Correale
Programs Specialist

cc: Janice Waddell, Community Programs Director, USDA Rural Development, Davis, CA
Pete Yribarren, Community Programs Specialist, USDA Rural Development, Visalia, CA
Robert Schultz, District Counsel, San Luis Obispo, CA

I. CONDITIONS TO BE SATISFIED PRIOR TO LOAN CLOSING OR BEFORE CONSTRUCTION BEGINS, WHICHEVER OCCURS FIRST

1. **Reserves**—The applicant will establish a separate debt service reserve in an amount at least equal to an average annual loan installment. This reserve will be accumulated at the rate of at least one-tenth of that average installment each year until the required level is reached, which is one average annual loan installment.

In addition, you must fund a depreciation reserve for short-lived assets by depositing a sum of \$5,000 annually. This amount should be evaluated each year and budgeted for based on the need to provide for timely replacement of short-lived assets.

2. Disbursement of Funds

- a. Interim loan financing during construction will not be required. USDA Rural Development funds will not be provided before the execution of a construction contract.
 - b. The applicant will provide evidence that funds from other sources will be made available for the project cost in the amount of \$35,807. This evidence should include a copy of the loan/grant award that addresses how funds will be disbursed.
 - c. The applicant's contribution of funds toward the project cost shall be considered the first funds expended and must be deposited in its project account before construction is started.
3. You must establish a separate account, to be known and hereafter referred to as the Construction Account. All project funds will be deposited into this account and must be in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage. The account shall be used solely for the purpose of paying authorized costs of the project as outlined in the project budget. Once the funds are deposited into the Construction Account, they become your responsibility.

4. Security Requirements

- a. At loan closing the applicant will execute the attached RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)". Please note the refinancing provision in paragraph 2. Also, on page 3 there is a certification to be executed at loan closing.
- b. The applicant is a legally organized Community Services District under Sections 61,000 et seq. of the Government Code of the State of California. The loan will be secured by a first lien and pledge of revenues evidenced with a Loan Agreement. The Loan Agreement must be prepared in accordance with RUS Instruction 1780 Subpart D, and State law.
- c. The loan will be secured by a first lien and pledge of revenues from the water system.

5. **Applicant Certifications**

- a. The applicant will certify that 256 users are currently connected to the system.
- b. The USDA Rural Development will authenticate the number of new users for projects that will be secured by a pledge of user fees or revenues.

- 6. **Insurance and Bonding Requirements**—The applicant must provide evidence of adequate insurance and fidelity bond coverage by loan closing or start of construction, whichever occurs first. Adequate coverage, in accordance with USDA Rural Development's regulations, must then be maintained for the life of the loan. It is the responsibility of the applicant and not that of USDA Rural Development to assure that adequate insurance and fidelity bond coverage is maintained. Applicants are encouraged to review coverage amounts and deductible provisions with their attorney, consulting engineer, and/or insurance provider(s).
 - a. Property Insurance—Fire and extended coverage will be required on all above-ground structures, including applicant-owned equipment and machinery housed therein. This requirement does not apply to water reservoirs, stand pipes and elevated tanks. Provide USDA Rural Development with proof of coverage and attach Lender's Loss Payable Endorsement (438 BFU or equivalent) naming the UNITED STATES OF AMERICA as lender.
 - b. Workers' Compensation Insurance— The applicant will be required to carry workers' compensation insurance for all employees in accordance with California law. Provide USDA Rural Development with proof of coverage.
 - c. General liability and vehicular coverage must be maintained—Provide USDA Rural Development with proof of coverage.
 - d. Fidelity Bond—Persons who have access to the funds and custody to any property will be covered by a fidelity bond. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required by USDA Rural Development will be sufficient to cover the total annual debt and reserve service requirements for the loan. The United States of America will be named as co-obligee on the bond. A certified power-of-attorney with effective date will be attached to each bond. Provide USDA Rural Development with a copy of the bond and the power of attorney.

7. **Civil Rights & Equal Opportunity**—You should be aware of and will be required to comply with other Federal statute requirements including but not limited to:
- a. Section 504 of the Rehabilitation Act of 1973.
 - b. Civil Rights Act of 1964.
 - c. The Americans with Disabilities Act (ADA) of 1990.
 - d. Age Discrimination Act of 1975.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

The applicant is subject to a pre-loan closing civil rights compliance review by USDA Rural Development.

8. **Written Agreements for Professional Services**

- a. The legal service agreement will have to be approved by USDA Rural Development.
 - b. An Agreement for Engineering Services will have to be approved by USDA Rural Development.
9. **Permits**—All permits involving Federal, State, and local agencies must be obtained and evidence thereof provided to USDA Rural Development prior to bidding. If the project involves a new drinking water supply source or change in a drinking water treatment process a new California Department of Health Services permit will be required. To receive this permit a CEQA environmental review must be completed and routed through the State Clearinghouse.
10. **Environmental Reviews**—USDA Rural Development projects are subject to NEPA environmental reviews. During any stage of project development, including construction, should environmental issues develop which require mitigation measures, USDA Rural Development applicants are required to notify USDA Rural Development and comply with such mitigation measures. Failure by an applicant to implement mitigation measures may disqualify the project from Agency funding. Mitigation measures identified or prepared by you as part of the CEQA and NEPA environmental process must be implemented. Mitigation measures which must be followed per USDA Rural Development's Environmental Assessment are: not applicable.

11. Engineering and Construction

- a. USDA Rural Development must approve any agreements or modifications to agreements for professional design services. The agreement for engineering services should consist of the EJCDC documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with USDA Financial Assistance" or other approved form of agreement
- b. All construction will be completed under contract. The planning, bidding, contracting, and construction must comply with RUS Instruction 1780 Subpart C, and any additional requirements of California law and the requirements of other County, State, or Federal agencies.
- c. The following must be reviewed and approved by USDA Rural Development in the sequence indicated:
 - i. Preliminary Engineering Report
 - ii. Agreement for Engineering Services
 - iii. Final Plans and Specifications for the project
 - iv. Bid Award Information.
 - v. Executed Contract Documents
- d. Affirmative steps should be taken to assure that small, minority, and women business are utilized as source of supplies, equipment, construction, and services.
- e. The Plans & Specifications must be reviewed and approved, when applicable, by any regulatory or other agencies that are required to review these documents.
- f. A representative of USDA Rural Development will attend all pre-construction conferences in connection with this project. These conferences must be held prior to the issuance of the Notice to Proceed to the contractors. The applicant's consulting engineer will conduct the conference and document the discussions and agreements.

12. **Electronic Funds Transfer**—All loan funds will be transferred to borrowers via Electronic Funds Transfer/Automated Clearinghouse Systems (EFT/ACH). Normal transfers will be ACH, with money being placed in Borrower's account two days after the USDA processing office approves the pay request. The applicant must submit the Electronic Funds Transfer Form containing the banking (ACH) information to the USDA Servicing Office at least 30 days prior to the date of loan closing. Failure to do so could delay loan closing.

13. **Automatic Payments**—The applicant is required to participate in the Pre-Authorized Debit (PAD) payment process for all new and existing indebtedness to USDA Rural Development. It will allow for the applicant's payment to be electronically debited from its account on the date their payment is due. Form RD 3550-28, "Authorization Agreement for Pre-Authorized Payments," is attached. Please fill out and sign your "Individual/Company Information" section, then have your financial institution/bank fill out the bottom portion prior to submitting the form to the USDA Rural Development service office.
14. **Loan Closing**—All applicable loan closing documents must be submitted to the following persons at least 30 days prior to the planned closing date: Al Correale, Community Program Specialist, USDA Rural Development 920 E Stowell Rd Santa Maria, CA 93454 or via e-mail: al.correale@ca.usda.gov.
15. **Operating Budget**
- a. A rate structure sufficient to balance an USDA Rural Development approved Operating Budget will be in effect at the time of loan closing. Once the rate structure has been approved by USDA Rural Development, provide USDA Rural Development with a copy of the adopted ordinance.
 - b. The applicant will develop and implement an RD approved policy for the handling of past due customer bills and penalties.
16. **Vulnerability Assessments (VA) and Emergency Response Plans (ERP)**—Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place, if applicable. All systems must provide a certification that a VA and ERP are completed prior to bid authorization. DO NOT SUBMIT COPIES OF THE ACTUAL VA OR ERP DOCUMENTS TO USDA RURAL DEVELOPMENT.

USDA Rural Development staff has arranged for the California Rural Water Association (CRWA), or the Rural Community Assistance Corporation (RCAC) to assist borrowers with the preparation of their VA and ERP. CRWA or RCAC should be contacted to obtain more information and their technical assistance in the preparation of the VA & ERP, so that the required CERTIFICATION STATEMENT can be provided to USDA. Please contact Dustin Hardwick (CRWA) at (760) 920-0842 or Jean Thompson at RCAC (916) 447-9832.

17. Central Contractor Registration and Universal Identifier Requirements

Requirement for Central Contractor Registration (CCR)

You as the recipient must maintain the currency of your information in the CCR until you submit the final financial report required under this award and all grants funds under this award have been disbursed or de-obligated, whichever is later. This requires that you review and update the information at least annually after the initial registration, and more frequently if required by changes in your information or another award term. Recipients can register on-line at (<https://www.bpn.gov/ccr/>).

You as the recipient may not make a sub-award to an entity unless the entity has provided its Data Universal Numbering System (DUNS) number to you. Sub-recipients with sub-awards of \$25,000 or more must also have and maintain a current CCR registration.

18. Recipient Reporting.

You as the recipient must report each first tier sub-awards of \$25,000 or more in non-Recovery Act funds to <http://www.fsrs.gov> no later than the end of the month following the month the obligation was made.

As part of your registration profile at <http://www.ccr.gov>, you must report the total compensation of the 5 most highly compensated executives (if the award was \$25,000 or more, 80% or more of annual gross revenues subject to Transparency Act, and \$25 Million of annual gross revenues subject to Transparency Act) by end of month following month in which award was made.

This requirement also pertains to sub-recipients (if the award was \$25,000 or more, 80% or more of annual gross revenues subject to Transparency Act, and \$25 Million of annual gross revenues subject to Transparency Act).

II. LOAN CONDITIONS TO BE SATISFIED DURING CONSTRUCTION

2. **Inspections**—A resident inspector is required during construction. The inspection reports must be available to USDA Rural Development for review at any time. These reports must be kept at the project site or borrower's office, if near by.
3. **Monthly Reporting**—The applicant must monitor and provide a monthly report to USDA Rural Development on actual performance during construction for each project financed, or to be financed, in whole or in part with USDA Rural Development funds, to include Forms RD 1924-18, "Partial Payment Estimate"; RD 1924-7, "Contract Change Order"; SF-271, "Outlay Report and Request for Reimbursement for Construction Programs"; and Project Daily Inspection Reports.
4. **Final Inspection**—A final inspection will be made by USDA Rural Development on the component USDA is financing before final payment is made.
5. **Excess Funds**—Any remaining funds must be utilized for approved purposes within 60 days following the final inspection or the funds will be canceled without further notification from USDA Rural Development.

III. LOAN CONDITIONS TO BE SATISFIED AFTER PROJECT COMPLETION

1. **Financial Statements**—To be submitted on an annual basis in accordance with generally accepted accounting principles (GAAP) and shall comply with the following:
 - a. OMB Circular A-133 annual audits are required when Federal Financial Assistance of \$500,000 or more per year is expended. An audit per OMB Circular A-133, must be provided to the USDA Rural Development on an annual basis.
 - b. An audit, in accordance with State or local law or regulation or regulatory agency and Water and Waste audit requirements, must be submitted when you expend less than \$500,000 in Federal financial assistance per fiscal year and the unpaid loan balance is \$1,000,000 or more.
 - c. A management report, in lieu of an audit report, may be submitted with the USDA Rural Development approval when you expend less than \$500,000 in Federal financial assistance per fiscal year and the unpaid loan balance is less than \$1,000,000.
2. **Quarterly Reports**—A quarterly management report will be required for the first year for new borrowers and for all borrowers experiencing financial or management problems for one year from the date problems were noted. If the borrower's account is current at the end of the year, the processing office may waive the required reports.
3. **Audit agreement**—If you are required to obtain the services of a licensed Certified Public Accountant (CPA), you must enter into a written audit agreement with the auditor. The audit agreement may include terms and conditions that you and auditor deem appropriate; however, the agreement should include the following:
 - a. A statement that the auditor will perform and document the audit work in accordance with GAGAS and the professional standards of the AICPA;
 - b. A statement that the auditor will submit the completed audit and accompanying letters to the borrower's governing body 30 days prior to the date the audit is due to USDA Rural Development;
 - c. A statement that the auditor will make all audit-related documents, including workpapers, available to the Agency Rural Development or its representatives, upon request; and
 - d. A statement that the auditor will immediately report, in writing, all irregularities and illegal acts to the borrower's governing body and the Agency Rural Development.
4. **Compliance Reviews**—Rural Development will be required to periodically conduct compliance review of this facility and operation. You will need to provide the local office the statistical information as requested.
5. **Security Inspections**—Rural Development is required to conduct an inspection of the facility a minimum of once every three years.
6. **VA/ERP**—You will also be required to provide a certification that the VA and ERP is complete and is current every three years after the start of operations. RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

LETTER OF INTENT TO MEET CONDITIONS

Date 07/11/2011

TO: Rural Development
United States Department of Agriculture
920 E Stowell Rd
Santa Maria CA 93454
(Office Address)

We have reviewed and understand the conditions set forth in your letter dated _____

It is our intent to meet all of them not later than _____

San Simeon CSD

(Name of Association)

BY _____

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a persons is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0570-0062. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data. needed, and completing and reviewing the collection of information.

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED () Complete Items 1 through 29 and applicable Items 30 through 34. See FMI.			
1. CASE NUMBER ST CO BORROWER ID 04-040-*****5743		LOAN NUMBER	FISCAL YEAR 2011
2. BORROWER NAME San Simeon Community Services District		3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
		4. STATE NAME California	
		5. COUNTY NAME San Luis Obispo	
GENERAL BORROWER/LOAN INFORMATION			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 2 - BLACK 3 - AI/AN 4 - HISPANIC 5 - A/PI	7. TYPE OF APPLICANT 1 - INDIVIDUAL 2 - PARTNERSHIP 3 - CORPORATION 4 - PUBLIC BODY 5 - ASSOC. OF FARMERS 6 - ORG. OF FARMERS 7 - NONPROFIT-SECULAR 8 - NONPROFIT-FAITH BASED 9 - INDIAN TRIBE 10 - PUBLIC COLLEGE/UNIVERSITY 11 - OTHER	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 4 - MACHINERY ONLY 5 - LIVESTOCK ONLY 6 - CROPS ONLY 7 - SECURED BY BONDS 8 - RLF ACCT	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.
10. SEX CODE 6 1 - MALE 2 - FEMALE	11. MARITAL STATUS 1 - MARRIED 2 - SEPARATED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED)	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 2 1 - YES 2 - NO
14. DIRECT PAYMENT 2 (See FMI)	15. TYPE OF PAYMENT 3 1 - MONTHLY 2 - ANNUALLY 3 - SEMI-ANNUALLY 4 - QUARTERLY	16. FEE INSPECTION 2 1 - YES 2 - NO	
17. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		18. USE OF FUNDS CODE (See FMI)	
COMPLETE FOR OBLIGATION OF FUNDS			
19. TYPE OF ASSISTANCE 061 (See FMI)	20. PURPOSE CODE 4	21. SOURCE OF FUNDS	22. TYPE OF ACTION 1 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION
23. TYPE OF SUBMISSION 1 1 - INITIAL 2 - SUBSEQUENT	24. AMOUNT OF LOAN \$500,000.00	25. AMOUNT OF GRANT	
26. AMOUNT OF IMMEDIATE ADVANCE	27. DATE OF APPROVAL MO DAY YR	28. INTEREST RATE 3.3750 %	29. REPAYMENT TERMS 40
COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS			
30. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION	
31. DISASTER DESIGNATION NUMBER (See FMI)		32. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN	
FINANCE OFFICE USE ONLY		COMPLETE FOR FP LOANS ONLY	
33. OBLIGATION DATE MO DA YR		34. BEGINNING FARMER/RANCHER (See FMI)	

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

Position 2

ORIGINAL - Borrower's Case Folder

COPY 1 - Finance Office

COPY 2 - Applicant/Lender

COPY 3 - State Office

CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL
Subject to Letter of Conditions, dated 7/11/2011.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. _____ YES _____ NO

WARNING: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date _____, 20 11 _____

(Signature of Applicant)

Date _____, 20 _____

(Signature of Co-Applicant)

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Janice Waddell

Date Approved: _____ Title: Program Director

38. TO THE APPLICANT: As of this date _____, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

LETTER OF INTENT TO MEET CONDITIONS

Date 07/11/2011

TO: Rural Development
United States Department of Agriculture
920 E Stowell Rd
Santa Maria CA 93454
(Office Address)

We have reviewed and understand the conditions set forth in your letter dated

7/11/2011

It is our intent to meet all of them not later than

September 1, 2011

San Simeon CSD

(Name of Association)

BY

Yung D. Jara CP SED

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015 and 0570-0062. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

CERTIFICATION APPROVAL

For All Farmers Programs

EM, OL, FO, and SW Loans

This loan is approved subject to the availability of funds. If this loan does not close for any reason within 90 days from the date of approval on this document, the approval official will request updated eligibility information. The undersigned loan applicant agrees that the approval official will have 14 working days to review any updated information prior to submitting this document for obligation of funds. If there have been significant changes that may affect eligibility, a decision as to eligibility and feasibility will be made within 30 days from the time the applicant provides the necessary information.

If this is a loan approval for which a lien and/or title search is necessary, the undersigned applicant agrees that the 15-working-day loan closing requirement may be exceeded for the purposes of the applicant's legal representative completing title work and completing loan closing.

35. COMMENTS AND REQUIREMENTS OF CERTIFYING OFFICIAL
Subject to Letter of Conditions, dated 7/11/2011.

36. I HEREBY CERTIFY that I am unable to obtain sufficient credit elsewhere to finance my actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near my community for loans for similar purposes and periods of time. I agree to use the sum specified herein, subject to and in accordance with regulations applicable to the type of assistance indicated above, and request payment of such sum. I agree to report to USDA any material adverse changes, financial or otherwise, that occur prior to loan closing. I certify that no part of the sum specified herein has been received. I have reviewed the loan approval requirements and comments associated with this loan request and agree to comply with these provisions.

(For FP loans at eligible terms only) If this loan is approved, I elect the interest rate to be charged on my loan to be the lower of the interest rate in effect at the time of loan approval or loan closing. If I check "NO", the interest rate charged on my loan will be the rate specified in Item 28 of this form. YES ☐ NO ☒

WARNING: Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Date 07/21, 20 11

Janice Waddell Chairperson SSCSD
(Signature of Applicant)

Date _____, 20 _____

(Signature of Co-Applicant)

37. I HEREBY CERTIFY that all of the committee and administrative determinations and certifications required by regulations prerequisite to providing assistance of the type indicated above have been made and that evidence thereof is in the docket, and that all requirements of pertinent regulations have been complied with. I hereby approve the above-described assistance in the amount set forth above, and by this document, subject to the availability of funds, the Government agrees to advance such amount to the applicant for the purpose of and subject to the availability prescribed by regulations applicable to this type of assistance.

(Signature of Approving Official)

Typed or Printed Name: Janice Waddell

Date Approved: _____

Title: Program Director

38. TO THE APPLICANT: As of this date _____, this is notice that your application for financial assistance from the USDA has been approved, as indicated above, subject to the availability of funds and other conditions required by the USDA. If you have any questions contact the appropriate USDA Servicing Office.

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into this 31 day of AUGUST, 2022 by and between Cavalier Inn, Inc., a California corporation and V&H Holdings, LLC, a California limited liability company (both individually and collectively, "Cavalier") and the San Simeon Community Services District, a community services district organized and existing in accordance with Government Code Section 61000, *et seq.* ("District") (individually, a "Party" and collectively, the "Parties").

RECITALS

Whereas, Cavalier is the owner of that certain real property as particularly described in Exhibit "A" attached hereto and by this reference incorporated herein ("Property"); and

Whereas, the Property is located entirely within the boundaries of the District; and

Whereas, the Parties acknowledge the Sewage and Water Agreement by and between the San Simeon Acres Community Services District (predecessor in interest by name of the District) and W. V. Dalton, dated January 25, 1972, a copy of which is attached hereto as Exhibit "B" and by this reference incorporated herein ("Dalton Agreement"), W. V. Dalton acquired from the District a contractual right to water and sewer service capacity for two hundred fifty (250) motel rooms and a two thousand four hundred (2,400) square foot restaurant; and

Whereas, in accordance with that certain Purchase and Sale Agreement and Escrow Instructions by and between Cavalier Inn, Inc. and Theodor C. Albert, Chapter 11 Trustee for Willis Vernold Dalton, etc., dated July 27, 1989, a copy of

which is attached hereto as Exhibit "C" and by this reference incorporated herein, Cavalier succeeded to certain rights of W. V. Dalton under the Dalton Agreement including "utility rights . . . and other entitlements . . . held for the benefit of [Dalton] by any governmental authority or agency . . ."; and

Whereas, through one undated letter and a letter dated March 10, 1989 to Cavalier, copies of which are attached hereto as Exhibit "D" and by this reference incorporated herein and establishment of the August 17, 1989 "Hook-up Deposit and Waiting List," Cavalier alleges the District validated the contractual rights of Dalton and, by succession, Cavalier to water and sewer service capacity in the amounts set forth in the Hook-up Deposit and Waiting List; and

Whereas, in accordance with that certain Settlement Agreement and Release by and between Cavalier, etc. and the District, dated October 7, 2003, a copy of which is attached hereto as Exhibit "E" and by this reference incorporated herein, the District was obligated to "hold a public hearing to recognize, establish and certify the priority list for the Hook-up and Deposit Waiting List." In fulfillment of such obligation, the District eventually adopted Resolution No. 20-426 which, among other things, approved a prioritized Hook-up Waiting List ("Hook-up Waiting List" is defined as "Wait List" in District's Ordinance 115) that established Cavalier as the first priority for receipt of water and sewer service capacity for 145 motel units and a 2,400 square foot restaurant ("Water and Sewer Service Capacity"), which, by agreement of the District and Cavalier, amounted to a reduction in the capacity to which Cavalier succeeded under the Dalton Agreement. Per footnote no. 1 of the Hook-up and Waiting List, the first priority position of Cavalier was established by the Dalton Agreement; and

Whereas, by letter of June 22, 2022, a copy of which is attached hereto as Exhibit "F" and by this reference incorporated herein, Cavalier informed the District that Cavalier believed and determined that Cavalier's entitlement to the Water and Sewer Service Capacity amounts to a vested contractual right and that the District must, therefore, as a matter of law, reserve such water and sewer service capacity for the benefit of Cavalier and its successors and assigns notwithstanding other capacity commitments to which the District may obligate itself; and

Whereas, Cavalier a) is now informed and believes that the District is possessed of sufficient water and sewer service capacity to serve the entirety of the uses set forth and described in position no. 1 on the Hook-up Waiting List; b) now desires to connect to the District's water and sewer systems; and c) has conditionally tendered to District a check in the amount of Six Hundred Seventy Eight Thousand Nine Hundred Ninety-Nine Dollars (\$678,999.00), which amount represents the current connection fees for the Water and Sewer Service Capacity, all in accordance with the requirements of the Dalton Agreement ("Connection Fees"). A copy of the letter transmitting the check is attached hereto as Exhibit "G" and by this reference incorporated herein; and

Whereas, the District and Cavalier wish to a) avoid costly and protracted litigation regarding Cavalier's vested right and entitlement to the Water and Sewer Service Capacity as discussed above; b) reaffirm Cavalier's vested right and entitlement to the Water and Sewer Service Capacity and its first priority position on the Hook-up Waiting List; and c) to fully and finally resolve any and all disagreements between the District and Cavalier related to a and b above.

Now, therefore, in consideration of the mutual premises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby accepted and acknowledged, District and Cavalier do hereby agree as follows:

A G R E E M E N T

1. Acknowledgment of Vested Right. District hereby acknowledges that Cavalier and its successors and assigns have a vested contractual right and entitlement to the Water and Sewer Service Capacity for uses described in position no. 1 of the Hook-up Waiting List (or alternative uses in Cavalier's sole and absolute discretion based upon the Chart of Equivalent Dwelling Units attached to the District's Ordinance 115 as Exhibit "A" in effect on August 30, 2022). District further affirms and agrees that at all times District shall reserve the Water and Sewer Service Capacity for the exclusive use of Cavalier and its successors and assigns and shall not allocate such capacity to any other person or entity including, but not limited to, those holding positions on the Hook-up Waiting List or added thereto or any successor to such list.

2. Payment of Water and Sewer Connection Fees; Obligations of District. In consideration of the payment of the Connection Fees to the District, as recited above, the District shall undertake and agrees to the following:

A. Issuance of Will Serve Letter. Within five (5) calendar days of the date of this Agreement, District shall issue a "will serve letter" to Cavalier attesting to the obligation of District to provide water and sewer service to the Property in the amount of the Water and Sewer Service Capacity. The will serve letter shall be valid for an initial period of ten (10) years from the date of issuance and shall be valid indefinitely following submission of applications for land use entitlements to the County of San Luis Obispo (and other governmental entities, if required) while such applications are processed and until approved and construction of all of the improvements authorized by the approved land use entitlements and certificates of occupancy issued for such improvements and physical connection to the District's water and sewer systems have been completed. Cavalier hereby agrees to use its best efforts to pursue land use entitlement approvals to enable Cavalier to utilize the Water and Sewer Service Capacity. Cavalier shall provide the District with periodic reports on its pursuit of land use entitlements; provided, however, such reports shall be rendered at least every four (4) years or as reasonably requested by the District. "Best efforts" shall include, but not be limited to, conducting market and density yield studies, site planning, environmental studies and other activities determined by Cavalier, in its sole and absolute discretion, to be necessary in order to complete applications for development for which the Water and Sewer Service Capacity will be used; submission of such applications to the County of San Luis Obispo and all other government agencies having jurisdiction over the real property that is the subject of the applications and the processing thereof; appeals made to the California Coastal Commission and any other government agency having appellate jurisdiction on decisions made on such applications; and the prosecution or defense of all judicial proceedings involving the approval or failure to approve such applications. In the event not all of the Water and Sewer Service Capacity is required for the approved land use entitlements, Cavalier shall be entitled to transfer the remainder of such Water and Sewer Service Capacity to another parcel of real property within the District in accordance with District Ordinance 115 in effect on August 30, 2022.

B. Installation of Water Meter. Within thirty (30) days of the date of this Agreement, District shall install a meter at the Property that is connected to the

District's water distribution system; provided, however, the meter may be locked and not activated until such time as the land use entitlements referred to in Section 2A of this Agreement have been approved (or a portion thereof), construction of the improvements authorized by the land use entitlements completed (or a portion thereof) and certificates of occupancy issued for such constructed improvements.

C. **Transferability of Water and Sewer Service Capacity.** The Water and Sewer Service Capacity and the will serve letter issued in satisfaction of Section 2A of this Agreement may be transferred, in whole or in part, to other properties within the District's boundaries and such capacity may be used for alternative uses all in accordance with District Ordinance 115 in effect on August 30, 2022.

D. **Inability of District to Provide Water and Sewer Service.** In the event the District (or any successor agency) is unable to provide water and/or sewer service in the full amount of the Water and Sewer Service Capacity for any reason including, but not limited to, insufficient potable water and/or sewer treatment capacity, a water service moratorium, regulations restricting water and/or sewer service by one or more governmental regulatory agencies, an amount of the Connection Fees representing the Water and Sewer Service Capacity that cannot be provided by the District, calculated on an equivalent dwelling unit basis in accordance with the Ordinance 115 Chart of Equivalent Dwelling units in effect on August 30, 2022, shall be refunded to Cavalier. Such refund shall be made without payment of interest to Cavalier.

3. Modification of Agreement. This Agreement shall not be amended, supplemented, abrogated or in any other way modified unless in a writing approved by the District and Cavalier.

4. Severability. If any part of this Agreement shall for any reason become invalid, unenforceable or contrary to applicable law, the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

5. Execution of Documents and Actions. The District and Cavalier hereby agree to execute any all documents and take actions necessary or appropriate to effectuate the terms of this Agreement.

6. **Integration.** Except as otherwise provided for herein, this Agreement supersedes all prior negotiations and understandings of District and Cavalier concerning the subject matter of this Agreement and contains all of the terms of the agreement and understanding of District and Cavalier regarding the subject matter of this Agreement. There are no oral understandings, statements or stipulations bearing on the effect of this Agreement that have not been reduced to writing and incorporated into this Agreement.

7. **Counterparts.** This Agreement may be executed in counterparts, all of which together shall constitute one in the same Agreement.

8. **Attorneys' Fees.** In any litigation or administrative proceeding challenging any term, provision or condition of this Agreement or otherwise arising out of this Agreement, the prevailing Party shall be entitled to recovery of attorneys' fees and costs from the non-prevailing party.

9. **Recordation.** In the event Cavalier desires to have this Agreement recorded in the Office of the County Recorder, County of San Luis Obispo, the District shall fully cooperate and fulfill the requirements to effectuate such recordation.

Cavalier

Cavalier Inn, Inc.
a California corporation



By: Michael C. Hanchett
Its: President

District

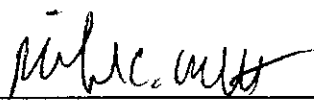
San Simeon Community Services
District, a community services
district



By: Gwen Kellas
Its: Chair, Board of Directors

(Signatures continue on following page.)

V&H Holdings, LLC
a California limited liability company


By: Michael C. Hanchett
Its: Managing Member

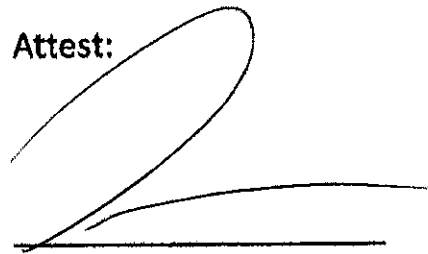
Attest:

By: Grace Environmental Services,
LLC
By: Charles Grace
Its: General Manager

V&H Holdings, LLC
a California limited liability company

By: Michael C. Hanchett
Its: Managing Member

Attest:

A handwritten signature in black ink, appearing to be 'Charles Grace', written over a horizontal line.

By: Grace Environmental Services,
LLC
By: Charles Grace
Its: General Manager

ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }

County of San Luis Obispo }

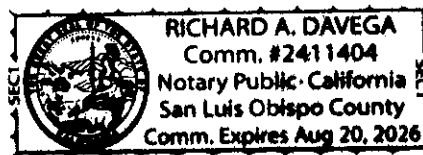
On 8/31/2022 before me, Richard A. Davega, Notary Public
(here insert name and title of the officer)
personally appeared Michael C. Hanchett and Gwen Kellas
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Richard A. Davega
Notary Public Signature

(Notary Public Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

Settlement Agreement
(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages 7 Document Date 8/31/2022

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)

☒ Other

President and
Chair, Board of Directors

INSTRUCTIONS FOR COMPLETING THIS FORM

This form complies with current California statutes regarding notary wording and, if needed, should be completed and attached to the document. Acknowledgments from other states may be completed for documents being sent to that state so long as the wording does not require the California notary to violate California notary law.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they- is/are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document with a staple.

EXHIBIT A

Exhibit "A"

PARCEL 1:

That portion of Lot A of the partition of that part of the San Simeon Rancho owned by Ira Van Gordon Sr., in the County of San Luis Obispo, State of California according to map recorded July 27, 1899, described as follows:

Beginning at the Northwest corner of Rancho San Simeon being designated SS No. 2 on Licensed Surveyor's map recorded May 22, 1952, in Book 6, at Page 49 of Record of Surveys; thence South 25°30' East along the Southwesterly line of said Rancho, 590.625 feet to the center line of Ruta Lane, said point being the true point of beginning; thence North 45°51' East, along said center line, 184.662 feet; thence South 44°09' East, 315 feet to a 2" x 2" redwood stake; thence South 45°51' West, 73.85 feet to a 2" x 2" redwood stake; thence South 64°30' West, 5.60 feet to the most Northerly corner of the property conveyed to John W. Robertson, et ux., by deed dated November 6, 1953 and recorded November 23, 1953 in Book 734, at Page 339 of Official Records; thence South 64°30' West along the Northwesterly line of the property so conveyed, 200.10 feet to the most Westerly corner thereof; thence continuing South 64°30' West to the shoreline of the Pacific Ocean; thence Northwesterly along said shoreline to a point which bears South 45°51' West from the true point of beginning; thence North 45°51' East to the true point of beginning.

EXCEPTING therefrom any portion of said Land lying outside of the patent lines of the Rancho San Simeon, as such lines existed at the time of the issuance of the patent which was not formed by the deposit of alluvion from natural causes and by imperceptible degrees.

PARCEL 2:

That portion of Lot A of the partition of that part of the San Simeon Rancho owned by Ira Van Gordon, Sr., according to map recorded July 27, 1899, described as follows:

Beginning at the Northwest corner of Rancho San Simeon, being designated SS No. 2 on Licensed Surveyor's map recorded May 22, 1952, in Book 6, at Page 49 of Records of Surveys; thence South 25°30' East along the Southwesterly line of said Rancho, 853.66 feet to a one-half inch pipe; point being the true point of beginning; thence continuing South 25°30' West along said Southwesterly line 229.9 feet to a point which bears South 64°30' West, 40 feet from a 2" x 2" redwood stake; thence North 64°30'

East, 230 feet to the center line of San Simeon Avenue; thence North 25°30' West along said center line, 110.09 feet to a 2" x 2" redwood stake; thence North 61°37'48" West, 50 feet to a 2" x 2" redwood stake; thence North 25°30' West 79.83 feet to a 2" x 2" redwood stake; thence South 64°30' West, 200.1 feet to the true point of beginning.

EXCEPTING therefrom any portion of said Land lying outside of the patent lines of the Rancho San Simeon, as such lines existed at the time of the issuance of the patent which was not formed by the deposit of alluvion from natural causes and by imperceptible degrees.

PARCEL 3:

That portion of Lot A of the maps showing the partition of that part of the Rancho San Simeon owned by Ira Van Gordon, Sr., according to filed for record July 27, 1899 in Book A at Page 108 of Maps, described as follows:

Beginning at a point that bears South 25°30' East, 1083.56 feet from stake SS No. 2, set at the Northwest corner of said Rancho; said point also being the most Southerly corner of the property conveyed to John W. Robertson, et ux., by deed dated November 6, 1953 and recorded November 23, 1953 in Book 734, Page 339 of Official Records; thence North 64°30' East along the Southeasterly line of the property so conveyed, 40.00 feet to a 2" x 2" redwood stake; thence continuing North 64°30' East along said line 190 feet to the center line of San Simeon Avenue, as said Avenue is shown on licensed surveyor's map recorded May 22, 1952 in Book 6 at Page 49 of Record of Surveys; thence South 25°30' East along said center line, 219.89 feet; thence leaving said center line South 64°30' West, 190 feet to a 2" x 2" redwood stake; thence continuing South 64°30' West, to the shore line of the Pacific Ocean; thence Northwesterly along said shoreline to a point which bears South 64°30' West from said point of beginning; thence North 64°30' East to the point of beginning.

EXCEPTING any portion of said land lying outside of the Patent lines of the Rancho San Simeon as such lines existed at the time of the issuance of the patent which was not formed by the deposit of alluvion from natural causes and by imperceptible degrees.

ALSO EXCEPTING and reserving unto Willis Vernold Dalton all minerals and oil rights to the above described property, by Deed recorded July 24, 1980 in Book 2257, Page 96 of Official Records.

Exhibit "A"

That portion of Lot A of the partition of that part of the San Simeon Rancho owned by Ira Van Gordon, Sr., in the County of San Luis Obispo, State of California, according to map recorded July 27, 1899, described as follows:

Beginning at the Northwest corner of Rancho San Simeon, being designated SS No. 2, on Licensed Surveyor's Map recorded May 22, 1952 in Book 6, at Page 49 of Record of Surveys; thence South 25°30' East along the Southwesterly line of said Rancho 853.66 feet to a 1/2 inch pipe; thence North 64°30' East, 205.7 feet to a 1/2 inch pipe; thence North 45°51' East, 73.85 feet to a two inch by two inch redwood stake; said point being the true point of beginning; thence continuing North 45°51' East, 175 feet to a two inch by 2 inch redwood stake; thence North 44°09' West, 315 feet to the center line of Ruta Lane; thence South 45°51' West along said center line, 175 feet to a point which bears North 44°09' West, 25 feet from a two inch by two inch redwood stake; thence South 44°09' East, 315 feet to the true point of beginning.

EXCEPTING therefrom that portion conveyed to the State of California, by Deed dated September 23, 1960 recorded December 29, 1960 in Book 1100, at Page 397 of Official Records.

EXHIBIT B

SEWAGE AND WATER AGREEMENT

THIS AGREEMENT made and entered into this 25th day of January, 1972, by and between SAN SIMEON ACRES COMMUNITY SERVICES DISTRICT, a political subdivision of the State of California, hereinafter referred to as "District" and W. V. DALTON, M. D., hereinafter referred to as "Consumer", with reference to the following facts:

1. District owns, operates and maintains sewage collection, transportation, treatment and disposal facilities and also a water distribution system; and

2. District is presently in the process of constructing an expansion of its existing sewage treatment facility to provide treatment for one hundred and fifty thousand gallons (150,000) of sewage per day in accordance with those certain plans and specifications prepared by McCandless-McWharter and Company, Consulting Engineers, Ventura, California and entitled "Plans For the Construction of Waste Water Treatment Plant Extension For The San Simeon Acres Community Services District" and also has general plans for the expansion of its water distribution system; and

3. Consumer plans to construct upon property owned by Consumer within the District and described in Exhibit "A" hereto, a motel development consisting of two hundred and fifty (250) motel units together with a restaurant facility of twenty-four hundred (2,400) square feet, and desires that the District be able to provide Consumer with sewage treatment facilities and water distribution system sufficient to serve such development;

NOW THEREFORE, it is agreed by and between the parties hereto as follows:

1. Consumer will simultaneously with the execution of this Agreement deposit and pay to District the sum of Forty-Eight Thousand Five Hundred and 00/100 (\$48,500.00) Dollars representing sewer and water connection charges for the aforementioned development under and pursuant to appropriate Ordinances, Resolutions, Rules and Regulations duly adopted by said District. In consideration therefor District agrees to provide Consumer with treatment of the sewage produced by and from the aforementioned development of Consumer at District's sewage treatment facility and to provide water to said development, subject to the following terms and conditions at the monthly service charges from time to time established by District's Ordinances, Resolutions, Rules and Regulations:

(a) Consumer shall within one hundred fifty (150) days from the date hereof obtain all necessary zoning permits, planned development and/or precise plan approvals for such development from the applicable governmental agencies having jurisdiction of the same, together with a building permit for construction of not less than 165 motel units of such development and of an adjoining restaurant of 2,400 square feet, and within ninety (90) days thereafter shall obtain such zoning permits and planned development and/or precise plan approvals and building permit for construction of not less than 85 motel units of such development from such agency or agencies.

(b) Consumer must within eighteen (18) months from the date hereof take all necessary steps to, and shall connect the proposed development of Consumer to District's Sewer Collection System

and Water System at Consumer's expense.

2. In the event that Consumer fails to comply with either (a) or (b) of paragraph 1 above, District shall have no further obligation to provide Consumer or said property with capacity for sewage treatment and water except to the extent that such capacity may be available if and when Consumer should desire to connect to said systems at the charges and rates then pertaining, and District shall be relieved of any and all obligations hereunder; provided, however, that if Consumer shall in fact connect said property to District's sewage and water systems within twenty-four (24) months from the date hereof, then Consumer shall be entitled to a credit in the amount heretofore paid to District against actual connection charges which may be due and payable for sewage and water connection and hook-up charges at the time of said hook-up under and pursuant to the then pertaining Ordinances, Resolutions, Rules and Regulations of District.

3. In the event that District is for any reason unable to complete the aforementioned expansion of its existing treatment facilities and/or water distribution facilities for any reason whatsoever, District shall have no liability or obligation hereunder except to return to Consumer the amount of said deposit.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed on the date first hereinabove written.

CONSUMER

SAN SIMEON ACRES COMMUNITY
SERVICES DISTRICT

By

W. V. Dalton
W. V. Dalton, M. D.

By

Lonnie Price
Lonnie Price, President

ATTEST.

Robert L. Lankford
Robert L. Lankford, Secretary

EXHIBIT C

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

First American Title
Insurance Company
899 Pacific Street
San Luis Obispo, CA 93401

Attention: Barbara I. Meyer, Senior Escrow Officer

RE: Escrow Number: SLO867785-BIM

This Purchase and Sale Agreement and Escrow Instructions ("Agreement") is made and entered into this 27th day of July, 1989, by and between CAVALIER INN, INC., a California corporation or nominee ("Buyer"), as buyer, and THEODOR C. ALBERT, Chapter 11 Trustee for WILLIS VERNOLD DALTON ("Trustee") and WORLD VISION, INC., a California nonprofit religious corporation, as Trustee under that certain Charitable Remainder Unitrust Agreement No. 2 executed by Willis Vernold Dalton as Donor July 10, 1980 ("World Vision", collectively with Trustee, "Seller"), as their respective interests appear, as sellers.

R E C I T A L S:

A. Seller holds legal title to certain real property more particularly described on Exhibit "A" ("Property").

B. Seller has agreed to sell and Buyer has agreed to purchase the Property on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree between themselves and instruct Escrow Holder as follows:

1. Escrow.

Concurrently with execution of this Agreement, Buyer and Seller shall cause a Purchase and Sale Escrow ("Escrow") to be opened with Escrow Holder by delivery to Escrow Holder of a fully executed copy of this Agreement. This Agreement constitutes Escrow Instructions to the Escrow Holder as well as the Agreement of the parties. Escrow Holder is hereby appointed and designated to act as the Escrow Holder and instructed to deliver, pursuant to the terms of this Agreement, the documents and funds to be deposited in Escrow in accordance with this Agreement. The parties shall execute such additional escrow instructions as Escrow Holder shall reasonably request, including Escrow Holder's general provisions, provided that such additional instructions are consistent with this Agreement. In the event of a conflict between this Agreement and the Escrow Holder's general provisions, the terms and conditions of this Agreement shall prevail.

2. Purchase Price.

Seller agrees to sell and Buyer agrees to purchase the Property on the terms and conditions set forth in this Agreement for the total purchase price ("Purchase Price") of [REDACTED]
[REDACTED] ([REDACTED]), payable as follows:

(a) Immediately on execution of this Agreement, the parties shall cause to be deposited into Escrow a cashier's check or other immediately available funds in the amount of [REDACTED] as a non-refundable deposit ("Deposit").

(b) Prior to Closing (as defined in Paragraph 6), Buyer will deposit by cashier's check or other immediately available funds, the amount of the anticipated net debit to Buyer by reason of the prorations and allocations provided in this Agreement, sufficient to allow the Escrow to close, and the balance of the Purchase Price less the agreed Offset Credit (as provided in subparagraph (c) below).

(c) Buyer represents and warrants to Trustee that it holds all the beneficial interest under the deeds of trust more particularly described on Exhibit "C" attached and incorporated herein by this reference ("Offset Deeds of Trust"), and all notes, evidences of indebtedness, instruments and agreements secured thereby. Buyer shall be allowed, as a credit against that portion of the Purchase Price due the Trustee, the total of the amounts allowed as a claim to the beneficial holder of the Offset Deeds of Trust by agreement of Trustee and Buyer or, if they cannot agree, by the Court ("Offset Credit"). In the event that the amount of the Offset Credit cannot be determined prior to Closing, the parties shall nevertheless cause this Escrow to close, the Offset Credit shall nevertheless be allowed as the credit against the Purchase Price and Buyer shall deposit the portion of the Offset Credit claimed by it which has not been finally determined ("Disputed Amount") into Escrow. In that

event, Escrow Holder shall withhold from amounts otherwise payable to Trustee at Closing the Disputed Amount for the benefit of Buyer and Trustee pending final determination of the allowable portion of the Disputed Amount. On deposit into Escrow of joint instructions of Trustee and Buyer with respect to the Disputed Amount or, if Trustee and Buyer cannot agree on such instructions, then on deposit into Escrow of a certified order of the Court setting forth the allowable portion, if any, of the Disputed Amount, such allowable portion shall be paid to Buyer and the balance distributed to Trustee, without further instructions by any party.

(d) It is the intent of the parties that the Purchase Price includes development rights, utility rights, subsurface rights and other entitlements, if any, held for the benefit of Seller by any governmental authority or agency, held by Seller in connection with the use or development of the Property (collectively, "Entitlements"). Buyer acknowledges that Seller has made no representations with respect to the existence or condition of the Entitlements, if any. Seller agrees that in the event Buyer determines that any Entitlements exist in favor of Seller, Seller will cooperate with Buyer, and execute such further documents, at Buyer's expense, as may be reasonably required to cause such Entitlements to be transferred to Buyer.

(e) Seller agrees to cooperate with Buyer in carrying out this transaction as a tax-deferred (Section 1031) exchange, provided that such exchange shall be without cost or liability to

Seller and shall not extend or delay the time for performance under this Agreement.

3. Title.

3.1 Exceptions.

At the Closing, fee simple title to the real estate shall be conveyed from Seller to Buyer pursuant to a "Trustee's Deed" (as to the interest of Trustee) and a "Quitclaim Deed" (as to the interest of World Vision (collectively, "Deeds")), as their interests appear, subject to (a) the exceptions set forth on Exhibit "B" attached, (b) real property taxes and assessments not then delinquent, and (c) matters otherwise consented to by Buyer (collectively, "Permitted Exceptions").

3.2 Title Report.

Trustee has previously delivered to Buyer a Preliminary Title Report with respect to the Property dated as of December 19, 1988 ("PTR"), and shall deliver a current supplement to such Report ("Supplement") within ten (10) days of the date Escrow is opened showing the condition of title to the Property. As is recited at Subparagraph 4.1, Seller intends to transfer and convey the interest of Seller in the Property pursuant to 11 U.S.C. Section 363(f), free and clear of the interests in the Property disclosed by Exceptions Nos. 8, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, set forth in the PTR, with the liens attaching to proceeds. The Seller does not intend to convey the Property free and clear of the Permitted Exceptions, and Buyer shall take subject to such Permitted Exceptions.

4. Conditions Precedent to Close of Escrow.

4.1 The parties acknowledge that this Agreement and consummation of the transactions contemplated by this Agreement have been approved by a ruling of the United States Bankruptcy Court, Central District of California ("Court"), Case No. SA-86-040806 JR following notice and a hearing, as required by law, and are subject to entry of an order ("Order") by the Court. If the Order is not entered or is overturned on appeal, Trustee will have no authority to sell the Property to Buyer and this Agreement will be null and void and of no further force and effect. Neither Buyer nor Seller will have any further obligations or liability to one another from and after the date of such occurrence, provided that, in that event, Buyer shall be entitled to a refund of the Deposit less amounts payable by Buyer to Escrow Holder or Title Company (as defined below) for fees, costs, and cancellation charges, if any, in accordance with subparagraph 7.2, without further instruction of any party.

4.2 The Closing is subject to the following conditions:

(a) The performance by Buyer and Seller of the obligations of each under this Agreement.

(b) The representations of Buyer being true and correct as of the Closing.

(c) Delivery by Trustee of the Trustee's Deed and by World Vision of the Quitclaim Deed, and delivery of any other documents and instruments required to be delivered by Seller.

(d) Issuance by First American Title Insurance Co. ("Title Company") of an ALTA owner's policy of title insurance showing fee title in the property to Buyer subject only to the Permitted Exceptions.

(e) The Final Order Date (the first calendar day that occurs ten (10) days following issuance of the Order without both an appeal having been filed and stay of the Order having been entered, or, in the event of an appeal and stay, upon the earliest of a final determination upholding the sale or dismissal of the stay or the appeal) shall have occurred.

4.3 In the event that any of the conditions set forth in subparagraph 4.2 is not fulfilled (and is not waived in writing by the party entitled to the benefit of such condition) on or prior to Closing, the provisions of subparagraphs 7.2, 7.3 and 7.4 shall apply. In such case, this Escrow shall be terminated without further instruction by any party.

5. Condition of Property.

5.1 Buyer acknowledges and agrees that the Property is vacant land, and that Buyer is acquiring the Property "AS IS, WHERE IS" in its present state and condition, with all faults of any kind or nature existing on the Property, and that no representation or warranty is made by Seller (or any representative acting on behalf of Seller) as to any matter respecting the Property, including, but not limited to, any matter described in Subparagraph 5.2. Buyer acknowledges and

agrees that Seller has made no representations, express or implied, relating to the condition of the Property, the usefulness of the Property for any intended use, Buyer's ability to sell or develop all or any portion of the property, or the effect on the use, development and ownership of the Property of any ordinance, regulation, rule or policy imposed by any governmental or quasi-governmental agency, entity or body having authority or a jurisdiction with respect to all or any portion of the Property. Buyer represents that it is a sophisticated purchaser, and has based its purchase decisions solely upon its own inspection and investigation of the Property and its extensive experience in and knowledge of property of this type. Buyer specifically agrees that Seller is not obligated to do any work in connection with the Property and that Seller shall not be responsible for any work or improvement necessary to cause the Property to meet any applicable standard or be suitable for any particular use. Buyer further acknowledges that the exact size of the Property is difficult to measure due to the topography of the Property, including the fact that the southwesterly border of the Property is the ordinary high-tide line of the Pacific Ocean, and agrees that no representation has been made by Seller or anyone acting on Seller's behalf as to the acreage of the Property. Subject to this subparagraph 5.1, Seller, without any warranty or representation whatsoever, shall deliver to Buyer all specifications, maps, reports, applications, and other documents in its possession, if any, relating to the Property.

5.2 Buyer acknowledges that it has had the opportunity to make such independent investigations as it deems necessary or appropriate concerning the existence of any noxious, hazardous, toxic, flammable, explosive or radioactive matter or any "hazardous substance" or "hazardous waste" included within the definitions set forth in CERCLA 42 U.S.C. §9601 and following, HMTA, 49 U.S.C. §1801 and following, RCRA, 42 U.S.C. §6901 and following, FWPCA, 33 U.S.C. §1317 and following, or California Health and Safety Code Section 25316, or any crude oil or by-products of crude oil, the availability or adequacy of water, sewerage or any other utility serving the Property, the condition of the soil and the ability of the soil to support improvements on the Property, government laws, statutes, rules, regulations, any moratorium on use or building, ordinances, limitations, restrictions or requirements concerning the use, density, location or suitability of the Property or any existing or proposed development or condition thereof (including, but not limited to, zoning, subdivision or other regulations), the necessity, availability or adequacy or any general or specific plan, development agreements, conditional use permits, building permits, environmental impact reports, any other governmental permits, acts or approvals, the necessity or existence of any dedications, fees, charges, costs or assessments that may be imposed in connection with such matters and all other matters concerning the use, development or sale of the Property.

6. Closing.

6.1 Closing Date.

The Escrow Closing ("Closing") shall take place no later than fifteen (15) days after Final Order Date. The Closing shall be held at the offices of the Escrow Holder or such other place as may be agreed by the parties.

6.2 Items To Be Deposited In Escrow.

(a) The parties shall deliver to Escrow good funds in an amount sufficient to pay the costs, fees and disbursements of the Escrow in accordance with Paragraphs 7 and 8.

(b) Seller shall, each respectively, execute and deliver the Deeds.

(c) The parties shall execute and deliver such other and further instruments as may be reasonably necessary to effect the transaction contemplated by this Agreement.

6.3 Closing.

At Closing under this Agreement, Escrow Holder shall:

(a) Cause the Deeds to each be recorded in the Official Records and, after recording, returned to Buyer;

(b) Pay the costs and expenses of this Escrow and Title Company charges; and

(c) Subject to Subparagraph 2(c), disburse the balance of the Purchase Price in accordance with such further joint instructions as Trustee and World Vision shall provide to you or, in the absence of such further joint instructions, sixty-eight percent (68%) to Trustee and thirty-two percent (32%) to

World Vision. The Offset Credit shall be charged against the Trustee's share of the Purchase Price and shall in no way reduce World Vision's share of cash proceeds.

7. Costs and Liquidated Damages.

7.1 Costs.

Seller and Buyer shall each pay one-half of the escrow fee. Seller shall pay all documentary transfer tax, all costs relating to satisfaction of any existing encumbrances which are satisfied and removed or reconveyed through Escrow, and the cost of the Title Policy. Buyer shall pay the cost of recording the Deeds. All other costs and expenses shall be shared by Buyer and Seller in accordance with custom in San Luis Obispo County, California.

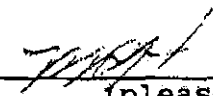
7.2 Cancellation Costs.

Notwithstanding the provisions of subsection 7.1, if this Escrow is terminated as a result of a party's default in the performance of any of its obligations under this Agreement, then, in addition to any other obligations of such party under this Agreement, such party shall pay to Escrow Holder the cost of cancellation of Escrow. In the event Escrow is terminated prior to Closing for any reason other than a party's default (including, but not limited to, the failure of Trustee to have obtained the final Order) the parties shall equally bear all

costs of cancellation.

7.3 Liquidated Damages: Buyer's Default.

IN THE EVENT THAT THE ESCROW AND THIS TRANSACTION FAIL TO CLOSE ON ACCOUNT OF THE DEFAULT OF BUYER IN THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, BUYER AND SELLER AGREE THAT SELLER'S ACTUAL DAMAGES WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX. SUCH DAMAGES INCLUDE THE AMOUNT AND EXTENT OF DETRIMENT TO SELLER FOR SELLER'S TAKING THE PROPERTY OFF THE MARKET, TERMINATING NEGOTIATIONS WITH OTHER PROSPECTIVE PURCHASERS OF THE PROPERTY AND HAVING TO REMARKET THE PROPERTY IF BUYER SHALL FAIL OR REFUSE TO PERFORM ACCORDING TO THE TERMS OF THIS AGREEMENT. THE PARTIES AGREE THAT IN THE EVENT OF SUCH DEFAULT BY BUYER, SELLER, AS SELLER'S SOLE AND EXCLUSIVE REMEDY, IS ENTITLED TO RETAIN AS LIQUIDATED DAMAGES THE DEPOSIT IN THE AMOUNT OF \$225,000.


SELLER (please initial) 
BUYER (please initial)

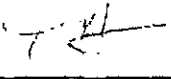
7.4 Liquidated Damages: Seller's Default.

BUYER AND SELLER, BEFORE ENTERING INTO THIS AGREEMENT, HAVE BEEN CONCERNED WITH THE FACT THAT DAMAGES WILL BE SUFFERED BY BUYER IF SELLER SHOULD FAIL TO CLOSE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. BUYER AND SELLER AGREE THAT IT WOULD BE EXTREMELY DIFFICULT OR IMPRACTICAL TO DETERMINE WITH ANY DEGREE OF CERTAINTY THE AMOUNT AND EXTENT OF DETRIMENT TO BUYER IF SELLER SHALL FAIL OR REFUSE TO CLOSE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. BUYER AND SELLER HEREBY AGREE THAT IF SELLER

costs of cancellation.

7.3 Liquidated Damages: Buyer's Default.

IN THE EVENT THAT THE ESCROW AND THIS TRANSACTION FAIL TO CLOSE ON ACCOUNT OF THE DEFAULT OF BUYER IN THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, BUYER AND SELLER AGREE THAT SELLER'S ACTUAL DAMAGES WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX. SUCH DAMAGES INCLUDE THE AMOUNT AND EXTENT OF DETRIMENT TO SELLER FOR SELLER'S TAKING THE PROPERTY OFF THE MARKET, TERMINATING NEGOTIATIONS WITH OTHER PROSPECTIVE PURCHASERS OF THE PROPERTY AND HAVING TO REMARKET THE PROPERTY IF BUYER SHALL FAIL OR REFUSE TO PERFORM ACCORDING TO THE TERMS OF THIS AGREEMENT. THE PARTIES AGREE THAT IN THE EVENT OF SUCH DEFAULT BY BUYER, SELLER, AS SELLER'S SOLE AND EXCLUSIVE REMEDY, IS ENTITLED TO RETAIN AS LIQUIDATED DAMAGES THE DEPOSIT IN THE AMOUNT OF \$225,000.

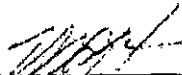
  
SELLER (please initial) BUYER (please initial)

7.4 Liquidated Damages: Seller's Default.

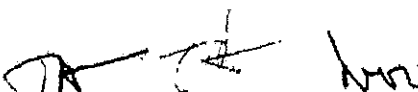
BUYER AND SELLER, BEFORE ENTERING INTO THIS AGREEMENT, HAVE BEEN CONCERNED WITH THE FACT THAT DAMAGES WILL BE SUFFERED BY BUYER IF SELLER SHOULD FAIL TO CLOSE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. BUYER AND SELLER AGREE THAT IT WOULD BE EXTREMELY DIFFICULT OR IMPRACTICAL TO DETERMINE WITH ANY DEGREE OF CERTAINTY THE AMOUNT AND EXTENT OF DETRIMENT TO BUYER IF SELLER SHALL FAIL OR REFUSE TO CLOSE IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. BUYER AND SELLER HEREBY AGREE THAT IF SELLER

SHALL REFUSE TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, AND BUYER IS READY, WILLING AND ABLE TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, THEN BUYER'S SOLE AND EXCLUSIVE REMEDY IN EQUITY OR IN LAW SHALL BE AS SET FORTH IN THIS SUBPARAGRAPH 7.4. IF, FOLLOWING THE ISSUANCE OF THE ORDER, SELLER SHALL OTHERWISE FAIL TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, BUYER SHALL BE ENTITLED TO HAVE RETURNED TO IT THE DEPOSIT AND ANY OTHER AMOUNTS IT MAY HAVE DEPOSITED INTO ESCROW AND SHALL ALSO BE ENTITLED, AS ITS SOLE AND EXCLUSIVE REMEDY, TO CLAIM AND RECEIVE, UPON PROOF OF SUCH FAILURE, BUYER'S ACTUAL GENERAL DAMAGES UP TO A MAXIMUM OF \$50,000 ("BUYER'S DAMAGES"), BUT IN NO EVENT SHALL BUYER BE ENTITLED TO ANY OTHER DAMAGES OF ANY KIND, WHETHER GENERAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR OTHERWISE AND WHETHER IN CONTRACT, TORT OR OTHERWISE, OR TO ANY OTHER REMEDY, INCLUDING, WITHOUT LIMITATION, THE REMEDY OF SPECIFIC PERFORMANCE, OR TO CAUSE A LIS PENDENS TO BE RECORDED AGAINST THE PROPERTY IN CONNECTION WITH THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT. BUYER UNDERSTANDS AND AGREES THAT IN NO EVENT SHALL TRUSTEE'S FAILURE TO HAVE OBTAINED AN ORDER BE DEEMED A DEFAULT OF SELLER, AND FURTHER UNDERSTANDS AND AGREES THAT BUYER'S DAMAGES, IF OTHERWISE PAYABLE, SHALL BE PAYABLE AS AN ADMINISTRATIVE CLAIM FROM THE BANKRUPTCY ESTATE ON CONCLUSION OF THE BANKRUPTCY CASE, WITH PRIORITY AS PROVIDED AT 11 U.S.C. §507.


SELLER (please initial)


BUYER (please initial)

SHALL REFUSE TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, AND BUYER IS READY, WILLING AND ABLE TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, THEN BUYER'S SOLE AND EXCLUSIVE REMEDY IN EQUITY OR IN LAW SHALL BE AS SET FORTH IN THIS SUBPARAGRAPH 7.4. IF, FOLLOWING THE ISSUANCE OF THE ORDER, SELLER SHALL OTHERWISE FAIL TO CLOSE AS REQUIRED BY THE TERMS OF THIS AGREEMENT, BUYER SHALL BE ENTITLED TO HAVE RETURNED TO IT THE DEPOSIT AND ANY OTHER AMOUNTS IT MAY HAVE DEPOSITED INTO ESCROW AND SHALL ALSO BE ENTITLED, AS ITS SOLE AND EXCLUSIVE REMEDY, TO CLAIM AND RECEIVE, UPON PROOF OF SUCH FAILURE, BUYER'S ACTUAL GENERAL DAMAGES UP TO A MAXIMUM OF \$50,000 ("BUYER'S DAMAGES"), BUT IN NO EVENT SHALL BUYER BE ENTITLED TO ANY OTHER DAMAGES OF ANY KIND, WHETHER GENERAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR OTHERWISE AND WHETHER IN CONTRACT, TORT OR OTHERWISE, OR TO ANY OTHER REMEDY, INCLUDING, WITHOUT LIMITATION, THE REMEDY OF SPECIFIC PERFORMANCE, OR TO CAUSE A LIS PENDENS TO BE RECORDED AGAINST THE PROPERTY IN CONNECTION WITH THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT. BUYER UNDERSTANDS AND AGREES THAT IN NO EVENT SHALL TRUSTEE'S FAILURE TO HAVE OBTAINED AN ORDER BE DEEMED A DEFAULT OF SELLER, AND FURTHER UNDERSTANDS AND AGREES THAT BUYER'S DAMAGES, IF OTHERWISE PAYABLE, SHALL BE PAYABLE AS AN ADMINISTRATIVE CLAIM FROM THE BANKRUPTCY ESTATE ON CONCLUSION OF THE BANKRUPTCY CASE, WITH PRIORITY AS PROVIDED AT 11 U.S.C. §507.


SELLER (please initial)

BUYER (please initial)

8. Prorations.

The parties shall direct the Escrow Holder to make the following prorations as of the Closing on the basis of a thirty-day month: (i) real estate taxes payable, a lien not yet due; (ii) special assessments; (iii) utility charges, if any, affecting the Property and (iv) any other costs and expenses as the parties agree.

9. Indemnification and Waiver.

From and after Closing, Buyer shall defend, indemnify and hold harmless Seller from and against any and all claims, liabilities, losses, damages, costs and expenses, including attorneys' fees, which Seller may incur or sustain arising out of or based on (i) Buyer's misrepresentation, breach of warranty or failure to perform any covenant of this Agreement or, (ii) Buyer's ownership, subdivision, development, construction or sale of the Property, including, but not limited to, any liabilities of Seller as a predecessor owner of the Property under Federal or State Toxic Waste or Hazardous Substance Cleanup or Remediation Laws; provided, however, that this indemnity and hold harmless shall not apply to any claim of personal injury or property damage which is proximately caused by the negligence or wilful misconduct of Seller, except as waived in the next sentence. Buyer waives any claim against Seller arising out of Seller's ownership, occupancy or use of the Property prior to Closing.

10. Broker's Commission.

Seller and Buyer each represent and warrant to the other that no broker, agent or finder, licensed or otherwise, has been engaged by and in connection with the transaction contemplated by this Agreement and in such manner as to give rise to any valid claim against either of the parties for a broker's commission or like payment. Each party shall defend, indemnify and hold the other party harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which the other party may incur or sustain by reason of or in connection with any breach of the warranty set forth in this Paragraph 10.

11. Exhibits.

All Exhibits attached to this Agreement are incorporated herein at the place of reference and constitute a part of this Agreement.

12. Attorneys' Fees.

In connection with any litigation or other action arising out of this Agreement, the prevailing party shall be entitled to recovery reasonable attorneys' fees and costs from the non-prevailing party.

13. Assignment.

Except as otherwise specifically provided in this Agreement, neither party to this Agreement may assign all or any portion of

its rights or obligations without the express consent of the other party, which consent shall not be unreasonably withheld.

14. Third Party Beneficiaries.

Nothing in this Agreement is intended to confer upon any person other than the parties hereto and their respective successors and permitted assigns any rights or remedies whatsoever.

15. Notices.

Any notice or demand or other communication required or permitted by this Agreement shall be in writing and shall be deemed to have been given when personally delivered (including via courier or express service) or 72 hours after mailing by registered or certified United States Mail, postage prepaid, to the following addresses, or such other addresses as may from time to time be specified by notice given in accordance with this paragraph.

If to Buyer:

Cavalier Inn, Inc.
250 San Simeon Avenue
Suite 4C
San Simeon, California 93452
Attention: Michael R. Hanchett

If to World Vision:

World Vision, Inc.
919 West Huntington Drive
Monrovia, California 91106
Attention: Dean Hazelton
Director of Financial
Services

With a copy to:

Mayer, Brown & Platt
355 South Grand Avenue
Los Angeles, California 90071
Attention: Michael B. Lubic, Esq.

If to Trustee: Theodor C. Albert, Esq.
Chapter 11 Trustee
For Willis Vernold Dalton
Buchalter, Nemer, Fields & Younger
A Professional Corporation
660 Newport Center Drive, #1400
P.O. Box 7338
Newport Beach, California 92658-7338

If to Escrow Holder: First American Title Insurance Company
899 Pacific Street
San Luis Obispo, California 93401
Attention: Barbara I. Meyer

16. Governing Law.

The validity, enforcement and interpretation of this Agreement is governed by the law of the State of California. It is hereby acknowledged that each party has contributed materially to the preparation of this Agreement and that this Agreement shall not be construed more strictly against one party merely by virtue of the fact that counsel for such party prepared the Agreement.

17. Time of Essence.

Time is of the essence of each and every provision of this Agreement.

18. Entire Agreement.

This Agreement and any other written agreements between the parties specifically referenced in this Agreement constitute the entire agreement of the parties with respect to the subject matter of this Agreement. No wavier of any of the provisions or conditions of this Agreement shall be valid unless in writing or

shall constitute a waiver of any other or similar provision or condition or any future event or act. This Agreement shall not be amended except by written instrument executed by each of the Parties hereto.

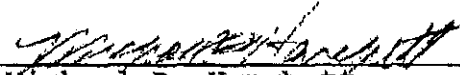
19. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

The parties have executed this Agreement on the date first written above.

"BUYER"

CAVALIER INN, INC.,
a California corporation

By: 

Michael R. Hanchett

Its: Sgt.

"SELLER"

WORLD VISION, INC.
a California nonprofit religious
corporation

By: _____

Its: _____

"TRUSTEE"

THEODOR C. ALBERT, ESQ.
Chapter 11 Trustee for
Willis Vernold Dalton



THEODOR C. ALBERT

shall constitute a waiver of any other or similar provision or condition or any future event or act. This Agreement shall not be amended except by written instrument executed by each of the Parties hereto.

19. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

The parties have executed this Agreement on the date first written above.

"BUYER"

CAVALIER INN, INC.,
a California corporation

By: _____
Michael R. Hanchett
Its: _____

"SELLER"

WORLD VISION, INC.
a California nonprofit religious
corporation, as TRUSTEE

By: *[Signature]*
Its: *Director of Financial Services* &
[Signature] Agt. Trust Admin.

"TRUSTEE"

THEODOR C. ALBERT, ESQ.
Chapter 11 Trustee for
Willis Vernold Dalton

THEODOR C. ALBERT

EXHIBIT D

Mr. Mike Hanchett
Cavalier Inn
250 San Simeon, Suite 4-C
San Simeon, Ca 93452

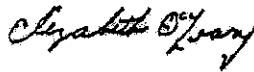
Subject: HOOK-UP DEPOSIT AND WAITING LIST

Dear Mr. Hanchett:

In response to your recent request for the
District's HOOK-UP DEPOSIT AND WAITING LIST,
enclosed is a copy of our current list.

Priority is established by the date the deposit
was received by the District, the first priority
being the earliest date.

Sincerely



Elizabeth O'Leary
SSA CSD Secretary

EXHIBIT A

Mike R. Hanchett
Cavalier Inn
9415 Hearst Drive
San Simeon, CA
93452

March 10, 1989

Re: Status of Dalton Hook-up Deposit and Priority of Future Service

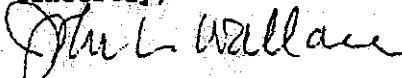
Dear Mr. Hanchett,

With regard to your letter of March 9, 1989 requesting the status of the Dalton water and sewer hookup deposit and the priority of service at a future time, we are providing the following information.

On February 10, 1988, the District adopted Ordinance No. 65 which clarified the status of the District's will serve letters and future water service. As of that date all will serve letters were cancelled including the Dalton will serve letter, however, any persons with a deposit on file would be given priority for water service in the future when water was available. As you know, the District is currently under a moratorium for new service hookups and no new construction is allowed that would take new water service or increase the use of water in existing structures.

In order to facilitate your review of this matter, I have enclosed a copy of Ordinance No. 65 for your reference. Please do not hesitate to call if you or the representatives of the Dalton property have any further questions.

Sincerely,



John L. Wallace, General Manager

EXHIBIT E

SETTLEMENT AGREEMENT AND RELEASE

Defendants and Cross-Claimants Cavalier Inn, Inc., Cavalier Acres, Inc., Cavalier Investments, Inc., and V & H Holdings, LLC ("Cavalier") and Cross-Defendant San Simeon Community Service District ("District"), hereafter collectively sometimes referred to as the Parties, execute this Settlement Agreement and Release (the "Agreement").

WHEREAS, Cavalier filed a cross-claim against the District seeking declaratory relief and indemnity for sums Cavalier paid or will pay, including costs to defend and attorney fees, as a result of an American with Disabilities Act ("ADA") lawsuit filed by plaintiff, Carolyn Martin against Cavalier in United States District Court, Central District of California, Western Division, Case No. CV-02-0225 (the "Lawsuit").

WHEREAS, the Parties, without any admission or finding of liability or fault, wish to avoid expensive and protracted litigation, and thus agree that this settlement is made in good faith in order to resolve the Lawsuit.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the following:

1. Purpose

The purpose of this Agreement is to resolve the existing dispute among the Parties as to indemnity for costs incurred by Cavalier resulting from the above mentioned Lawsuit.

2. Performance by Cross-Defendant, San Simeon Community Services District

2.1 The District agrees to create, adopt, and implement procedures for requesting new water and sewer services and transferring existing water and sewer services by amending Ordinance 66. Specifically, the District shall define a formal application process by which a member of the community may request new services or transfer existing services and such amendments shall include provisions relating to compliance with state and federal laws. An adhoc committee for the District is currently in the process of reviewing and making recommended changes to Ordinance 66. The District agrees to complete this review and present a draft revised Ordinance to the Board by June 9, 2004, and adopt a revised Ordinance by December 8, 2004.

2.2 The District agrees to hold a public hearing by February 11, 2004 to recognize, establish and certify the priority list for the Hook-up and Deposit Waiting List. It is Cavalier position that it is entitled to first priority on the Hook-up and Deposit List based upon its purchase and assumption of the Dalton property through Bankruptcy proceedings and due to written and oral representations made by the District. The written representations include an agreement entitled "Sewage and Water Agreement by and between the San Simeon Acres Community Services District and W. V. Dalton, M. D., dated January 25, 1972 and a letter from Elizabeth O'Leary, San Simeon Community Services District Secretary, to Mr. Mike Hanchett, dated August 18, 1989, copies of which are attached hereto as Exhibit "A." The District hereby agrees that the agreement and letter attached as Exhibit "A" are true and correct copies of the original agreement and letter. By this Agreement, the District does not agree nor deny the position set forth by Cavalier, but does agree to

hold a public hearing by the deadline to make findings of fact and to establish and certify the Priority List.

2.3 The District agrees to prepare and accurately record the easement granted to the District by Cavalier for construction of a new sewer and water bridge to the District's waste water treatment plant. The District shall satisfy its existing obligation to return to Cavalier the old easement replaced by this project. This obligation is an express condition which must be satisfied by the District in order to receive the new easement. For the new easement, the District agrees to defend, indemnify, hold harmless and release Cavalier from any liability or injury resulting from activities of members of the general public associated with the easement area and any District activities, improvements, structures or other issues related to the occupation of the easement area by the District. The District agrees to satisfy this obligation by January 14, 2004.

2.4 The District agrees to determine if a survey of the District waste water treatment plant property and rip rap surrounding the property exists, and if not, or incomplete, to complete a survey to determine its proper boundaries. If any of the District's rip rap or other improvements encroach onto Cavalier's property, the District agrees to prepare and accurately record an easement granted to the District by the Cavalier. District agrees to defend, indemnify, hold harmless and release Cavalier from any liability or injury resulting from any activities of members of the general public associated within such easement area, including, but not limited to, activities associated with the rip rap or other District improvements that are located within such easement area and any District activities, improvements, structures or other issues related to the easement area. The District agrees to satisfy this obligation by January 14, 2004.

2.5 The District agrees to continue to work on the creation, adoption, and implementation of a water conservation program. The District agrees to complete this review and present a draft water conservation program to the Board by June 9, 2004, and adopt a water conservation program by December 8, 2004.

2.6 The District agrees to continue to proceed with plans to review and potentially revise the District's water and sewer service rate structures and collection procedures. The District agrees to finish a water and sewer rate study and determine whether the rate structure should be revised by August 11, 2004.

2.7 The District agrees to continue to maintain a separate reserve account for water projects until the end of the water moratorium.

3. Performance by Cavalier and Release of Cross-Defendant, San Simeon Community Service District

3.1 Cavalier agrees to grant a license to the District for access to repair and maintain rip rap surrounding the wastewater treatment plant. The license shall be for the use of the pathway north of the Arroyo del Padre Juan Creek and for lateral beach access on the Cavalier property in front of the Creek. In addition, Cavalier agrees to allow the District the opportunity to improve the pathway north of the creek on Cavalier property to improve beach access provided such improvements are consistent with an easement previously granted by Cavalier to the California

Coastal Commission that encumbers all or a portion of the above described area and construction of such pathway is approved by the California Coastal Commission. Any improvement proposed by the District on Cavalier property must receive Cavalier's prior approval. Cavalier will act reasonably and consider, among other things, the public's best interest in granting such approval. If the license for access to repair and maintain the rip rap is accepted by the District or improvements to the pathway are proposed by the District and accepted by Cavalier, the District agrees to defend, indemnify, hold harmless and release Cavalier from any and all injuries resulting from activities of members of the general public associated with the area encompassed by the license and any District activities, improvements, structures, and permitting of such improvements and structures within the license area.

3.2 Cavalier, and for their heirs, successors and anyone else who may purport to have an interest by or through them, agrees to release the District from their claims for indemnity and declaratory relief specified in the Lawsuit and that no such claim will be made in the future as a result of this Lawsuit.

4. No admission of Liability

It is understood by the Parties to this Agreement that this settlement is not an admission of any liability by any person, firm, association or corporation, but is a compromise of the disputed claims.

5. Waiver of Section 1542 of the Civil Code

The Parties agree that the provisions of Section 1542 of the Civil Code of the State of California are hereby expressly waived, and they understand that said section provides:

A general release does not extend to claims that the creditor does not know or suspect to exist in his favor at the time of executing the release, which is known by him must have materially affected his settlement with the debtor.

Each party understands and acknowledges the significance and consequence of this specific waiver of section 1542.

6. Binding Effect

6.1 The undersigned representative of the District certifies that he or she is an officer or agent of the District and fully authorized to enter into the terms and conditions of this Agreement as well as to execute this document and legally bind the District to the provisions of the Agreement.

6.2 The undersigned representative of Cavalier certifies that he or she is an office or agent of Cavalier and fully authorized to enter into the terms and conditions of this Agreement as well as to execute this document and legally bind Cavalier to the provisions of the Agreement.

7. Parties Have Read or Have Had Read To Them the Agreement

The Parties hereto acknowledge that they have carefully read (or have had read to them) each and every term of this Agreement, have received advice from counsel as to the nature and consequence of each of the terms, and have understood the terms and consequences of this Agreement.

8. No Reliance

The Parties hereto acknowledge that they have not relied on any inducements, promises or representations made by the other party or the other party's attorney, to the extent that such promises or representations are not provided for in this Agreement.

9. Conditions of Execution

Each party acknowledges that his or hers execution of this Agreement is free and voluntary.

10. Execution of All Necessary Documents and Actions

Each party agrees to execute any and all documents and actions necessary or appropriate to carry out the terms of this Agreement.

11. Effective Date

The effective date of this Agreement shall be upon the date whereby both parties have signed the Agreement.

12. Integration

No inducements, promises, or representations regarding the subject matter of this Agreement have been made by any party other than those set forth in this document or incorporated by reference. This Agreement supercedes all prior negotiations and understandings concerning the subject matter of this Agreement and contains all terms of the agreement between the parties regarding its subject matter. There are no oral understandings, statements or stipulations bearing on the effect of this Agreement that have not been incorporated in this Agreement.

13. Co-Participation in the Drafting of this Agreement

Each party hereto represents that he or she fully participated in the drafting of the terms of this Agreement. Accordingly, any ambiguities in the terms of this Agreement shall not be construed against any party and any doctrine of law regarding interpretation of any such ambiguities in the terms of this Agreement against the party drafting this Agreement shall not be applicable.

14. Modification

This Agreement shall not be amended, supplemented, abrogated or in any other way modified without the written approval of the Parties.

15. Severability

If any part of this Agreement shall for any reason be invalid, unenforceable or contrary to public policy or law, then the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

16. Continuing Jurisdiction

The Court specifically retains jurisdiction over both the subject matter of and the Parties to this action for the duration of this Agreement for the purpose of issuing such further orders or directions as may be necessary or appropriate to construe, implement, modify, enforce, terminate, or reinstate the terms of this Agreement, including but not limited to attorneys' fees, costs, and litigation expenses incurred in enforcing this Agreement, or for any further relief as the interest of justice may require.

17. Termination and Satisfaction

Upon the District's completion of the terms of this Agreement, the Court's jurisdiction over this matter shall terminate unless the Parties show good cause for the continuation of the Agreement.

18. Governing Law

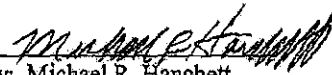
This Agreement is entered into and shall be construed and interpreted in accordance with the laws of the State of California.

19. Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one in the same Agreement.

IN WITNESS WHEREOF, MICHAEL R. HANCHETT, as President of Claimants Cavalier Inn, Inc., Cavalier Acres, Inc., and Cavalier Investments, Inc., and Managing Member of V & H Holdings, LLC has hereunto set his hand this 7th day of October, 2003.

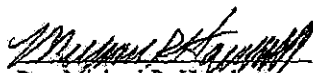
Cavalier Inn, Inc.,
a California corporation


By: Michael R. Hanchett
Its: President

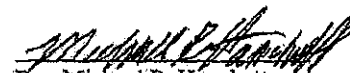
Cavalier Acres, Inc.,
a California corporation


By: Michael R. Hanchett
Its: President

Cavalier Investments, Inc.,
a California corporation


By: Michael R. Hanchett
Its: President

V & H Holdings, LLC,
a California limited liability company


By: Michael R. Hanchett
Its: Managing Member

IN WITNESS WHEREOF, David Kiech, as an officer of San Simeon Community Services District, has hereunto set his hand this 7 day of October, 2003.


David Kiech, Chair

August 17, 1989

HOOK-UP DEPOSIT AND WAITING LIST

NAME	DEPOSITS * PAID	DATE	CURRENT	DESCRIPTION	DUE **
DALTON	\$48,500.	1/25/72	\$163,800.	105 MOTEL	\$115,300.
EVANS	425.	11/16/75	3,800.	4 RETAIL	3,375
MOUCHAWAR					
original	30,445.	6/1/79	54,600.	35 MOTEL	51,195.
revised			2,280.	1 APARTMENT	
			24,700.	2000 sq ft RESTAURANT	
LONG	1,200.	10/29/85	2,280.	1 RESIDENCE	1,080.
HURLBERT	22,800.	3/15/89	22,800.	10 CONDOS	
SANSONE	92,340.	8/2/89	91,200.	40 CONDOS	
			1,140.	1 IRRIGATION	
				1 dwelling hook-up now in use	
TOTALS	\$195,710. =====		\$366,600. =====		\$170,890. =====

* DEPOSIT PAID - Indicates total fees paid based on the Fee Schedule in place at time of payment.

** DUE - Indicates amount due to make up difference between old fee schedule and current Fee Schedule (7/89)

EXHIBIT F



ATTORNEYS AT LAW

18101 Von Karman Avenue
Suite 1800
Irvine, CA 92612
T 949.833.7800
F 949.833.7878

Gregory W. Sanders
D 949.477.7669
gsanders@nossaman.com

Refer To File # 270858-0001

VIA FEDEX AND EMAIL

June 22, 2022

Gwen Kellas, Chair and
Members of the Board of Directors
San Simeon Community Services District
111 Pico Ave.
San Simeon, CA 93452

Re: Hather Settlement Agreement and Proposed Amendments to San Simeon
Community Services District Ordinance No. 102

Dear Chair Kellas and Members of the Board of Directors:

We continue to represent Cavalier Inn, Inc., V&H Holdings, LLC and all of their affiliated entities (collectively, "Cavalier") with regard to water and sewer service capacity to which Cavalier is entitled for properties owned by Cavalier within the boundaries of the San Simeon Community Services District ("SSCSD"). The purposes of this letter are to advise you of Cavalier's positions with regard to the "will serve letter" issued by the SSCSD to Mr. Robert Hather in settlement of the *Hather v. SSCSD, et al.* lawsuits and proposed amendments to SSCSD Ordinance no. 102 as discussed at the June 9, 2022 meeting of the SSCSD Board of Directors.

I. Cavalier Properties on the Wait List.

In partial satisfaction of SSCSD's obligations under that certain Settlement Agreement and Release by and between Cavalier and the SSCSD, dated October 7, 2003 ("Cavalier Settlement Agreement"), the SSCSD Board of Directors adopted Resolution no. 20-426 on October 14, 2020 (Resolution), which reaffirmed and memorialized the sequential priority of properties entitled to water and sewer treatment service capacity at such time as the water system hook-up moratorium enacted by the SSCSD by Ordinance No. 61 and extended by Ordinance nos. 63, 66 and 102 is lifted. The "Hook Up Waiting List," attached to the Resolution as Exhibit "A" ("Wait List"), lists the properties in order of priority of entitlement to water and sewer treatment service and the capacity of service allocated to each property.

Cavalier held the first and fourth positions on the Wait List with a capacity allocation of 145 motel and 2,400 square feet of restaurant space and 1 residential unit, respectively. Subsequently, the Wait List was updated to add an additional Cavalier property, among others, with an allocation of 25 equivalent dwelling units of capacity. The combined allocations represent 140.5 equivalent dwelling units of capacity. (See Chart of Equivalent Dwelling Units attached as Exhibit "A" to SSCSD Ordinance no. 115.) This amount represents 14.44 acre-feet per year of water capacity. (See System-Wide Water Supply Assessment Report for the San

Simeon Community Services District, adopted by the SSCSD Board of Directors on March 15, 2022.)

II. Cavalier's Vested Contractual Right to Water and Sewer Service Capacity.

Cavalier's first position on the Wait List is rooted in that certain Sewer and Water Agreement by and between W.V. Dalton, M.D. ("Dalton") and San Simeon Acres Community Services District (predecessor to the SSCSD), dated January 25, 1972 ("Sewer and Water Agreement"). Cavalier succeeded to the rights, duties and obligations of Dalton under the Sewer and Water Agreement when Cavalier acquired the property that is the subject of the Sewer and Water Agreement ("Dalton Property") on September 5, 1989. Through succeeding discussions, negotiations and agreements (documentation of which will be provided upon request), Cavalier and the SSCSD agreed to a reduced amount of water and sewer treatment service capacity for Cavalier's first priority position as reflected on the Wait List and subsequent updates thereof. (Cavalier's fourth and fourteenth positions on the Wait List arose as a result of a) acquisition of property that held the fourth position on the Wait List at the time the property was purchased; and b) a later addition to the Wait list for the property holding the fourteenth position.)

The Sewer and Water Agreement and various representations, agreements and assurances provided by the SSCSD, as discussed below, vests in Cavalier a contractual right to water and sewer service for the Dalton Property in an amount reflected in position no. 1 of the Wait List. Section 2 of the Sewer and Water Agreement provides, in pertinent part, that Cavalier is entitled to the water and sewer treatment capacity for the land uses described in the agreement when "such capacity may be available if and when Consumer [Cavalier] should desire to connect to said [water and sewer] systems at the charges and rates then pertaining" The amount of water and sewer service capacity described in the Sewer and Water Agreement that the SSCSD was obligated to provide has since been modified by agreement between Cavalier and the SSCSD, as reflected in the Wait List and discussed above.

Cavalier's vested contractual right to water and sewer treatment capacity for the Dalton Property, flowing initially from the Sewer and Water Agreement, was later reinforced by the SSCSD. By letter of March 10, 1989, the SSCSD General Manager assured Michael R. Hanchett of Cavalier that "any persons with a deposit on file would be given priority for water service in the future when water was available." A non-refundable deposit was made for the Dalton Property. Further, by letter of August 18, 1989, Elizabeth O'Leary, Secretary, San Simeon Acres Community Services District (predecessor to the SSCSD) informed Mike Hanchett of Cavalier that "Priority [on the water and sewer wait list existing at that time] is established by the date the deposit was received by the District, the first priority being the earliest date," which placed the Dalton Property in first priority for water and sewer treatment service. In addition to the foregoing, the Cavalier Settlement Agreement resulted in adoption by the SSCSD Board of Directors of Ordinance no. 115 ("Ordinance") which eventually led to adoption of the Resolution in which the Dalton Property's first position on the Wait List was reconfirmed and remains so.

In reliance on these agreements, letters and certain oral assurances provided by SSCSD personnel, Cavalier relied to its detriment by purchasing the Dalton Property, expending large sums of money planning for its development, volunteering time and effort to assist the SSCSD with solutions to various issues including, but not limited to, resolution of the water quality issues required to lift the water service moratorium, etc., all of which were necessary to develop the

Dalton Property and for Cavalier to realize its investment backed expectations. These agreements, letters and oral assurances, and Cavalier's reliance thereon, resulted in Cavalier accruing a vested contractual right to the water and sewer treatment service capacity now reflected in the first position on the Wait List. (For a discussion of contractual vested rights, see, e.g., *Monterey Sand Co. v. Cal. Coastal Comm.*, 191 Cal. App. 3d 169, 178.)

THIS VESTED CONTRACTUAL RIGHT TO WATER AND SEWER CAPACITY IMPOSES AN OBLIGATION ON THE SSCSD TO RESERVE WATER AND SEWER TREATMENT CAPACITY IN THE AMOUNTS AGREED UPON BY CAVALIER AND THE SSCSD TO SERVE THE DALTON PROPERTY. CAVALIER'S CONTRACTUAL VESTED RIGHT TO WATER AND SEWER SERVICE CAPACITY FOR THE DALTON PROPERTY IS SEPARATE AND APART FROM ANY RIGHTS CAVALIER HAS TO WATER AND SEWER SERVICE UNDER THE WAIT LIST AND IS SUPERIOR IN RIGHT TO AND SUPERSEDES ALL OF THE WATER ALLOCATIONS SET FORTH ON THE WAIT LIST.

In order to ensure Cavalier's vested contractual right to water and sewer capacity the SSCSD must, as a matter of law, set aside and reserve such capacity and not permit allocations of water and sewer service that oversubscribe the capacity of the SSCSD, thereby effectively depriving Cavalier of the capacity and service to which the SSCSD is legally bound to provide and Cavalier is entitled to receive.

III. Approval of the Hather/SSCSD Settlement Agreement and Issuance of a Will Serve Letter to Robert Hather Violates Cavalier's Vested Contractual Rights, the Ordinance and Resolution.

As discussed above, the Wait List established the priority of entitlement to water and sewer service in partial fulfillment of the SSCSD's obligations under the Cavalier Settlement Agreement. As outlined above, Cavalier is listed at positions 1, 4 and 14 on the current iteration of the Wait List, with water allocations expressed in terms of equivalent dwelling units for each position and an additional allocation of 2,400 square feet of restaurant space for position no. 1.

On May 10, 2022, the SSCSD Board of Directors approved that certain Conditional Settlement Agreement whereby those certain lawsuits styled *Robert Hather v. San Simeon Community Services District, et al.* venued in the San Luis Obispo County Superior Court and the United States District Court, Central District of California were settled ("Hather Settlement Agreement"). The Hather Settlement Agreement obligated the SSCSD to provide Robert Hather a will serve letter for "up to 15 dwelling units" for "water and sewer services." Subsequently, the SSCSD transmitted the will serve letter to Mr. Hather.

The property to which the will serve letter applies holds position no. 8 on the Wait List, behind the 1 and 4 positions for properties owned by Cavalier. By issuing a will serve letter to Mr. Hather in advance of issuance of a will serve letter for the Dalton Property and the Cavalier property in position no. 4 on the Wait List, the SSCSD blatantly ignored Cavalier's superior vested contractual right to water and sewer service capacity and the priority of Cavalier property holding Wait List position nos. 1 and 4 over that of Mr. Hather, a clear violation of the Cavalier Settlement Agreement, Ordinance and Resolution.

IV. Cavalier Has Withheld Application for a Hardship Waiver for Will Serve Letters in Reliance on SSCSD Board Assurances That Will Serve Letters Will Be issued in the Immediate Future.

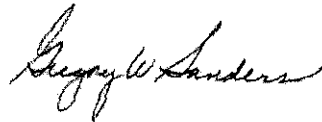
At the June 9, 2022 meeting of the SSCSD Board of Directors, the Board assured those persons and entities with positions on the Wait List that Ordinance No. 102 would be amended in such a manner as to require issuance of will serve letters to all such persons and entities, including Cavalier. In reliance on this assurance, Cavalier has agreed to forbear from filing an application with the SSCSD for a hardship exemption. Cavalier's forbearance is without prejudice to any rights Cavalier may possess now, or in the future, including, but not limited to, the right to apply for a hardship exemption from the water and sewer service connection moratorium in accordance with Section V of Ordinance no. 102.

V. Cavalier Is Entitled to Will Serve Letters That Comply With the Property Transfer Provisions of the Ordinance and are Without an Expiration Date.

Among other things, the Cavalier Settlement Agreement obligated the SSCSD to "create, adopt, and implement procedures for requesting new water and sewer services and transferring existing water and sewer services by amending Ordinance 66." In satisfaction of this obligation, the SSCSD adopted Ordinance no. 101, subsequently amended by Ordinance no. 108 and the Ordinance all of which, among other things, permitted and now permit transfer of properties on the Wait List to other properties within the SSCSD boundaries, subject only to compliance with the transfer requirements. Further, neither the Ordinance nor its predecessor ordinances authorize the SSCSD to impose a time limitation on Will Serve letters. Accordingly, any will serve letters issued to Cavalier must not restrict the transfer of Wait List positions to other properties nor contain an expiration date.

Thank you for your attention to this matter. Please let us know if you have any questions.

Sincerely,



Gregory W. Sanders
Nossaman LLP

cc: Jeffrey Minnery, SSCSD General Counsel

GWS:jg

EXHIBIT G



ATTORNEYS AT LAW

18101 Von Karman Avenue
Suite 1800
Irvine, CA 92612
T 949.833.7800
F 949.833.7878

Gregory W. Sanders
D 949.477.7669
gsanders@nossaman.com

Refer To File # 270858-0001

July 29, 2022

Gwen Kellas, Chair and
Members of the Board of Directors
San Simeon Community Services District
111 Pico Ave.
San Simeon, CA 93452

Re: Conditional Payment of Water Connection Fees

Dear Chair Kellas and Members of the Board of Directors:

We continue to represent Cavalier Inn, Inc., V&H Holdings, LLC and all of their affiliated entities (collectively, "Cavalier") with regard to water and sewer service capacity to which Cavalier is entitled for use within the boundaries of the San Simeon Community Services District ("SSCSD"). We enclose herewith a check in the amount of Six Hundred Seventy Eight Thousand, Nine Hundred and Ninety Nine Dollars (\$678,999.00) from V&H Holdings, LLC, which amount represents conditional payment, as discussed below, of water and sewer connection fees for the water and sewer service capacity (in which Cavalier owns a vested right as explained in our letter to you of June 22, 2022, a copy of which is attached) for the property listed in position no. 1 on the Hook Up Waiting List (Resolution no. 20-426, Exhibit "A") ("Hook Up Waiting List"). The amount of the water and sewer connection fees was calculated in accordance with the current SSCSD fee schedule.

Negotiation of the enclosed check is subject to the following conditions:

A. An acknowledgment by the SSCSD Board of Directors acceptable to Cavalier in Cavalier's sole discretion that Cavalier owns a vested right to water and sewer service capacity in an amount sufficient to serve the uses described in the Hook Up Waiting List for position no. 1 (or alternative uses based upon the Chart of Equivalent Dwelling Units attached to SSCSD Ordinance 115 as Exhibit "A" ("Chart of Equivalent Dwelling Units")).

B. Issuance of a will serve letter for the entire amount of water capacity for uses described in the Hook Up Waiting List for position no. 1 (or alternative uses expressed in equivalent dwelling units in the Chart of Equivalent Dwelling Units), with a provision that such will serve letter will be valid for an initial period of ten (10) years and shall be valid indefinitely following submission of applications for land use entitlements to the County (and other governmental entities, if required) while the applications are processed and until approved and construction and physical connections to the SSCSD water and sewer systems are completed.

C. Installation of a meter connected to the water system at the property identified in Hook Up Waiting List position no. 1; provided, however, that the meter may be locked and not activated until such time as the land use entitlement applications referred to in paragraph B above have been finally approved and construction of the improvements completed.

D. An agreement that the water and sewer capacity represented by the will serve letters may be transferred, in whole or in part, to other properties within the SSCSD boundaries in accordance with the current version of SSCSD Ordinance 115 and that such capacity may be used for alternative uses as discussed above.

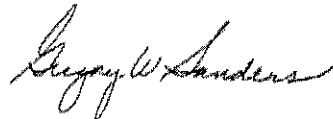
E. An agreement that in the event the SSCSD (or any successor agency) is unable to provide water and sewer service in the full amount of the capacity represented by position no. 1 on the Hook Up Waiting List for any reason, including, but not limited to, insufficient water and/or sewer service available capacity; a water and/or sewer service moratorium; regulations restricting water and/or sewer service by one or more regulatory agencies (California Coastal Commission; Regional Water Quality Control Board; etc.); or any other reason, an amount of the enclosed connection fees representing the water and sewer service capacity that cannot be provided calculated on an equivalent dwelling unit basis in accordance with the Chart of Equivalent Dwelling Units shall be refunded to Cavalier. Such refund shall be made without payment of interest.

The enclosed check may not be negotiated until all of the above conditions have been satisfied.

Cavalier believes this offer of payment of connection fees serves the best interests of the SSCSD and the San Simeon community and is preferable to other remedies that can be pursued to affirm Cavalier's vested right to water and sewer service.

Please let us know if you have any questions or would like to discuss this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory W. Sanders". The signature is fluid and cursive, with the first name "Gregory" being more prominent.

Gregory W. Sanders
Nossaman LLP

GWS:jg



ATTORNEYS AT LAW

18101 Von Karman Avenue
Suite 1800
Irvine, CA 92612
T 949.833.7800
F 949.833.7878

Gregory W. Sanders
D 949.477.7669
gsanders@nossaman.com

Refer To File # 270858-0001

VIA FEDEX AND EMAIL

June 22, 2022

Gwen Kellas, Chair and
Members of the Board of Directors
San Simeon Community Services District
111 Pico Ave.
San Simeon, CA 93452

Re: Hather Settlement Agreement and Proposed Amendments to San Simeon
Community Services District Ordinance No. 102

Dear Chair Kellas and Members of the Board of Directors:

We continue to represent Cavalier Inn, Inc., V&H Holdings, LLC and all of their affiliated entities (collectively, "Cavalier") with regard to water and sewer service capacity to which Cavalier is entitled for properties owned by Cavalier within the boundaries of the San Simeon Community Services District ("SSCSD"). The purposes of this letter are to advise you of Cavalier's positions with regard to the "will serve letter" issued by the SSCSD to Mr. Robert Hather in settlement of the *Hather v. SSCSD, et al.* lawsuits and proposed amendments to SSCSD Ordinance no. 102 as discussed at the June 9, 2022 meeting of the SSCSD Board of Directors.

I. Cavalier Properties on the Wait List.

In partial satisfaction of SSCSD's obligations under that certain Settlement Agreement and Release by and between Cavalier and the SSCSD, dated October 7, 2003 ("Cavalier Settlement Agreement"), the SSCSD Board of Directors adopted Resolution no. 20-426 on October 14, 2020 (Resolution), which reaffirmed and memorialized the sequential priority of properties entitled to water and sewer treatment service capacity at such time as the water system hook-up moratorium enacted by the SSCSD by Ordinance No. 61 and extended by Ordinance nos. 63, 66 and 102 is lifted. The "Hook Up Waiting List," attached to the Resolution as Exhibit "A" ("Wait List"), lists the properties in order of priority of entitlement to water and sewer treatment service and the capacity of service allocated to each property.

Cavalier held the first and fourth positions on the Wait List with a capacity allocation of 145 motel and 2,400 square feet of restaurant space and 1 residential unit, respectively. Subsequently, the Wait List was updated to add an additional Cavalier property, among others, with an allocation of 25 equivalent dwelling units of capacity. The combined allocations represent 140.5 equivalent dwelling units of capacity. (See Chart of Equivalent Dwelling Units attached as Exhibit "A" to SSCSD Ordinance no. 115.) This amount represents 14.44 acre-feet per year of water capacity. (See System-Wide Water Supply Assessment Report for the San

Simeon Community Services District, adopted by the SSCSD Board of Directors on March 15, 2022.)

II. Cavalier's Vested Contractual Right to Water and Sewer Service Capacity.

Cavalier's first position on the Wait List is rooted in that certain Sewer and Water Agreement by and between W.V. Dalton, M.D. ("Dalton") and San Simeon Acres Community Services District (predecessor to the SSCSD), dated January 25, 1972 ("Sewer and Water Agreement"). Cavalier succeeded to the rights, duties and obligations of Dalton under the Sewer and Water Agreement when Cavalier acquired the property that is the subject of the Sewer and Water Agreement ("Dalton Property") on September 5, 1989. Through succeeding discussions, negotiations and agreements (documentation of which will be provided upon request), Cavalier and the SSCSD agreed to a reduced amount of water and sewer treatment service capacity for Cavalier's first priority position as reflected on the Wait List and subsequent updates thereof. (Cavalier's fourth and fourteenth positions on the Wait List arose as a result of a) acquisition of property that held the fourth position on the Wait List at the time the property was purchased; and b) a later addition to the Wait list for the property holding the fourteenth position.)

The Sewer and Water Agreement and various representations, agreements and assurances provided by the SSCSD, as discussed below, vests in Cavalier a contractual right to water and sewer service for the Dalton Property in an amount reflected in position no. 1 of the Wait List. Section 2 of the Sewer and Water Agreement provides, in pertinent part, that Cavalier is entitled to the water and sewer treatment capacity for the land uses described in the agreement when "such capacity may be available if and when Consumer [Cavalier] should desire to connect to said [water and sewer] systems at the charges and rates then pertaining . . ." The amount of water and sewer service capacity described in the Sewer and Water Agreement that the SSCSD was obligated to provide has since been modified by agreement between Cavalier and the SSCSD, as reflected in the Wait List and discussed above.

Cavalier's vested contractual right to water and sewer treatment capacity for the Dalton Property, flowing initially from the Sewer and Water Agreement, was later reinforced by the SSCSD. By letter of March 10, 1989, the SSCSD General Manager assured Michael R. Hanchett of Cavalier that "any persons with a deposit on file would be given priority for water service in the future when water was available." A non-refundable deposit was made for the Dalton Property. Further, by letter of August 18, 1989, Elizabeth O'Leary, Secretary, San Simeon Acres Community Services District (predecessor to the SSCSD) informed Mike Hanchett of Cavalier that "Priority [on the water and sewer wait list existing at that time] is established by the date the deposit was received by the District, the first priority being the earliest date," which placed the Dalton Property in first priority for water and sewer treatment service. In addition to the foregoing, the Cavalier Settlement Agreement resulted in adoption by the SSCSD Board of Directors of Ordinance no. 115 ("Ordinance") which eventually led to adoption of the Resolution in which the Dalton Property's first position on the Wait List was reconfirmed and remains so.

In reliance on these agreements, letters and certain oral assurances provided by SSCSD personnel, Cavalier relied to its detriment by purchasing the Dalton Property, expending large sums of money planning for its development, volunteering time and effort to assist the SSCSD with solutions to various issues including, but not limited to, resolution of the water quality issues required to lift the water service moratorium, etc., all of which were necessary to develop the

Dalton Property and for Cavalier to realize its investment backed expectations. These agreements, letters and oral assurances, and Cavalier's reliance thereon, resulted in Cavalier accruing a vested contractual right to the water and sewer treatment service capacity now reflected in the first position on the Wait List. (For a discussion of contractual vested rights, see, e.g., *Monterey Sand Co. v. Cal. Coastal Comm.*, 191 Cal. App. 3d 169, 178.)

THIS VESTED CONTRACTUAL RIGHT TO WATER AND SEWER CAPACITY IMPOSES AN OBLIGATION ON THE SSCSD TO RESERVE WATER AND SEWER TREATMENT CAPACITY IN THE AMOUNTS AGREED UPON BY CAVALIER AND THE SSCSD TO SERVE THE DALTON PROPERTY. CAVALIER'S CONTRACTUAL VESTED RIGHT TO WATER AND SEWER SERVICE CAPACITY FOR THE DALTON PROPERTY IS SEPARATE AND APART FROM ANY RIGHTS CAVALIER HAS TO WATER AND SEWER SERVICE UNDER THE WAIT LIST AND IS SUPERIOR IN RIGHT TO AND SUPERSEDES ALL OF THE WATER ALLOCATIONS SET FORTH ON THE WAIT LIST.

In order to ensure Cavalier's vested contractual right to water and sewer capacity the SSCSD must, as a matter of law, set aside and reserve such capacity and not permit allocations of water and sewer service that oversubscribe the capacity of the SSCSD, thereby effectively depriving Cavalier of the capacity and service to which the SSCSD is legally bound to provide and Cavalier is entitled to receive.

III. Approval of the Hather/SSCSD Settlement Agreement and Issuance of a Will Serve Letter to Robert Hather Violates Cavalier's Vested Contractual Rights, the Ordinance and Resolution.

As discussed above, the Wait List established the priority of entitlement to water and sewer service in partial fulfillment of the SSCSD's obligations under the Cavalier Settlement Agreement. As outlined above, Cavalier is listed at positions 1, 4 and 14 on the current iteration of the Wait List, with water allocations expressed in terms of equivalent dwelling units for each position and an additional allocation of 2,400 square feet of restaurant space for position no. 1.

On May 10, 2022, the SSCSD Board of Directors approved that certain Conditional Settlement Agreement whereby those certain lawsuits styled *Robert Hather v. San Simeon Community Services District, et al.* venue in the San Luis Obispo County Superior Court and the United States District Court, Central District of California were settled ("Hather Settlement Agreement"). The Hather Settlement Agreement obligated the SSCSD to provide Robert Hather a will serve letter for "up to 15 dwelling units" for "water and sewer services." Subsequently, the SSCSD transmitted the will serve letter to Mr. Hather.

The property to which the will serve letter applies holds position no. 8 on the Wait List, behind the 1 and 4 positions for properties owned by Cavalier. By issuing a will serve letter to Mr. Hather in advance of issuance of a will serve letter for the Dalton Property and the Cavalier property in position no. 4 on the Wait List, the SSCSD blatantly ignored Cavalier's superior vested contractual right to water and sewer service capacity and the priority of Cavalier property holding Wait List position nos. 1 and 4 over that of Mr. Hather, a clear violation of the Cavalier Settlement Agreement, Ordinance and Resolution.

IV. Cavalier Has Withheld Application for a Hardship Waiver for Will Serve Letters in Reliance on SSCSD Board Assurances That Will Serve Letters Will Be issued in the Immediate Future.

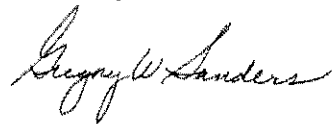
At the June 9, 2022 meeting of the SSCSD Board of Directors, the Board assured those persons and entities with positions on the Wait List that Ordinance No. 102 would be amended in such a manner as to require issuance of will serve letters to all such persons and entities, including Cavalier. In reliance on this assurance, Cavalier has agreed to forbear from filing an application with the SSCSD for a hardship exemption. Cavalier's forbearance is without prejudice to any rights Cavalier may possess now, or in the future, including, but not limited to, the right to apply for a hardship exemption from the water and sewer service connection moratorium in accordance with Section V of Ordinance no. 102.

V. Cavalier Is Entitled to Will Serve Letters That Comply With the Property Transfer Provisions of the Ordinance and are Without an Expiration Date.

Among other things, the Cavalier Settlement Agreement obligated the SSCSD to "create, adopt, and implement procedures for requesting new water and sewer services and transferring existing water and sewer services by amending Ordinance 66." In satisfaction of this obligation, the SSCSD adopted Ordinance no. 101, subsequently amended by Ordinance no. 108 and the Ordinance all of which, among other things, permitted and now permit transfer of properties on the Wait List to other properties within the SSCSD boundaries, subject only to compliance with the transfer requirements. Further, neither the Ordinance nor its predecessor ordinances authorize the SSCSD to impose a time limitation on Will Serve letters. Accordingly, any will serve letters issued to Cavalier must not restrict the transfer of Wait List positions to other properties nor contain an expiration date.

Thank you for your attention to this matter. Please let us know if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gregory W. Sanders".

Gregory W. Sanders
Nossaman LLP

cc: Jeffrey Minnery, SSCSD General Counsel

GWS:jg

2122

07/29/22 Check #: 2122

Vendor ID: SANDIS

Vendor Name: San Simeon Community Services Dist.

Invoice No.	Date	Invoice Amount	Amount Paid	Discounts Taken	Credits Taken	Net Amount
WATER/SEWER ENTITLEM	07/29/22	678999.00	678999.00	0.00	0.00	678999.00
Net Check Amt						678999.00

SECURITY FEATURES INCLUDE TRUE WATERMARK PAPER, HEAT SENSITIVE ICCM AND FOIL HOLOGRAM.

V & H Holdings LLC

250 San Simeon Ave.

Ste 40

San Simeon, CA 93452

PH (805) 927-4441

MECHANICS BANK

90-203/1211

2122

2122

*** SIX HUNDRED SEVENTY EIGHT THOUSAND NINE HUNDRED NINETY NINE & 00/100 DOLLARS ***

DATE
07/29/22AMOUNT
***678,999.00PAY
TO THE
ORDER
OF

San Simeon Community Services Dist.

111 Pico Avenue

San Simeon, CA 93452



AUTHORIZED SIGNATURE

⑈002122⑈ ⑆122102036⑆ 120988981⑈

V & H Holdings LLC

2122

07/29/22 Check #: 2122

Vendor ID: SANDIS

Vendor Name: San Simeon Community Services Dist.

Invoice No.	Date	Invoice Amount	Amount Paid	Discounts Taken	Credits Taken	Net Amount
WATER/SEWER ENTITLEM	07/29/22	678999.00	678999.00	0.00	0.00	678999.00
Net Check Amt						678999.00





PROPOSAL

TO: **Patrick**
San Simeon CSD
111 Pico Avenue
San Simeon, CA 93452

Project: Asphalt Patching San Simeon SCD
Address: 111 Pico Avenue
San Simeon, CA 93452
Date: 5/3/2024

We propose to furnish all materials, equipment, and labor, subject to any exclusions listed below, required to complete the following:

1. Asphalt

\$34,950.00

Description of Services:

Asphalt patching at multiple locations (7) shown on ride along:

1. Mobilization of needed equipment.
2. Saw cutting and removal of existing locations.
3. Includes needed traffic control.
3. Furnish and place approximately 675 sf of hot asphalt at approximately 4" thick at all 7 locations.

Subtotal:	\$34,950.00
*0% Tax:	\$0.00
TOTAL:	\$34,950.00

Terms and Conditions

EXCLUSIONS

1. City and/or utility fees and/or permits.
2. Retaining wall backfill, Wall drain system.
3. Final grading / Landscape grading after building is complete.

San Simeon Acres Community Dev. No.
Hearst District PO Box 4
San Simeon, Ca. 93452
WHEN RECORDED, MAIL TO:

OFFICIAL RECORDS
SAN LUIS OBISPO CO., CALIF.
WILLIAM E. ZIMARIK,
COUNTY RECORDER
JUN 21 1972

Same as above

TIME 11:20 A.M.

Understanded declares that the Documentary Transfer

payable hereon is \$ none

Computed on full value of property conveyed.

Computed on full value less liens and encumbrances

remaining at time of sale.

EASEMENT AGREEMENT AND DEED

WITNESSES
Robert H. Langford
Jury

This Agreement made this 9th day of June, 1972,
by and between THE HEARST CORPORATION (hereinafter referred to as
"Grantor") and SAN SIMEON ACRES COMMUNITY SERVICES DISTRICT
(hereinafter referred to as "Grantee").

WHEREAS, Grantor is the owner of certain real property
located in an unincorporated area of San Luis Obispo County,
State of California, hereinafter referred to as the "Servient
Tenement"; and

WHEREAS, Grantee desires to acquire certain rights
in the Servient Tenement; and

WHEREAS, Grantor desires to have made available to it
various services which are to be provided by Grantee;

NOW, THEREFORE, the parties hereto agree as follows:

1. Grantor hereby grants to Grantee an easement as
herein described for so long as the property is used for the
purposes described in Paragraph 4 of this Easement Agreement and
Deed (hereinafter referred to as "Agreement"). In the event the
property should ever cease to be used for said purposes, then
the easement created by this Agreement is to automatically revert
to Grantor or its successors and assigns, without the necessity
for any further action to effect said reversion, and Grantee
shall have no further interest in the Servient Tenement. It is
the intention of this Agreement to grant a determinable easement
to Grantee and retain for the Grantor, its successors and assigns,
a possibility of reverter; provided, however, that nothing

contained in this Paragraph 1 shall be intended to restrict or limit any other remedies to which Grantor is entitled at law or equity.

2.. In consideration of the grant of this easement by Grantor to Grantee, Grantee covenants and agrees to use this easement only for the purposes set forth in Paragraph 4 of this Agreement.

3. The easement granted herein is an easement in gross.

4. The easement granted herein is for ingress and egress purposes and for the construction, operation, maintenance, repair, replacement and removal of water reservoir and water pipeline in, upon, under and across that certain real property located in the County of San Luis Obispo, State of California, and described as follows:

Parcel A.

That portion of Lot A of the map showing Partition of that part of San Simeon Rancho owned by Ira Van Gordon, Sr., in the County of San Luis Obispo, State of California, according to map filed for record July 27, 1999, in the office of the County Recorder of said County, described as follows:

Beginning at a point described as stake LVG 1 in Quitclaim Deed in Book 1398, Page 387, Official Records in the office of said County Recorder; thence,

North 33° 00' 00" West 247.50 feet along a course in said Quitclaim Deed, to a point; thence,

North 56° 30' 00" East 725.00 feet along a course in said Quitclaim Deed, to the True Point of Beginning; thence,

North 33° 30' 00" West 100.00 feet to a point; thence,

North 56° 30' 00" East 150.00 feet to a point; thence,

South 33° 30' 00" East 100.00 feet to the intersection with said course in said Quitclaim Deed; thence

10530

South 56° 30' 00" West 150.00 feet along said course in said Quitclaim Deed to the True Point of Beginning.

Parcel B.

A 20-foot easement, the centerline of which is described as follows:

That portion of Lot A of the map showing Partitions of that part of San Simeon Rancho owned by Ira Van Gordon, Sr., in the County of San Luis Obispo, State of California, according to map filed for record July 27, 1899, in the office of the County Recorder of said County, described as follows:

Beginning at a point on the Northwesterly prolongation of the Southwesterly right-of-way line of abandoned County Road No. 3 as shown in Book 6, Record of Surveys, Page 49, in the office of the County Recorder of said County, said point bearing South 33° 00' 00" East 54.26 feet from a 3/4 inch iron pipe set at the intersection of said prolongation of said line, and the Northwesterly right-of-way line of Pico Ave.; thence,

North 36° 01' 00" East 26.77 feet to a point which bears North 33° 00' 00" West 10.00 feet from a 1 inch pipe at the Northwesterly termination of the centerline of Former County Road No. 3 as shown on said Record of Survey Map, Book 6, Page 49; thence,

Northeasterly 25.00 feet, more or less, to a point which bears North 33° 00' 00" West 257.50 feet from stake LVG 1 as described in Quitclaim Deed in Book 1398, Page 387, Official Records in the office of the County Recorder of said County; thence,

North 56° 30' 00" East 725.00 feet along a line which is 10.00 feet Northwesterly of and parallel with a line described as "South 56 1/2 West, 21.46 chains", in said Quitclaim Deed in Book 1398, Page 387.

The easement granted herein is expressly limited to use by Grantee for the purposes of providing water and related services to the area being served by the Grantee as of the date of this Agreement and described as follows:

All that part of the Arbuckle Tract in Lot A, Rancho San Simeon as shown on map filed for record in Licensed Surveyors Maps in Book 6, Page 49, in the County of San Luis Obispo, described as follows:

19530

Commencing at station D.N. 2, the southwest corner of said map and running North 25° 30' West 2,606.41' to S.S. No. 2; thence,

North 55° 04' East 509.68'; North 19° 19' East 660'; North 66° 04' East 396'; South 21° 47' East 322.51' to the north line of Pico Avenue; South 33° 00' East 64.26'; North 36° 01' East 26.77' to the centerline of former County Road No. 3 now abandoned; thence,

South 33° 00' East 2,735.00', South 62° 29' West 1,729.89' to the point of beginning.

Grantee agrees that the area described above and to be served by the reservoir shall not be increased in size without the prior express written consent of Grantor having been obtained, and that written notice of any proposed increase in size shall be given to Grantor. Grantee further agrees that no pipeline with an inside diameter in excess of eight (8) inches shall be constructed, operated, or maintained in, upon, under or across the real property described in Paragraph 4 of this Agreement without the prior express written consent of Grantor having been obtained.

5. In order to preserve the natural appearance and beauty of the property, Grantee agrees that: (i) None of the facilities to be constructed by Grantee on the Servient Tenement shall be in excess of ten (10) feet in height; (ii) Any and all pipelines shall be placed underground and at a sufficient depth so as to allow Grantor to continue to use the property for the grazing of livestock; provided, however, that in the event it is impossible due to geological strata to place such pipelines underground, such pipelines may be placed on the surface of the property; (iii) All such facilities (including surface pipelines, if applicable) shall by appropriate landscaping be camouflaged, and said landscaping shall be thereafter properly maintained; (iv) The method, design and type of construction shall be subject to the prior express written consent of Grantor; and (v) No roads shall be constructed on or over the Servient Tenement.

10530

6. The easement granted herein is exclusive and Grantor hereby retains each and every incident of ownership which is not inconsistent with the purposes for which this easement is granted. Grantee shall have the right to construct and maintain security fencing on the periphery of the property described as Parcel A in Paragraph 4 of this Agreement; provided, however, that the type and style of such security fencing shall be subject to the prior express written approval of Grantor.

7. The easement granted herein shall not be assigned by Grantee without the prior express written consent of Grantor having been obtained. Any attempted assignment without such consent shall be voidable at the option of Grantor. For the purposes of this Paragraph 7, the term "assigned" shall include the merger or other reorganization of Grantee with any other legal entity, public or private, incorporated or unincorporated.

8. This Agreement contains the entire agreement between the parties relating to the rights granted herein. Any oral representations or modifications concerning this instrument and the rights granted herein shall be of no force and effect, excepting a subsequent modification in writing signed by the party to be charged.

9. In the event of any controversy, claim or dispute relating to this instrument or any breach hereof, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs.

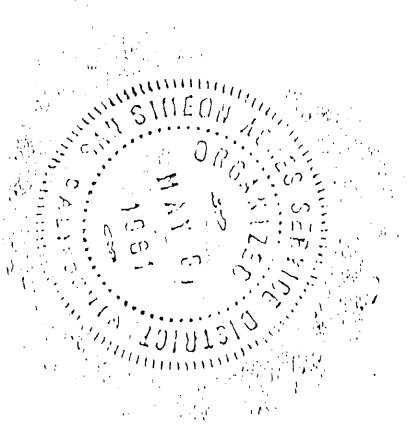
10. This instrument shall bind and inure to the benefit of the respective successors and assigns and the parties hereto as expressly provided herein.

11. Nothing contained in this Agreement shall be interpreted to restrict or limit the rights and/or remedies to which

100000

Grantor is entitled at law or equity. Any action brought by Grantor to quiet title to the Servient Tenement shall not bar an action for damages or injunctive relief, nor shall an action for damages or injunctive relief bar an action to quiet title.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.



SAN SIMEON ACRES
COMMUNITY SERVICES DISTRICT

By Louise Price, President

By _____

"Grantee"

THE HEARST CORPORATION

By [Signature]

By _____

"Grantor"

19530

STATE OF CALIFORNIA }

COUNTY OF SAN LUIS OBISPO

SS.

On June 9, 1972



OFFICIAL SEAL
ETHEL R. HEAD
NOTARY PUBLIC-CALIFORNIA
SAN LUIS OBISPO COUNTY
My Commission Expires Feb. 15, 1974

Notary Public

STATE OF CALIFORNIA

CITY AND

COUNTY OF SAN FRANCISCO

SS.

On June 13, 1972

Notary Public



MARIE KANE
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission Expires Oct. 9, 1977

END OF DOCUMENT

[illegible]

HEARST *corporation*

February 1, 2017

Board of Directors
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452
Attn: Charlie Grace

Martin N. Cepkauskas
Director of Real Estate
Western Properties

Re: Non-Binding Letter of Intent Regarding Proposed Relocation and Expansion of
Existing Water Reservoir Easement

Dear Board of Directors:

This letter outlines the preliminary terms by which Hearst Holdings, Inc. ("Hearst") is willing to negotiate the grant by Hearst to San Simeon Community Services District formerly known as San Simeon Acres Community Services District (the "District") of a modification of that certain easement in gross for a water reservoir and related purposes (the "Existing Easement") originally granted to the District by Hearst's predecessor in interest, The Hearst Corporation, pursuant to that certain Easement Agreement and Deed dated June 9, 1972, and recorded on June 21, 1972 in the Official Records of San Luis Obispo County, California, in Volume 1674, at Page 336, Document No. 19530 (the "Original Easement Deed").

Following the recordation of the Original Easement Deed, the real property subject to the Existing Easement (the "Existing Easement Area") was conveyed to Hearst. The Existing Easement Area, and certain other property owned by Hearst, are now encumbered by a conservation easement (the "Conservation Easement") held by California Rangeland Trust, a California nonprofit public benefit corporation ("CRT"), pursuant to that certain Deed of Conservation Easement and Agreement Concerning Easement Rights recorded on February 18, 2005 in the Official Records of San Luis Obispo County, California, as Instrument No. 2005013388, as assigned pursuant to that certain Assignment and Assumption of Conservation Easement and Related Grant Agreement (East Side Conservation Area) recorded on February 18, 2005 in the Official Records of San Luis Obispo County, California, as Instrument No. 2005013391 (as assigned, the "Conservation Easement Agreement"). A copy of the Conservation Easement Agreement is provided herewith for your reference.

Hearst understands that the District proposes to relocate the exiting Easement area approximately 100 yards toward the east and modify the Existing Easement to expand the Existing Easement Area approximately five (5) acres (the "Proposed Easement Expansion") to allow for one or more additional water tanks (the "tank(s)"), and additional pipeline(s) and other appurtenances therefor (collectively with the Tank(s), the "Proposed Expansion Facilities"). In addition to relocation and expansion of the Existing Easement Area, such Proposed Easement Relocation and Expansion would also require an increase in the scope of the Existing Easement.

5 Third Street, Suite 200
San Francisco, CA 94103-3202
T 415 777 8196
F 415 543 3490
mcepkauskas@hearst.com

Conditions to Hearst's final approval and grant of the Proposed Easement Expansion include the following:

1. Design and Siting of Proposed Expansion Facilities. In no event shall the aggregate capacity of all Tank(s) to be included in the Proposed Easement Expansion exceed 1 million gallons. In addition, the Proposed Expansion Facilities shall be designed and sited to ensure protection of the existing viewshed from State Highway 1, the Hearst Ranch facilities and other "Protected Views" (as defined and provided in the Conservation Easement), all as approved by Hearst in its sole and absolute discretion. As a condition to such approval, Hearst may require the District to provide and maintain vegetative screening of the Proposed Expansion Facilities, or portion(s) thereof.

2. CRT Approval. Approval by CRT, as the holder of the Conservation Easement, is required pursuant to the Conservation Easement Deed. Hearst expects that, as conditions to such approval, CRT may engage third party consultant(s) to confirm that the Proposed Easement Expansion will not impact the "Conservation Values" (as defined in the Conservation Easement Agreement) protected under the Conservation Easement, and may engage legal counsel to review and approve document(s) pertaining to the Proposed Easement Expansion including, without limitation, any amendments or other modifications to the Original Easement Deed and/or the Conservation Easement Agreement (collectively, the "Easement Documentation").

3. Approval by Hearst of Report from Hearst Rangeland Ecologists. Hearst, upon mutual agreement with the District may require that its Rangeland Ecologists, Sage Associates (Orrin Sage and Cindy Sage), conduct a study to confirm the impacts of the Proposed Easement Expansion. If Hearst requires such report, then approval by Hearst, in its sole and absolute discretion, of the results of such report will be a condition to Hearst's approval of the Proposed Easement Expansion.

4. Entitlements for Proposed Easement Expansion. The District, at its cost, shall be responsible for all applicable regulatory review and approval processes, and obtaining all requisite entitlements, for the Proposed Easement Expansion including, without limitation, the following (collectively, the "Entitlements"):

- (a) Compliance with applicable County, water board and other permitting requirements;
- (b) California Environmental Quality Act (CEQA) compliance; and
- (c) California Coastal Commission approval.

District shall provide Hearst the opportunity to review and approve (such approval not to be unreasonably conditioned, withheld or delayed) all documentation required to complete the Entitlements prior to finalizing and/or filing such documentation with the applicable agencies. At no material cost, Hearst shall cooperate with the District's efforts to obtain the Entitlements by signing any required applications as the owner of the subject property (to the extent applicable). In no event shall any terms or conditions be imposed by any governmental agency against Hearst, Hearst's water rights, the Hearst properties, or Hearst's operations in connection with the Proposed

Easement Expansion or the Entitlements, or shall Hearst assume any obligation to pay any fee, cost, expense or other monetary obligation in connection therewith, without Hearst's prior written approval (such approval may be granted or withheld in Hearst's sole and absolute discretion).

5. Water Rights. For all water to be used in connection with the Proposed Expansion Easement, the District shall exercise its own water rights including, without limitation, Amended License 12272 (Application 19095) issued by the California State Water Resources Control Board. The District shall not rely or seek to rely upon, or claim any right to exercise, any water rights of Hearst, or negatively impact any of Hearst water rights or use of their water rights. The District, at its cost, shall be responsible for obtaining all requisite modifications to its water rights in connection with the Proposed Expansion Easement.

6. Costs of Proposed Easement Expansion. All costs associated with the District's Proposed Easement Expansion shall be paid by the District including:

(a) Any reasonable, demonstrated and documented, out-of-pocket costs paid or to be paid by CRT to a third party (including a reasonable allocation of internal review and/or internal personnel costs) directly related to the Proposed Easement Expansion, such as reasonable costs of review of the Entitlements and/or the Easement Documentation by any third party consultants retained by CRT including, without limitation, the costs provided for in Section 2 above; and

(b) Any reasonable, demonstrated and documented, out-of-pocket costs paid or to be paid by Hearst to a third party (does not include internal review or internal personnel costs) directly related to the Proposed Easement Expansion, such as reasonable costs of review of the design and siting of the Proposed Expansion Facilities as provided in Section 1 above, the Entitlements and/or the Easement Documentation by any third party consultants retained by Hearst including, without limitation, the costs provided for in Section 3 above and legal counsel fees and costs;

(c) All costs for the preparation and processing of the Entitlements as provided in Section 4 above; and

(d) All costs for obtaining requisite modifications to the District's water rights as provided in Section 5 above.

7. Annual Payment by District.

(a) In addition to the amounts to be paid by the District pursuant to Section 6 above and subject to Section 7(b) below, the District shall pay to Hearst an annual payment in the amount of Two Thousand Five Hundred Dollars (\$2,500) (an "Annual Payment"), which Hearst and the District have agreed is the fair value for the additional rights to be granted by Hearst to the District under the Proposed Easement Expansion.

(b) In addition to, or in lieu of Annual Payments, Hearst and the District may agree in writing to other cooperative terms, conditions, and agreements.

8. Wastewater Treatment Service to Hearst.

(a) The parties acknowledge that the District's facilities existing within the Existing Easement as of the date hereof has the capacity to treat up to 40,000 gallons per day ("gpd"), and that the District currently serves the buildings set forth on the schedule attached hereto as Exhibit A (the "Existing Hearst Usage"). The parties further acknowledge that the Existing Hearst Usage is approximately between 3,000 to 5,000 gpd. The District covenants and agrees to maintain the Existing Hearst Usage.

(b) Hearst shall have the right to cause the District to increase the Existing Hearst Usage up to 15,000 gpd at the applicable District connection fee and service rate (the "Increased Usage Option"). Hearst shall exercise the Increased Usage Option by providing written notice thereof to the District. In no event shall the District be required to allocate any increase in usage to Hearst unless and until Hearst exercises the Increased Usage Option as provided in this Section 8(b), and the District then has remaining available capacity for such increase (or portion thereof). The parties acknowledge and agree that, notwithstanding Section 8(b) above, if Hearst exercises the Increased Usage Option but the District's then remaining available capacity is insufficient to satisfy in full the usage requested by Hearst, then the District shall not be required to expand its facilities to meet such requested usage increase unless Hearst agrees to pay for Hearst's proportionate cost of such expansion on terms and conditions approved by Hearst and the District. If the District expands its facilities in accordance with the preceding sentence, then (i) the District shall provide wastewater service to Hearst up to an aggregate maximum of 15,000 gpd, and (ii) for any service requested by and provided to Hearst over 15,000 gpd, Hearst shall be required to pay its proportionate share of service on terms and conditions not less than current connection fees and service rates and approved by Hearst and the District.

(c) The District represents and warrants to Hearst that it has the legal authority to undertake the service obligations as contemplated in this Section 8.

9. District Election to Proceed; Negotiation and Approval of Easement Documentation.

(a) The parties acknowledge that the District is in the preliminary stages of its review regarding the viability of the Proposed Easement Expansion for the District's intended use thereof, and that the terms and conditions set forth herein will require further review and investigation by the District. Not later than December 31, 2018⁶, the District shall notify Hearst in writing of the District's election to proceed or not to proceed with the Proposed Easement Expansion as contemplated herein. If the District fails to provide such notice by such deadline, the District shall be deemed to have elected not to proceed with the Proposed Expansion Easement as contemplated herein. If the District notifies Hearst that it elects not to proceed (or is deemed to have made such election not to proceed in accordance with the preceding sentence) with the Proposed Easement Expansion as contemplated herein, then this letter shall be of no further force or effect. If the District timely notifies Hearst of its election to proceed with the Proposed Easement Expansion (the "District Approval Notice"), then the parties shall proceed as provided in Section 9(b) below.

(b) As soon as practicable after the District's delivery of the District Approval Notice, Hearst and the District shall meet and confer to negotiate and agree upon an outline of the

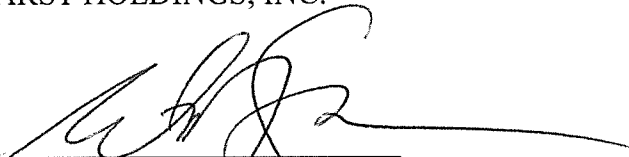
specific terms and conditions to be included in the Easement Documentation (including, without limitation, the terms and conditions set forth herein). Upon agreement by the parties of such outline, Hearst shall provide to the District an initial draft of the Easement Documentation. Promptly upon receipt of such initial draft, the District shall provide to Hearst written comments to such initial draft. Thereafter, the parties shall use commercially reasonable efforts to agree on the final form of the Easement Documentation. Final approval by Hearst of the Easement Documentation shall be in Hearst's sole and absolute discretion.

The proposed terms and conditions regarding the Proposed Easement Expansion as set forth in this letter are not intended by the parties to create any binding rights, obligations or liabilities of either Hearst or the District, but instead represent the present intentions of such parties. This letter is provided solely as a means of negotiating between Hearst and the District. Neither Hearst or the District shall incur any obligation or liability to the other unless and until Hearst and the District execute final Easement Documentation providing for the Proposed Easement Expansion. Neither Hearst or the District are obligated by this letter to negotiate in good faith to reach such final Easement Documentation, and shall not be liable for any expenses incurred or opportunities foregone by any other party in reliance on this letter.

If the terms and conditions set forth above are acceptable, please sign a copy of this letter in the space provided below, and forward such signed letter to my attention. Thank you for your courtesy and cooperation.

Sincerely,

HEARST HOLDINGS, INC.

By: 
 Name: Martin N. Cepkauskas
 Title: Director of Real Estate

cc: Russell J. Austin (via email)

AGREED AND ACCEPTED on 13 FEBRUARY, 2017.

SAN SIMEON COMMUNITY SERVICES DISTRICT

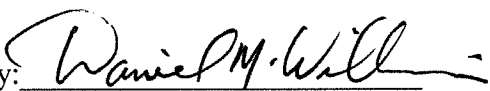
By: 
 Name: DANIEL M. WILLIAMS
 Title: CHAIRMAN SAN SIMEON CSD

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SAN SIMEON
Community Services District

DRAFT



AUGUST 2025

System-Wide Water Supply Assessment

A K E L
ENGINEERING GROUP, INC.



Smart Planning Our Water Resources

August 22nd, 2025

San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

Attention: Ruth Montgomery, Assistant to the Interim General Manager
San Simeon Community Services District

Subject: 2025 System-Wide Water Supply Assessment

Dear Ruth:

We are pleased to submit this update (August 2025) to the System-Wide Water Supply Assessment (WSA) report for the San Simeon Community Services District (SSCSD) while meeting the requirements of California Water Code sections 10608, 10610-10656 (Urban Water Management Plan Act), and 10910-10915 (Water Supply Assessment Statute). Please note that this WSA is submitted as an addendum to the 2018 Master Plan.

On April 2nd, SSCSD staff requested a revision to the 2022 System-Wide Water Supply Assessment. This 2025 update is intended to reflect more current supply and demand conditions, RO system operations, and update the corresponding supply sufficiency analysis.

We are extending our thanks to Patrick Faverty, Jacqueline Diamond, Geoff English, and to you, for providing the very valuable information needed to complete this study and produce this report.

Sincerely,

AKEL ENGINEERING GROUP, INC.

Tony Akel, P.E.
Senior Principal

Enclosure: Report

**San Simeon Community Services District
System-Wide Water Supply Assessment**

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San Simeon Community Services District System-Wide Water Supply Assessment

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San Simeon Community Services District System-Wide Water Supply Assessment

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APPENDIX C – San Simeon CSD Updated Water Waitlist

APPENDIX D – San Simeon CSD Legacy Water Waitlists

San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

1.0 PROJECT BACKGROUND

1.1 Purpose

Law

10912 (b) ...If a public water system has fewer than 5,000 service connections, then "project" means any proposed residential, business, commercial, hotel or motel, or industrial development that would account for an increase of 10 percent or more in the number of the public water system's existing service connections, or a mixed-use project that would demand an amount of water equivalent to, or greater than, the amount of water required by residential development that would represent an increase of 10 percent or more in the number of the public water system's existing service connections.

SB 610 (2) ...The bill would require the assessment to include, among other information, an identification of existing water supply entitlements, water rights, or water service contracts relevant to the identified water supply for the proposed project and water received in prior years pursuant to those entitlements, rights, and contracts. The bill would require the city or county, if it is not able to identify any public water system that may supply water for the project, to prepare the water supply assessment after a prescribed consultation.

This Water Supply Assessment (WSA) report was intended to provide a system-wide water supply assessment for the San Simeon Community Services District (District). This report addresses the requirements of California Water Code sections 10608, 10610-10656 (Urban Water Management Plan Act), and 10910-10915 (Water Supply Assessment Statute). Additionally, this WSA serves as an addendum to the District's 2018 Master Plan.

The study area of this WSA consists of the existing and future developments within the District's Service Area (Project). This WSA assesses the water supply sufficiency to the projected water demands by evaluating the impact of this Project's water demands on the water supplies through the horizon year of 2045.

Pursuant to California Water Code 10617, the District's water service is considered a small community water supplier and is not qualified as an Urban Water Supplier. As a result, the District is not required to prepare an Urban Water Management Plan (UWMP). Nevertheless, the District requested the consultant (Akel Engineering Group) to prepare this master plan addendum based on certain requirements for the Urban Water Management Plan Act (UWMP Act) and 2020 Urban Water Management Plan Guidebook (Guidebook) for the purpose of obtaining a determination of water that is available for new developments.

Pursuant to California Water Code Division 6, Part 2.10, Sections 10910-10915, any city or county, which has proposed larger developments or land use plans that are subject to California Environmental Quality Act (CEQA), is required to prepare Water Supply Assessment (WSA) to document potential environmental impacts of the projects.

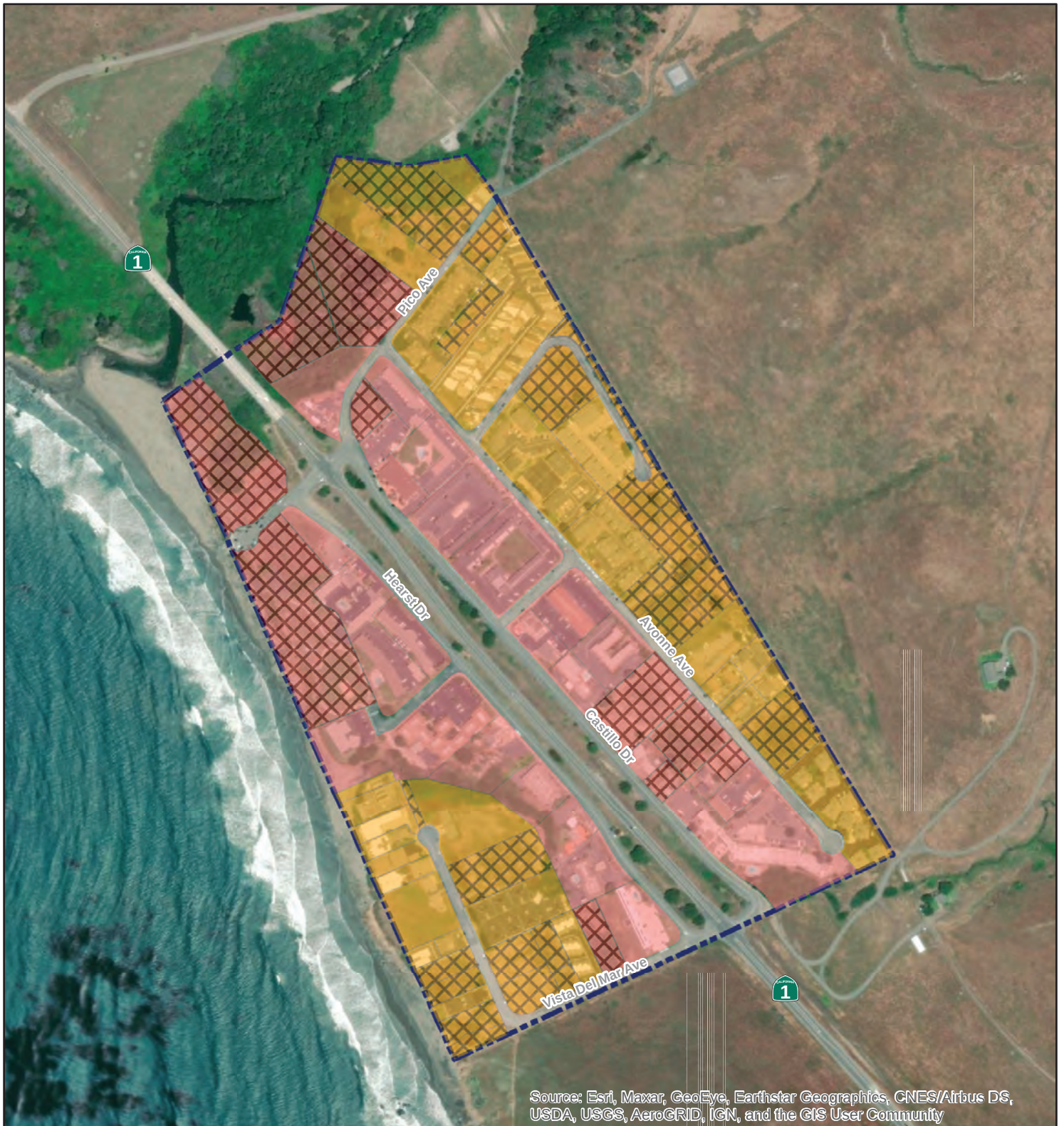
The report includes a discussion of this project's water supply requirements and potential impact on the District's supply availability. This report references multiple land use planning and groundwater supply documents, including the San Simeon 2018 CSD Master Plan (2018 Master Plan), the 2007 North Coast Area Plan (2007 NACP), the 2014 Groundwater Availability Study – Pico Creek Valley Groundwater Basin (2014 GAS), the San Simeon CSD Water Conservation Plan (Ordinance No.117), San Simeon CSD 2013 Water Usage Calculations (2013 EDU Study), Water License issued by the State Water Resource Control Board, and the SSCSD 1989, 2004, 2020 and 2022 Water Wait List Reconciliation (Wait List).

1.2 Project Description

San Simeon is a small unincorporated community situated within San Luis Obispo County on California's central coast, located along State Highway 1, approximately halfway between Los Angeles and San Francisco. The San Simeon community is bordered on the east side by open space owned by the Hearst Corporation and the north and south sides by State Parks property. As an aside, Hearst Castle is visible from portions of the District. The community is located on a coastal plain, bordered by the Pacific Ocean on the west and the Santa Lucia mountain range on the east. The District's existing land uses are depicted in [Figure 1](#) and briefly described as follows:

- **Multi-Family Residential:** The existing multi-family residential land use area is approximately 23.7 acres within the District's service area and will expand to a total of 40.1 acres in the buildout, as shown in [Figure 1](#). This development was documented in the 2007 NACP, though the current conceptual land use plan has differing land use acreage than the 2007 NACP, which was documented as 39.21 acres.
- **Irrigation:** In the middle of the District Service Area, along Highway 1, which locates approximately 10.5 acres of existing irrigation land use, in the buildout, the irrigation land use is expected to decrease to approximately 6.2 acres. Approximately 4.3 acres of existing irrigation land use are proposed to be converted to commercial retail land use, which is a part of the proposed





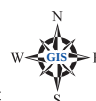
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Existing Land Use

- Residential Multi-Family
- Residential Multi-Family (Vacant)
- Commercial Retail
- Commercial Retail (Vacant)
- District Limit

Figure 1 Existing Land Use

System-Wide Water
Supply Analysis
San Simeon Community
Services District



No.1 development (Cavalier Inn Inc.) on the District's Water Sewer Connection Waitlist ([Appendix B](#)).

- **Commercial Retail:** This tourism-centric district includes approximately 26.3 acres of existing commercial retail land use on both sides of Highway 1 and will increase to approximately 41.4 acres in the buildout. This development was documented in the 2007 NACP, though the current conceptual land use plan has differing land use acreage than the 2007 NACP, which was documented as 41.81 acres.



- **Vacant:** Within the District Service Area, several parcels were vacant or not used in 2020, which consist of approximately 16.4 acres of residential, 15.1 acres of commercial, and 20 acres of right-of-way land uses.

1.3 Relevant Reports

Several reports provide detailed information and factual data related to this analysis. Exhibits from these reports were included in the appendices for ease of reference.

- **San Simeon CSD Master Plan – Potable Water, Wastewater, Recycled Water, and Road Network Improvement Plan, May 2018 (2018 Master Plan).** The District's 2018 Master Plan presents historical and projected water demands, identifies existing and future water system capacity deficiencies, recommends projects to correct these deficiencies, and identifies water facilities for servicing future developments.
- **County Of San Luis Obispo North Coast Area Plan, Revised October 2018 (NCAP).** The North Coast Area Plan is part of the County of San Luis Obispo Local Coastal Plan. The NCAP presents possible population growth within the District, county land use policies for the North Coast Planning Area, and general goals for communities within the planning area.
- **Groundwater Availability Study Pico Creek Valley Groundwater Study 2014 Update, September 2014 (Groundwater Study).** This Groundwater Sustainability Plan updates the previously Groundwater Availability Study, compares the potential impacts of different groundwater productions, and summarizes plans to achieve groundwater sustainability and maintain groundwater quality.

- **Pico Creek Instream Flow Study, July 2024 (2024 Instream Flow Study)** The Plan evaluates the Districts long-term water supply for the Pico Creek Valley Groundwater Basin and the effects of pumping on instream flows and aquatic habitat. Key recommendations includes restricting pumping from the shallow Well #1 when creek flows are below 2 cfs, prioritizing use of the deeper Well #2, and implementing long-term stream flow, water quality, habitat, and groundwater monitoring with annual reporting.
- **San Simeon Community Services District – Water Usage Calculation, January 2014 (2013 EDU Study).** This EDU Calculation Report (**Appendix A**), prepared by Phoenix Civil Engineering, documents the water usage from 2010 to 2013, a three (3) fiscal year period, by different account types. This study establishes a methodology to determine the average water consumption for one single-family residence and calculate equivalent dwelling unit values for multi-family, motel, retail, restaurant, and irrigation accounts.
- **San Simeon CSD Resolution No. 20-426 Water Sewer Connection Waitlist, September 2020 (2020 Water Waitlist).** This Waitlist (**Appendix B**), documents the proposed 11 future developments, including residential, motel, retail, restaurant development, along with the qualifications to add more positions to the Wait List. It is a foundational document and source of information about the proposed developments and projected water demands, water supplies, supply reliability, and potential vulnerabilities, water shortage contingency planning.
- **San Simeon CSD Water Waitlist Reconciliation, March 2022 (Updated Water Waitlist).** This updated water waitlist (**Appendix C**) received from District staff on 3/7/2022 includes 2 more proposed developments compared to the 2020 Water Waitlist. Also, the Hather proposed developments have been split up based on the date of request. The additional developments consist of residential and mixed use (retail) projects.
- **San Simeon CSD Hookup Deposit and Water Waiting List, August 1989 and February 2004 (Legacy Water Waitlists).** These legacy water waitlists (**Appendix D**) received from District staff on 10/11/2022 include the correct proposed developments for Moucharwar Project, compared to the 2020 Water Waitlist. Moucharwar Project proposed 35 motel units, a 2,000 square-foot restaurant, and an apartment unit.
- **SSCSD Water Conservation Plan (Ordinance No. 117).** On December 14, 2016, the District adopted Ordinance No. 117, which includes three (3) stages of water shortages. It's a foundational document for the crosswalk that translates the District's water shortage levels to DWR standardized 6-level water shortage contingency levels.
- **State Water Board Water License 12272.** The water license issued to the District provides annual limits of 140 acre-feet per year and a maximum diversion rate of twenty-

seven hundredths (0.27) cubic foot per second, with other provisions allowing diversion of greater quantities over shorter periods of time while adhering to seven-day limitations.

1.4 Conceptual Land Use Plans

According to the maps and Geodatabase of the District's Development Status and Zoning, a large portion of the conceptual land use plan areas is commercial retail land use (approximately 54% of the total buildable area) as shown in [Figure 1](#), while approximately 46% of the developable area is multi-family residential land use within the District limits. The existing land use of this District consists of residential, commercial, and open space land uses. The District's existing Master Plan designates the project site as various land uses, including residential, commercial, and paved roads, the land use inventory is documented in [Table 1](#).

1.5 Proposed Future Developments Phasing – Water Wait List

Law

10631 (f) ...The urban water supplier shall include a detailed description of expected future water projects and programs...that the urban water supplier may implement to increase the amount of the water supply available to the urban water supplier in normal and single dry water years and for a period of drought lasting five consecutive water years.. The description shall identify specific projects and include a description of the increase in water supply that is expected to be available from each project. The description shall include an estimate with regard to the implementation timeline for each project or program.

Combining the 1989, 2004, 2020, and recently updated 2020 SSCSD Water Wait Lists, the total full buildout is estimated at approximately 1,300 EDUs, which includes approximately 800 present EDUs, 400 EDUs of proposed developments on the waitlist, and an estimated additional 100 EDUs of future developments not on waitlist. The locations of the proposed and future development are graphically shown in [Figure 2](#).

Pursuant to the County's Growth Management Ordinance, the county-wide allowed annual dwelling units growth rate is generally limited to 2.3% of the existing county dwelling units. Therefore, San Simeon CSD shall follow the county's guidelines, limiting the maximum residential growth rate to 2.3 percent, and the planned and actual residential development shall be under the growth cap.

Per the District staff's comments, two additional developments have been added to the Water Waitlist (No. 13 and 14), which are not included in the SSCSD Resolution No. 20-426. The Hather proposed developments (No. 8) have been split up according to the requested date. The Water Waitlist Reconciliation dated 3/7/2022 is provided in [Appendix C](#) for reference. Additionally, the proposed units for Mouchawar Development were incorrectly documented in the 2020 and 2022 water waitlist. For this study, the proposed units for Mouchawar Development were based on the 1989 and 2004 Water Waitlist ([Appendix D](#)).



Legend

General Plan Land Use

- Existing Developments
- Proposed Developments on Waitlist
- Proposed Developments Not Yet on Waitlist
- Other Vacant
- District Limit

Note:

The number on top of the parcels represents the position number on the water waitlist.

Figure 2
General Plan Land Use
 System-Wide Water
 Supply Analysis
 San Simeon Community
 Services District



Table 1 Existing and Future Land Use Inventory

System-Wide Water Supply Assessment

San Simeon Community Services District

PRELIMINARY

Existing vs. Future	Unit	Land Use Type ^{1, 2, 3}		
		Multi-Family Residential	Commercial Retail	Total
Existing				
Existing	(acres)	23.7	26.3	50.0
Future				
On Waitlist	(acres)	10.9	8.6	19.6
Not Yet on Waitlist	(acres)	3.1	1.9	5.0
Other Vacant	(acres)	2.4	4.5	6.9
Subtotal	(acres)	16.4	15.1	31.4
Non-Demand Generating				
Right-Of-Way	(acres)			20.0
Total				
AKEL	(acres)	40.1	41.4	101.5

Notes: **AKEL** ENGINEERING GROUP, INC.

3/9/2022

1. Land use acreage determined using GIS database received from District staff on 12/13/2021.
2. Land use type determined using the zoning designations in GIS database received from District staff on 12/13/2021.
3. Irrigation land use is for documentation purposes only, recycled water demand from irrigation is not included in this analysis.

The estimated water demands of the proposed future developments on the waitlist were intentionally phased in 5-year windows through the planning horizon in order to satisfy the requirements of state law. Further details about water demand estimation are discussed in **section 2**. It should be noted that the actual timing and sequence of construction for the proposed developments are subject to change and may not correspond to the order on the Water Waitlist or to the assumptions in this WSA. While the projected demands account for all developments (on the waitlist), construction is anticipated to be completed within the 20-year planning horizon of this WSA.

2.0 PROJECTED WATER DEMANDS

This section includes the methodology and assumptions used to estimate projected water demands for the proposed developments. Analyses includes the development of water use demand factors, calculation of Equivalent Dwelling Units (EDUs), and application of unit conversion factors to project average daily and annual demands.

2.1 Water Use Demand Factors

Domestic water demand unit factors are coefficients commonly used in planning-level analyses to estimate future average daily demands for areas with predetermined land uses. For residential categories, these factors are multiplied by the number of dwelling units or acreage for non-residential categories, they are multiplied by acreages or square footage.

Several methods can be used to develop unit factors. The currently adopted Master Plan projected water demands were based on the system-wide average daily demand, without distinguishing among residential, commercial, or institutional uses. To account for the proposed developments, which consist of varying land uses, this WSA relies on 2013 EDU Study (prepared by Phoenix Civil Engineering, January 2014) as the fundamental document to project future demand.

2.2 Equivalent Dwelling Unit

An Equivalent Dwelling Unit (EDU) is a standard service unit commonly used in water/wastewater demand analysis, defined as the average demand of one single-family dwelling unit.

The 2013 EDU Study derived EDUs by:

- Reviewing metered water use by account type (rate categories)
- Excluding residential accounts with less than 2,000 cubic feet per year (assumed part-time occupancy, vacation homes), and

- Excluding residential account with more than 10,000 cubic feet per year (assumed multiple family residence)
- Averaging three years of qualified single-family usage.

This resulted in 1 EDU = 4,050 cubic feet per year (cfy), documented in [Table 2](#).

It should be noted that the 2013 EDU Study was prepared based on the water usage meter readings, which were water consumption data. In order to reflect the water losses in the system, the EDU calculation in this WSA was based on the water consumption data and balanced to the same year's water production amount.

The 2022 WSA updated the EDU calculations using 2018 billing records, adjusting for system water loss and the 2020 actual production. Based on 56 qualified single-family accounts, the net water usage per EDU was calculated as 4,078 cfy, with the raw water usage per EDU adjusted to 4,400 cfy (0.101 AFY).

The 2025 WSA updated the EDU calculations using the 2024 billing records, accounting for the system water loss, and the 2024 actual production. Based on 67 qualified single-family accounts, the new water usage per EDU was calculated as 3,642 cfy, with a corresponding raw water usage of 4,257 cfy (0.098 AFY).

The existing water demands and equivalent dwelling units conversion are summarized in [Table 3](#), comparing resulting from applying 2018 and 2024 billing records. The table includes the number of metered accounts, EDU conversion factors, total EDUs, and the corresponding net and raw water demands in AFY for each land use categories.

2.3 Proposed Project Water Demand Projections

The development information provided by District staff identified the project site would develop as a combination of residential and non-residential land use types. It is assumed that the water use based on the most recent land use plan, zoning and, updated Water Waitlist received from the District staff will supersede the estimates previously provided in the Master Plan. The calculated and phased water demand projection results of this Project from initiation to the year 2045 are documented in [Table 4](#) and [Table 5](#) and summarized below.

- **Residential Water Demand** – On the Updated Water Waitlist, the proposed future residential development has a total of 174 residential units and two irrigation accounts, which are equivalent to 174 EDUs and 2 EDUs. Using the updated water demand per EDU, the residential and irrigation water demands of the proposed future development on the waitlist within the District are estimated at approximately 17.0 AFY and 0.2 AFY, respectively. The total residential (with irrigation) water demand for the existing and

Table 2 Equivalent Dwelling Unit Calculation

System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

	Equivalent Dwelling Units Calculation		
	2013 EDU Study	2022 WSA	2025 WSA Update
Definition	A standard unit of water production needed that represents the average annual water use of a single-family residential account within a calendar/fiscal year.		
Criteria for SFR¹	Customer Type Annual Consumption Range	Residential Users Only (Rate Code = 1) Between 2,000 and 10,000 cubic feet per year	
Qualified SFR Accounts	59	56	67
Qualified SFR Usage (CFY)²	238,974	228,343	244,000
Net Water Usage Per EDU^{3, 4, 5}	4,050	4,078	3,642
Raw Water Usage Per EDU^{4, 5}	-	4,400	4,257

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Notes:

1. Residential accounts with annual consumption < 2,000 cf/year are typically vacation/seasonal homes and excluded. Accounts with annual consumption > 10,000 cf/year are typically multi-family residential and excluded.
2. Qualified Account Usage (CFY) represents the sum of annual billed consumption for accounts that meet the criteria in each study year.
3. 2013 EDU Study was based only on billed consumption and did not reflect true water production requirements.
4. 2022 WSA used 2018 billing records, with results adjusted to 2020 production to account for system water loss and actual production needs.
5. 2025 WSA Update used 2024 billing records, with results adjusted to 2024 production to account for system water loss and actual production needs.

Table 3 Existing Water Demand and EDUs by Land Use
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Land Use	Number of Meters		EDU Conversion		Number of EDUs		Net Water Demand (AFY)		Raw Water Demand (AFY)	
	2022 WSA	2025 WSA Update	2022 WSA	2025 WSA Update	2022 WSA	2025 WSA Update	2022 WSA	2025 WSA Update	2022 WSA	2025 WSA Update
Vacation/ Seasonal Housing	100	81	1 unit = 0.25 EDU	1 unit = 0.23 EDU	25.4	18.6	2.4	1.6	2.6	1.8
Single Family Residential	56	67	1 unit = 1 EDU	1 unit = 1 EDU	56.0	67.0	5.2	5.6	5.7	6.5
Multi-Family Residential	8	8	1 unit = 7.9 EDUs	1 unit = 9.5 EDUs	63.2	76.0	5.9	6.4	6.4	7.4
Retail	5	4	1 unit = 3.8 EDUs	1 unit = 5.1 EDUs	19.0	20.6	1.8	1.7	1.9	2.0
Motel	10	35	1 unit = 49.9 EDUs	1 unit = 16.3 EDUs	499.0	571.7	46.7	47.8	50.4	55.9
Restaurant	6	6	1 unit = 11.1 EDUs	1 unit = 5.4 EDUs	66.6	32.6	6.2	2.7	6.7	3.2
Irrigation	12	12	1 unit = 0.8 EDUs	1 unit = 1.2 EDUs	9.6	13.9	0.9	1.2	1.0	1.4
AKEL ENGINEERING GROUP, INC.			Total		738.8	800.4	69.2	66.9	74.6	78.2

Notes:

1. 2022 WSA used 2018 billing records, with results adjusted to 2020 production to account for system water loss and actual production needs.
2. 2025 WSA Update used 2024 billing records, with results adjusted to 2024 production to account for system water loss and actual production needs.

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Table 4 Water Wait List
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Position Number	Name	Proposed Future Developments	Estimated Water Demand (AFY)
1	Cavalier Inn Inc. ¹	145 Motel rooms & 2400 sq ft. restaurant	10.87
2	Evans ¹	Retail	0.50
3	Mouchawar ^{1,2}	35 Motel rooms & 2,000 sq-ft. restaurant & 1 apartment unit	3.12
4	V& H Holdings ¹	1 Residence	0.10
5	Hurlbert for Tides of San Simeon ¹	6 Condos + 1 irrigation meter	0.64
6	Seifert ¹	6 Condos	0.59
7	Tyo ¹	3 Residences	0.29
8	Hather and/or Hulbert ¹	10 Residences	0.98
9	Sansone, Inc. ¹	30.5 (30 Multi-Family Edu's + .5 Irrigation)	2.99
10	Sansone, Inc. ¹	64.5 (64 Multi-Family EDU's + .5 Irrigation)	6.31
11	Sansone, Inc. ¹	10.5 (10 Multi-Family EDU's + .5 Irrigation)	1.04
12	Hather ³	5 Residences	0.49
13	Lloyd Marcum ⁴	26 (13 residential 13 mixed use)	7.75
14	V&H Holdings ⁴	25 residential units	2.44
		Total	38.11



8/20/2025

Notes:

1. Source: San Simeon Community Services District Resolution No. 20-426, 2020 Water Sewer Connection Waitlist, Exhibit "A".
2. Source: San Simeon Hook-Up Deposit and Water Waiting List from August 1989 and February 2004.
3. Proposed Hather developments were split up per updated Water Wait List Reconciliation document dated 03/07/2022.
4. 2 developments has been added to the waitlist per updated Water Wait List Reconciliation document provided by District staff on 3/7/2022.
5. Model Unit Multiplier = 0.73 EDU / motel room, consistent with Water Wait List Reconciliation's assumption.

Table 5 Water Demand Projections
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

	Projected Water Demand					
	2024 ¹ (AFY)	2025 ² (AFY)	2030 ² (AFY)	2035 ² (AFY)	2040 ² (AFY)	2045 ² (AFY)
Residential	17.2	18.0	22.1	26.2	30.3	34.4
Commercial	61.1	62.1	67.0	72.0	77.0	81.9
Total	78.2	80.0	89.1	98.2	107.3	116.3
Annual Percent Growth³	-	2.3%	2.3%	2.0%	1.8%	1.7%

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Notes:

1. 2024 Demand based on 2024 billing records, with results adjusted to 2024 production to account for system water loss and actual production needs.
2. Estimated Demand for future developments was extracted from Water Wait List Reconciliation received from District staff on 3/7/2022 and evenly distributed through the planning horizon.
3. Pursuant to the San Luis Obispo County's Growth Management Ordinance, the county-wide allowed annual dwelling units growth rate is generally 2.3% of the existing county dwelling units.

- proposed future development at the end of the 20-year horizon is estimated to be approximately 34.4 AFY.
- **Commercial Water Demand** – The proposed future commercial development consists of 14 retail, 2 restaurants, 1 apartment unit, and 180 motel rooms. Applying the EDU conversions to the proposed development, the commercial developments expect a growth of 206.8 EDUs. The non-residential water demands of the proposed future development within the District are estimated at 20.9 AFY for developments on the waitlist. The total Commercial water demand for the existing developments and proposed future development at the end of the 20-year horizon is estimated to be 81.9 AFY.

It should be noted that, according to the Water Waitlist, a motel room equals 0.73 EDU and an irrigation account equals 1.2 EDU. Additionally, the projected demands of the waitlist developments were intentionally evenly distributed during the 20-year planning horizon for information and analysis purposes only. The actual future demand will depend on each project's construction timing, while this WSA covers the total water demand of all the waitlist projects.

3.0 PROJECTED WATER SUPPLY

This section characterizes the intended water supply, which will be used to serve the estimated water demands as detailed in **Section 2**.

3.1 Groundwater Basin

Law

10631. (b)(4) *If groundwater is identified as an existing or planned source of water available to the supplier, all of the following information shall be included in the plan:*

(B) *A description of any groundwater basin or basins from which the urban water supplier pumps groundwater.*

The District is located above the Pico Creek Valley Groundwater Basin. The Pico Creek Valley Groundwater Study was prepared by Cleath-Harris Geologists in 2014. And the Pico Creek Instream Flow Study was prepared by Stillwater Sciences and Cleath-Harris Geologists in 2024. These reports provide key information on groundwater conditions, surface water interactions, and habitat consideration.

According to the 2014 Pico Creek Valley Groundwater Study, the groundwater basin covers approximately 70 acres, with the Pico Creek watershed is approximately 14 square miles in area. The study indicated that the groundwater basin is vulnerable to seawater intrusion under increased groundwater production or prolonged drought. The Groundwater Study also noted that

the intrusion would typically not occur during wet, normal, and dry water years at basin production levels of 80 AFY and 110 AFY (District well production only). However, during drought cycles, chloride concentrations would increase significantly due to seawater intrusion and last for a few months, depending on the water production amount.

The 2024 Pico Creek Instream Flow Study indicated that District pumping operations influence surface flows in lower Pico Creek, particularly in the section near the District wells. Of the two primary wells, Well 1, which draws from the shallower groundwater layer, has the greatest impact on stream flows, while Well 2, which pumps from the deeper layer, has minimal effect. Under normal pumping conditions, adult steelhead and tidewater goby migration are not affected, and juvenile steelhead and California red-legged frogs may be affected in isolated pools when stream flows are low (≤ 1.5 cfs) or after surface flows cease, as pumping can accelerate pool drying and increase the risk of stranding or desiccation.

The study highlighted the importance of coordinating District pumping with instream flow conditions to protect sensitive aquatic species. To support sustainable water management, the study recommends a long-term monitoring program including streamflow measurements near the wells, assessment of isolated pool habitats, groundwater level tracking in relation to rainfall and stream flow, water quality monitoring in the lagoon, and evaluation of wetland and riparian vegetation using remote sensing indicators. These measures aim to balance water supply needs with habitat protection and ensure early detection of potential impacts from pumping operations.

According to the District's Master Plan, three groundwater wells serve as the domestic water source of supply ([Table 6](#)). It should be noted that, per the Division of Drink Water Permit, Well 3 can only be operated five days per year, at maximum.

3.2 Water Rights

Examples of legal factors that could impact the supply reliability of a water distribution system include pumping limitations in adjudicated groundwater basins and surface water contracts. Historically, groundwater has been the sole source of water supply within the District, and there are no new sources of supply currently planned. Groundwater is extracted from the Pico Creel Valley Groundwater Basin, which has not been adjudicated. According to the Water License (License 12272, Permit 12465), San Simeon Community Services District has the right to the maximum production of 140 AFY from Pico Creek underflow. Based on available information, including that which has been developed by the Groundwater Sustainability Agencies (GSAs) to date, the groundwater supply for the proposed future developments within the area of the District is expected to meet future demands, as discussed in the later sections.

Table 6 Existing Water Supply Facilities
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Supply Facility	Location ¹	Design Capacity ²		2022 Actual Production ³	
		(gpm)	(AFY)	(gpd)	(AFY)
Well 1	Pico Creek Valley	300	483	47,747	53.4
Well 2	Pico Creek Valley	300	483	17,323	19.4
Well 3 ⁴	Hearst Pico Creek Ranch	100	161	0	0
System Well Supply Capacity					
Total Well Capacity		700	1,127	65,070	72.8
Firm Well Capacity ⁵		300	483	65,070	72.8



8/20/2025

Notes:

1. Source: Table 1 from Pico Creek Valley Groundwater Basin 2014 Groundwater Availability Update.
2. Well design capacity information from email received from District staff on 01/19/22.
3. Source: 2022 Superintendent's Reports received from San Simeon CSD staff on 06/10/25.
4. Per Division of Drink Water (DDW) permit, Well 3 can only be operated 5 days per year.
Therefore, Well 3 does not count as District's firm capacity.
5. Firm well capacity is defined as the largest available well is intentionally excluded for standby.

3.3 Water Supply Reliability

There are two aspects of supply reliability to be considered. The first relates to immediate service needs and primarily depends on the availability and adequacy of the supply facilities; This aspect addresses emergency reliability. The second relates climate-conditions and involves the water availability of water during mild or severe drought periods.

Law

<i>10631 (b) Identify and quantify, to the extent practicable, the existing and planned sources of water available to the supplier over the same five-year increments described in subdivision 10631(a).</i>
<i>(4) (Provide a) detailed description and analysis of the amount and location of groundwater that is projected to be pumped by the urban water supplier. The description and analysis shall be based on information that is reasonable available, including, but not limited to, historic use records.</i>

3.3.1 Groundwater Supply Facilities

The District currently relies on local groundwater as its primary source of supply. Water supply for the municipal water system is extracted from underground aquifers via two existing 300 gallons per minute (gpm) groundwater wells located north of the community, in the Pico Creek Valley, and a third 100 gpm standby well on the Hearst Pico Creek Ranch ([Figure 3](#) and [Table 6](#)). The firm well capacity — assuming the largest well is on standby for emergency use — is 300 gpm, or 483 acre-feet per year (AFY). Note that per the Division of Drink Water permit, the third well can only be operated 5 days per year. Therefore, Well 3 does not account for the District's firm capacity.

The District's Master Plan recommends constructing additional storage tanks to enhance long-term reliability. These facilities provide sufficient emergency storage to handle the service area needs during power outages or other emergencies. Adding supply and distribution system enhancements will also add reliability through redundancy.

3.3.2 Groundwater Basin Sustainable Yield

Law

<i>10631 (b)(1) A detailed discussion of anticipated supply availability under a normal water year, single dry year, and droughts lasting at least five years, as well as more frequent and severe periods of drought, as described in the drought risk assessment. For each source of water supply, consider any information pertinent to the reliability analysis conducted pursuant to Section 10635, including changes in supply due to climate change.</i>

The Groundwater Study describes the simulated impacts to the groundwater levels for different total production amounts of the two wells. The severity and duration of seawater intrusion increase significantly with both increases in the well production and the length of the drought.



Legend

Existing System



Tanks



Wells



RO Treatment Facility



Hydrants

Pipelines by Diameter



4"



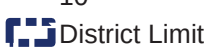
6"



8"



10"



District Limit



Figure 3 Existing Water System

System-Wide Water
Supply Analysis
San Simeon Community
Services District



80 AFY Groundwater Well Production

The District currently produces approximately 80 AFY from its wells. According to the 2014 Groundwater Study, seawater intrusion is less likely to occur until the second year of severe drought. Based on the historical metered depths to groundwater provided by the District staff, which is shown in [Figure 4](#), in the past, from 2016 to 2022, the groundwater level was consistent and wasn't significantly affected by the District's water production.

110 AFY Groundwater Well Production

At a production of 110 AFY, intrusions would not be expected during wet, normal, and dry years but in some prolonged drought cycles. Therefore, the sustainable yield of Pico Creek Valley Groundwater Basin for the District is 110 AFY without water filtering facilities.

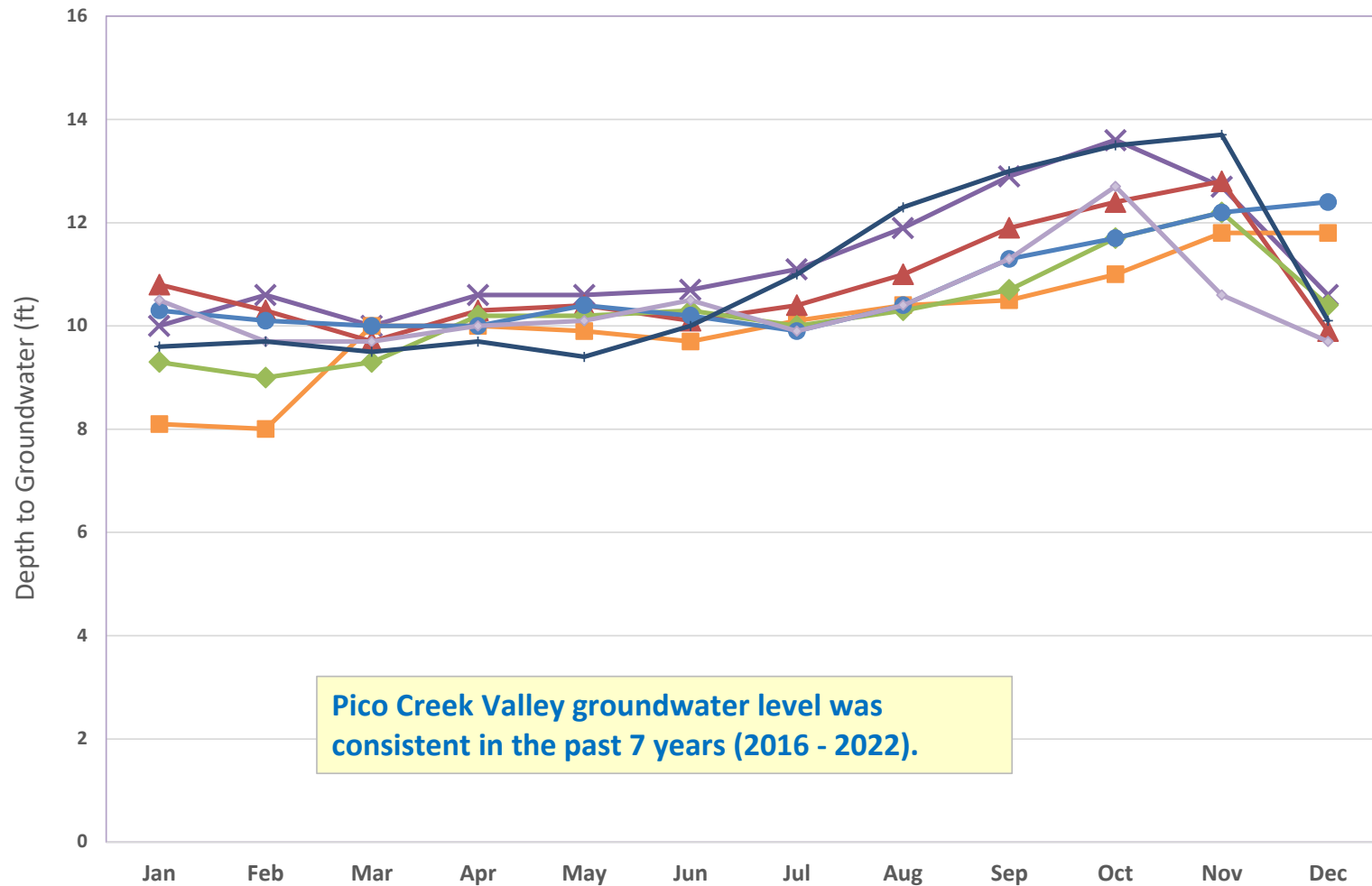
140 AFY Groundwater Well Production

According to the DWR Water License, the district is allowed to divert from the groundwater basin with an annual limit of 140 AFY. In the Groundwater Study, as the simulated well production increased to 140 AFY, it was observed that during either a single-dry year or multiple dry years, the chloride concentrations would significantly exceed the practical limit of 1,000 mg/L. With the District's effort, a reverse osmosis (RO) unit was installed and used to treat brackish and mineral heavy community water from the existing well field.

However, during the RO treatment process, the pure water (product water) goes to the water storage tank, and the waste stream (RO reject water, or brine) that brings all the contaminants and chloride, goes down the drain. Per District staff direction, the District's RO system rejection rate is approximately 20%.

Based on the historical operations since the RO treatment facility was installed, the facility has been used intermittently: 28 days in 2016, 15 days in 2021, 19 days in 2022, and 0 days in 2017-2020 and 2023-2024. Considering these past patterns and planning for critical drought conditions, the RO unit is assumed to operate for approximately 30 days per year during the period when chloride levels exceeds 1,000 mg/L. During the remaining 335 days, chloride concentrations remain below 1,000 mg/L, and the RO unit is not required.

Under these planning assumptions, the well can supply about 9.2 AFY during RO operation and 128.5 AFY when RO is inactive, resulting a total annual sustainable yield of approximately 137.7 AFY, as summarized in [Table 7](#)



LEGEND

- Well Depth in 2016
- Well Depth in 2017
- Well Depth in 2018
- Well Depth in 2019
- Well Depth in 2020
- Well Depth in 2021
- Well Depth in 2022

PRELIMINARY

Source: SSCSD 2022 Board Packet, December 2022,
Page 3, Superintendent's Report.

July 2, 2025

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Figure 4

Historical Depth to Groundwater
System-Wide Water Supply Assessment
San Simeon Community Services District



Table 7 Water Supply Scenarios
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Groundwater Basin Sustainable Yield ¹ (AFY)	RO Status	RO Rejection Rate ²	Usage Per Year ^{3, 4} (days)	Water Availability For the District ⁴ (AFY)
140	RO active	20%	30	9.2
	RO inactive	0%	335	128.5
Total				137.7



8/20/2025

Notes:

1. Source: Groundwater Availability Study Pico Creek Valley Groundwater Basin 2014 Update, Part I, Basin Sustainable Yield Estimate (with desalination facilities online).
2. RO rejection rate: Based on District staff direction; approximately 20% of water loss (rejection) occurs during RO treatment.
3. Historical RO usage: The RO facility operated 15 days in 2021, 19 days in 2022, and 28 days in 2016.
4. Per District direction, a planning assumption of 30 days of RO operation per year is applied, which reduces the total annual production available.

4.0 SUPPLY SUFFICIENCY ANALYSIS

Law

10635 (a) Every urban water supplier shall include, as part of its urban water management plan, an assessment of the reliability of its water service to its customers during normal, dry, and multiple dry water years. This water supply and demand assessment shall compare the total water supply sources available to the water supplier with the total projected water use over the next 20 years, in five-year increments, for a normal water year, a single dry water year, and multiple dry water years. The water service reliability assessment shall be based upon the information compiled pursuant to Section 10631, including available data from state, regional or local agency population projections within the service area of the urban water supplier.

Pursuant to California Water Code § 10910, the water supply assessment for the project shall include a discussion with regard to whether the total projected water supplies available during normal, single dry, and multiple dry water years during a 20-year projection will meet the projected water demand associated with the proposed project.

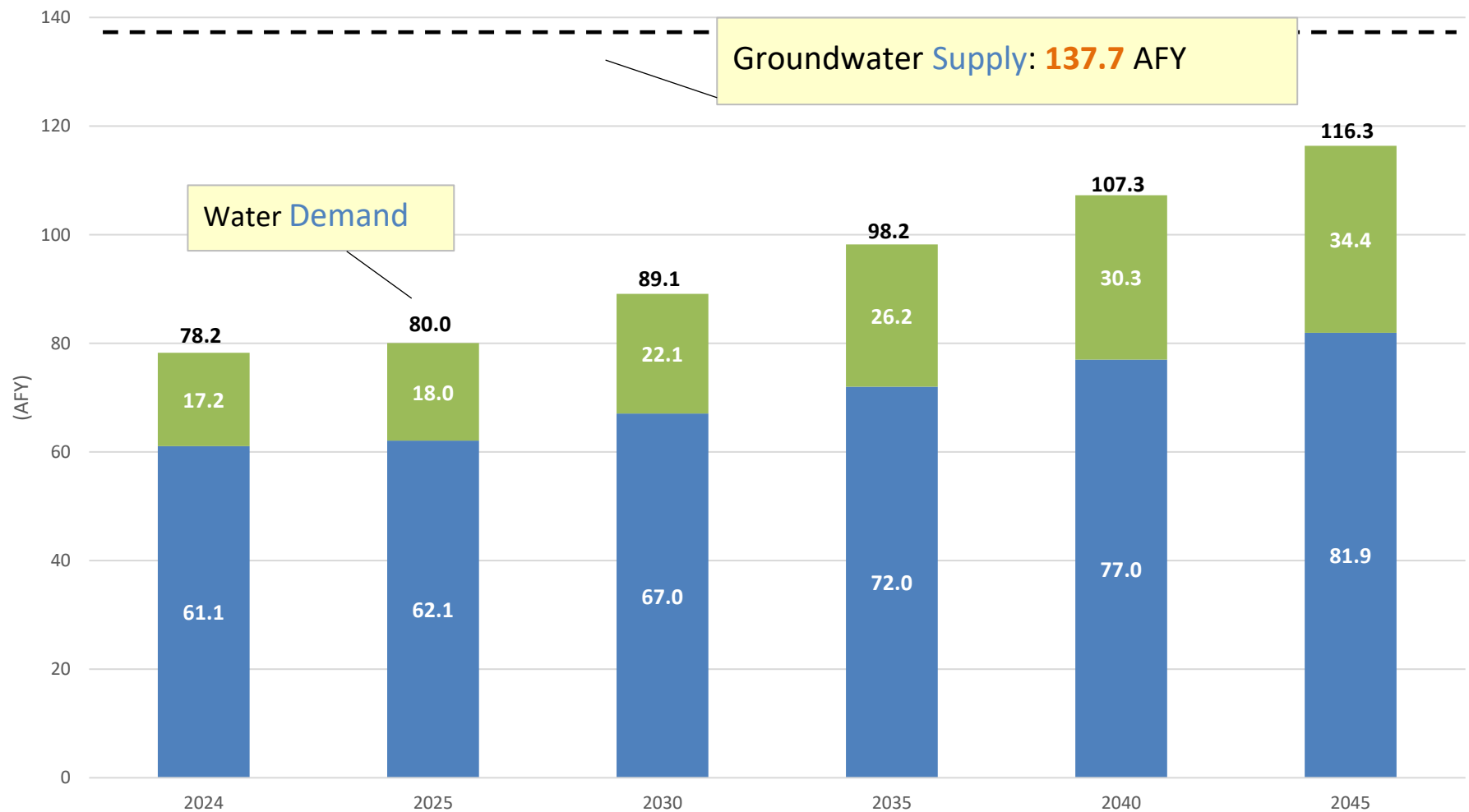
In this section, a detailed analysis of the water supply and demand comparison will be provided to determine the groundwater supply sufficiency within the District with proposed future developments, assuming the Project develops as the Water Sewer Waitlist received from District staff.

Historical precipitation data were used to determine the year type, when annual precipitation is 2 inches above the average amount, it's regarded as a wet year. Otherwise, if the annual precipitation is 2 inches below the average amount, it's regarded as a dry year, details are listed in [Table 8](#).

Due to limited data of the historical water use under different conditions, the demand projections in this WSA were based on the production percentage of base year production under single dry and multiple dry years conditions, as summarized in [Table 9](#).

The supply vs. demand analyses under different year types are listed below and summarized as shown in [Table 10](#), [Table 11](#), and [Table 12](#).

- **Normal Year:** The normal year is a year that represents the median runoff levels from precipitation and typical seasonal pattern. The supply quantities would be similar to historical average supplies. The District's projected sustainable yield, accounting for RO operations, is 137.7 AFY. In 2045, projected demand is 116.3 AFY, leaving a remaining supply capacity of 21.4 AFY under normal year conditions. The District's water supply is expected to be sufficient to meet the future demand with the proposed developments on Water Waitlist under normal year conditions. The supply and demand comparison is documented in [Table 10](#) and depicted in [Figure 5](#).



LEGEND

Annual Water Demand

- Commercial
- Residential

PRELIMINARY

Figure 5
Existing and Projected Future
Water Demand vs. Supply Comparison
Under Normal Year Condition
System-Wide Water Supply Assessment
San Simeon Community Services District



Table 8 Historical Precipitation and Production
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Year	Actual Precipitation		Year Type ^{3,4}	Actual
	San Simeon ¹ (inch)	SLO West ² (inch)		Production ^{5,6,7} (AFY)
Historical				
2001	N/A	24.7	Wet	107.1
2002	N/A	5.5	Dry	102.5
2003	N/A	5.7	Dry	112.3
2004	N/A	21.4	Wet	89.0
2005	N/A	19.6	Wet	100.7
2006	N/A	20.0	Wet	93.3
2007	N/A	8.4	Dry	93.9
2008	N/A	14.8	Wet	84.1
2009	N/A	5.8	Dry	72.4
2010	N/A	18.7	Wet	81.3
2011	N/A	17.9	Wet	78.9
2012	16.6	9.7	Dry	75.8
2013	4.0	3.0	Dry	81.6
2014	13.7	12.7	Normal	76.5
2015	5.9	5.4	Dry	90.5
2016	20.6	17.3	Wet	89.6
2017	26.8	18.8	Wet	73.2
2018	14.9	10.9	Normal	78.7
2019	N/A	2.3	Dry	81.1
2020	N/A	2.3	Dry	74.8
2021	N/A	5.0	Dry	75.4
2022	N/A	9.9	Dry	78.7
2023	N/A	24.9	Wet	75.3
2024	N/A	10.4	Normal	78.2
Historical Average				
	14.6	12.3		85.2
A K E L				

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Notes:

1. Historical precipitation per San Luis Obispo County Rain Gauge #764 San Simeon records from 2011 to 2019. Since data from some years are not available or incomplete, records from this station are not used for analysis in this report.
2. Historical Precipitation per CIMS San Luis Obispo West Station (#160) Annual Precipitation from 2001 to 2024.
3. "Wet Year" assumes actual annual precipitation more than (average precipitation + 2 inch).
4. "Dry Year" assumes actual annual precipitation less than (average precipitation - 2 inch).
5. 2001-2013 annual water production extracted from 2014 Pico Valley Groundwater Basin Study Table 2.
6. 2014-2016 annual water production extracted from 2018 Master Plan Table 3.
7. 2017-2024 annual water production extracted from annual Board of Directors meeting packets

Table 9 Basis of Water Year Data
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

Year Type	Base Year	Actual Production (AFY)	Percentage of Average Production (%)
Base Year	2014	76.5	100%
Single-Dry Year	2015	90.5	118%
Consecutive Dry Years 1st Year	2012	75.8	99%
Consecutive Dry Years 2nd Year	2013	81.6	107%
Consecutive Dry Years 3rd Year	2014	76.5	100%
Consecutive Dry Years 4th Year	2015	90.5	118%
Consecutive Dry Years 5th Year	2016	89.6	117%

Table 10 Normal Year Supply and Demand Comparison
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

	2025	2030	2035	2040	2045
	(AFY)	(AFY)	(AFY)	(AFY)	(AFY)
Supply	137.7	137.7	137.7	137.7	137.7
Demand	78.2	89.1	98.2	107.3	116.3
Remaining Supply Capacity^{1,2}	59.5	48.6	39.5	30.4	21.4



8/20/2025

Notes:

1. Remaining supply capacity is calculated by Supply minus Demand.

Table 11 Single Dry Years Supply and Demand Comparison
 System-Wide Water Supply Assessment
 San Simeon Community Services District

PRELIMINARY

	2025	2030	2035	2040	2045
	(AFY)	(AFY)	(AFY)	(AFY)	(AFY)
Supply	137.7	137.7	137.7	137.7	137.7
Demand	92.5	105.4	116.1	126.8	137.6
Remaining Supply Capacity ^{1,2}	45.2	32.3	21.6	10.9	0.1



8/20/2025

Notes:

1. Remaining supply capacity is calculated by Supply minus Demand.

Table 12 Multiple Dry Years Supply and Demand Comparison
System-Wide Water Supply Assessment
San Simeon Community Services District

Consecutive Dry Years	Supply vs. Demand	2025 (AFY)	2030 (AFY)	2035 (AFY)	2040 (AFY)	2045 (AFY)
1st Year	Supply	137.7	137.7	137.7	137.7	137.7
	Demand	77.5	88.3	97.3	106.2	115.2
	Remaining Supply Capacity ¹	60.2	49.4	40.4	31.5	22.5
2nd Year	Supply	137.7	137.7	137.7	137.7	137.7
	Demand	83.4	95.0	104.7	114.4	124.1
	Remaining Supply Capacity ^{1,2}	54.3	42.7	33.0	23.3	13.6
3rd Year	Supply	137.7	137.7	137.7	137.7	137.7
	Demand	78.2	89.1	98.2	107.3	116.3
	Remaining Supply Capacity ^{1,2}	59.5	48.6	39.5	30.4	21.4
4th Year	Supply	137.7	137.7	137.7	137.7	137.7
	Demand	92.5	105.4	116.1	126.8	137.6
	Remaining Supply Capacity ^{1,2}	45.2	32.3	21.6	10.9	0.1
5th Year	Supply	137.7	137.7	137.7	137.7	137.7
	Demand	91.6	104.3	115.0	125.6	136.2
	Remaining Supply Capacity ^{1,2}	46.1	33.4	22.7	12.1	1.5

AKEL
ENGINEERING GROUP, INC.

Notes:

1. Remaining supply capacity is calculated by Supply minus Demand.

8/20/2025

- **Single-Dry Year:** The single dry year is defined as the individual year with the lowest usable water supply and slightly higher water demands, which is observed to be the year 2015 in the historical climate data. Under single-day year conditions, the District sustainability yield remains 137.7 AFY, while the projected water demand is expected to increase from 92.5 AFY in 2025 to 137.6 AFY in 2045. This results in a remaining supply capacity of 0.1 AFY in 2045, as shown in [Table 11](#) and [Figure 6](#).

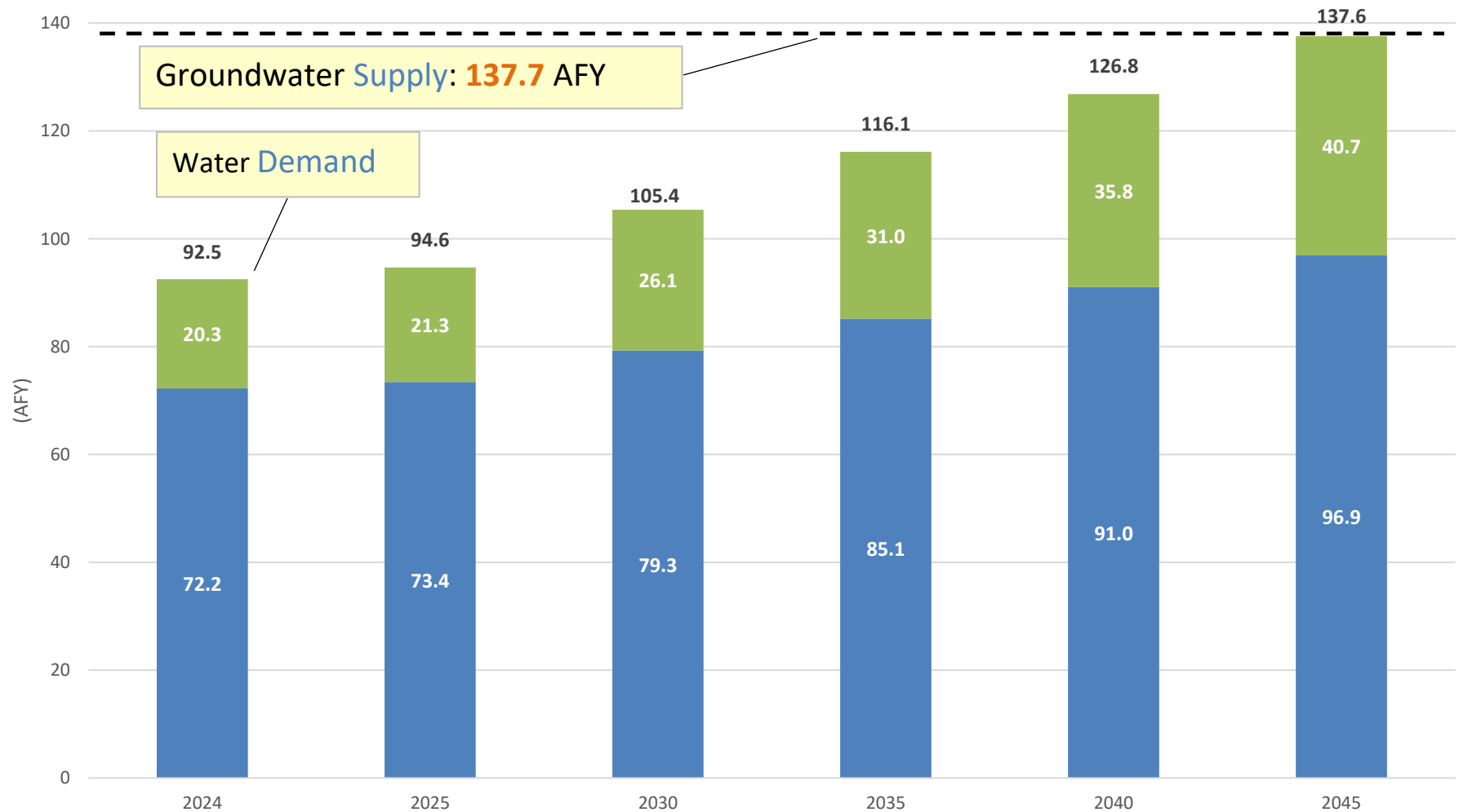
Pursuant to the District's Ordinance No. 117, water shortage stages shall be declared based on the water supply conditions and implement the Water Conservation Plan to promote water conservation. Through these measures, the water supply would be further secured, ensuring continued reliability even during higher demand periods under single-day year conditions.

- **Multiple Dry Years:** Similar to single-dry year, the five consecutive-year droughts is defined as the five consecutive years with the lowest usable water supply and slightly higher water demands, which are observed to be the year 2012 through 2016. In the year 2045, the multiple-day years demand is projected to be approximately 115.2 AFY, 124.1 AFY, 116.3 AFY, 137.6 AFY, leaving the remaining available supply between 22.5 AFY and 0.1 AFY, as summarized in [Table 12](#).

Overall, the system supply is sufficient to meet the projected demand throughout the entire drought cycle, with the remaining supply capacity observed in all years. With the implementation of the District's Water Conservation Plan, which further reduces water uses and prevent water waste, the District is expected to further strength its supply reliability and resiliency to meet demands during the extended drought conditions

It should be noted that, from the historical groundwater productions and trends ([Figure 7](#)), the actual water production has a significant reduction from 2001 to 2009 (approximately 20% declining). Since 2009, water consumption has remained relatively consistent.

Comparing the groundwater sustainable yields and water demands, the Pico Creek Valley Groundwater Basin is anticipated to maintain a surplus of 21.4 AFY by 2045 under normal year conditions. The supply is expected to reliably meet demands in normal, single-day and multiple day years without deficit. With the implementation of water conservation measures and demand management practices, the District will be in an even stronger position to ensure long-term water supply reliability under varying hydrologic conditions.



LEGEND

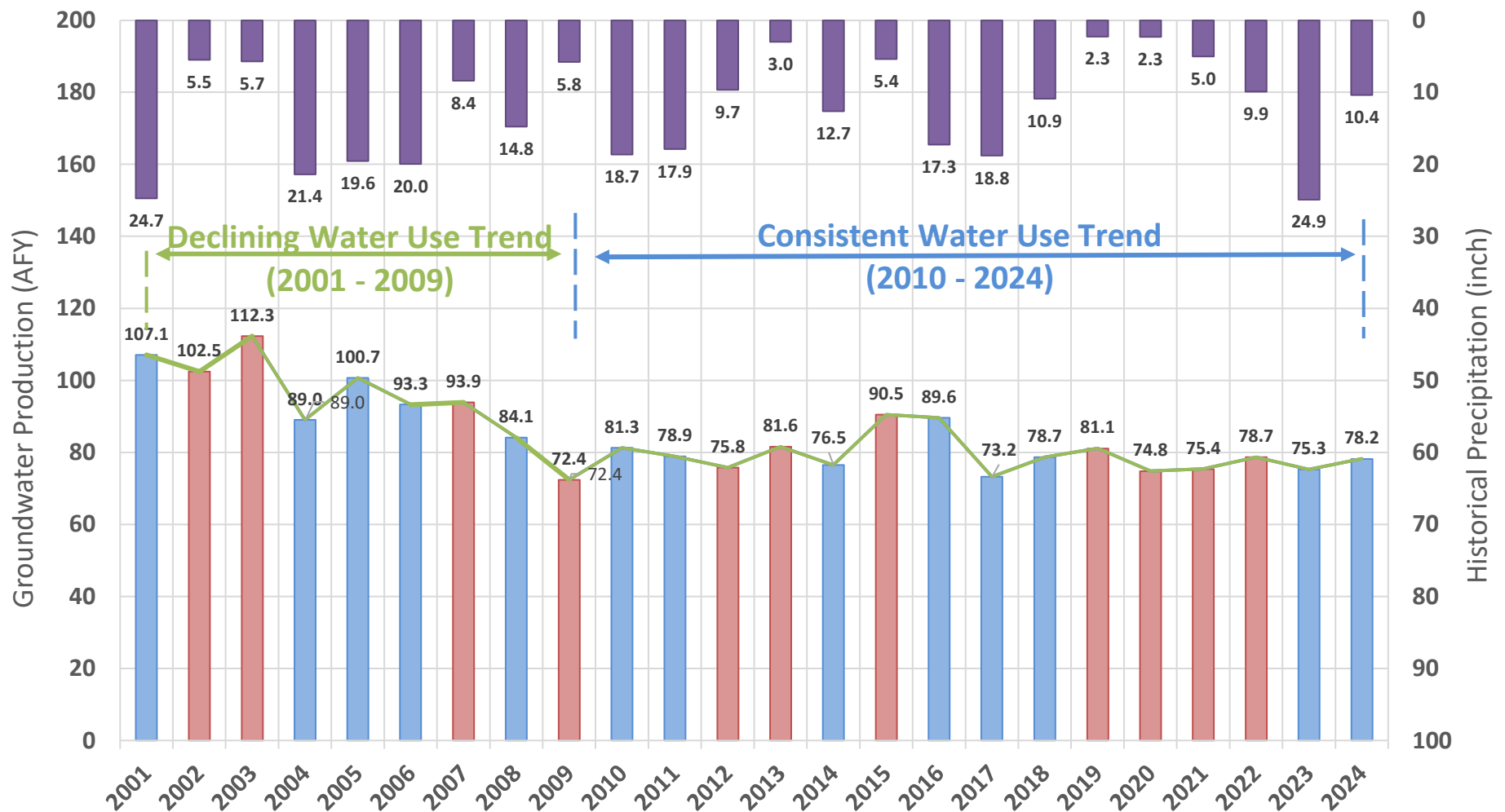
Annual Water Demand

- Commercial
- Residential

PRELIMINARY

Figure 6
Existing and Projected Future
Water Demand vs. Supply Comparison
Under Single Dry Year Condition
System-Wide Water Supply Assessment
San Simeon Community Services District





LEGEND

Year Type

■ Normal Year or Wet Year Water Production

■ Dry Year Water Production

■ Precipitation

PRELIMINARY

AKEL
ENGINEERING GROUP, INC.

August 20, 2025

Figure 7

Historical Groundwater Productions and Trends

System-Wide Water Supply Assessment
San Simeon Community Services District



5.0 WATER SHORTAGE CONTINGENCY PLANNING

Law

10632 (a)(1) Stages of action to be undertaken by the urban water supplier in response to water supply shortages, including up to a 50 percent reduction in water supply and an outline of specific water supply conditions which are applicable to each stage.

10632 (a)(3)

(A) Six standard water shortage levels corresponding to progressive ranges of up to 10, 20, 30, 40, and 50 percent shortages and greater than 50 percent shortage. Urban water suppliers shall define these shortage levels based on the suppliers' water supply conditions, including groundwater levels, changes in surface elevation or level of subsidence, or other changes in hydrological or other local conditions indicative of the water supply available for use. Shortage levels shall also apply to catastrophic interruption of water supplies, including but not limited to, a regional power outage, an earthquake, and other potential emergency events.

(B) An urban water supplier with an existing water shortage contingency plan that uses different water shortage levels may comply with the requirement in subparagraph (A) by developing and including a cross-reference relating its existing categories to the six standard water shortage

The DWR-recommended six standard water shortage levels in the 2020 Urban Water Master Plan Guidebook, as documented in [Table 13](#), that represent progressively increasing estimated shortages from the normal reliability. The shortage levels have been standardized to provide a consistent regional and statewide approach to conveying the relative severity of water supply shortage conditions. Identifying the appropriate shortage level will be in accordance with the supply conditions described in Ordinance No. 117, the District's Water Conservation Plan. This WSA maintains the current three stages of water shortages included in Ordinance No. 117 and develops a DWR approved crosswalk to meet overall reduction requirements stipulated by DWR.

As an example, if it's observed that the Pick Creek stops running to the ocean, which is Stage One in Ordinance No. 117, the District would be considered in an Alert or Significant Drought condition, corresponding to Stage One or Two in the DWR recommended stages.

With recommendations from District staff, the District Board of Directors has the authority to declare the appropriate conservation level considered necessary to manage the system demands and mitigate the water shortage. The Board of Directors can also downgrade, upgrade, or terminate a shortage response level based on District staff recommendations. The District's groundwater supply is dependent on natural recharge from surface water runoff as well as additional seawater intrusion. In periods of drought, when more groundwater is pumped out from the well field, the chloride concentrations of water from Pico Creek Valley Groundwater Basin would be expected to be significantly increased due to seawater intrusion. District Board of Directors will manage to reduce groundwater pumping to avoid severe seawater intrusion and minimize subsidence.

Table 13 Water Shortage Levels Crosswalk
System-Wide Water Supply Assessment
San Simeon Community Services District

PRELIMINARY

SSCSD Stage	Supply Condition	SSCSD Percent Supply Reduction	Demand Reduction Actions	Corresponding Relationship	DWR Recommended Stages	Percent Supply Reduction
0	Normal supply.	None	Permanent water conservation requirements are effective at all times	→	0	None
1	Pico Creek stops running to the ocean.	Up 20%	- Use of fire hydrants shall be limited to firefighting and/or activities necessary to maintain public health and safety. - Washing trailers, boats, mobile homes, parking areas, and buildings, while using District Potable Water shall be limited to once a month. - Washing automobiles and trucks shall be limited to twice a month. - All outdoor irrigation with DPW shall be limited to once a week.		1	Up to 10%
					2	10 to 20%
2	Well field levels drop 5% below monthly historical average for 3 consecutive weeks.	20 to 40%	- Using DPW for the filling, refilling, or adding water to swimming pools, wading pools, or spas more than the necessary amount for operation is prohibited. - All outdoor irrigation using DPW shall be limited to twice per month. - Washing automobiles and trucks with DPW shall be limited to once per month, with minor rinsing allowed. - Use of DPW for construction compaction is prohibited.		3	20 to 30%
					4	30 to 40%
3	Well field levels drop 12% below monthly historical average for 3 consecutive weeks unless monitored chloride levels can be found below 250mg/L	Greater than 40%	- All outdoor irrigation with DPW shall be prohibited - Washing and rinsing of automobiles and trucks with DPW shall be prohibited		5	40 to 50%
					6	Greater than 50%



1/5/2022

Notes:

1. Source: SSCSD 2016 Ordinance No. 117, Water Conservation Plan.

In order to reduce water consumption system-wide, the District has a water conservation ordinance that may be invoked to implement restrictions on water use. Currently, the District's conservation ordinance describes permanent water use restrictions as well as a multiple-stage water rationing plan that can be invoked to adjust water use with shortage conditions. Each water rationing stage includes a water demand reduction percentage, which is to be applied to normal water demands. The plan is dependent on the cause, severity, and anticipated duration of the water shortage, and a combination of voluntary and mandatory water conservation measures, which can be put in place to reduce system-wide water usage. The water shortage stages are summarized on the following page in [Table 13](#).

6.0 SUMMARY

The land use projections in this report were initially based on the information contained in the received District's Geodatabase, District's 2018 Master Plan, and NCAP 2018 Update. Proposed future development (on Waitlist) was integrated as part of this study, and phased in 5-year increments and through the project horizon year of 2045, with the very valuable assistance of San Simeon Community Services District staff. A summary of the findings include:

6.1 Land Use

The proposed future development within the San Simeon Community Services District consists of 3 commercial projects, 1 mixed use project, and 10 residential developments ([Table 4](#)). In the buildout, the land use is expected to consist of approximately 40.1 acres of residential, approximately 41.4 acres of commercial, and approximately 20 acres of other land uses (non-demand generating), which are summarized in [Table 1](#) and graphically depicted in [Figure 1](#) and [2](#).

6.2 Water Demands

At the end of the 20-year period, for the on-waitlist developments, the projected future residential water demand is 17.2 AFY, and the future commercial water demand is 20.8 AFY. The total demand for on-waitlist developments is 38.1 AFY, as documented in [Table 4](#).

Based on combined existing and projected future water demands, the buildout demand for the San Simeon CSD is estimated as 116.3 AFY at the end of the year 2045.

6.3 Water Supply

The total groundwater sustainable yield of the groundwater basin is expected to be 140 AFY ([Table 7](#)), which is estimated based on the Groundwater Availability Study – Pico Creek Valley Groundwater Basin 2014 Update. Based on the historical RO operations and the district's direction, during the RO treatment process, the water loss is expected to be approximately 20% of total water production. Therefore, the effective sustainable yield is estimated at 137.7 AFY.

6.4 Water Supply Sufficiency

Comparing the groundwater sustainable yields and water demands, the water supply from the Pico Creek Valley Groundwater Basin is expected to be sufficient to meet the system-wide demand through year 2045 under normal, single-dry, multiple dry year conditions.

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San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

Appendices

San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

Appendix A

San Simeon CSD
Water Usage Calculations
(2013 EDU Study)

Mr. Charles Grace
San Simeon Community Services District
111 Pico Ave.
San Simeon, CA 93452

January 20, 2014

San Simeon Community Services District – Water Usage Calculations

Dear Mr. Grace -

The District retained Phoenix Civil Engineering, Inc. (Phoenix) to review the existing water usage meter readings for the District and develop an Equivalent Dwelling Unit (EDU) that could be used to determine future development impacts to the water/wastewater systems capacity.

An Equivalent Dwelling Unit is defined as any standard service unit determined to be equivalent to one single family dwelling unit. An EDU will consume water equivalent to a single family unit or discharge wastewater at a flow and strength equal to that of an average single family unit. EDUs are frequently used for wastewater flow calculations, but the same concept can be used for water demand values.

For the analysis, three years of water meter usage values were provided by the District. The years that were reviewed were from 2010/2011 to 2012/2013. A total of 327 residential (single family) accounts were provided along with multi-family, commercial, irrigation, hotel and restaurant accounts for that period. The method used to document the meter readings by the District creates a situation where if an account was in use for part of the period and then the account holder vacated the property (relocation, etc.), the account recorded zero values for the remainder of the period under review. Conversely, if an account was opened in the middle of the three year window, the account had no meter readings for the initial period. Both of these situations were eliminated from consideration as the data are considered incomplete. In addition, there were some accounts that from the meter readings were not occupied full time by the resident. The amount of water used by that account was not realistic when expanded to represent a daily potable water demand. For example, one cubic foot is equal to 7.48 gallons. So if an account meter recorded a usage of 2,000 cubic feet per year that would equal 14,960 gallons per year or 41 gallons per day. This is considered an extremely low water usage when factoring in the usage for laundry (typically 5 to 10 gallons per load), toilet use (approximately 2 gallons per flush), (5 to 10 gallons per shower), etc.

Once all of the incomplete or nonstandard single family accounts were removed from the group, a total of 59 single family residential accounts were used to determine the average annual water usage. This group was developed using only meter readings that were complete for all three years and had readings above 2,000 cubic feet. Using this group, it was determined that the average water consumption for a single family residence was 4,050 cubic feet per year or 83 gallons per day. This is an average value and low when compared to other communities, but consistent with the value calculated in the San Simeon CSD Water System Master and Wastewater Collection System Evaluation (Boyle, 2007 p. 12). That report calculated an average demand of 74 gallons per person per dwelling unit. Also provided in that report was that the County of San Luis Obispo estimates the number of residents per unit at 0.7 to 1.4 persons.

If the group was expanded to include other meter reading values that were either incomplete or not representative of a full time resident, the EDU value would be lower. The issue that could potentially be created by a low EDU base value is that future demand on the potable water system would be underestimated.

Using the 4,050 cubic feet value, the next step was to apply that value to each of the other metered type of customers (hotels, commercial, irrigation, etc.). From the tables attached, the EDU values for each metered account are shown. An example calculation would be as follows:

EDU Multifamily Account = 3 Year Average Multifamily Account / Single Family EDU of 4,050. This calculation was repeated for all of the accounts in the other categories. The summary table shows the respective EDU values for each account.

Sincerely,

Jon Turner, PE
Principal Engineer

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Summary Table**

Single Family Dwellings	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG	Adjusted 3 Year Baseline Average
15	2,600	2,300	2,467	2,467
25	6,922	9,740	9,158	9,158
31	2,100	1,900	1,867	1,867
40	2,600	2,600	2,567	2,567
41	3,800	3,600	3,967	3,967
46	1,500	100	1,500	2,200
49	2,400	900	1,800	2,250
58	2,000	2,000	2,267	2,267
59	6,800	7,000	5,467	6,900
66	5,000	0	3,800	5,700
70	5,200	4,700	5,400	5,400
72	4,700	4,700	4,600	4,600
74	3,300	4,400	3,733	3,733
82	2,400	3,000	2,600	2,600
88	5,100	3,200	3,433	2,600
94	1,400	2,800	2,533	3,100
95	4,600	3,400	5,300	4,000
97	2,500	2,500	2,567	2,567
98	3,300	3,800	3,700	3,700
103	2,400	3,400	2,633	2,633
107	3,300	3,000	3,333	3,333
109	3,700	3,400	3,400	3,400
110	4,600	5,000	4,700	4,700
119	3,600	2,800	2,933	2,933
120	6,300	6,000	6,033	6,033
122	5,200	5,400	5,533	5,533
123	4,200	4,000	3,867	3,867
127	5,100	1,600	3,333	4,200
128	2,300	3,200	3,033	3,033
130	2,000	1,500	2,067	2,067
134	2,400	2,100	2,200	2,200
139	5,700	6,800	6,600	6,600
146	2,600	2,000	2,600	2,600
150	1,500	2,700	2,033	2,033
151	5,900	5,300	5,567	5,567
152	2,200	2,600	2,433	2,433
154	3,500	3,600	3,333	3,333
158	2,200	2,100	2,100	2,100
174	3,800	4,400	4,100	4,100
178	3,800	3,600	3,700	3,700

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Summary Table**

Single Family Dwellings	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG	Adjusted 3 Year Baseline Average
187	8,800	8,500	8,667	8,667
188	4,000	4,200	4,200	4,200
189	2,500	1,900	2,000	2,000
197	10,900	5,100	7,467	5,750
200	11,300	9,100	10,433	10,433
201	4,800	4,200	3,933	3,933
204	3,400	2,800	3,167	3,167
209	2,600	2,700	2,600	2,600
240	2,100	2,200	2,133	2,133
243	2,700	2,200	2,433	2,433
250	6,300	6,300	5,533	5,533
257	9,600	7,800	8,767	8,767
269	2,700	2,400	2,567	2,567
271	8,300	7,100	7,533	7,533
272	2,700	1,900	2,333	2,333
287	2,300	1,500	2,167	2,167
288	3,600	3,900	3,467	3,467
294	6,900	6,800	5,467	6,850
298	6,500	6,300	4,767	6,400
total fiscal year end usage	246,522	224,040	231,534	238,974
(Usage in Cubic Feet)			Equivalent Dwelling Unit	4,050

Multi-Family Dwellings	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG	Equivalent Dwelling Unit
16	93,000	115,100	69,367	30.6
217	300	300	1,000	0.4
26	56,900	60,200	42,733	18.8
221	300	300	2,333	1.0
27	17,800	15,900	17,300	7.6
28	11,100	10,900	17,300	7.6
29	20,200	20,800	14,200	6.3
30	30,300	17,200	15,867	7.0
37	25,000	20,000	15,367	6.8

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Summary Table**

MOTEL/HOTELS

4	116,500	119,700	109,100	26.9
225	269,800	252,900	270,300	66.7
223	88,800	123,400	92,933	22.9
219	254,800	257,400	238,300	58.8
1	594,200	440,200	546,733	135.0
218	147,600	154,600	136,600	33.7
6	274,900	235,900	238,300	58.8
252	120500	110400	128166.667	31.6
278	392,300	365,000	376,933	93.1
285	93,000	96,700	90,733	22.4
291	158,800	168,600	131,633	32.5
RESTAURANTS				
5	38,000	35,500	36,200	8.9
12	76,700	78,700	76,700	18.9
18	90,200	80,500	80,267	19.8
22	23,800	16,900	23,533	5.8
61	9,400	8,500	9,467	2.3
78	19,400	20,300	19,033	4.7
COMMERCIAL ACCTS				
7	2,800	1,300	2,400	0.6
8	23,000	36,800	29,500	7.3
33	3,100	3,000	3,067	0.8
38	8,600	6,600	7,733	1.9
213	1,400	1,200	1,267	0.3
IRRIGATION ACCTS				
60	18,300	12,200	14,200	3.5
73	320	350	347	0.1
84	800	1,000	767	0.2
124	9,800	7,100	8,567	2.1
126	14,500	15,500	13,267	3.3
131	3,700	3,400	3,400	0.8
133	1,100	1,200	1,200	0.3
160	1,900	2,300	2,133	0.5
171	400	300	367	0.1
177	6,400	6,500	6,867	1.7
194	1,900	3,900	2,700	0.7
289	100	200	150	0.0

Notes:

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Summary Table**

Equivalent Dwelling Unit calculated from data where the usage in the account was relatively consistent over the period analyzed. In cases where one usage value was an outlier from the remaining two, the remaining two were used for calculation. Residential tab shows the accounts that were used in the calculation of Equivalent Dwelling Unit (EDU). EDU calculation for remaining account types were calculated as follows: Average Usage of account/average single family residential use = EDU of the account in question. Hotel usage was calculated as a summary of all accounts for the period in question.

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Hotel Accounts**

ACCT #	2010-2011	2011-2012	2012-2013	3 YEAR	Equivalent Dwelling Unit
	Total Usage	Total Usage	Total Usage	BASE LINE AVG.	
4	80,200	99,400	102,200	93,933	
126	9,800	14,500	15,500	13,267	
211	1,100	2,600	2,000	1,900	
	91,100	116,500	119,700	109,100	26.9
225	251,600	234,200	215,600	233,800	
79	36,600	35,600	37,300	36,500	
	288,200	269,800	252,900	270,300	66.7
223	900	3,300	6,200	3,467	
86	65,700	85,500	114,500	88,567	
23	0	0	2,700	900	
	66,600	88,800	123,400	92,933	22.9
219	25,100	33,800	37,800	32,233	
19	177,600	221,000	219,600	206,067	
	202,700	254,800	257,400	238,300	58.8
1	9,300	13,600	12,500	11,800	
85	59,200	66,200	59,200	61,533	
10	217,400	234,300	202,200	217,967	
11	146,600	152,800	152,700	150,700	
215	166,100	119,800	1,900	95,933	
216	7,000	7,200	7,700	7,300	
222	200	300	4,000	1,500	
	605,800	594,200	440,200	546,733	135.0
218	73,100	96,500	112,000	93,867	
14	34,500	51,100	42,600	42,733	
17	0	0	0	0	
	107,600	147,600	154,600	136,600	33.7
6	112,900	143,300	134,600	130,267	
92	3,700	5,000	4,400	4,367	
212	5,400	6,500	5,300	5,733	
228	82,100	120,100	91,600	97,933	
	204,100	274,900	235,900	238,300	58.8
252	1500	1,100	1,800	1,467	
253	5500	700	400	2,200	
254	19900	15,700	18,700	18,100	
255	57200	46,900	44,400	49,500	
256	69500	56,100	45,100	56,900	
	153600	120500	110400	128,167	31.6
278	298400	301,600	280,600	280,600	
279	75100	90,700	84,400	84,400	
	373,500	392,300	365,000	376,933	93.1
285	2600	5,800	6,000	4,800	

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Hotel Accounts**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Equivalent Dwelling Unit
286	79900	87,200	90,700	85,933	
	82,500	93,000	96,700	90,733	22.4
291	53000	120,800	121,400	98,400	
292	13100	33,400	43,700	30,067	
293	1400	4,600	3,500	3,167	
	67,500	158,800	168,600	131,633	32.5

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Restaurant Accounts**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Equivalent Dwelling Unit
5	35,100	38,000	35,500	36,200	8.9
12	74,700	76,700	78,700	76,700	18.9
18	70,100	90,200	80,500	80,267	19.8
22	29,900	23,800	16,900	23,533	5.8
61	10,500	9,400	8,500	9,467	2.3
78	17,400	19,400	20,300	19,033	4.7
	237,700	257,500	240,400	245,200	

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Commercial Accounts**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Equivalent Dwelling Unit
7	3,100	2,800	1,300	2,400	0.6
8	28,700	23,000	36,800	29,500	7.3
33	3,100	3,100	3,000	3,067	0.8
38	8,000	8,600	6,600	7,733	1.9
213	1,200	1,400	1,200	1,267	0.3
	44,100	38,900	48,900	43,967	

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Irrigation Accounts**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Equivalent Dwelling Unit
60	12,100	18,300	12,200	14,200	3.5
73	370	320	350	347	0.1
84	500	800	1,000	767	0.2
124	8,800	9,800	7,100	8,567	2.1
126	9,800	14,500	15,500	13,267	3.3
131	3,100	3,700	3,400	3,400	0.8
133	1,300	1,100	1,200	1,200	0.3
160	2,200	1,900	2,300	2,133	0.5
171	400	400	300	367	0.1
177	7,700	6,400	6,500	6,867	1.7
194	2,300	1,900	3,900	2,700	0.7
289	0	100	200	150	0.0
	48,570	59,220	53,950	53,913	

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Residential and Multifamily**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Adjusted 3 Year Baseline Average
15	2,500	2,600	2,300	2,467	2,467
25	10,811	6,922	9,740	9,158	9,158
31	1,600	2,100	1,900	1,867	1,867
40	2,500	2,600	2,600	2,567	2,567
41	4,500	3,800	3,600	3,967	3,967
46	2,900	1,500	100	1,500	2,200
49	2,100	2,400	900	1,800	2,250
58	2,800	2,000	2,000	2,267	2,267
59	2,600	6,800	7,000	5,467	6,900
66	6,400	5,000	0	3,800	5,700
70	6,300	5,200	4,700	5,400	5,400
72	4,400	4,700	4,700	4,600	4,600
74	3,500	3,300	4,400	3,733	3,733
82	2,400	2,400	3,000	2,600	2,600
88	2,000	5,100	3,200	3,433	2,600
94	3,400	1,400	2,800	2,533	3,100
95	7,900	4,600	3,400	5,300	4,000
97	2,700	2,500	2,500	2,567	2,567
98	4,000	3,300	3,800	3,700	3,700
103	2,100	2,400	3,400	2,633	2,633
107	3,700	3,300	3,000	3,333	3,333
109	3,100	3,700	3,400	3,400	3,400
110	4,500	4,600	5,000	4,700	4,700
119	2,400	3,600	2,800	2,933	2,933
120	5,800	6,300	6,000	6,033	6,033
122	6,000	5,200	5,400	5,533	5,533
123	3,400	4,200	4,000	3,867	3,867
127	3,300	5,100	1,600	3,333	4,200
128	3,600	2,300	3,200	3,033	3,033
130	2,700	2,000	1,500	2,067	2,067
134	2,100	2,400	2,100	2,200	2,200
139	7,300	5,700	6,800	6,600	6,600
146	3,200	2,600	2,000	2,600	2,600
150	1,900	1,500	2,700	2,033	2,033
151	5,500	5,900	5,300	5,567	5,567
152	2,500	2,200	2,600	2,433	2,433
154	2,900	3,500	3,600	3,333	3,333
158	2,000	2,200	2,100	2,100	2,100
174	4,100	3,800	4,400	4,100	4,100
178	3,700	3,800	3,600	3,700	3,700
187	8,700	8,800	8,500	8,667	8,667
188	4,400	4,000	4,200	4,200	4,200

**San Simeon Community Services District
Water Usage Account Summary
Equivalent Dwelling Unit Calculation
Residential and Multifamily**

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Adjusted 3 Year Baseline Average
189	1,600	2,500	1,900	2,000	2,000
197	6,400	10,900	5,100	7,467	5,750
200	10,900	11,300	9,100	10,433	10,433
201	2,800	4,800	4,200	3,933	3,933
204	3,300	3,400	2,800	3,167	3,167
209	2,500	2,600	2,700	2,600	2,600
240	2,100	2,100	2,200	2,133	2,133
243	2,400	2,700	2,200	2,433	2,433
250	4000	6,300	6,300	5,533	5,533
257	8900	9,600	7,800	8,767	8,767
269	2600	2,700	2,400	2,567	2,567
271	7200	8,300	7,100	7,533	7,533
272	2400	2,700	1,900	2,333	2,333
287	2700	2,300	1,500	2,167	2,167
288	2900	3,600	3,900	3,467	3,467
294	2700	6,900	6,800	5,467	6,850
298	1500	6,500	6,300	4,767	6,400
	224,040	246,522	224,040	231,534	238,974
				Equivalent Dwelling Unit	4050

ACCT #	2010-2011 Total Usage	2011-2012 Total Usage	2012-2013 Total Usage	3 YEAR BASE LINE AVG.	Equivalent Dwelling Unit
16	0	93,000	115,100	69,367	17.1
217	2,400	300	300	1,000	0.2
26	11,100	56,900	60,200	42,733	10.6
221	6,400	300	300	2,333	0.6
27	18,200	17,800	15,900	17,300	4.3
28	29,900	11,100	10,900	17,300	4.3
29	1,600	20,200	20,800	14,200	3.5
30	100	30,300	17,200	15,867	3.9
37	1,100	25,000	20,000	15,367	3.8

San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

Appendix B

San Simeon CSD

Water Sewer Connection Waitlist

(Adopted Oct 14, 2020)

San Simeon CSD Water Sewer Connection Waitlist
Exhibit "A" Hook Up Waiting List

9/28/2020

Water Wait List Reconciliation

<u>Position Number</u>	<u>APN Number</u>	<u>Name</u>	<u>Deposit Amount</u>	<u>Date Added</u>	<u>Request from Property Owners</u>	<u>Multiplier (CF/YR)</u>	<u>Retail requested</u>	<u>Restaurant requested</u>	<u>Motel Units requested</u>	<u>Resident units requested</u>	<u>Irrigation meters requested</u>
1		Cavalier Inn Inc. ¹	² 0.00	³ 1/25/1972	⁴ 145 Motel & 2400 sq ft. restaurant		0.0	1.0	145.0	0.0	0.0
2	013-071-018	Evans	\$425.00	11/16/1975	Retail		1.0	0.0	0.0	0.0	0.0
3	013-391-001	Mouchawar	\$30,445.00	6/1/1979	35 Motel		0.0	0.0	35.0	0.0	0.0
4	013-031-022	V& H Holdings ⁵	\$1,200.00	11/21/2013	1 Residence		0.0	0.0	0.0	1.0	0.0
5	013-402-012	Hurlbert for Tides of San Simeon	\$2,280.00	9/6/1990	6 Condos + 1 irrigation meter		0.0	0.0	0.0	6.0	0.5
6	013-402-013	Seifert ⁷	\$2,280.00	3/9/2001	6 Condos		0.0	0.0	0.0	6.0	0.0
7	013-402-006	Tyo ⁶	\$6,840.00	12/11/2013	3 Residences		0.0	0.0	0.0	3.0	0.0
8	013-071-009	Hather and/or Hulbert ⁹	\$3,420.00	10/8/2014	15 Residences (added 5 Edu's on 11/2019)		0.0	0.0	0.0	15.0	0.0
9	013-091-030	Sansone, Inc. ⁸	\$6,498.00	7/11/2018	30.5 (30 Multi-Family Edu's + .5 Irrigation)		0.0	0.0	0.0	30.0	0.5
10	013-091-032, 013-071-023/024/025	Sansone, Inc.	\$14,706.00	7/11/2018	64.5 (64 Multi-Family EDU's + .5 Irrigation)		0.0	0.0	0.0	64.0	0.5
11	013-031-049	Sansone, Inc.	\$2,796.00	7/11/2018	10.5 (10 Multi-Family EDU's + .5 Irrigation)		0.0	0.0	0.0	10.0	0.5
					Total		1.0	1.0	180.0	135.0	2.0
					retail multiplier (see calculations below):	2.2	8,829.0				
					See below restaurant multiplier (range 2.3 to 19.8 for 6 accounts) avg: 10.1 (this is used)	40,770.0		40,770.0			
					motel unit multiplier = 0.73 EDU / motel unit	2,956.5			532,170.0		
					residential multiplier:	4,050.0				546,750.0	
					irrigation multiplier:	2,025.0					4,050.0
							8,829.0	40,770.0	532,170.0	546,750.0	4,050.0
					total gallons:	8,471,616.1					
					CF/Year for all uses:	1,132,569.0					
					Convert to AF/ Year (divide by 43,560):	-26.0	(this is 51.8% of the 50.2 AF available)				
					AF available:	50.2					
					Water available after list has been met:	24.2	which equals	279.6	EDU's		

- 1 Cavalier Inn Inc. acquired the rights and obligations of Dalton through bankruptcy proceedings in July 1989.
- 2 The deposit of Dalton was forfeited when he failed to comply with the Terms of Agreement with the District.
- 3 The Date of the agreement between the District and Dalton.
- 4 Per agreement, remaining balance of project after Mouchawar foreclosure on 105 units.
- 5 V&H Holdings purchased property and wait list position #4 From Raymond Long.
- 6 John & Ann Tyo Purchased property and wait list position #7 from Eva Redwood-Chavez
- 7 Seifert purchased the property from Ramirez in 2004.
- 8 Sansone, Inc submitted one payment in the amount of \$24,000.00 for positions 9,10 & 11
- 9 Hather added 5 EDUs w/ a deposit in the amount of \$1140 on 11/2019
- 10 Sansone added 2 EDUs w/ a deposit in the amount of \$54 (there was a Cr. Bal. prior) on 9/2020

Restaurant Avg. Calc:	8.9
	18.9
(data from Phoenix study "Restaurant Accou	19.8
	5.8
	2.3
	4.7
S.T.	60.4
Used for Cavalier Average:	10.1

Retail Commercial Account Avg. Calc:	0.6
	7.3
(data from Phoenix study "Commercial	0.8
	1.9
	0.3
S.T.	10.9
Used for Evans Average:	2.2

Cavalier and Evans (Visitor Serving uses)
51.4% % of the total estimated consumption **
** this complies with the North Coast Area Plan by SLO County, page 7-71

SUMMARY:	
140.0	AcFt Permit Available
126.0	AcFt avail after 10% Water Loss
-70.3	AcFt Current 3 yr avg Use (from our records)
55.7	AcFt remaining Available (math)
-5.6	10% contingency (math)
50.2	AcFt avail after 10% Contingency (math)
-26.0	AcFt Wait List Demand (from this sheet)
24.2	AcFt available less any RO losses (math)

RESOLUTION NO. 20-426

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON COMMUNITY SERVICES DISTRICT ESTABLISHING A WAIT LIST FOR WATER, SEWER AND SERVICE ALLOCATIONS

WHEREAS, the San Simeon Community Services District ("District") adopted Ordinance No. 115 establishing water, sewer and service allocation transfer requirements; and

WHEREAS, Ordinance No. 115 defines "Wait List" as the list established by the District setting forth water, sewer and service allocations on parcels that are not active service or non-active service commitments.

WHEREAS, Ordinance No. 115 provides that the Board of Directors shall adopt the Wait List by resolution; and

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

1. The above recitals are true and correct and are incorporated herein by this reference.
2. District Resolution 14-369 is repealed in its entirety and replaced and superseded by this Resolution 20-426.
3. The attached Exhibit A shall constitute the District's Wait List as discussed in Ordinance No. 115. Exhibit A may be amended from time to time by District Staff, including by not limited to, when additions to the Wait List are made or a request is made by a property owner to be removed from the Wait List.
4. Prior to any addition(s) to the Wait List, the following conditions will be met:
 - a. District staff shall conduct a review of water availability. A request to be added to the Wait List shall be approved by District Staff if it has been determined that there is an adequate water supply for the requested number of EDUs.

- b. The property owner shall submit a deposit to the District in an amount equal to ten percent (10%) of the capacity fee required for the requested number of EDUs (the "Wait List Deposit.") The capacity fee amount used to calculate the Wait List Deposit shall be the amount in effect at the time that the property owner is added to the Wait List.
5. Wait List Deposits shall be credited towards the total capacity fee amount owed by the property owner at the time the connection is made. The property owner may request a refund of the Wait List Deposit prior to issuance of a will serve letter and the District shall issue such a refund.

PASSED AND ADOPTED THIS 14th day of October, 2020. Upon motion of Chairperson Kellas seconded by Director de la Rosa and on the following roll call vote to wit:

AYES: Chairperson Kellas, Director Maurer, NOES: Director Carson
ABSTAIN: Director de la Rosa ABSENT:



Gwen Kellas, Chairperson
Board of Directors

ATTEST: 

Charles Grace,
Secretary/General Manager

EXHIBIT "A"

HOOK UP WAITING LIST

Position Number	APN Number	Name	Deposit Amount	Date Added	EDU's
1		Cavalier Inn Inc. ¹	² 0.00	³ 1/25/1972	⁴ 145 Motel & 2400 sq ft restaurant
2	013-071-018	Evans	\$425.00	11/16/1975	Retail
3	013-391-001	Mouchawar	\$30,445.00	6/1/1979	35 Motel
4	013-031-022	V& H Holdings ⁵	\$1,200.00	11/21/2013	1 Residence
5	013-402-012	Hurlbert for Tides of San Simeon	\$2,280.00	9/6/1990	6 Condos + 1 irrigation meter
6	013-402-013	Seifert ⁷	\$2,280.00	3/9/2001	6 Condos
7	013-402-006	Tyo ⁶	\$6,840.00	12/11/2013	3 Residences
8	013-071-009	Hather /or Hulbert ⁹	\$3420.00	10/8/2014	15 Residences (added 5 edu's)
9	013-091-030	Sansone, Inc. ⁸	\$6498.00	7/11/2018	30.5 (28 Multi-Family Edu's + .5 Irrigation)
10	013-091-032, 013-071-023/024/025	Sansone, Inc.	\$14706.00	7/11/2018	64.5 (64 Multi-Family EDU's + .5 Irrigation)
11	013-031-049	Sansone, Inc.	\$2796.00	7/11/2018	10.5 (10 Multi-Family EDU's + .5 Irrigation)

¹ Cavalier Inn Inc. acquired the rights and obligations of Dalton through bankruptcy proceedings in July 1989.

² The deposit of Dalton was forfeited when he failed to comply with the Terms of Agreement with the District.

³ The Date of the agreement between the District and Dalton.

⁴ Per agreement, remaining balance of project after Mouchawar foreclosure on 105 units.

⁵ V&H Holdings purchased property and wait list position #4 From Raymond Long.

⁶ John & Ann Tyo Purchased property and wait list position #7 from Eva Redwood-Chavez

⁷ Seifert purchased the property from Ramirez in 2004.

⁸ Sansone, Inc submitted one payment in the amount of \$24,000.00 for positions 9,10 & 11

⁹ Hather added 5 edus w/ a deposit in the amount of \$1140 on 11/2019

¹⁰ Sansone added 2 EDU's with a deposit in the amount of \$54.00 on 9/9/2020

San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

Appendix C

San Simeon CSD
Updated Water Waitlist
(March 7, 2022)

**San Simeon CSD Water Sewer Connection Waitlist
Exhibit "A" Hook Up Waiting List**

3/7/2022

Water Wait List Reconciliation

<u>Position Number</u>	<u>APN Number</u>	<u>Name</u>	<u>Deposit Amount</u>	<u>Date Added</u>	<u>Request from Property Owners</u>	<u>Multiplier (CF/YR)</u>	<u>Retail requested</u>	<u>Restaurant requested</u>	<u>Motel Units requested</u>	<u>Resident units requested</u>	<u>Irrigation meters requested</u>
1		Cavalier Inn Inc. s	0.00	1/25/1972	4145 Motel & 2400 sq ft. restaurant		0.0	1.0	145.0	0.0	0.0
2	013-071-018	Evans	\$425.00	11/16/1975	Retail		1.0	0.0	0.0	0.0	0.0
3	013-391-001	Mouchawar	\$30,445.00	6/1/1979	35 Motel		0.0	0.0	35.0	0.0	0.0
4	013-031-022	V&H Holdings s	\$1,200.00	11/21/2013	1 Residence		0.0	0.0	0.0	1.0	0.0
5	013-402-012	Hurlbert for Tides of San Simeon	\$2,280.00	9/6/1990	6 Condos + 1 irrigation meter		0.0	0.0	0.0	6.0	0.5
6	013-402-013	Seifert r	\$2,280.00	3/9/2001	6 Condos		0.0	0.0	0.0	6.0	0.0
7	013-402-006	Tyo s	\$6,840.00	12/11/2013	3 Residences		0.0	0.0	0.0	3.0	0.0
8	013-071-009	Hather and/or Hulbert s	\$3,420.00	10/8/2014	10 Residences		0.0	0.0	0.0	10.0	0.0
9	013-091-030	Sansone, Inc. s	\$6,498.00	7/11/2018	30.5 (30 Multi-Family Edu's + .5 Irrigation)		0.0	0.0	0.0	30.0	0.5
10	013-091-032, 013-071-023/024/025	Sansone, Inc.	\$14,706.00	7/11/2018	64.5 (64 Multi-Family EDU's + .5 Irrigation)		0.0	0.0	0.0	64.0	0.5
11	013-031-049	Sansone, Inc.	\$2,796.00	7/11/2018	10.5 (10 Multi-Family EDU's + .5 Irrigation)		0.0	0.0	0.0	10.0	0.5
12	013-071-009	Hather	\$1,140.00	11/1/2019	5 Residences		0.0	0.0	0.0	5.0	0.0
13	013-071-016	Lloyd Marcum	\$9,154.60	3/31/2021	26 (13 residential 13 mixed use)		13.0	0.0	0.0	13.0	0.0
14	013-031-022 & 013-031-045	V&H Holdings	\$14,050.00	2/22/2022	25 residential units		0.0	0.0	0.0	25.0	0.0
					Total		14.0	1.0	180.0	173.0	2.0

- 1 Cavalier Inn Inc. acquired the rights and obligations of Dalton through bankruptcy proceedings in July 1989.
2 The deposit of Dalton was forfeited when he failed to comply with the Terms of Agreement with the District.
3 The Date of the agreement between the District and Dalton.
4 Per agreement, remaining balance of project after Mouchawar foreclosure on 105 units.
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8 Sansone, Inc submitted one payment in the amount of \$24,000.00 for positions 9,10 & 11
9 Hather added 5 EDUs w/ a deposit in the amount of \$1140 on 11/2019
10 Sansone added 2 EDUs w/ a deposit in the amount of \$54 (there was a Cr. Bal. prior) on 9/2020

Restaurant Avg. Calc:	8.9
(data from Phoenix study "Restaurant Accou	18.9
	19.8
	5.8
	2.3
	4.7
S.T.	60.4
Used for Cavalier Average:	10.1

Retail Commercial Account Avg. Calc:	0.6
(data from Phoenix study "Commercial Accounts")	7.3
	0.8
	1.9
	0.3
S.T.	10.9
Used for Evans Average:	2.2

Cavalier and Evans (Visitor Serving uses)
45.2% % of the total estimated consumption **
** this complies with the North Coast Area Plan by SLO County, page 7-71

SUMMARY:	
140.0	AcFt Permit Available
126.0	AcFt avail after 10% Water Loss
-70.3	AcFt Current 3 yr avg Use (from our records)
55.7	AcFt remaining Available (math)
-5.6	10% contingency (math)
50.2	AcFt avail after 10% Contingency (math)
-29.5	AcFt Wait List Demand (from this sheet)
20.6	AcFt available less any RO losses (math)

San Simeon Community Services District

SYSTEM-WIDE WATER SUPPLY ASSESSMENT

Appendix D

San Simeon CSD
Legacy Water Waitlist
(August 1989 & February 2004)

August 17, 1989

HOOK-UP DEPOSIT AND WAITING LIST

NAME	DEPOSITS * PAID	DATE	CURRENT	DESCRIPTION	DUE **
DALTON	\$48,500.	1/25/72	\$163,800.	105 MOTEL	\$115,300.
EVANS	425.	11/16/75	3,800.	4 RETAIL	3,375
MOUCHAWAR					
original	30,445.	6/1/79			
revised			54,600.	35 MOTEL	51,135.
			2,280.	1 APARTMENT	
			24,700.	2000 sq ft RESTAURANT	
LONG	1,200.	10/29/85	2,280.	1 RESIDENCE	1,080.
HURLBERT	22,800.	3/15/89	22,800.	10 CONDOS	
SANSONE	92,340.	8/2/89	91,200.	40 CONDOS	
			1,140.	1 IRRIGATION	
				1 dwelling hook-up now in use	
TOTALS	\$195,710. =====		\$366,600. =====		\$170,890. =====

* DEPOSIT PAID - Indicates total fees paid based on the Fee Schedule in place at time of payment.

** DUE - Indicates amount due to make up difference between old fee schedule and current Fee Schedule (7/89)

Exhibit A

SAN SIMEON COMMUNITY SERVICES DISTRICT HOOK-UP DEPOSIT AND WAITING LIST

FEBRUARY 2004

PRIORITY	NAME	DEPOSITS		DESCRIPTION
		*PAID	DATE	
1	Evans	\$425	11/16/1975	4 Retail
	APN 013-071-018			
2	Mouchawar	\$30,445	6/1/1979	35 Motel
	APN 013-391-001			1 Apartment
				2000 sq ft Restaurant
3	Long	\$1,200	10/29/1985	1 Residence
	APN 013-031-022			
4	Hurlbert for	\$2,280	9/6/1990	6 Condos
	The Tides of San Simeon			1 Irrigation
	APN 013-402-012			
5	Ramirez	\$2,280	3/9/2001	6 Condos
	APN 013-402-013			
6	Redwood	\$6,840	10/15/1990	3 Residences
	APN 013-402-006			
TOTAL		\$43,470		

Date: June 27, 2024

To: Patrick Faverty
San Simeon Community Services District

Project: Beach Access Stairs
Pico Avenue
San Simeon, CA

AV Job #: 240978

Subject: Pico Avenue Beach Access Stairs Observation

Dear Patrick,

As requested, representatives of our office visited the site at the address referenced above on May 24, 2024 to observe the concrete beach access stairs at the west end of Pico Avenue. Representatives of the San Simeon CSD were in attendance as well. The existing stair construction appears to consist of concrete stair treads (reinforcement unknown), concrete landings (reinforcement unknown) and wood guardrails fastened to the stairs. Adjacent to the stairs, there is a gabion rock wall of unknown length on the north side, and rock slope protection of unknown length on the south side.

While on site, significant concrete cracking, concrete deterioration, guardrail damage, undermining of the stair supports and bluff erosion was observed (All Figures). The stairs were viewed from above (Figure 1 & Figure 6), as well as from the beach (Figure 2). It is our assumption that the deterioration of the stairs has likely been caused by exposure to the surrounding environment and natural elements, such as wind, wave impact, and salt water.

At the time of the observation, the stairs were damaged and in poor condition, and we consider their current state to be a concern for public use. The concrete stairs and upper slab appeared to be reinforced with rebar; however, the size, spacing, and grade of rebar is unknown. Due to the extent of cracking, the reinforcing steel may be subject to potential corrosion. The integrity of the concrete may also be compromised, affecting the overall stability and safety of the stairs and upper slab.

The condition of the wood guardrails varied with some sections being completely unusable. Multiple guardrail posts were cracked and failing at their connections to the concrete (Figure 4), compromising their ability to resist lateral forces and presenting a safety hazard to users. These deteriorated connections increase the risk of the guardrails detaching from the stairs under minimal force, posing a significant fall hazard.

Rock slope protection (RSP) and a gabion rock wall appeared to be used for earth retention both underneath and immediately adjacent to the stairs. Portions of the RSP were mixed with a cementitious material to create a composite element. Severe erosion was observed below the composite RSP element on the south side of the stairs, causing the RSP element to cantilever, or remain suspended, over the adjacent ground (Figure 5). It is our opinion that the RSP was not intended for a cantilever condition and should be replaced or properly supported. The undermining of the RSP creates a significant hazard, potentially leading to sudden failure, which could pose a safety risk and further exacerbate the erosion issues.



In conclusion, it is our opinion that the stairs should be removed and/or replaced due to the potential risks associated, as explained in this memorandum.

Please note, these findings and opinions are based upon a visual observation of the immediate area around the referenced beach access stairs. No analyses, for vertical or lateral forces, were performed. The above opinions are based on our professional experience in the field of structural engineering. These opinions, conclusions, and recommendations may be revised, as necessary, if and when additional information becomes available.

This observation memorandum, and the opinions and findings herein, may not be construed as a warranty or guarantee of the structure's existing capacity or its performance under future events or circumstances.

Please do not hesitate to contact my office if you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ian Shoebridge', is written over a light blue horizontal line.

Ian Shoebridge, SE
Principal Engineer
(805) 545-0010 x 116

List of Figures

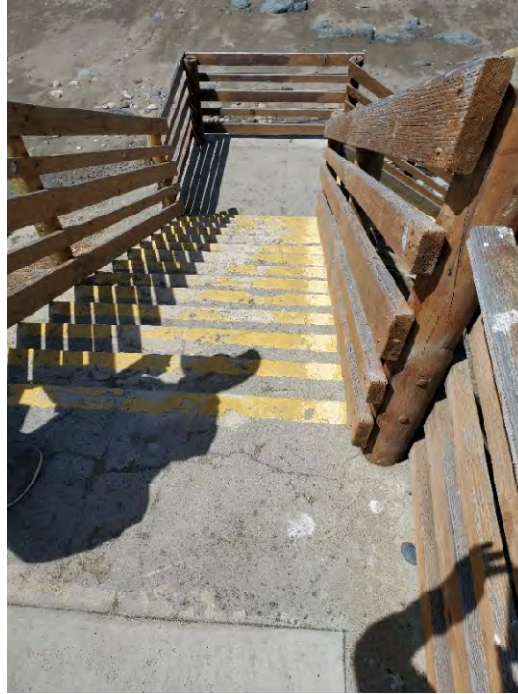


Figure 1



Figure 2



Figure 3



Figure 4



Figure 5



Figure 6

CALIFORNIA COASTAL COMMISSION

CENTRAL COAST DISTRICT OFFICE
725 FRONT STREET, SUITE 300
SANTA CRUZ, CA 95060-4508
VOICE (831) 427-4863
FAX (831) 427-4877

**SENT VIA ELECTRONIC MAIL**

January 16, 2024

Bruce Gibson
District 2 Supervisor
San Luis Obispo County
1055 Monterey Street, San Luis Obispo, CA 93408
Via email to: bgibson@co.slo.ca.us

Patrick Faverty
Interim General Manager
San Simeon Community Services District
111 Pico Ave, San Simeon, CA 93452
Via email to: patrick@sansimeoncsd.org

Re: Pico Avenue Public Coastal Accessway

Dear Supervisor Gibson and Interim General Manager Faverty:

We are in receipt of recent correspondence by and between Marie Louise Paquet (representing the Camille Mouchawar Trust), San Simeon Community Services District (SSCSD) Interim General Manager Patrick Faverty, and San Luis Obispo County Supervisor Bruce Gibson in which both SSCSD and the County claim no responsibility for the public coastal accessway at the end of Pico Avenue in San Simeon Acres. As you are both aware, this is a crucial public accessway for the community, other County residents, and visitors to the County and San Simeon. The Coastal Commission considers the maintenance of this accessway to be a critical component of public coastal access for San Luis Obispo County's north coast. The purpose of this letter is to clarify the Commission's position and requirements as they relate to this accessway.

History/CDP Requirements

The Pico Avenue accessway (including a stairway, benches, and blufftop viewing area) in question was originally built pursuant to a 1980 Coastal Commission coastal development permit (CDP; CDP No. 304-80) sought by, and issued to, the San Simeon Acres Community Services District (now known as SSCSD).¹ It appears that the property ownership issues that have more recently come to light, wherein the Camille Mouchawar Trust apparently owns at least a portion of the property underlying the since developed accessway. To the best of our knowledge SSCSD's ownership of the site was uncontested at the time the CDP was issued. The Commission relied on the SSCSD's representation that it was legally able to construct and maintain the accessway on that

¹ At the time, Pico Avenue was known as Ruta Lane, and so this CDP authorized "construction of a stairway, benches and a viewing platform" at the "west end of Ruta Lane Cul-de-Sac, San Simeon."

property in approving and issuing the CDP. SSCSD subsequently exercised the CDP and constructed the accessway amenities sometime thereafter. Subsequently the Commission approved CDP No. 4-85-180 in 1985² which required SSCSD to accept responsibility to maintain all of the accessways in the San Simeon Acres area, including explicitly the subject accessway.³ And again, at that time no property ownership issues were identified or contested. **In short, by virtue of CDP Nos. No. 304-80 and 4-85-180, and regardless of ownership status,^{4,5} SSCSD is the party responsible to maintain the subject accessway.**

Violations

In addition to the CDP violation represented by SSCSD's failure to maintain the Pico Avenue stairway as required, the current barriers in place at the accessway were installed without any CDP authorization and, thus, represent a violation. In fact, sometime in late 2022 or early 2023 barricades were installed to prevent the public from using the stairway until repairs could be made. At that time, SSCSD was seeking a CDP for stairway repairs, and so we expected that the stairway would soon be reopened. However, it appears that SSCSD has since abandoned any efforts to maintain or re-open this accessway as is required.

Development is broadly defined by Coastal Act Section 30106 and San Luis Obispo County LCP Coastal Zone Land Use Ordinance Section 23.03.040(a) as:

"Development" means, on land, in or under water, the placement or erection of any solid material or structure; discharge or disposal of any dredged material or of any gaseous, liquid, solid, or thermal waste; grading, removing, dredging, mining, or extraction of any materials; change in the density or intensity of use of land, including, but not limited to, subdivision pursuant to the Subdivision Map Act...change in the intensity of use of water, or of access thereto; construction, reconstruction, demolition, or alteration of the size of any structure,... and the removal or harvesting of major vegetation other than for agricultural purposes...
(emphases added)

² CDP No. 4-85-180 authorized the installation of aeration and clarifier tanks at SSCSD's wastewater treatment plant in order to increase sewage treatment capacity.

³ See CDP No. 4-85-180 Special Condition 1. The CDP also noted that at that time in 1985 SSCSD was already maintaining the subject accessway, and thus the CDP simply codified such maintenance also as a requirement in terms of the CDP.

⁴ On this point we note that it is our understanding that the Camille Mouchawar Trust is willing to discuss transferring the property or an easement to a public agency, and/or providing construction consent, and we strongly encourage the County and/or SSCSD to engage with the Trust in those discussions.

⁵ California law provides that under certain conditions, certain types of public access across private property may result in the establishment of a permanent public easement. This is called a public prescriptive right of access. The prescriptive period of use necessary to establish such a right is five years. Although such prescriptive right is established by the courts, based on the four decades of public use of this accessway we believe that it is highly likely that the public has acquired a public prescriptive easement for this accessway regardless of the underlying property ownership.

The barriers installed at the accessway constitute "development" under the Coastal Act and the County's LCP because they are solid materials/structures erected and placed, they changed the intensity of use of the accessway land, and they changed the intensity of access to water (namely the ocean). Coastal Act Section 30600(a) and County LCP Section 23.03.040(c) require that, with limited exceptions not relevant here, any person wishing to perform or undertake development in the Coastal Zone must first obtain a CDP, in addition to any other permit required by law, before carrying out the proposed development. We have searched our records and have not found any CDPs issued by the County or the Commission authorizing such barrier development in this location. Therefore, the above-described barrier development also constitutes a violation of the Coastal Act and the LCP.⁶

The Commission's enforcement division has not, to date, prioritized enforcement of these violations, as we understood that SSCSD intended to timely pursue repairs of this accessway in the short term, including working with the Trust to obtain property owner consent for such repairs. We also understood that SSCSD recently underwent a change in leadership and the departure of the general manager, and we were optimistic that once the new leadership was established, the reopening of this critical public accessway would be prioritized. If SSCSD no longer intends to pursue repairs and the reopening of this accessway, we will need to consider enforcement action.

Required Resolution

It is SSCSD's responsibility to maintain the accessway, including as it already received the benefit of the applicable CDP, which brings with it all required burdens, such as Pico Avenue accessway maintenance. It is thus also SSCSD's responsibility to obtain any required property owner consent, and the CDP requirement extends to that as well. The only scenario where we can envision that maintenance of this accessway is not borne by and the responsibility of SSCSD would be if such responsibility were accepted by another public agency, like the County,⁷ and/or an appropriate private entity, like a public access non-profit. Until that time, SSCSD must pursue all avenues available, in good faith and with due diligence, to make the requisite repairs at the accessway so that it is available and open to the public as is required.

In terms of permitting, given that the Commission originally permitted the accessway in question, and because the Commission retains authority over its CDPs, we believe that the repairs needed to reopen the accessway would be most appropriately authorized via

⁶ It is our understanding that the stairway was closed due to safety concerns and is currently in need of repairs. In cases where life or property are at risk, the Commission can issue an emergency CDP to temporarily authorize development that is the minimum necessary to abate the emergency. No such emergency CDP has been sought or obtained to date.

⁷ It is our understanding that SSCSD is considering the potential for divestiture of its responsibilities to provide water and wastewater services in San Simeon Acres. Depending on the parameters of such divestiture, it is possible in that scenario that an entity accepting such responsibility may also accept responsibility for these CDP requirements. In any case, though, please be advised that CDP terms and conditions will continue to apply to any entity that takes over applicable responsibilities. Here, the benefits and burdens of the CDPs relate to the wastewater treatment plant, and in the absence of any such divestiture explicitly accounting for such accessway maintenance requirements in a different way, such requirements will adhere to the entity taking over wastewater responsibilities.

an amendment to CDP No. 304-80. Therefore, please submit an application for a CDP amendment for the repairs. Devon Jackson is our planner assigned to this area, and he can help answer any questions regarding that application (Devon.Jackson@coastal.ca.gov).

Other Enforcement Remedies

While we remain hopeful that we can resolve these violations amicably and informally, please be advised of the following: In cases involving violations (whether Coastal Act and/or LCP violations) affecting coastal resources, such as public coastal access, as is the case here, Coastal Act Sections 30821 and 30821.3 authorize the Commission to impose administrative civil penalties in an amount of up to \$11,250 per day for each day in which each violation persists for up to five years. In addition, Coastal Act Chapter 9 has a number of additional remedies to address such violations. For example, Section 30809 states that if the Executive Director of the Commission determines that any person has undertaken, or is threatening to undertake, any activity that may require a CDP without first securing a CDP, the Executive Director may issue an order directing that person to cease and desist (and Section 30810 notes that the Coastal Commission may also issue such an order). A cease and desist order may be subject to terms and conditions that are necessary to avoid irreparable injury to the area and/or to ensure Coastal Act/LCP compliance. Section 30811 also provides the Coastal Commission the authority to issue a restoration order to address such violations at a site. And pursuant to Section 30821.6, a violation of a cease and desist order or restoration order can result in civil fines of up to \$6,000 for each day in which each violation persists.

Additionally, Sections 30803 and 30805 authorize the Commission to initiate litigation to seek injunctive relief and an award of civil fines in response to any such violation. Furthermore, Section 30820(a)(1) provides that any person who undertakes development in violation of the Coastal Act/LCP may be subject to a penalty amount between \$500 and \$30,000 per violation. Section 30820(b) states that, in addition to any other penalties, any person who "knowingly and intentionally" performs or undertakes any development in violation of the Coastal Act/LCP, as is the case here, can be subject to a civil penalty between \$1,000 and \$15,000 per violation for each day in which each violation persists. In addition to the above, Section 30822 allows the Commission to seek exemplary damages through the courts.

In the event that these violations cannot be timely and satisfactorily resolved, we will need to consider such enforcement remedies.

Thank you for your prompt attention to this matter. We are willing to work collaboratively with the County, SSCSD, and the Camille Mouchawar Trust to facilitate the repair and reopening of the Pico Avenue accessway and the restoration of public access for San Simeon residents and visitors. Thank you in advance for your expected cooperation, and please let us know if you have any questions about and/or would like to further discuss this matter. I will be out on an extended leave for several months, so please direct such inquiries to Pat Veesart at pat.veesart@coastal.ca.gov.

Sincerely,

A handwritten signature in black ink that reads "Ellie Oliver". The signature is fluid and cursive, with a long, sweeping underline.

Ellie Oliver
Central Coast District Enforcement Officer
California Coastal Commission

cc: Marie Louise Paquet, Camille Mouchawar Trust



California Coastal Commission

COASTAL DEVELOPMENT PERMIT

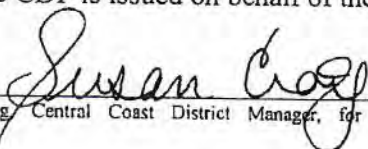
CDP 3-19-0020 (San Simeon Community Services District)

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Coastal development permit (CDP) number 3-19-0020 was approved by the California Coastal Commission on July 11, 2019. CDP 3-19-0020 provides for the after-the-fact recognition and retention of: 1) a riprap revetment fronting the wastewater treatment plant (WWTP) (completed in 1983); 2) replacement of a portion of the ocean outfall pipeline (completed in 1984) and other repairs and replacements to the outfall (completed between 2010-2013); 3) improvements to a pipe support structure across Arroyo del Padre Juan Creek, including placement of riprap at abutments (completed in 1995); 4) full replacement of the pipe support structure (completed in 1999); and 5) other WWTP structural and component upgrades and related development over many years. The approval also includes new riprap augmentation of the revetment fronting the WWTP (adding two feet in height). This project is located on the bluff, beach, and riparian area fronting the San Simeon WWTP at 9245 Balboa Avenue in the unincorporated San Simeon Acres area of North San Luis Obispo County immediately adjacent to Arroyo del Padre Juan Creek (APNs 013-031-028 and 013-031-041) (all as more specifically described in the Commission's CDP file). CDP 3-19-0020 is subject to certain terms and conditions, including the standard and special conditions beginning on page 2 of this CDP.

By my signature below, the CDP is issued on behalf of the California Coastal Commission:


Susan Craig, Central Coast District Manager, for John Ainsworth, Executive Director

Acknowledgement

The undersigned Permittee acknowledges receipt of this coastal development permit and agrees to abide by all terms and conditions thereof. The undersigned Permittee acknowledges that Government Code Section 818.4 (which states in pertinent part that "a public entity is not liable for injury caused by the issuance of any permit") applies to the issuance of this coastal development permit.

Authorized Representative of San Simeon CSD

Date

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Standard Conditions

1. **Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the Permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
2. **Expiration.** If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
3. **Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.
4. **Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
5. **Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the Permittee to bind all future owners and possessors of the subject property to the terms and conditions.

Special Conditions

1. Approved Project.

- a. **ATF Development.** This CDP authorizes after-the-fact development consisting of: 1) the placement of over 650 cubic yards of riprap on the beach and fronting the bluffs immediately adjacent to the San Simeon Community Services District's (District's) wastewater treatment plant (WWTP) in 1983 (as described and shown on the plan sheet titled *Site Map* dated June 2016 and dated received in the Coastal Commission's Central Coast District Office on December 23, 2015); 2) the placement of up to 450 cubic yards of riprap along both sides of Arroyo del Padre Juan Creek and improvements to a pipe support structure crossing the creek, both in 1995 (as shown on a plan sheet from John Wallace & Associates dated received in the Central Coast District Office on December 23, 2015); 3) replacement of the entire pipe support structure with a new structure in 1999; 4) replacement of 600 feet of outfall pipe in 1984 and replacement of a 100-foot section of outfall pipe between 2010 and 2013; and 5) other structural and component upgrades and development relating to the WWTP over many years (as described in **Exhibits 4 and 15**).
- b. **New Development.** This CDP also authorizes: additional riprap atop the existing riprap fronting the bluffs at the WWTP (up to an additional two feet in height) (see **Special Condition 4**); native habitat restoration in Arroyo del Padre Juan Creek (see **Special Condition 6**); public access improvements on the bluff south of Vista Del Mar Avenue (see **Special Condition 7**); an ocean outfall assessment (see **Special Condition 9**); and decommissioning and demolition of the WWTP in the future and restoration of the site (see **Special Condition 10**).

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- c. **Maintenance.** This CDP also authorizes maintenance of the following: the existing and new riprap on the beach and fronting the bluffs at the WWTP until the WWTP is decommissioned and demolished and the site restored, including removal of the riprap (see **Special Condition 5**); the native habitat restoration in Arroyo del Padre Juan Creek (see **Special Condition 6**); and the public access improvements on the bluff south of Vista Del Mar Avenue (see **Special Condition 7**)
- d. **Other Minor Measures.** This CDP also authorizes limited additional measures necessary to address coastal hazards (including as exacerbated by sea level rise) in order to ensure the continuous operation of the WWTP for the duration of the authorized approval to protect water quality and public health, upon determination by the Executive Director that the limited additional measures fall within the scope of authorized development pursuant to this CDP and do not require a CDP amendment. Any such measures shall be the minimum necessary to abate the identified problem.
- e. **Interim Authorization.** By acceptance of this CDP, the Permittee acknowledges and agrees that this approval is an interim authorization (i.e., for up to 10 years, subject to potential extensions, as specified in **Special Condition 2**) for the Approved Project as specified in subsections (a) through (d) above, to allow for the continued operation and function of the District's WWTP over this timeframe to protect the WWTP against erosion and potential water quality and public health impacts, while simultaneously providing the Permittee time to plan for and consider inland alternatives for future wastewater treatment functions, such as WWTP relocation away from existing and future coastal hazards at this low-lying shoreline location. The habitat restoration and public access improvements described in **Special Conditions 6 and 7** are not subject to the 10-year authorization timeframe, and instead are authorized and required permanently.

2. Duration of Authorization. The Approved Project identified in **Special Condition 1** is authorized for up to 10 years from the date of approval (i.e., through July 11, 2029, the expiration date of this CDP, subject to potential extension as detailed below), subject to a compliance check-in after five years by the Executive Director (i.e., by July 11, 2024). By acceptance of this CDP, the Permittee acknowledges and agrees that such development authorized pursuant to this CDP is only permitted for up to the next 10 years to provide the Permittee adequate time to secure funding and to plan, develop, consider, and implement a project designed to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) that minimizes coastal hazard threats (see also **Special Condition 3**). The duration of authorization parameters above do not apply to the habitat restoration and public access components of the project (see **Special Conditions 6 and 7**), which are authorized and required permanently.

The Permittee also acknowledges and agrees that it shall remove the Approved Project in its entirety and restore the affected bluff and creek areas to their pre-development condition or better within one year of cessation of wastewater treatment operations at the Balboa Avenue site, or by expiration of this CDP, whichever comes first. Prior to initiating decommissioning and removal of the WWTP and resultant site restoration activities, the Permittee shall submit a plan for same to the Executive Director for review and approval pursuant to **Special Condition 10**.

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The expiration date of this CDP may only be modified (a) by the Commission via a CDP amendment, or (b) as part of the Executive Director's check-in process below. In the case of a Permittee-proposed CDP amendment, the Commission shall only consider such a request if the Permittee submits a complete CDP amendment request (i.e., including all necessary information identified by the Executive Director as required for filing purposes) to the Commission prior to the expiration date of this CDP (i.e., before July 11, 2029). Any CDP amendment request that includes proposed retention of the Approved Project and WWTP in its current location beyond the expiration date of this CDP may not be accepted for filing without a showing of significant and diligent action taken in furtherance of implementing the approved Coastal Hazards Response Plan (see **Special Condition 3**), and may not just rely on an expectation of long-term operation of the WWTP at the present location beyond the expiration date of this CDP.

The Permittee shall be subject to a five-year check-in with the Executive Director on the status of its CDP compliance efforts following approval of this CDP. In no event later than July 11, 2024, the Permittee shall request a determination from the Executive Director about whether significant and diligent progress has been made by the Permittee on meeting the terms and conditions of this CDP, particularly in furtherance of implementing the Coastal Hazards Response Plan required by **Special Condition 3**. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) evidence of steps taken in compliance with **Special Condition 3**; (2) evidence of public and other outreach undertaken by the Permittee toward CDP compliance; (3) identification of potential alternatives to be considered through this CDP to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) that minimizes coastal hazard threats; and (4) identification of funding sources. The Executive Director's determinations with respect to whether the Permittee is making significant and diligent progress shall be governed by the following:

- a) **Progress Made and CDP Authorization Continues.** If the Executive Director determines that significant and diligent progress is being made towards such compliance, then the Executive Director shall provide written notification of same to the Permittee, and the remaining five-year authorization specified under this CDP will continue until authorization expiration on July 11, 2029 (potentially subject to additional extension(s) per subsection b. below).
- b) **Progress Made and CDP Expiration Extended.** If the Executive Director determines that significant and diligent progress is being made towards such compliance, but that the Permittee, for good cause, will be not able to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location) by the expiration date of this CDP as contemplated by the Coastal Hazards Response Plan (see **Special Condition 3** below), then the CDP expiration may be extended in five-year increments by the Executive Director up to ten additional years (i.e., to either July 11, 2034, or July 11, 2039), subject to additional Executive Director check-ins every five years following the first check-in by July 11, 2024 (i.e. no later than July 11, 2029 and July 11, 2034 (if applicable)).
- i) **July 11, 2029 Check-In.** The Executive Director five-year check-in by July 11, 2029 for determination that significant and diligent progress is being made, if necessary, shall substantially follow the same process and be governed by the same standards as specified

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above for the first Executive Director five-year check-in by July 11, 2024. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) the Permittee has finalized its Coastal Hazards Response Plan; (2) any environmental/permitting documents or other governmental approvals required with respect to the Coastal Hazards Response Plan are being diligently pursued; (3) identified funding sources are being diligently pursued; and (4) the Permittee has selected an identified preferred alternative to pursue.

- ii) **July 11, 2034 Check-In.** The Executive Director five-year check-in by July 11, 2034 for determination that significant and diligent progress is being made, if applicable, shall substantially follow the same process and be governed by the same standards as specified above for the Executive Director five-year check-ins on July 11, 2024 and July 11, 2029. At that time, the Permittee shall submit to the Executive Director documentation that the Executive Director deems necessary or appropriate to evaluate and demonstrate significant and diligent progress in this regard. At a minimum, the documentation shall include the following: (1) any environmental/permitting documents or other governmental approvals required with respect to the Coastal Hazards Response Plan have been approved and/or material progress has been made with respect to such approvals being pursued in relation to the status at the July 11, 2029 five-year check-in; (2) identified funding sources have been secured and/or material progress has been made with respect to such funding being pursued in relation to the status at the July 11, 2029 five-year check-in; and (3) the Permittee has provided an up-to-date timeline, including benchmarks, with respect to projected implementation of the Coastal Hazards Response Plan.
- iii) If the authorization period of this CDP is still effective by July 11, 2039, but the Permittee, for good cause, will still not be able to relocate WWTP functions to an inland site (or sites if functions are broken up into more than one facility location), the Permittee must submit a CDP amendment application prior to expiration of this CDP to the Commission for consideration of changes to the CDP authorization beyond July 11, 2039.

Any extension of CDP authorization duration past July 11, 2029 shall include assessment of additional project impacts on coastal resources for the additional period of CDP duration, and assessment of additional mitigation if the Executive Director concludes that the original CDP mitigations do not adequately address the additional impacts accruing from the extended CDP authorization duration.

- c) **Progress Not Made and CDP Authorization Suspended.** If the Executive Director concludes at any particular five-year check-in that, based on information submitted as part of the check-in process and/or based on other available evidence, the Permittee is not making significant and diligent progress with respect to compliance with the terms and conditions of this CDP (and, particularly, in furtherance of implementing the Coastal Hazards Response Plan required by **Special Condition 3**), then the Executive Director shall provide written notification of same to the Permittee and this CDP authorization shall be suspended, subject to the right of the Permittee

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to dispute the Executive Director's determination to the Commission for consideration and potential action regarding progress made in terms of compliance with the terms and conditions of this CDP at a public hearing, where the Commission may either: (a) concur with the Executive Director's determination, at which point the Commission may amend the CDP authorization period, potentially subject to new or modified conditions to ensure compliance of the CDP as approved or, if the Commission does not amend the CDP authorization period, upon concurrence with the Executive Director's determination the CDP authorization will be deemed to have expired; or (b) determine that significant and diligent progress is being made towards such compliance, and the remaining five-year authorization specified under this CDP will continue until the next CDP five-year authorization period or CDP expiration, whichever is applicable.. If the Permittee does not dispute the Executive Director's determination to the Commission within 30 days of said determination, this CDP authorization will be deemed to have expired. Any Commission extension of the CDP authorization duration past July 11, 2029 shall include an assessment of additional project impacts on coastal resources for the additional period of CDP duration, and an assessment of additional mitigation if the Commission concludes that the original CDP mitigations do not adequately address the additional impacts accruing from the extended CDP authorization duration.

3. Coastal Hazards Response Plan. WITHIN THREE YEARS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than July 11, 2022), the Permittee shall submit two copies of a Coastal Hazards Response Plan to the Executive Director for review and approval. The Response Plan shall be developed in coordination with appropriate staff and agencies at San Luis Obispo County, the Regional Water Quality Control Board, and any other relevant agencies with authority over the development to propose a new and/or relocated WWTP and/or associated wastewater functions. The Response Plan shall build upon the work completed to date as described in the document titled *Alternatives Analysis for Relocation of the San Simeon Community Services District Wastewater Treatment Plant* (dated April 18, 2008 and received in the Coastal Commission's Central Coast District Office on December 23, 2015) and the document titled *San Simeon Community Services District Estimated WWTP Life Expectancy Analysis* (dated August 18, 2016 and dated received in the Central Coast District Office on August 29, 2016). The Response Plan shall provide a clear long-term plan for providing necessary wastewater treatment functions at an inland location or locations that are not subject to the significant coastal hazards threatening the existing WWTP as identified in the Commission-adopted findings for this CDP.

The Response Plan shall, at a minimum, identify a preferred inland site or sites for District wastewater treatment functions, including evaluating alternative wastewater treatment options in-lieu of building a new inland WWTP (including the construction of an inland package plant or plants, the possibility of combining services with other nearby existing WWTPs, and similar alternatives), and shall provide details regarding the mechanisms, costs, funding options, and timing for potential relocation and for full restoration of the existing WWTP site. Expected costs to purchase land for a relocated plant, to decommission the existing plant and to restore the site, to upgrade any relocated wastewater treatment functions to include water recycling (including addressing the potential for joint satellite facilities and/or collaborations with nearby communities and wastewater service providers for water recycling) must be included. The Response Plan shall provide a detailed evaluation of whether the use of the WWTP outfall

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can be eliminated and the outfall removed as part of moving wastewater functions to a more inland location. Any costs associated with new and/or upgraded outfall pipelines, pumps, and/or lift stations deemed necessary (including rerouting of sewer pipes to a relocated plant, etc.) shall also be included. The Response Plan shall include a timeline of potential major relocation events, including expected timeframes for land acquisition, planning, permitting, design, construction and eventual operation of a relocated plant or alternative wastewater treatment solutions that avoid the significant coastal hazards that threaten the existing WWTP as identified in the Commission-adopted findings for this CDP. Extension to the three-year deadline for submittal of the Coastal Hazards Response Plan may be granted by the Executive Director for good cause, but in no event may it be extended beyond the five-year compliance check-in required by **Special Condition 2**.

4. Additional Riprap Installation Plan. PRIOR TO INSTALLATION OF ADDITIONAL RIPRAP as authorized by **Special Condition 1(b)**, the Permittee shall submit two copies of a Riprap Installation Plan to the Executive Director for review and approval. The Plan shall provide for the placement of additional riprap along the exposed fill areas located between the top of the existing riprap revetment and the existing WWTP perimeter wall to an elevation of approximately 22.5 to 23.0 feet, as shown on **Exhibit 4**. The Plan shall provide for this additional riprap to be installed as soon as possible following approval of the Plan by the Executive Director and shall describe all aspects of the riprap construction methodology (e.g., riprap to be used (which may include riprap that has migrated seaward from the existing revetment); minor changes to the existing revetment if required to account for the placement of the additional riprap; machinery to be used; construction staging areas; time and duration of construction; construction access (e.g., from the area of the WWTP itself or from the beach); etc.). All riprap installation activities shall be subject to a Construction Plan, which shall, at a minimum, include the following:

- a. **Construction Areas.** The Construction Plan shall identify the specific location of all construction areas, all staging areas, and all construction access corridors in site plan view. All such areas within which construction activities and/or staging are to take place shall be minimized to the fullest extent feasible in order to have the least impact on public access, beach and creek habitat, and ocean resources, including by using inland areas for staging and storing construction equipment and materials as feasible.
- b. **Construction Methods.** The Construction Plan shall specify the construction methods to be used, including all methods to be used to keep the construction areas separated from public recreational use and habitat areas (including using unobtrusive fencing or equivalent measures to delineate construction areas), and including verification that equipment operation and equipment and material storage will not significantly degrade public views during construction to the maximum extent feasible.
- c. **Construction BMPs.** The Construction Plan shall identify the type and location of all erosion control/water quality best management practices that will be implemented during construction to protect coastal water quality, including at a minimum the following: (1) silt fences, straw wattles, or equivalent apparatus, shall be installed at the perimeter of the construction site to prevent construction-related runoff and/or sediment from discharging to the ocean; (2) equipment washing, refueling, and/or servicing shall take place at least 50 feet from the bluff edge, and all

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construction equipment shall be inspected and maintained at an offsite location to prevent leaks and spills of hazardous materials at the project site; (3) the construction site shall maintain good construction housekeeping controls and procedures (e.g., clean up all leaks, drips, and other spills immediately; keep materials covered and out of the rain, including covering exposed piles of soil and wastes; dispose of all wastes properly, place trash receptacles on site for that purpose, and cover open trash receptacles during wet weather; remove all construction debris from the site); and (4) all erosion and sediment controls shall be in place prior to the commencement of construction as well as at the end of each work day.

- d. **Construction Site Documents.** The Construction Plan shall provide that copies of the signed CDP and the approved Construction Plan shall be maintained in a conspicuous location at the construction job site at all times, and that such copies shall be available for public review on request. All persons involved with the construction shall be briefed on the content and meaning of the CDP and the approved Construction Plan, and the public review requirements applicable to them, prior to commencement of construction.
- e. **Construction Manager.** The Construction Plan shall provide that a construction manager be designated to be contacted during construction should questions arise regarding the construction (in case of both regular inquiries and emergencies), and that the construction manager's contact information (i.e., address, phone numbers, email, etc.) including, at a minimum, a telephone number and email that will be made available 24 hours a day for the duration of construction, is conspicuously posted at the job site where such contact information is readily visible from public viewing areas (while minimizing public view impacts), along with an indication that the construction manager should be contacted in the case of questions regarding the construction (in case of both regular inquiries and emergencies). The construction manager shall record the name and contact information (i.e., address, email, phone number, etc.) and nature of all complaints received regarding the construction, and shall investigate complaints and take remedial action, if necessary, within 24 hours of receipt of the complaint or inquiry. All complaints and inquiries shall be documented, including any actions taken by the construction manager in response, and shall be provided to the Executive Director at least monthly during all construction.

5. **Riprap Revetment and Pipe Structure - Monitoring, Repair and Maintenance.** The Permittee shall ensure that the condition and performance of the approved riprap revetment (which is located on the seaward and creek sides of the WWTP's vertical containment wall) and the pipe support structure (located in and above Arroyo del Juan Padre Creek) (both authorized by **Special Conditions 1 and 2**) must be regularly monitored by a licensed civil engineer with experience in coastal structures and processes. Such monitoring evaluation shall at a minimum address whether any significant weathering or damage has occurred that would adversely impact future performance of these structures, and identify any structural damage requiring repair to maintain the as-built project in its approved and/or required state for the duration of the authorization. A monitoring report prepared by a licensed civil engineer with experience in coastal structures and processes, and covering the above-described evaluations, shall be submitted to the Executive Director for review and approval at least every five years from the date of approval (i.e., by July 11, 2024, July 11, 2029, and additional periodic terms should the expiration date of this CDP be extended as described in **Special Condition 2**). The monitoring report shall provide for

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evaluation of the condition and performance of the revetment and the pipe support structure, and shall recommend any necessary maintenance, repair, changes or modifications.

This CDP authorizes revetment and pipe support structure repair and maintenance as described in this special condition. The Permittee acknowledges and agrees to: (a) maintain the approved revetment and the pipe support structure in a structurally sound manner and in their approved states; (b) retrieve and restack any portion of the permitted revetment or related improvements that become displaced or otherwise substantially impair beach access and recreation; and (c) annually or more often inspect the revetment and the pipe support structure for signs of failure and, with respect to the revetment, any displaced riprap. Any such repair- or maintenance-oriented development associated with the approved riprap revetment and pipe support structure shall be subject to the following:

- a. **Repair and Maintenance.** "Repair" and "Maintenance," as it is understood in this special condition, means development that would otherwise require a CDP whose purpose is to bring the condition of the overall permitted riprap revetment and the pipe support structure into conformance with its approved configuration, including retrieval of any riprap that may be displaced from the approved configuration.
- b. **Other Agency Approvals.** The Permittee acknowledges that this repair and maintenance condition does not obviate the need to obtain authorizations from other agencies for any future maintenance and/or repair episodes.
- c. **Repair and Maintenance Notification.** At least 30 days prior to commencing any repair and/or maintenance event, the Permittee shall notify, in writing, planning staff of the Coastal Commission's Central Coast District Office. The notification shall include: a detailed description of the repair and/or maintenance event proposed; any plans, engineering and/or geology reports describing the event; a construction plan that complies with all aspects of the approved riprap construction plan (see **Special Condition 4**); identification of a construction manager and his/her contact information (i.e., email, phone numbers, etc.) as described above (see **Special Condition 4(e)**); other agency authorizations; and any other supporting documentation (as necessary) describing the repair and/or maintenance event. The repair and/or maintenance event shall not commence until and unless the Permittee has been informed by planning staff of the Coastal Commission's Central Coast District Office that the repair and/or maintenance event complies with this CDP. If the Permittee has not been given a verbal response or sent a written response within 30 days of the notification being received in the Central Coast District Office, the repair and/or maintenance event shall be authorized as if planning staff affirmatively indicated that the event complies with this CDP. The notification shall clearly indicate that the repair and/or maintenance event is proposed pursuant to this CDP, and that the lack of a response to the notification within 30 days constitutes approval of it as specified in this CDP. Absence of such description in the notification shall negate the automatic approval provisions of this condition.
- d. **Emergency.** In the event of an emergency requiring immediate maintenance, the notification of such an emergency episode shall be made as soon as possible, and shall (in addition to the foregoing information) clearly describe the nature of the emergency. Nothing in this condition shall serve to waive any Permittee rights that may exist in cases of emergency pursuant to

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Coastal Act Section 30611, Coastal Act Section 30624, and Subchapter 4 of Chapter 5 of Title 14, Division 5.5, of the California Code of Regulations (Permits for Approval of Emergency Work).

- e. **Non-compliance Proviso.** If the Permittee is not in compliance with any of the conditions of this CDP, or is in violation of the permitting requirements of the Coastal Act otherwise related to the WWTP site, at the time that a repair and/or maintenance event is proposed, then the repair and/or maintenance event that might otherwise be allowed by the terms of this future repair and maintenance condition may not be allowed by this condition, subject to determination by the Executive Director. Any proposed repair and/or maintenance event that planning staff of the Coastal Commission's Central Coast District Office determines to not be in compliance with this CDP shall require a CDP amendment or a new CDP.
- f. **Duration and Scope of Covered Revetment Repair and Maintenance.** Future revetment and pipe support structure repair and maintenance under this CDP is allowed subject to the above terms throughout the duration of the authorization (see **Special Condition 2**). The Permittee shall maintain the approved revetment and the pipe support structure in their approved state during the period of authorization.

6. Creek Enhancement. NO LATER THAN ONE YEAR FROM THE APPROVAL OF THIS CDP (i.e., no later than July 11, 2020), the Permittee shall submit two copies of a Creek Enhancement Plan to the Executive Director for review and approval. The Plan shall provide for: a) the removal of all invasive ice plant and *Myoporum* and other nonnative species in the portions of Arroyo del Padre Juan Creek that are in the vicinity of the buried riprap (i.e., in the creek, along the creek bank, and in the creek floodplain, as roughly shown in yellow and green in **Exhibit 9**); and b) restoration of this area through the planting of appropriate native vegetation designed to increase the biological productivity and native species richness of the creek environment. The Permittee shall provide plans and photos of the project area for where the removal and restoration shall occur, and a timeline for when this work shall occur. Other requisite plan elements include a description of the methods of nonnative plant removal and restoration planting, identification of an appropriate reference site and sampling scheme for derivation of the restoration plant palette, as well as a description of the source of plant materials to be used in the restoration, and a list of specific, measurable performance criteria to be achieved. Regular monitoring and provisions for remedial action to occur over the continued life of the Approved Project (such as replanting as necessary based on a failure to achieve performance criteria) shall be identified to ensure restoration success, as well as a timeline for reporting monitoring findings to the Executive Director. The Plan shall provide for this restoration being completed according to the provisions of the approved Creek Enhancement Plan within two years of the approval of this CDP (i.e., by July 11, 2021). Extension to the restoration completion deadline may be granted by the Executive Director for good cause.

7. Public Access Overlook. NO LATER THAN ONE YEAR FROM APPROVAL OF THIS CDP (i.e., no later than July 11, 2020), the Permittee shall submit two copies of a Public Access Overlook Plan to the Executive Director for review and approval. The Overlook Plan shall provide a public access overlook on State Parks' property (subject to State Park's concurrence) on the blufftop overlooking the ocean in the vicinity of the intersection of Balboa Avenue and Vista Del Mar Avenue, with a connecting

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path (at least 4 feet wide) back to the intersection (see **page 6 of Exhibit 12**). All such development shall be sited and designed to blend seamlessly into the natural environment and to protect public views, including through use of natural materials (e.g., decomposed granite paths, wood materials otherwise, etc.). The overlook shall include at least one bench and one picnic table, at least one public access directional sign at the intersection of Balboa Avenue and Vista Del Mar Avenue, and may include one educational interpretive sign at the overlook itself. Sign details showing the location, materials, design, and text of all public access signs shall be provided as part of the Overlook Plan. The signs shall be designed so as to provide clear information without impacting public views and site character. The directional sign shall include the Commission's access program "feet and wave" logo and the California Coastal Trail logo. Construction on the overlook shall commence immediately upon approval of the Overlook Plan by the Executive Director. The path and overlook area and all related amenities shall be available to the general public free of charge, and shall be maintained in their approved state by the Permittee in perpetuity consistent with the terms and conditions of this CDP. The Plan shall provide for overlook construction and availability to the public according to the provisions of the approved Public Access Overlook Plan within two years of the approval of this CDP (i.e., by July 11, 2021). Extension to the construction/public availability deadline may be granted by the Executive Director for good cause.

8. Ocean Outfall Mitigation Fee. WITHIN SIX MONTHS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than January 11, 2020), the Permittee shall compensate for ocean substrate habitat impacts resulting from placement of the outfall through payment of a \$3,141.43 mitigation fee to the Regents of the University of California on behalf of the UC Davis Wildlife Health Center. The mitigation fee shall be used by the SeaDoc Society, a marine ecosystem health program of the UC Davis Wildlife Health Center, to remove lost fishing gear offshore of the central coast of California as part of its "California Lost Fishing Gear Recovery Project" in accordance with the terms and conditions of a Memorandum of Agreement (Agreement) (see draft of Agreement in **Exhibit 19**) between the California Coastal Commission and the Regents of the University of California on behalf of the Wildlife Health Center. If the Executive Director determines that the UC Davis Wildlife Health Center is not carrying out the ocean substrate impact mitigation project in accordance with the terms and conditions of the Agreement, the Executive Director shall require transfer of any mitigation fee funds remaining at the time of such determination to an alternative entity to implement an alternative ocean substrate mitigation project acceptable to the Executive Director.

9. Ocean Outfall Assessment Plan. WITHIN SIX MONTHS OF THE DATE OF THE APPROVAL OF THIS CDP (i.e., no later than January 11, 2020), the Permittee shall submit two copies of an Outfall Integrity Assessment Plan to the Executive Director for review and approval. The Assessment Plan shall include a procedure for undertaking a complete inspection of the existing outfall line from the WWTP connection point to the outfall line's termination point in the ocean to assess whether the outfall is leaking or is in danger of leaking or having any type of failure. The Permittee shall undertake the outfall line assessment consistent with the approved Assessment Plan. If the assessment shows that the outfall line is leaking, or that the diffusers are not functioning as designed, or that portions of the outfall are at risk of failing, the Permittee shall submit a complete CDP amendment request within 30 days to address the compromised condition of the outfall line.

10. WWTP Site Restoration Plan and Dedication. The Permittee shall decommission and remove the

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WWTP and all related development in its entirety, and shall restore the affected blufftop, bluff and creek areas (shown in **Exhibit 3**) to their natural conditions (through re-contouring as necessary, and nonnative and invasive plant removal and via the planting of appropriate native plant species in the creek (pursuant to the requirements of **Special Condition 6**) within one year of cessation of wastewater treatment operations at the Balboa Avenue site (see **Special Condition 2**). Prior to initiating decommissioning and removal of the WWTP and resultant restoration activities, the Permittee shall submit a Plan for same to the Executive Director for review and approval. The Plan shall include removal of all WWTP components and infrastructure from the WWTP site itself, from any public or non-public right-of-way, and from any other adjacent impacted properties, including the creek (subject to property owner consent). The Plan shall include a description of the methods of nonnative plant and/or invasive plant removal and will describe the methods that will be used to restore the WWTP site to a safe and level configuration that roughly matches the surrounding areas.

WITHIN THREE MONTHS OF EXECUTIVE DIRECTOR APPROVAL OF THE WWTP SITE RESTORATION PLAN, the Permittee shall also execute and record a document, in a form and content acceptable to the Executive Director, irrevocably offering to dedicate a fee interest to the restored WWTP site (comprised of the parcels designated as APNs 013-031-028, -041, and -046¹ as shown on **Exhibit 21** hereto) to a public agency or private entity approved by the Executive Director for open space conservation and public park purposes in perpetuity. No development, as defined in Section 30106 of the Coastal Act, shall occur within the restored WWTP site except for development related to parks and open space purposes, which may include, but is not limited to, the construction of trails, stairways, benches, bicycle racks, picnic tables, trash and recycling receptacles, signage, and planting and maintenance of native non-invasive drought-tolerant vegetation, in each case consistent with the Site Restoration Plan. The document shall provide that the offer shall not be used or construed to allow anyone to interfere with any rights of public access which may exist on the WWTP site.

The recorded document shall include legal descriptions of the entire WWTP site being dedicated (i.e., APNs 013-031-028, -041, and -046 as shown on **Exhibit 21**), and corresponding graphic depictions prepared by a licensed surveyor based on an onsite inspection. The document shall be recorded free of prior liens and any other encumbrances which the Executive Director determines may affect the interest being conveyed.

The offer to dedicate shall run with the land in favor of the People of the State of California, binding successors and assigns of the Permittee or landowner in perpetuity, and shall be irrevocable for a period of 21 years, such period running from the date of recording, and indicate that the restrictions on the use of the land shall be in effect upon the existing WWTP permanently ceasing operations, and remain as covenants, conditions and restrictions running with the land in perpetuity, notwithstanding any revocation of the offer.

11. Assumption of Risk, Waiver of Liability, and Indemnity Agreement. By acceptance of this CDP, the Permittee acknowledges and agrees on behalf of itself and all successors and assigns:

¹ APN 013-031-46 is the upcoast-most portion of the Balboa Avenue right-of-way. This portion of the right-of-way is owned by the District.

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- a. **Coastal Hazards.** That the site is subject to extreme coastal hazards including but not limited to episodic and long-term shoreline retreat and coastal erosion, high seas, ocean waves, storms, tsunami, coastal flooding, landslides, bluff and geologic instability, and the interaction of same;
- b. **Assume Risks.** To assume the risks to the Permittee and the property that is the subject of this CDP of injury and damage from such hazards in connection with this permitted development;
- c. **30235 Waiver.** To waive any rights that the Permittee may have under Coastal Act Section 30235, the San Luis Obispo County LCP, or other applicable laws, to shoreline armoring beyond what is recognized in this CDP to protect the existing WWTP and development authorized by this CDP for the limited duration of 10 years (potentially subject to additional extension per **Special Condition 2**);
- d. **Waive Liability.** To unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards;
- e. **Indemnification.** To indemnify and hold harmless the Coastal Commission, its officers, agents, and employees with respect to the Commission's approval of the project against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any injury or damage due to such hazards; and,
- f. **Property Owner Responsible.** That any adverse effects to property caused by the Approved Project shall be fully the responsibility of the property owner.

12. Future Permitting. All future proposed development related to this CDP and/or this site (including any repair, maintenance, or improvements that might otherwise not require a CDP) shall require a new CDP or a CDP amendment that is processed through the Coastal Commission, unless the Executive Director determines a CDP or CDP amendment is not legally required.

13. Landowner Authorization. WITHIN 90 DAYS OF ISSUANCE OF THE CDP, the Permittee shall submit written evidence from adjacent property owners agreeing that they have authorized the Applicant to retain development authorized by this CDP on their property. Such written evidence to authorize riprap retention at 9231 Balboa Avenue shall be provided by all owners of property at this address whose authorization is not already included in **Exhibit 13**, or from an authorized representative of any homeowners' association at this address. Written evidence to authorize retention of riprap and the portion of the pipe support structure located on Cavalier Acres, Inc. property shall be provided by an authorized representative of Cavalier Acres, Inc.

14. Other Authorizations. WITHIN 90 DAYS OF ISSUANCE OF THE CDP, the Permittee shall provide to the Executive Director written documentation of authorizations from the Regional Water Quality Control Board, the California State Lands Commission and the U.S. Army Corps of Engineers, or evidence that no such authorizations are required. The Permittee shall inform the Executive Director of any changes to the project required by any other such authorizations. Any such changes shall not be

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incorporated into the project until the Permittee obtains a Commission amendment to this CDP, unless the Executive Director determines that no amendment is legally required.

15. Minor Changes. The Permittee shall undertake development in conformance with the terms and conditions of this CDP, including with respect to all Executive Director-approved plans and other materials, which shall also be enforceable components of this CDP. Any proposed project changes, including in terms of changes to identified requirements in each condition, shall either (a) require a CDP amendment, or (b) if the Executive Director determines that no amendment is legally required, then such changes may be allowed by the Executive Director if such changes: (1) are deemed reasonable and necessary; and (2) do not adversely impact coastal resources.

16. Liability for Costs and Attorneys' Fees. The Permittee shall reimburse the Coastal Commission in full for all Coastal Commission costs and attorneys' fees (including but not limited to such costs/fees that are: (1) charged by the Office of the Attorney General; and/or (2) required by a court) that the Coastal Commission incurs in connection with the defense of any action brought by a party other than the Permittee against the Coastal Commission and/or its officers, employees, agents, successors and assigns challenging the approval or issuance of this CDP, the interpretation and/or enforcement of the CDP conditions, or any other matter related to this CDP. The Permittee shall reimburse the Coastal Commission within 60 days of being informed by the Executive Director of the amount of such costs/fees. The Coastal Commission retains complete authority to conduct and direct the defense of any such action against the Coastal Commission and/or its officers, employees, agents, successors and assigns.

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TECHNICAL MEMORANDUM

DATE: February 4, 2025
TO: Patrick Faverty
FROM: Ken Jarrett
SUBJECT: Pico Creek Stream Flow Management Plan

1 INTRODUCTION

The San Simeon Community Service District (District) provides water to the unincorporated community of San Simeon located within San Luis Obispo County on State Highway 1 along California's Central Coast. The existing land use of this District consists of residential (23.7 acres), commercial retail (26.3 acres), and vacant land (51.5 acres). The District manages two primary production wells that pump from the Pico Creek Valley Groundwater Basin and a third well (located on the Hearst Pico Creek Stables that is used for emergency purposes).¹ Additional water supply facilities operated by the District include a reverse osmosis treatment unit that is used during periods of high chloride concentrations that occur from saltwater intrusion within the groundwater basin, a 150,000-gallon storage reservoir, and a side stream recycled water treatment system (Pheonix 2018). Under its Water License (License 12272, Permit 12465), the District has the right to a maximum production of 140 acre-feet per year (AFY) from Pico Creek underflow with a maximum 7-day average extraction rate of 0.27 cubic feet per second (cfs) (121 gallons per minute).

In the 1980s, water production levels exceeded the District's water rights permit and a building moratorium was established to limit water use. Since that time, several efforts have been made to reduce annual production levels, which in recent years have averaged between 70- and 80-AFY. Because of the success of water conservation efforts, the District seeks to update its Master Plan (Pheonix 2018).² As part of this process, the District commissioned Akel Engineering Group, Inc. (Akel Engineering), to assess the system-wide water supply to determine the amount of water that is available for new development (Akel Engineering 2022³; Attachment A) and commissioned Stillwater Sciences and Cleath-Harris Geologists to assess the instream flows of Pico Creek and the stream flow needs of sensitive species to help inform pumping operations that are protective

¹ The third well can only be operated 5 days per year per the Division of Drinking Water permit and is not included in the District's firm capacity.

² Phoenix Civil Engineering, Inc. 2018. San Simeon CSD master plan—potable water, wastewater, recycled water and road network improvement plan. Prepared by Phoenix Civil Engineering, Inc., Santa Paula, California, for San Simeon Community Services District, San Simeon, California.

³ Akel Engineering (Akel Engineering Group, Inc.). 2022. System-wide water supply assessment: addendum to 2018 master plan. Prepared by Akel Engineering Group, Inc., Fresno, California, for San Simeon Community Services District, San Simeon, California.

of environmental resources (Stillwater Sciences and Cleath-Harris Geologists 2024⁴; Attachment B). This technical memorandum summarizes the findings of both reports and includes recommendations for minimizing impacts to sensitive species from District operations and monitoring environmental conditions related to pumping.

Representatives of the California Department of Fish and Wildlife and the California Coastal Commission reviewed and commented on drafts of the Pico Creek Stream Flow Management Plan (this technical memorandum) and the Pico Creek Instream Flow Study (Stillwater Sciences and Cleath-Harris Geologists 2024). Agency comments have been addressed in this technical memorandum and the updated Pico Creek Instream Flow Study included in Attachment B. A summary of comments from the California Department of Fish and Wildlife and the California Coastal Commission and responses to those comments are provided in Attachment C.

2 WATER SUPPLY ASSESSMENT

On behalf of the District, Akel Engineering assessed the water supply sufficiency to the projected water demands by evaluating the impact of the District's water demands on the water supplies through 2045 (Akel Engineering 2022). For the period from 2001 through 2020, annual water usage for San Simeon ranged from 72.4 AFY to 112.3 AFY; however, after the District implemented water conservation measures in 2009, water use declined to levels ranging between 73.2 AFY and 90.5 AFY for the period from 2010 through 2020. Projections of water demand were included in the supply estimate based on development information for a combination of residential and non-residential land use types including future developments on the District's Water Sewer Waitlist. Projected water demand is estimated to reach a total of 112.2 AFY by 2045 with approximately 34.2 AFY for residential and 78.0 AFY for commercial water demand.

The sustainable yield of groundwater was evaluated for the District in the 2014 Cleath-Harris Groundwater Availability Study for the Pico Creek Valley Groundwater Basin,⁵ which assessed various well production levels. The concern with groundwater pumping from the Pico Creek Valley Groundwater Basin is the potential for saltwater intrusion, which can lead to high concentrations of chloride. Cleath-Harris (2014) found that saltwater intrusion increased significantly with both increased well production volumes and with increased length of drought, as follows. 80 AFY was identified as less likely to lead to saltwater intrusions until the second year of a severe drought; 110 AFY was identified as sustainable during a combination of normal wet and dry years, but intrusions would likely occur in some typical drought cycles; and 140 AFY led to saltwater intrusion during either a single dry year or multiple dry years. With the reverse osmosis system operating, the District could extract the full 140 AFY permitted under their existing water rights to produce 112 AFY of potable water (the reverse osmosis system's rejection rate is approximately 20%).

Comparing the groundwater sustainable yields of 112 AFY and projected water demands of 112.2 AFY by 2045, the water supply from the Pico Creek Valley Groundwater Basin is 0.2 AFY deficient to serve the estimated system-wide demand under normal water year conditions.

⁴ Stillwater Sciences and Cleath-Harris Geologists, Inc. 2024. Pico Creek Instream Flow Study. Prepared by Stillwater Sciences, Morro Bay, California and Cleath-Harris Geologists, San Luis Obispo, California, for San Simeon Community Services District, San Simeon, California.

⁵ Cleath-Harris Geologists, Inc. 2014. Groundwater Availability Study: Pico Creek Valley Groundwater Basin, 2014 Update. Prepared by Cleath-Harris Geologists, Inc., San Luis Obispo, California for San Simeon Community Services District, San Simeon, California.

Additionally, in a single dry year or consecutive dry years, the projected demand is expected to exceed the system supply in the 25-year window assessed (2020 to 2045). In normal water years, the 0.2-AFY supply deficiency may be resolved by implementing permanent water conservation actions, but in dry years, the District will likely be required to implement water conservation actions and procedures, such as declaring drought and calling for short-term water use reductions to address potential water shortages.

3 INSTREAM FLOW STUDY

As previously noted, the District also commissioned Stillwater Sciences and Cleath-Harris Geologists (2022) to evaluate instream flows in Pico Creek and assess aquatic habitat conditions and the potential influence of the District's groundwater pumping operations on stream flow in lower Pico Creek. Habitat conditions for special status aquatic species were assessed over a range of stream flows within lower Pico Creek, where the creek flows over the groundwater basin and stream flow is most likely to be influenced by groundwater pumping. Of the sensitive aquatic species found in Pico Creek, steelhead (*Oncorhynchus mykiss*) are the most vulnerable to changes in stream flow. Aquatic habitat conditions were evaluated at 4.10, 1.56, 0.86, 0.35, 0.14 and 0.11 cfs, and results from this study indicate that during stream flows of 1.56 cfs or less, aquatic habitat in lower Pico Creek is sensitive to changes in stream flows. Reductions in flow when stream flow is at 1.56 cfs or less leads to reduced habitat quantity and quality for juvenile steelhead in lower Pico Creek.

Individual pump tests were conducted for each of the District's two groundwater wells to assess the connection between the District's groundwater pumping operations and stream flows. A slight (~0.10-cfs) decrease in surface flow was observed during the pump test for Well #1 (refer to Figure 26 in Stillwater Sciences and Cleath-Harris Geologists 2024⁴), which pumps water from shallower in the groundwater basin compared to Well #2 (Figure 1). No decrease in surface flow was observed during the pump test for Well #2 (refer to Figure 27 in Stillwater Sciences and Cleath-Harris Geologists 2024⁴), which pumps water from deeper in the groundwater basin and below an impermeable clay layer separating the deeper section of the groundwater basin from the stream flow in lower Pico Creek (Figure 1). The decrease in flows observed during the pump test at Well #1 was likely in part due to daily evapotranspiration of phreatophyte/riparian vegetation that increases during the daylight hours and decreases as daily light fades. Additional pump tests would be required to relate the stream flow reductions directly to groundwater pumping versus evapotranspiration; however, the amount of streamflow reduction is expected to be ≤ 0.1 cfs which is approaching the range of error for surface flow monitoring equipment. Pumping from the deeper well (Well #2) would minimize the potential for operations to influence surface flows.

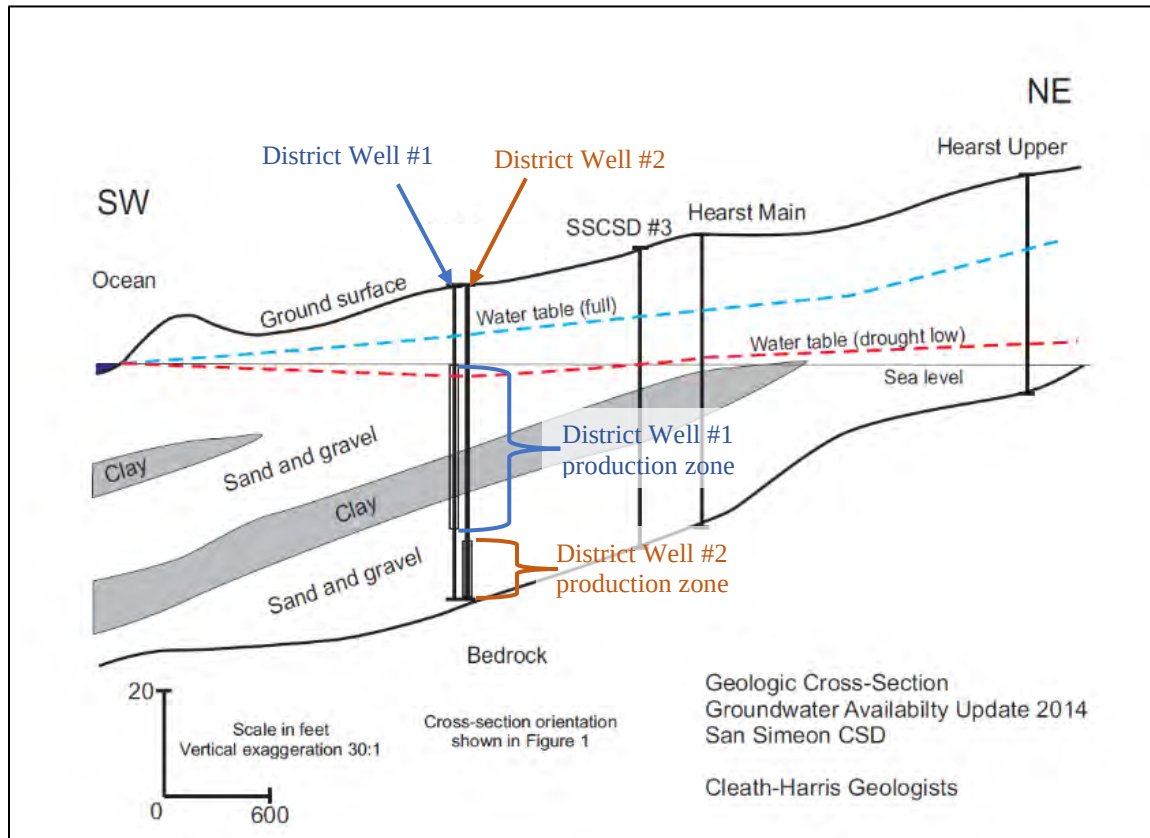


Figure 1. Cross section of Pico Creek Groundwater Basin and San Simeon Community Service District's wells. SSCSD = San Simeon Community Service District, from Stillwater Sciences and Cleath-Harris Geologists (2024).

4 RECOMMENDATIONS

Stillwater Sciences recommends the following actions to protect aquatic resources in lower Pico Creek.

4.1 Operations Management

Stillwater Sciences recommends that the District pump only from Well #2—the deep well—when stream flows are approximately 2 cfs or less, i.e., no pumping should occur at Well #1—the shallow well—when flows are less than 2 cfs. Surveys of steelhead habitat within lower Pico Creek indicate aquatic habitat is sensitive to changes in stream flows at 1.56 cfs. To protect steelhead, use of Well #1 should be restricted when stream flows are less than 2 cfs, which is slightly greater than the threshold of 1.56 cfs reported in the instream flow study (Stillwater Sciences and Cleath-Harris Geologists 2024⁴) where aquatic habitat quality starts to decline. Pumping at Well #2 from deeper in the groundwater basin and below the impermeable clay layer is expected to have little to no influence on surface flow conditions.

4.2 Long-term Monitoring

Long-term monitoring in association with the Stillwater Sciences' operational recommendations will be important to informing and managing the District's groundwater pumping operations. Stillwater Sciences recommends that the District conduct ongoing stream flow monitoring using a real-time stage recorder that provides multiple, daily water stage level readings. A site-specific stage-discharge rating curve should be developed and maintained to allow for converting water stage level to stream flow. Values observed from this monitoring should be used to alert the District to switch off Well #1 and pump only from Well # 2 when the 2-cfs threshold is triggered. In addition to stream flow monitoring, the following environmental monitoring measures and assessments are recommended to ensure environmental impacts are avoided during the District's pumping operations.

- Monitor for potential fish stranding for at least 2 years by conducting direct observation surveys in pool habitat as surface flows become disconnected (i.e., when stream flows are 0.25 cfs or less). If stranding is observed, monitoring should be continued.
- Monitor seasonal water quality conditions (temperature, dissolved oxygen, and salinity) in the Pico Creek lagoon at multiple water depths to assess water quality conditions and thermal stratification as it relates to District pumping operations. Record observations of lagoon mouth status (i.e., open or closed) during the seasonal monitoring efforts.
- Monitor wetland and riparian habitat conditions using remote sensing indicators of groundwater-dependent ecosystem health, such as the normalized difference vegetation index and the normalized difference moisture index.
- Monitor groundwater elevation at District wells and compare to daily rainfall amounts reported for the San Luis Obispo County rain gage (#764) and stream flows recorded for the real-time stage recorder levels to assess surface flow loss to groundwater basin recharge.
- Assess surface loss to groundwater basin recharge by installing a pressure transducer near the upstream end of Pico Creek where it flows over the groundwater basin to determine when surface flows first occur during the onset of the rainy season (fall/early winter) and determine how long until surface flows increase near the downstream end Pico Creek (downstream of Pico Creek Road).

4.3 Annual Reporting

Results from the long-term monitoring will be summarized annually in a report provided to the Technical Advisory Committee. The annual report will include the following information to assist in ongoing evaluation of District operations in the Pico Creek Valley Groundwater Basin:

1. Summary of District pumping operations in relation to stream flows near a real time stream gage, especially for the range of between 0 and 3 cfs, including the number of days and the rate of extraction;
2. Summary of fish stranding observations;
3. Summary of groundwater elevation monitoring, daily rainfall data, and stream flows as they relate to the onset of the rainy season;
4. Summary of Pico Creek lagoon water quality monitoring results; and
5. Results of vegetation monitoring.

Attachments

Attachment A

System-Wide Water Supply Assessment

NOTE: Attachment A - System-Wide Water Supply Assessment (2022) has been superceded. The updated System-Wide Water Supply Assessment (2025) is included in this Comprehensive Analysis of San Simeon Community Services District as a separate exhibit.

Attachment B

Pico Creek Instream Flow Study

FINAL REPORT • FEBRUARY 2025

Pico Creek Instream Flow Study



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Cover photo: Riffle habitat in Pico Creek at approximately 4 cfs in January 2022 (top left), pool with stage level monitoring equipment (top right), California red-legged frog observed in Pico Creek (bottom left), and riffle habitat in Pico Creek dry in April 2022 (bottom right).

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1 BACKGROUND

The San Simeon Community Services District (District) conducted an Instream Flow Management Study in Pico Creek to assess the relationship between the District's groundwater pumping operations and sensitive aquatic habitat in Pico Creek. Results from this study will be included in an Addendum to the existing District Master Plan (Phoenix 2018), based on the requirements of Urban Water Management Plans.

Operation of the District's groundwater wells may affect the distribution and/or behavior of sensitive aquatic species in stream sections where streamflow is affected by groundwater pumping and groundwater infiltration. Sensitive species that occur in Pico Creek include federally threatened south-central California coast steelhead (anadromous *Oncorhynchus mykiss*), tidewater goby (*Eucyclogobius newberryi*), and California red-legged frog (*Rana draytoni*) (National Marine Fisheries Service [NMFS] 2013, Rathburn et al. 1993).

The Pico Creek watershed drains a 15-square-mile area of the southern Coast Range in San Luis Obispo County. Originating from the flanks of the Santa Lucia Mountains, Pico Creek transitions from mountainous headwater terrain (maximum elevation approximately 3,400 feet [ft] above mean sea level) to lower gradient valley depositional areas before draining to the Pacific Ocean approximately 4 miles north of the town of Cambria. Pico Creek is divided into two subbasins with their headwaters in the Santa Lucia Mountains: North Fork Pico Creek and South Fork Pico Creek (Figure 1).



Figure 1. Study Area.

2 INTRODUCTION

Similar to other Coast Range watersheds, Pico Creek naturally exhibits seasonal surface flow and extensive intermittent reaches due to highly variable patterns of precipitation and the complex geology of the region (NMFS 2013). The highest flows in Pico Creek generally occur during the winter in response to high-intensity rainfall when stream flows typically increase, peak, and subside rapidly. This hydrologic attribute is characteristic of a “flashy” hydrograph, whereby a rapid increase in discharge occurs over a relatively short period with a quickly developed peak discharge in relation to normal baseflow. During the summer, extensive portions of Lower Pico Creek and North Fork Pico Creek frequently go dry, as would have occurred under natural conditions (NMFS 2013).

Stream flows provide many critical functions throughout the year, which support important fish development stages, maintain suitable water quality conditions in the lagoon, and support essential geomorphic processes. Figure 2 shows the timing of important development stages for steelhead along with the seasonal flow pattern for Pico Creek and the monthly average District production volumes. Descriptions of steelhead and other special status aquatic species found in Pico Creek are provided below.

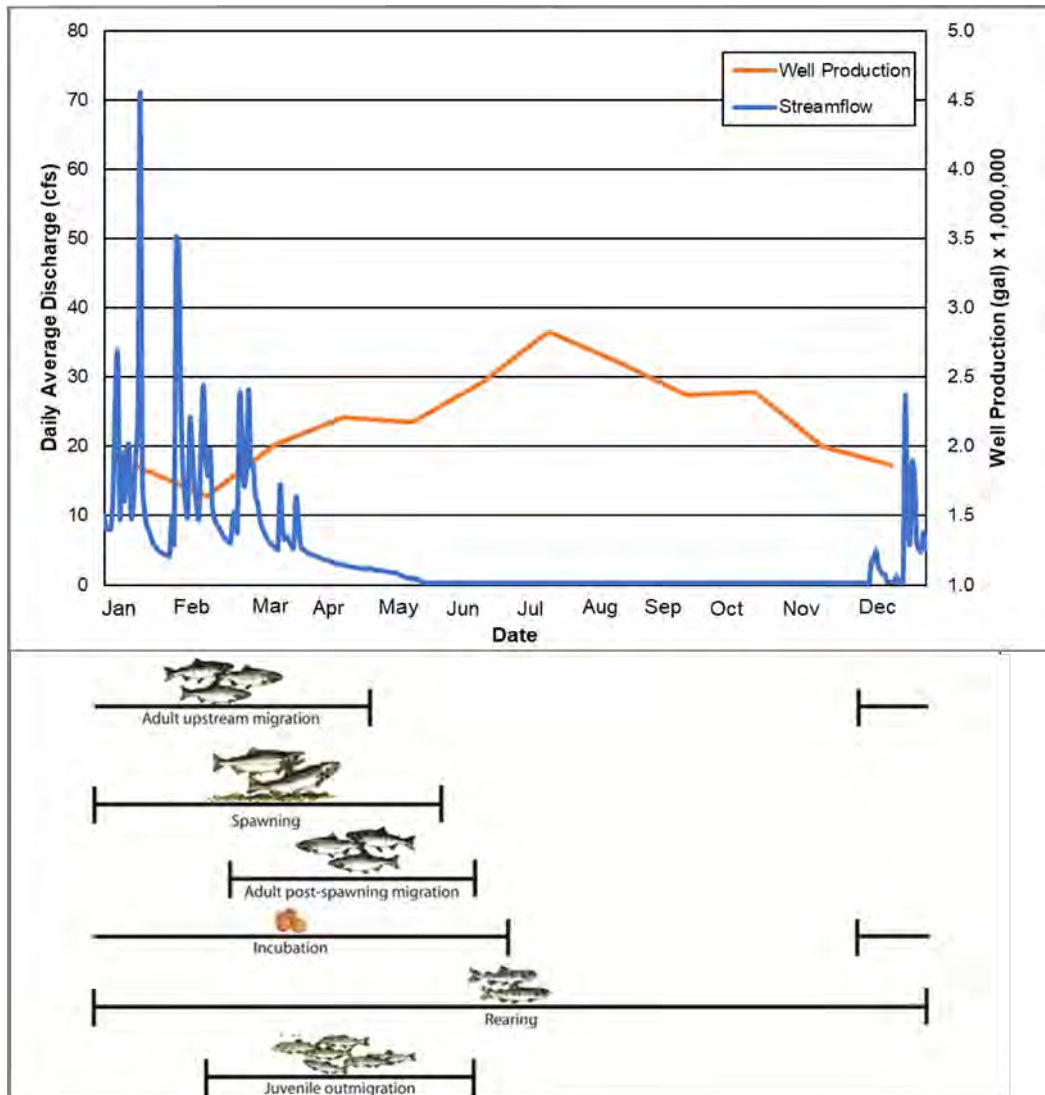


Figure 2. Hypothetical hydrograph showing seasonal flow variation within Pico Creek along with typical district pumping production volumes, and life history timing of steelhead (Shapovalov and Taft 1954).

2.1 Special Status Species

Special status aquatic species that occur in Pico Creek include two federally listed fish species including steelhead and tidewater goby, and one federally listed amphibian, California red-legged frog (CRLF).

2.1.1 Steelhead

Steelhead found in the Pico Creek watershed belong to the South-Central California Coast Distinct Population Segment (DPS), which includes steelhead populations that inhabit coastal stream networks from the Pajaro River (San Benito County) south to, but not including, the Santa Maria River (NMFS 2013). Within this DPS, the population of steelhead in the Pico Creek

watershed has been identified as a Core 2 population, which means they have: (1) a high priority for recovery actions, (2) a known ability or potential to support viable populations, and (3) the capacity to respond to recovery actions. Although Core 2 populations are generally smaller and may have less diverse and complex threats than Core 1 populations, both Core 1 and Core 2 populations are the principal focus of NMFS recovery actions for the DPS (NMFS 2013). NMFS (2013) lists Pico Creek as one of the “best preserved and protected” streams in the region. The only threat rated as “high” for Pico Creek is the frequent channel drying within the mainstem and North Fork Pico Creek, which NMFS reports is natural but can be exacerbated by groundwater extraction and surface water diversions (NMFS 2013).

Steelhead is the anadromous form of *O. mykiss*, in which juveniles rear in freshwater rivers and creeks, migrate to the ocean to mature to adults, and return to freshwater rivers and creeks to spawn. Adult steelhead generally leave the ocean to return to their natal streams from December through March and spawn in late winter or spring (Figure 2) (Meehan and Bjornn 1991, Behnke 1992). Female steelhead construct redds in suitable gravels (0.39–1.18 inches in diameter [Moyle 2002]), often in pool tailouts and heads of riffles, or in isolated patches in cobble-bedded streams. Steelhead eggs incubate in the redds for 3–14 weeks, depending on water temperatures (Shapovalov and Taft 1954, Barnhart 1991). After hatching, young steelhead remain in the gravel for an additional two–five weeks while absorbing their yolk sacs, and then emerge in spring or early summer as fry (Figure 2) (Barnhart 1991).

After emergence, steelhead fry utilize shallow, low-velocity habitats, typically found along stream margins and in low-gradient riffles (Hartman 1965, Fontaine 1988). As fry grow and improve their swimming abilities in late summer and fall, they increasingly show a preference for higher water velocity and deeper mid-channel areas near the thalweg (the deepest part of the channel) in locations with cover (Hartman 1965, Everest and Chapman 1972, Fontaine 1988). Locations with high water velocity and cover likely provide juvenile steelhead resting locations while they watch for drifting invertebrates being carried by flow. Aquatic invertebrates comprise a key item in the diet of juvenile steelhead.

Juvenile steelhead typically rear in freshwater for two to three years before outmigrating to the ocean as smolts (NMFS 2013). The duration of time juveniles spend in freshwater appears to be related to growth rate, with larger, faster-growing members of a cohort smolting earlier (Peven et al. 1994). Steelhead in areas with warm water temperatures, where feeding and growth are possible throughout the winter, may require a shorter period in freshwater before smolting, while steelhead in colder, more northern, and inland streams may require three or four years before smolting (Roelofs 1983). Juvenile steelhead outmigration typically occurs from March through June (Figure 2). Monitoring efforts in San Luis Obispo Creek documented the majority of juvenile steelhead outmigration from March through May, along with a smaller secondary migration occurring during the fall (Spina et al. 2005).

Habitat requirements for different age classes of juvenile steelhead are relatively similar, except that as fish grow, they require more space for foraging and cover. Age 0+ steelhead use shallow-water and low-velocity habitats, such as stream margins and low-gradient riffles to meet their energetic demands and to escape predators (Hartman 1965, Moyle 2002). Older juvenile steelhead (age 1+/2+), because of their larger size, have higher energetic demands and require deeper, more complex pools, and large rocky substrate or in-channel wood for cover while feeding (Hartman 1965, Fontaine 1988, Spina 2003).

Nearly all elements of juvenile steelhead rearing habitat are strongly influenced by instream flows, which affect rearing habitat area, the depth and volume of pools, connectivity between

habitat types, water velocity, and water temperatures. Streamflow also dictates the quantity of drifting invertebrates that reach feeding steelhead (Harvey et al. 2006), with higher summer flows allowing steelhead to better maintain feeding rates during periods of higher water temperatures when metabolic demands are greater (Krug et al. 2012). During periods of low flows and high air temperatures that can occur from the late spring through early fall, water temperature and food availability are critical environmental factors for rearing juvenile steelhead. In general, temperatures less than 20°C are considered suitable for rearing steelhead (Hayes et al. 2008); however, in locations near their southern extent, steelhead have been reported to have optimal performance at temperatures over 24°C (Verhille et al. 2016). In streams along the central California coast, deep pool habitat (>1.5 ft) with sufficient instream cover likely provides critical over-summer refuge habitat for juvenile steelhead in intermittent streams (Spina 2003).

In some central California coast watershed, seasonal lagoons have also been shown to provide a critical role in supporting steelhead populations by providing important juvenile steelhead rearing habitat. Juvenile steelhead that rear in lagoon habitat over the summer have been shown to have rapid growth rates compared to growth in upstream locations (Hayes et al. 2008). Larger steelhead that reared in seasonal lagoon habitat in Scott Creek (Santa Cruz County), for example, were found to account for over 80% of the returning adult population (Bond et al. 2008). In some cases, lagoons have the potential to contribute to the majority of steelhead smolt produced in small coastal watersheds (Smith 1990).

During studies conducted in Pico Creek, downstream of Pico Creek Road, during 1992–1993 Rathburn et al. (1993) reported observations of juvenile steelhead during the spring throughout Pico Creek and in the lagoon. By late June, juvenile steelhead were primarily found in isolated pools and the lagoon. In July, the channel was dry upstream of the District wells (Rathburn et al. 1993).

2.1.2 Tidewater goby

Tidewater goby are federally listed as endangered and designated as a species of special concern by the State of California. They are endemic to the California coast, mainly in small lagoons and near stream mouths in the uppermost brackish portion of larger bays (Moyle 2002, USFWS 2005). Tidewater goby have been observed in high abundance in Pico Creek lagoon; however, critical habitat for tidewater goby is not designated in the watershed. Critical habitat is designated nearby in Little Pico Creek to the north and in San Simeon Creek to the south (USFWS 2013).

Tidewater goby are small fish that are adapted to estuarine/lagoon environments. The species is considered short-lived (generally for one year), highly fecund (females produce 300–500 eggs per batch and spawn multiple times per year) and disperse infrequently via marine habitat but have no dependency on marine habitat for their life cycle (Swift et al. 1989, Lafferty et al. 1999).

Reproduction is generally associated with the closure and filling of the estuary (late spring to fall), typically beginning in late April or May and continuing into the fall, although the greatest numbers of fish are usually produced in the first half of this time period. Breeding occurs in slack shallow waters of seasonally disconnected or tidally muted lagoons, estuaries, and sloughs. Males dig burrows vertically into sand 4 to 8 inches deep and defend the burrows until hatching (SCR Project Steering Committee 1996). Their diet consists mainly of small animals, usually mysid shrimp (*Mysidopsis bahia*), gammarid amphipods (*Gammarus roeseli*), and aquatic insects, particularly chironomid midge (Diptera: Chironomidae) larvae (Swift et al. 1989, Swenson 1997, Moyle 2002). Tidewater goby have been documented in high numbers in Pico Creek Lagoon and the lower few hundred meters of stream when surface flows are present (Rathburn et al. 1993).

The USFWS (2013) states that habitat characteristics required to sustain the tidewater goby's life history processes include:

Persistent, shallow (in the range of approximately 0.3 to 6.6 ft), still-to-slow-moving lagoons, estuaries, and coastal streams with salinity up to 12 ppt, which provide adequate space for normal behavior and individual and population growth that contain one or more of the following: (a) Substrates (e.g., sand, silt, mud) suitable for the construction of burrows for reproduction; (b) Submerged and emergent aquatic vegetation, such as pondweed (*Potamogeton pectinatus*), widgeongrass (*Ruppia maritima*), bulrush (*Typha latifolia*), and sedges (*Scirpus* spp.), that provides protection from predators and high flow events; or (c) Presence of a sandbar(s) across the mouth of a lagoon or estuary during the late spring, summer, and fall that closes or partially closes the lagoon or estuary, thereby providing relatively stable water levels and salinity.

2.1.3 California red-legged frog

California red-legged frog (CRLF) are federally listed as threatened and are a California Department of Fish and Wildlife (CDFW) Species of Special Concern. The species' range occurs from south of Elk Creek in Mendocino County to Baja California, with isolated remnant populations occurring in the Sierra foothills, from sea level to approximately 8,000 ft (Stebbins 1985, Shaffer et al. 2004). Most CRLF populations are currently largely restricted to coastal drainages on the central coast of California. Critical habitat for CRLF is excluded from Pico Creek under a conservation easement (USFWS 2010).

CRLF habitat includes wetlands, wet meadows, ponds, lakes, and low-gradient, slow-moving stream habitat. Breeding generally occurs from December through April in aquatic habitats characterized by still or slow-moving water with deep pools (usually 1.6 ft deep or greater) and emergent and overhanging vegetation (Jennings and Hayes 1994). CRLF egg masses contain between 2,000 and 5,000 eggs (USFWS 2002). Breeding sites can be ephemeral or permanent; if ephemeral, inundation is usually necessary into the summer months (through July or August) for successful metamorphosis. However, locations that dry out after successful metamorphosis occurs can be beneficial to CRLF because it helps prevent invasive predators such as bullfrogs (*Lithobates catesbeianus*) from becoming established (USFWS 2010). Eggs require approximately 20-22 days to develop into tadpoles, and tadpoles require 11 to 20 weeks to develop into juveniles capable of surviving in upland habitats (Bobzien et. al. 2000; Storer 1925; Wright and Wright 1949, as cited in USFWS 2002). CRLF eggs and tadpoles require daily average water temperatures <23°C (73.4°F) (USFWS 2002).

Although some adults may remain resident year-round at favorable breeding sites, others may disperse overland up to one mile or more (Fellers and Kleeman 2007). Movements may be along riparian corridors, but many individuals move directly from one site to another without apparent regard for topography or watershed corridors (Bulger et al. 2003). CRLF sometimes enter a dormant state during summer or in dry weather (aestivation), finding cover in small mammal burrows, moist leaf litter, root wads, or cracks in the soil. However, CRLF frogs in coastal areas are typically active year-round because temperatures are generally moderate (USFWS 2002, Bulger et al. 2003).

2.2 District Pumping Operations

The District provides water services to the unincorporated town of San Simeon through the operation of two groundwater wells located along lower Pico Creek, with a third well located on the Hearst Pico Creek Ranch that provides additional capacity during emergency drought conditions (Figure 1) (Cleath-Harris Geologists 2014). The Hearst Corporation also operates two wells along lower Pico Creek as part of the Hearst Pico Creek Stables, which provide irrigation and water to livestock at an average of 10-acre feet per year (AFY). The District has a water rights license issued by the California State Water Resources Control Board to extract up to 140-AFY from the Pico Creek Valley groundwater basin; however, average annual production averages between 70- and 80-AFY. Groundwater extraction typically increases during the spring and peaks during the summer due to the influx of tourists to the community of San Simeon during this time (Figure 3).

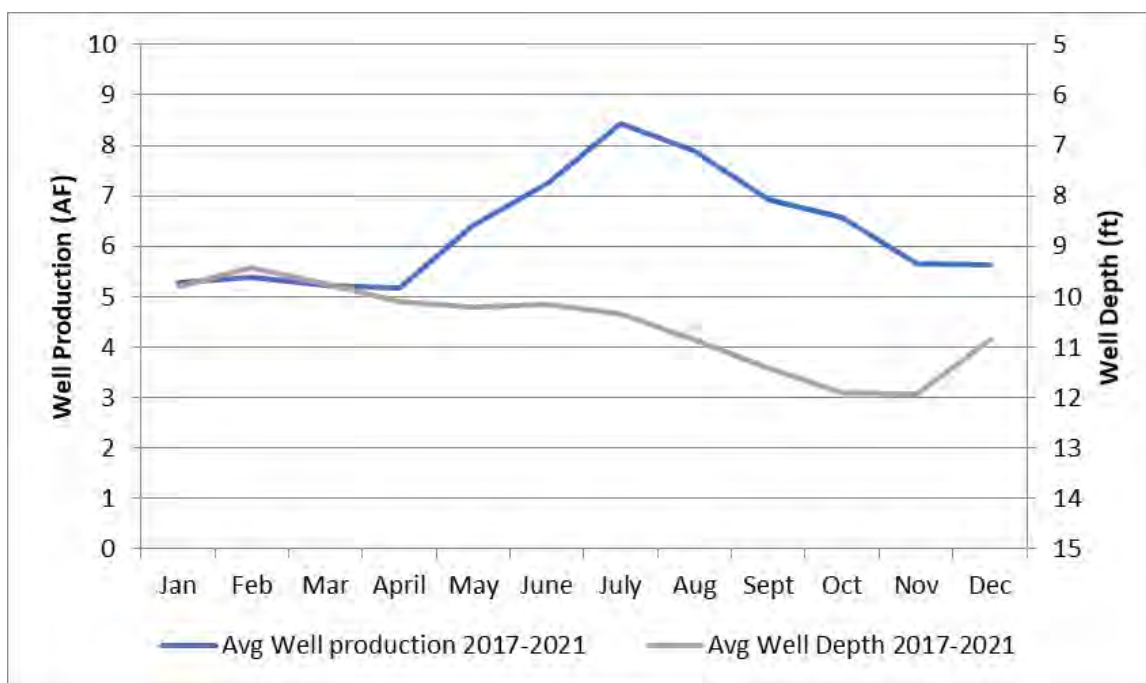


Figure 3. Monthly average groundwater well production and average well depth from District wells during 2017 through 2021.

Average monthly groundwater extraction ranges from 5.28 AF during the winter up to 8.44 AF a month during the summer (based on data collected between 2017–2021) (Figure 3), which is equivalent to daily average rates of 0.09 cfs and 0.14 cfs, respectively. Both wells are equipped with pumps that produce about 325 gallons per minute (0.72 cfs). However, water rights for the District limit groundwater extraction rates to a maximum daily average rate of 0.27 cfs.

Groundwater levels within the Pico Creek Valley groundwater basin generally become saturated after the first rain event in the winter (Cleath-Harris Geologists 2014) and begin to decrease in early spring until groundwater levels reach a minimum elevation during the fall months (Figure 3). The groundwater basin has been defined in earlier investigations. A map prepared of the alluvial deposits (1986 and updated in 2014) show that the alluvium beneath the stream channel adjacent to the District wells is shallower than where the wells are located. The base of the basin

sediments also rises upstream, with the bedrock contact above mean sea level upstream of the Hearst Upper Well (Figure 4).

A previous pumping test (performed February 17, 2006) demonstrated that there is drawdown in the shallower well when the deeper well is pumped. However, the test did not show a flattening of the groundwater level indicating a recharge boundary, such as when a stream inflow boundary is encountered. The flow in the creek was not monitored during the previous test.

Well #1 produces water from aquifers at depths of 15–47 ft. Well #2 produces water from the deepest sand and gravel beds in the basin from depths of 50–60 ft. There is a clayey bed (aquitard) in the groundwater basin beneath the District's wells at depths from approximately 26 to 36 ft below ground. Where present, the aquitard inhibits downward groundwater movement from the shallower sand and gravels to the deeper sand and gravel layers. However, there are areas in the basin where sand and gravels extend from the surface to bedrock and no aquitard is present (e.g., near the Hearst Upper well) (Figure 4).

Test hole logs indicate that the main aquitard is not fully extensive over the basin. Therefore, the semi-confined deeper aquifer can be indirectly recharged from stream flow in the adjacent stream channel, as well as directly recharged from Pico Creek upstream of the Hearst Main Well (Figure 4).

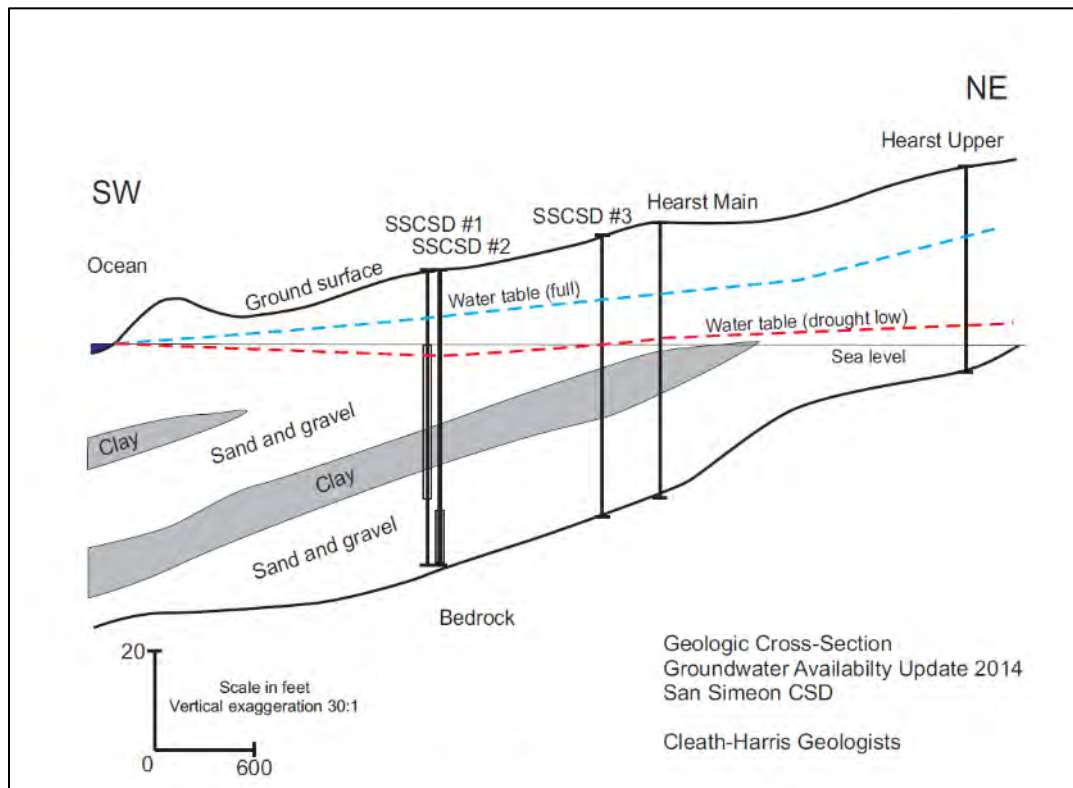


Figure 4. Cross section of Pico Creek groundwater basin and District pumps from Cleath-Harris (2014).

District pumping operations are expected to have the greatest potential influence on aquatic habitat when surface flows are low. With a maximum daily average groundwater pumping rate of

0.27 cfs, District pumping operations are not expected to influence habitat conditions during precipitation driven events when high migratory flows for steelhead likely occur. District pumping operations are also not expected to influence habitat conditions in lower Pico Creek during the summer months when the stream channel is dry, which is expected to occur frequently even under natural conditions (NMFS 2013). However, District pumping operations may potentially influence habitat conditions during relatively low flows (<5 cfs) that occur after the rainy season. During the spring, as surface flows are declining from 3 cfs to 1 cfs, and eventually drying up completely, critical life stages of sensitive aquatic species may be using lower Pico Creek. Juvenile steelhead are potentially rearing within the lower watershed or migrating as smolts downstream to the lagoon and ocean before the stream dries up (as described in Section 2.1.1). CRLF are potentially using this area to develop from eggs and tadpoles prior to metamorphosis into juveniles capable of surviving out of water (as described in Section 2.1.3). This spring period is therefore the most critical for understanding the potential for District pumping operations to influence surface flows and conditions for sensitive aquatic species.

2.3 Goals and Objectives of Study

The goal of the instream flow study is to inform District Master Plan as it relates to sensitive aquatic species that occur in lower Pico Creek. The study objective is to evaluate the relationship between aquatic habitat for sensitive species and District pumping operations in lower Pico Creek.

Results from this study will be used to (1) assess how District pumping operations might affect the biological needs of steelhead, CRLF, and tidewater goby in lower Pico Creek, (2) evaluate District pumping operations to identify constraints and opportunities to contribute towards meeting the biological needs of special status aquatic species in lower Pico Creek, and (3) identify long-term monitoring needs to ensure District pumping operations in the Pico Creek watershed minimize any potential impacts to special status aquatic species due to alterations in surface flows from groundwater pumping.

2.4 Study Area

The Study Area included lower Pico Creek where it flows over the Pico Creek Valley groundwater basin and where District pumps are located. A single Study Reach was established on Pico Creek within the Study Area and focused on the area most likely to be influenced by the District's groundwater pumping. The Study Reach began at the upstream end of the lagoon and extended 0.83 miles upstream to the confluence of the North and South Fork Pico Creek, overlapping with the Pico Creek Valley groundwater basin (Figure 1).

Stream flow data is limited for Pico Creek; however, surface flows within the Study Reach generally sustain steady baseflows during the winter months after the groundwater basin recharges following the first significant rain event. Flows begin to recede after the rainy season as the groundwater level recedes, typically during late spring (Figure 2). By early summer, surface flows typically cease and the channel remains dry through the fall until the groundwater basin refills.

The section of Pico Creek within the Study Area likely serves as a migratory corridor for steelhead, with adult spawning and juvenile rearing limited to the upper watershed where year-round flows are found. Modeling by Boughton and Goslin (2006) suggests similar historic use of Pico Creek by steelhead based on high potential over-summer habitat for juvenile steelhead

predicted in the North Fork and South Fork of Pico Creek and “low potential” within Pico Creek downstream of the confluence (which was the researchers’ lowest designation of habitat quality and assigned to intermittent reaches).

3 METHODS

3.1 Technical Advisory Committee

This project engaged stakeholders through the creation of a Technical Advisory Committee (TAC). The TAC includes individuals from CDFW. The TAC met regularly to assist and advise the project team in the instream flow assessment activities described in Section 3.2 through Section 3.7. The methods described here reflect input from the TAC received on March 3, 2022 and October 5, 2022.

3.2 Habitat Typing

Surveys to characterize physical habitat conditions within the Study Reach were conducted at the beginning of the study. Habitat mapping was conducted when flows were near winter baseflow conditions to facilitate the evaluation of habitat composition while distinct habitat unit breaks were expected to be most apparent. Habitat mapping was conducted following methods developed by Hawkins et al. (1993), McCain et al. (1990), and Flosi et al. (2010), which uses a three-tiered habitat mapping classification system to assist in the identification of individual habitat units in the field. Level III categories are adopted from McCain et al. (1990). Figure 5 shows the relationship among the three levels.

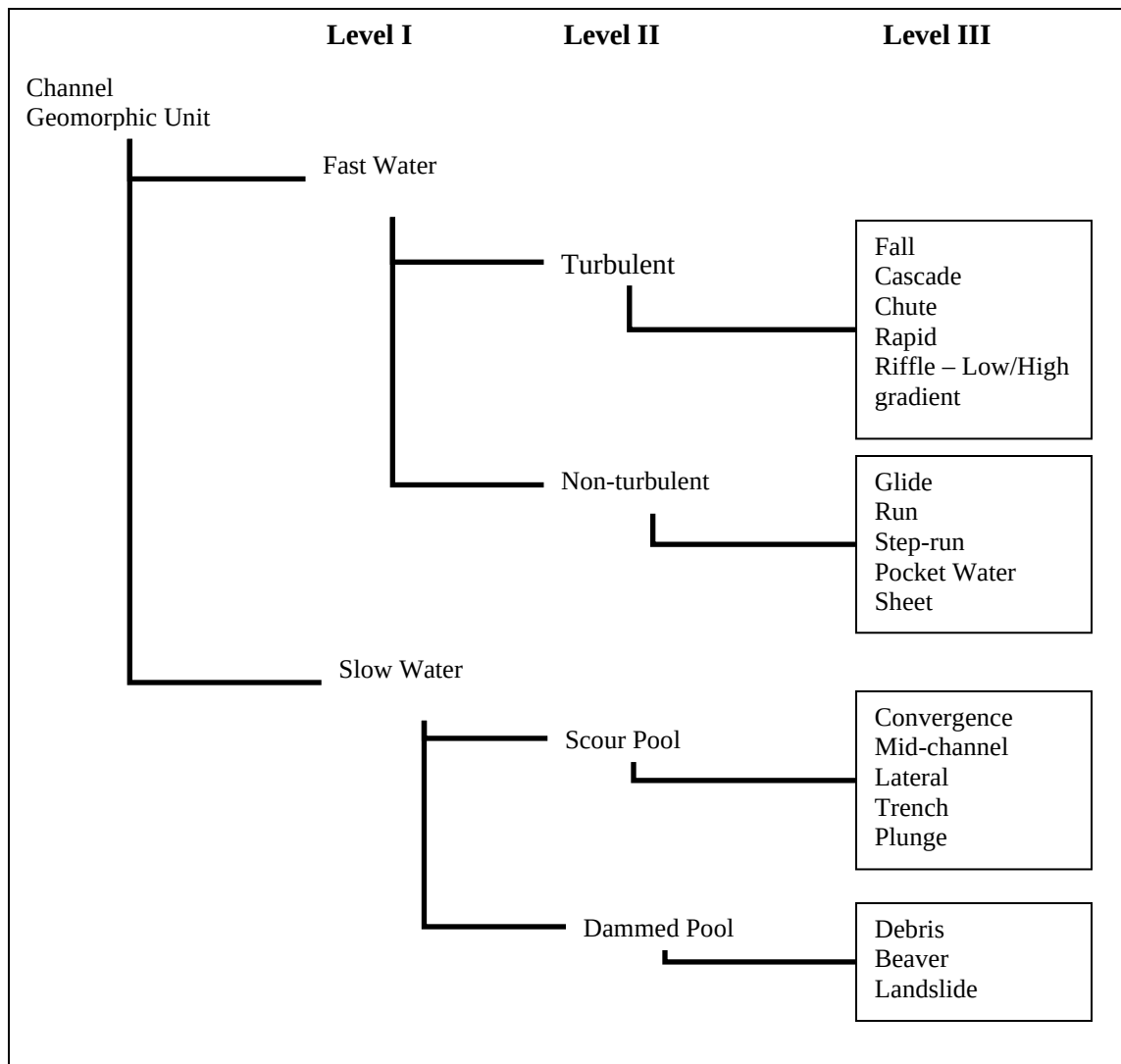


Figure 5. Three-tiered habitat mapping classification system adapted from Hawkins et al. (1993) and McCain et al. (1990).

The Study Reach was divided into individual habitat units that were designated a habitat type (e.g., riffle, run, pool) using the habitat types described in Table 1. Each habitat unit was separately identified where the unit length was at least equal to one to two times the active channel width (McCain et al. 1990, Flosi et al. 2010), or if the unit was otherwise distinctive. The team recorded the length of each habitat unit using a hip chain, which was referenced back to a known starting point or landmark. The mapping was contiguous, with each habitat unit abutted to the next unit. Each distinct habitat unit was numbered consecutively in an upstream direction, beginning at the downstream end of Study Reach. Habitat types used for reach characterization are listed in Table 1. Data from the habitat mapping were used to characterize the Study Reach and establish appropriate study sites.

Table 1. Habitat types to be used in mapping for the Pico Creek instream flow study (Adapted from McCain et al. 1990, Armantrout 1998, Payne 1992, McMahon et al. 1996, and Hawkins et al. 1993).

I. Fast Water:	Riffles, rapid, shallow stream sections with steep water surface gradient.
A. Turbulent:	Channel units having swift current, high channel roughness (large substrate), steep gradient, and non-laminar flow and characterized by surface turbulence.
1. Fall:	Steep vertical drop in water surface elevation. Generally not modellable.
2. Cascade:	Series of alternating small falls and shallow pools; substrate usually bedrock and boulders. Gradient high (more than 4%). Generally not modellable.
3. Chute:	Narrow, confined channel with rapid, relatively unobstructed flow and bedrock substrate.
4. Rapid:	Deeper stream section with considerable surface agitation and swift current; large boulder and standing waves often present. Generally not modellable.
5. Riffles:	Shallow, lower-gradient channel units with moderate current velocity and some partially exposed substrate (usually cobble). • Low gradient—Shallow with swift flowing, turbulent water. Partially exposed substrate dominated by cobble. Gradient moderate (less than 4%). • High gradient—Moderately deep with swift flowing, turbulent water. Partially exposed substrate dominated by boulder. Gradient steep (greater than 4%). Generally not modellable.
B. Non-turbulent:	Channel units having low channel roughness, moderate gradient, laminar flow, and lack of surface turbulence.
1. Sheet:	Shallow water flowing over smooth bedrock.
2. Run / Glide:	Shallow (glide) to deep (run) water flowing over a variety of different substrates.
3. Step Run	A sequence of runs separated by short riffle steps. Substrates are usually cobble and boulder dominated.
4. Pocket Water:	Swift flowing water with large boulder or bedrock obstructions creating eddies, small backwater, or scour holes. Gradient low to moderate.
II. Slow Water:	Pools; slow, deep stream sections with nearly flat-water surface gradient.
A. Scour Pool:	Formed by scouring action of current.
1. Trench:	Formed by scouring of bedrock.
2. Mid-channel:	Formed by channel constriction or downstream hydraulic control.
3. Convergence	Formed where two stream channels meet.
4. Lateral:	Formed where flow is deflected by a partial channel obstruction (streambank, rootwad, log, or boulder).
5. Plunge:	Formed by water dropping vertically over channel obstruction.
B. Dammed Pool:	Water impounded by channel blockage.
1. Debris:	Formed by rootwads and logs.
2. Beaver:	Formed by beaver dam.
3. Landslide:	Formed by large boulders.
4. Backwater:	Formed by obstructions along banks (Recorded as a comment or note to mapping).
5. Abandoned Channel:	Formed along main channel, usually associated with gravel bars (Not part of the main active channel – Recorded as a comment or note to mapping).

The following information was gathered during the habitat typing survey:

- Habitat unit number,
- Habitat unit type,
- Habitat unit length,
- Average width,
- Maximum pool depth,
- Substrate composition (two most dominant substrate types),
- Fish cover type, and
- Suitable CRLF breeding habitat based on depth (>1.6 ft) and emergent or overhanging vegetation for egg deposition (Jennings and Hayes 1994).

All habitat data were entered into a Microsoft Excel spreadsheet and checked for quality control. Analytical tasks included a description of existing stream habitat and conditions including the frequency of pool, riffle, and run habitat. Habitat type composition was calculated using the individual unit lengths as well as the number of representative habitat units. The substrate composition for the streambed was presented along with the average stream width, average pool depths, and available fish cover. Physical habitat conditions were summarized based on percent habitat composition (e.g., riffle, run, pool) within the Study Reach.

3.3 Water Surface Level and Temperature Monitoring

To assess habitat conditions for juvenile steelhead rearing, CRLF breeding, and CRLF over-summer rearing as surface flows recede, water depth and water temperature were monitored in three pool habitat locations within the upper, middle, and lower sections of the Study Reach. Hobo pressure transducers were placed within three deep pools (≥ 3 ft), that provide rearing habitat for juvenile steelhead and CRLF breeding. A fourth pressure transducer was installed above the stream to compensate for changes in barometric pressure. Locations monitored with pressure transducers (PT's) are shown on Figure 2 and Figure 6 and include the following locations:

- **PT1** located near the District groundwater wells, upstream of the lagoon;
- **PT2** located approximately halfway between the lagoon and the confluence of North Fork Pico Creek and South Fork Pico Creek; and
- **PT3** located downstream of the confluence North Fork Pico Creek and South Fork Pico Creek at the upstream end of the Pico Creek groundwater basin.

Data were collected during the spring through early summer to assess habitat conditions prior to desiccation. Monthly site visits were conducted to download pressure transducer data and measure water surface levels. Photos were taken of each pool where pressure transducers were installed and of the adjacent riffles. When surface flows were present, discharge was measured within at least one location in the Study Reach. A stage discharge rating curve was fit to the pressure transducer data to estimate stream flow over the course of the study period. Pressure transducers recorded water stage level and water temperatures at 15-minute intervals.

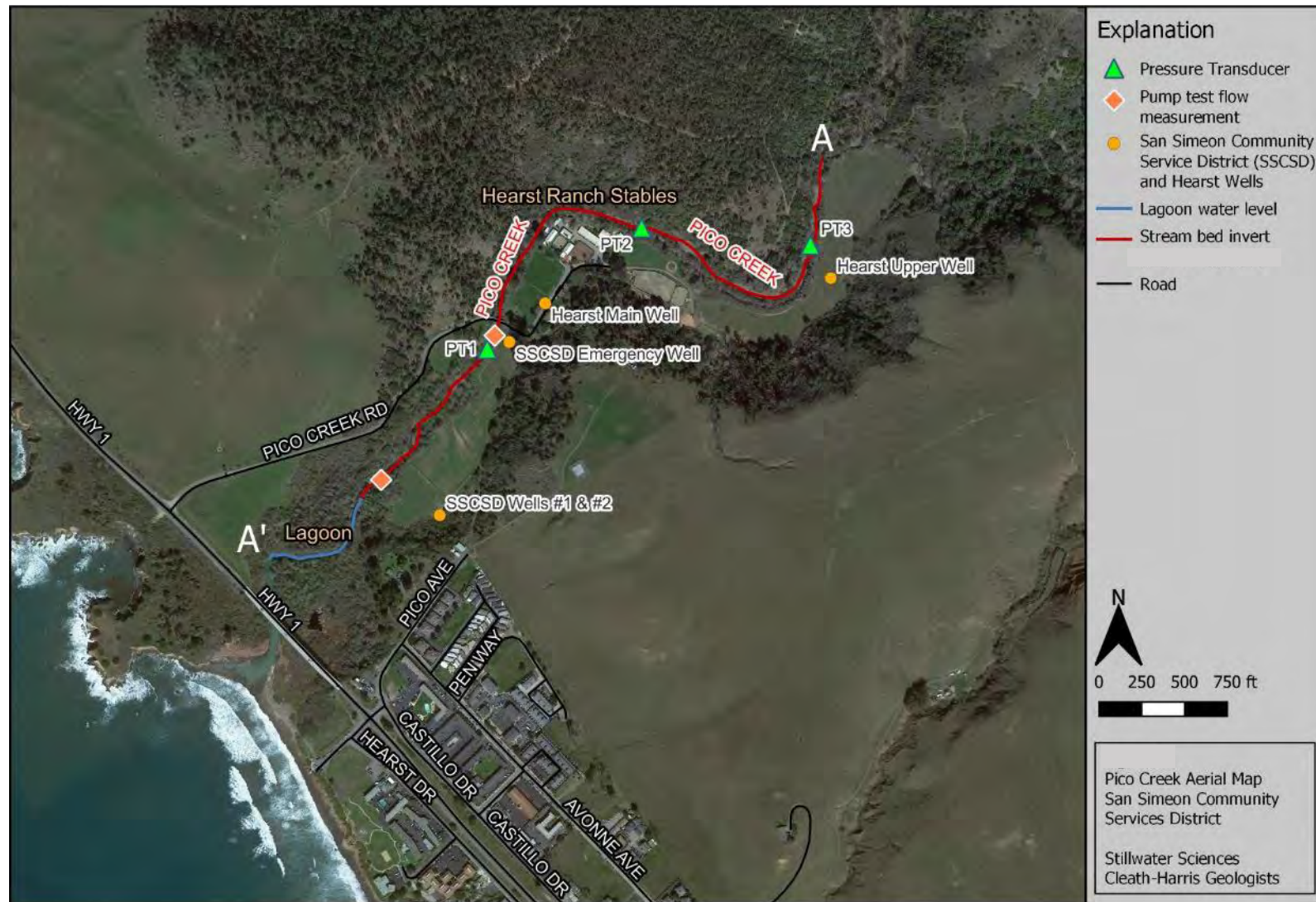


Figure 6. Study Area showing pressure transducer locations (PT1, PT2, and PT3) and pump test stream flow monitoring locations.

Water surface levels and water temperature data monitored using pressure transducers within pool habitats were evaluated to identify locations within the Study Reach where suitable habitat for steelhead and CRLF exists, and at which flows suitable habitat begins to diminish. Data collected from the water surface level and water temperature level monitoring effort were plotted against depth and temperature thresholds required to support suitable juvenile steelhead rearing and CRLF breeding habitat to assess what flows provide suitable habitat within pools. A stage discharge rating curve was fit to the pressure transducer data to estimate stream flows throughout the study period. Water elevation data from the pressure transducers were reviewed during the period when pump tests were conducted to assess changes in pool habitat that may be influenced by ground water pumping.

3.4 Riffle Habitat Assessment

Benthic macroinvertebrate (BMI) production and juvenile steelhead passage conditions were assessed within riffle habitat during each survey. Photo points were established at a minimum of five riffle locations and photographed during each survey. Observations of suitable BMI production in riffles were noted during each survey to assess food production and invertebrate drift into the upstream end of pool habitat where juvenile steelhead are likely to feed. Suitable BMI production was determined in riffles based on estimated water velocity of ≥ 1.0 ft/second and inundation of median substrate particles (D_{50}) per Orth and Maugham 1983, Gore et al. 2001, and Taylor et al. 2009. Fish passage conditions for juvenile steelhead were assessed by measuring water depths within each riffle where photo points occur. Water depths of 0.4 ft or greater within the thalweg of riffle crests were considered suitable for juvenile passage based on CDFW 2017. BMI production and juvenile steelhead passage conditions were referenced to discharge measurements collected during each site visit.

Observations from the riffle assessments were evaluated to understand the amount and distribution of suitable BMI habitat within the Study Reach and the stream flows required to support BMI production and juvenile steelhead passage. Photos collected from the riffle assessment were assessed to help characterize BMI habitat and juvenile steelhead passage conditions over a range of flows.

3.5 Dry and Intermittent Stream Segment Mapping

To help understand where suitable habitat for steelhead and CRLF occurs as stream flow recedes, surface flow conditions within the Study Reach were monitored during each site visit. Surface flow conditions were monitored by mapping dry and intermittent stream sections during each site visit. GPS coordinates of the upstream and downstream extent of each dry section were recorded during each site visit to document when and where surface flow become intermittent as flows receded. Data from the dry and intermittent stream segment mapping were analyzed to describe the seasonal pattern of declining surface flows. Results were compared to the water surface level monitoring data collected within pool locations to assess the ability of isolated pools to retain water without input from surface flows.

3.6 Lagoon Habitat

Pico Creek lagoon was monitored during the study to assess how aquatic habitat for sensitive species that use the lagoon may change as stream flow in Pico Creek recedes. Changes in lagoon size during the study were assessed by monitoring the upstream extent of the lagoon. The

upstream extent of the lagoon was recorded during each site visit using handheld GPS and representative photos of the upstream section of the lagoon were collected. A pressure transducer was installed within the lagoon as part of the Surface Water/Groundwater Connectivity assessment described below (Section 3.7).

Locations of the upstream end of the lagoon were mapped to show changes in lagoon extent over the course of the study. Habitat conditions within the Pico Creek lagoon were assessed based on changes in the lagoon extent during the study period and changes in lagoon stage levels during the pumping tests. Pressure transducer data from the lagoon were assessed for elevation changes during the study period with and during the pumping tests to evaluate the potential influence from District pumping operations on lagoon habitat.

3.7 Surface Water/Groundwater Connectivity

Assessments of the relationship between groundwater extraction and surface flows were conducted to assess stream flow loss during groundwater pumping at each of the two main District Wells. Pumping tests were performed at each of the two District wells in conjunction with the water surface level monitoring discussed above (Section 3.4). Groundwater extractions during the pumping tests were maximized to the extent possible based on water availability and storage capabilities. Pumping tests were performed on weekends when maximum demand typically occurs and the longest duration of pumping could occur. Separate pumping tests were run for each of the two main District wells. All of the water produced during the pumping tests was used to replenish the District reservoir that was drained to a minimum level prior to the testing in order to maximize the duration of the test; none was discharged to waste, per direction from the District.

During these tests, Pico Creek stream flow was monitored to observe evidence of stream flow depletion due to pumping from the District wells. Stream flow monitoring points were established upstream of the wells near PT1 and downstream of the wells just upstream of the lagoon (Figure 6). Measurements were collected at each stream flow monitoring point just before pumping began and then approximately every 15 to 30 minutes throughout the pump test. In addition, the stage levels at PT1, PT2, PT3, and the lagoon level were monitored during these tests to assess the potential influence of groundwater pumping on pool and lagoon habitat.

This study also assessed the relationship between rainfall events and groundwater elevations during the onset of the rainy season to better understand groundwater recharge. Average groundwater levels recorded at the District wells were compared to daily rainfall totals reported for the San Simeon rain gage (#764) operated by the County of San Luis Obispo.

3.8 Wetland and Riparian Habitat Conditions

Wetland and riparian habitat conditions were assessed in the Study Area by reviewing maps of groundwater dependent ecosystems (GDEs), Google Earth imagery, and trends in remote sensing indices of vegetation health. Trends in Normalized Difference Vegetation Index (NDVI) and Normalized Difference Moisture Index (NDMI) were taken from the GDE Pulse 2.2 web application (TNC 2024b). NDVI and NDMI are both derived from Landsat data which has a resolution of approximately 100 ft. NDVI and NDMI data were analyzed for the following time periods (which were available on the Pulse 2.2 site):

- 1985-2023
- 2009-2023
- 2014-2023
- 2019-2023

An assessment of dominant riparian species within the Study Area was conducted to further evaluate potential impacts on riparian vegetation health from District pumping operations. Dominant riparian species within the Study Area were identified from recent aerial imagery and photographs collected during habitat typing (Section 3.2) and riffle habitat assessment surveys (Section 3.4). The assessment was expanded to include additional riparian species identified to have a high potential to occur within the Study Area based on regional plant lists (CNPS SLO 2024). The assessment focused on groundwater elevations and salinity ranges monitored from 1978 through 2014 which covers years when water extractions were at historic highs for the basin (CHG 2014). Groundwater depths and salinity levels were compared to the groundwater threshold for phreatophytes (plants that depend on groundwater for water supply) and salinity tolerance levels of riparian species observed or likely to occur within the Study Area.

4 RESULTS

4.1 Habitat Typing

Stream habitat typing was conducted throughout the Study Reach on January 14, 2022, beginning at the upstream end of the lagoon and extending approximately 0.83 miles upstream. The Study Reach is dominated by pool habitat (both mid-channel and lateral scour pools were observed), followed by riffle habitat and run habitat (Figure 7). Substrate within pool habitat was predominantly sand while the riffle and run habitats were dominated by cobble and gravel substrates, respectively (Figure 8). The majority of the channel (43%) contained no cover for fish. The dominant cover type was overhanging vegetation followed by boulder (Figure 9).

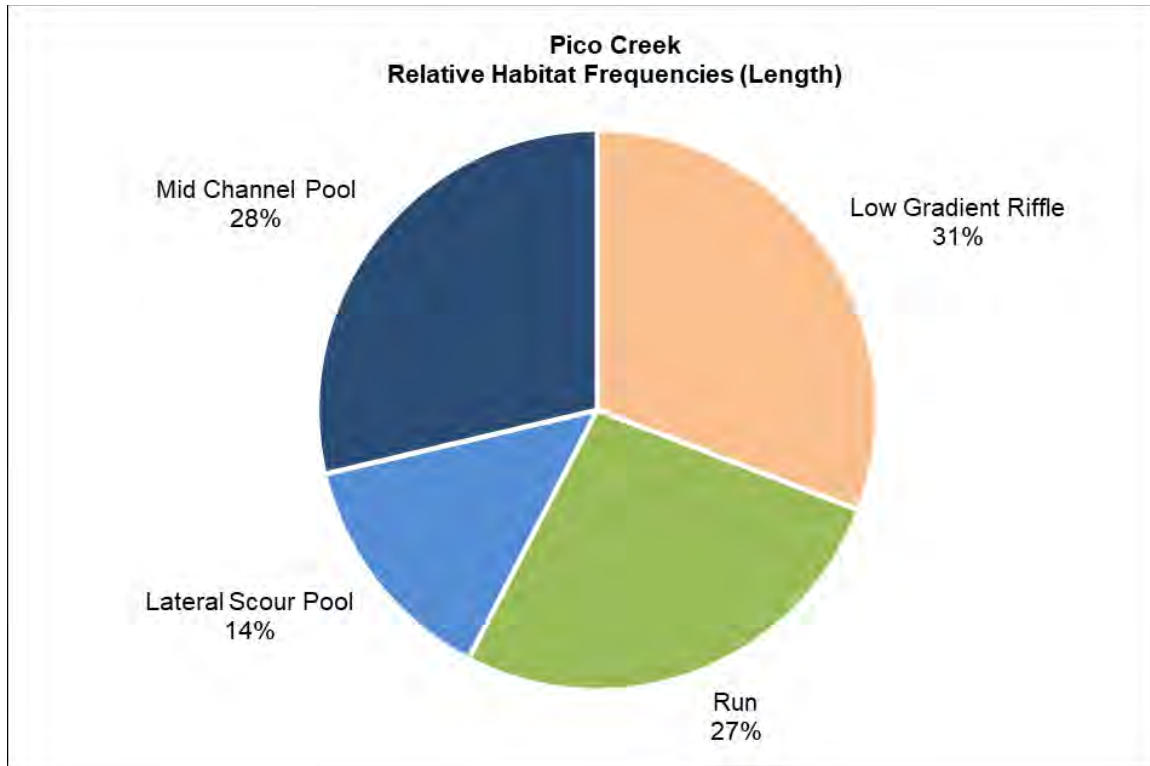


Figure 7. Relative frequency of habitat types (by length) in the Study Reach.

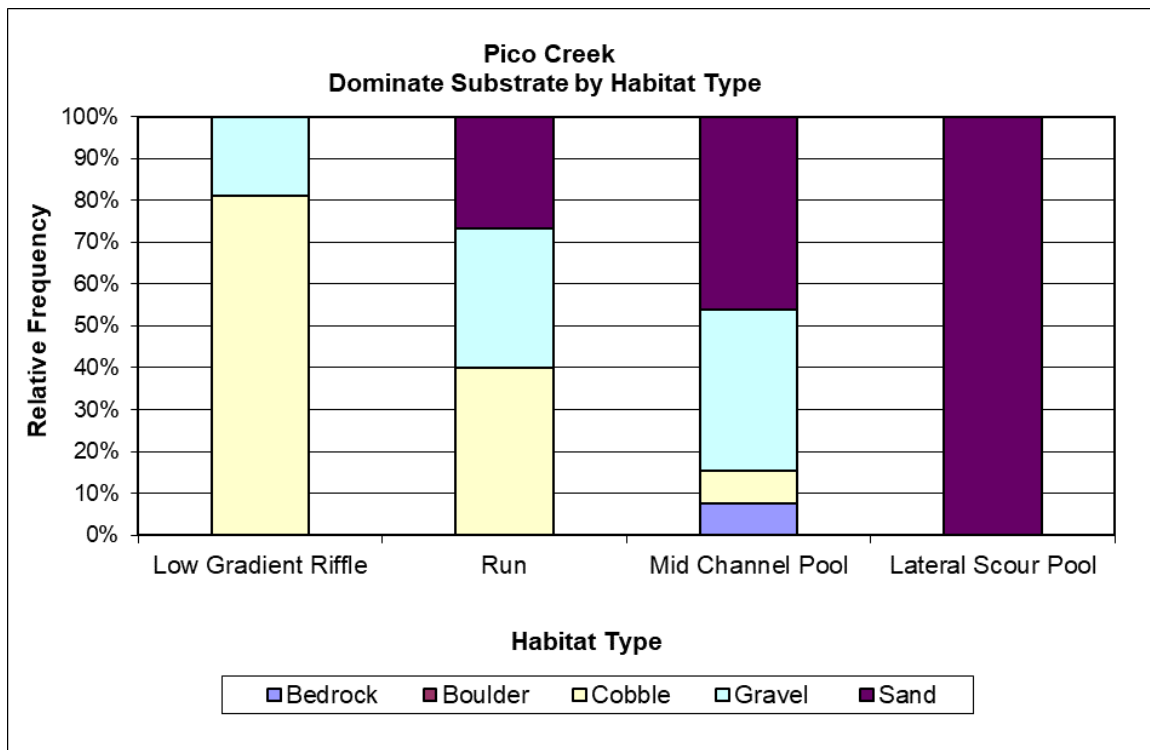


Figure 8. Dominant substrate by habitat type in the Study Reach.

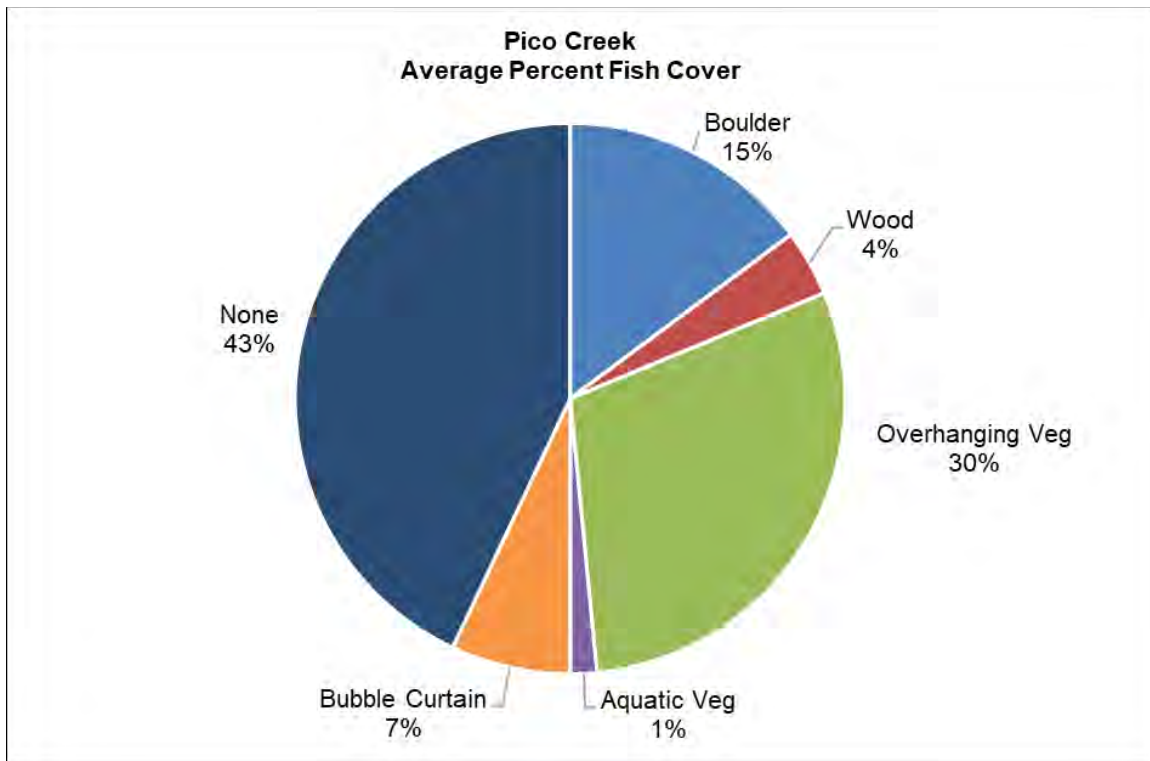


Figure 9. Average percent of fish cover within the Study Area.

4.2 Water Surface Level and Temperature

Pressure transducers were installed in Pico Creek on March 15, 2022, when stream flow was 0.35 cfs. Water levels in pools were generally stable until surface flows became disconnected, at which point pool depths began to decrease quickly. Pool depths showed a quick response to rain events that occurred in late March and in late April. The April rain event occurred after stream flows had become disconnected in the upper section of the Study Reach, when water depths at the pools where PT2 and PT3 were located began to drop. Following the April rain event, water levels in these locations briefly rose by approximately 0.5 ft but then began dropping almost immediately (Figure 10). Photos of each pool where pressure transducers were installed are shown in Figures 11–13.

The downstream pool monitored with a pressure transducer (PT1) had stable pool depths later into the year compared to the upper pools, with water depths remaining stable until early June before levels began dropping. Suitable depths for CRLF breeding and juvenile steelhead rearing remained at this location until early July (Figure 10). Water depths within pools at the upper end of the Study Reach (PT2 and PT3) were generally stable during March and April with the exception of a few spikes following rain events, then began to decrease in depth by late April (Figure 10). In these locations, water depths were suitable for CRLF breeding habitat until late May. Because the pressure transducers were not installed in the deepest part of the pools, PT2 and PT3 were out of the water by late May before the pools dried up. Both pools were observed to be completely dry during the next site visit, which occurred on June 13, 2022, and the pools no longer provided suitable habitat for juvenile steelhead.

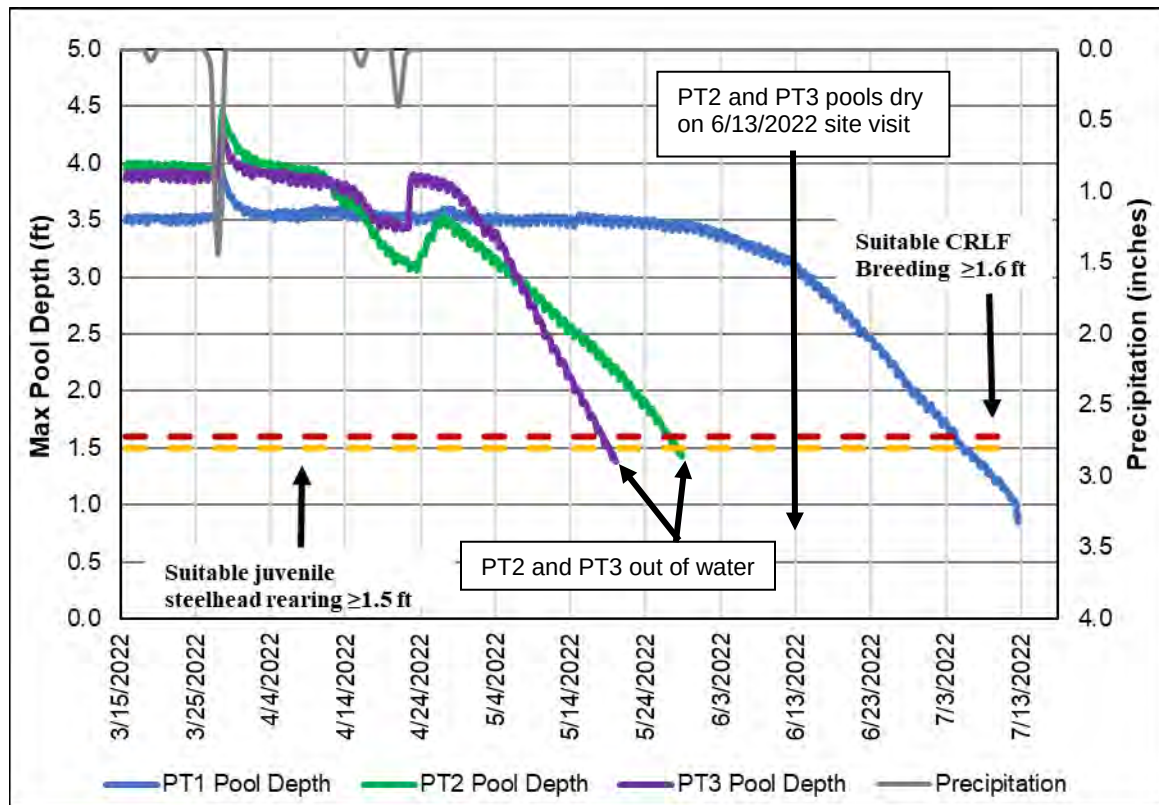


Figure 10. Pool depths in Pico Creek with depth thresholds for CRLF breeding and juvenile steelhead rearing.

** Note, pressure transducers were installed outside of the thalweg to prevent unit movement or loss during storm events and were installed above the stream bed to reduce sediment fouling of equipment, which resulted in Pressure transducers being 1.0 ft to 1.5 ft above the max pool depth.*



Figure 11. Looking upstream at pool where PT1 was installed on: (A) March 30 (0.86 cfs), (B) May 9 (0.05 cfs), (C) June 13 (0.0 cfs), and (D) July 12, 2022 (0.0 cfs).



Figure 12. Looking upstream at pool where PT2 was installed on: (A) March 30 (0.86 cfs), (B) April 15 (0.14 cfs), (C) May 9 (0.05 cfs), and (D) June 13, 2022 (0.0 cfs).

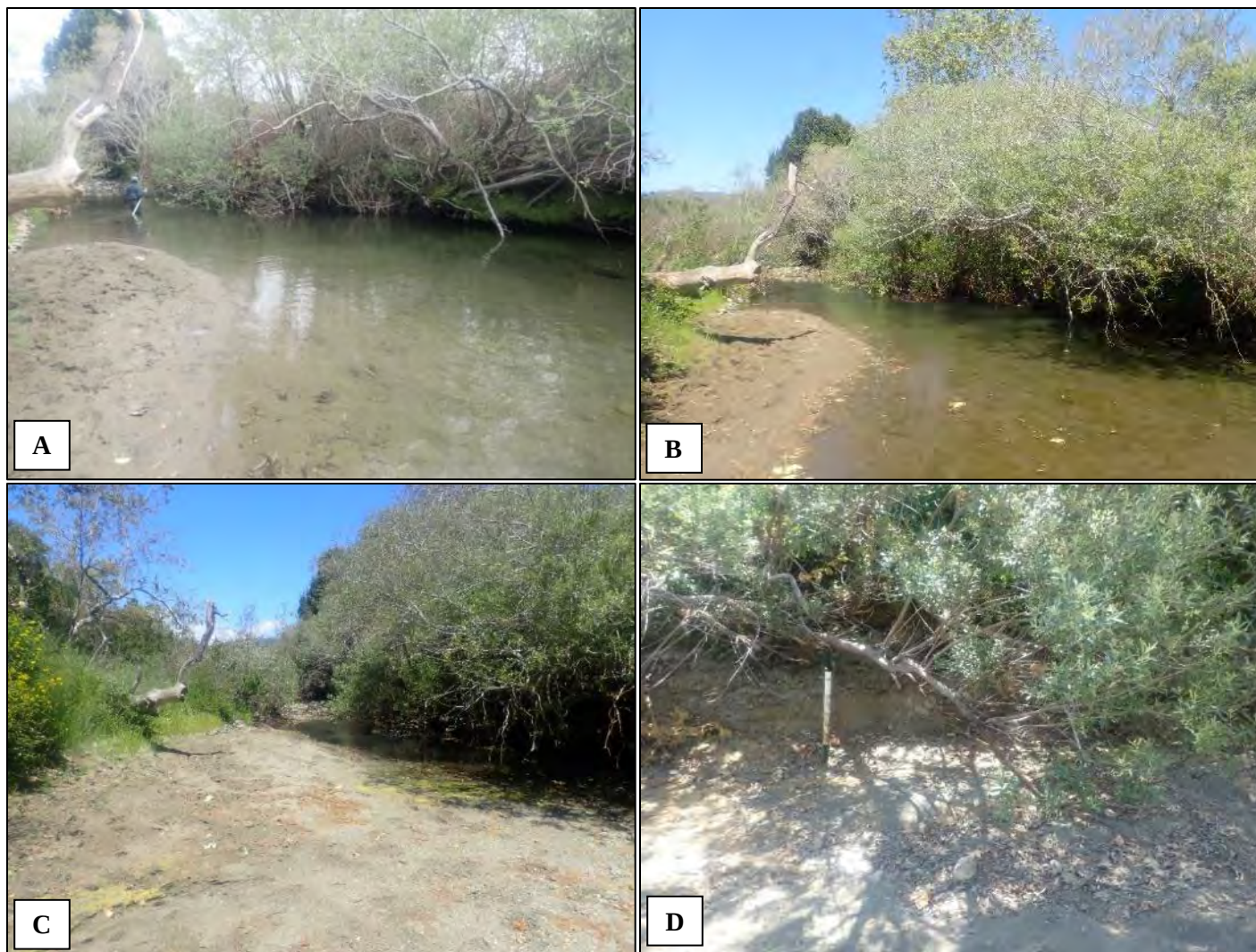


Figure 13. Looking upstream at pool where PT3 was installed on: (A) March 30 (0.86 cfs), (B) April 15 (0.14 cfs), (C) May 9 (0.05 cfs), and (D) June 13, 2022 (0.0 cfs).

4.2.1 Stage discharge ratings

Stream flow was measured throughout the study and ranged from 4.10 cfs on January 14, 2022, to 0.00 cfs on June 13, 2022 (Table 2). A stage discharge rating curve was applied to the pressure transducer stage levels collected at PT1 using the flow measurements collected after PT1 was installed in Pico Creek (March 13, 2022, and after). Estimated stream flow in Pico Creek at PT1 was less than 1.0 cfs for most of the monitoring period, with the exception of a brief spike in stream flow following a large rain event (>1.0 inches of precipitation) in late March 2022 (Figure 14).

Table 2. Stream flow measurements in Pico Creek downstream of the Pico Creek Road bridge.

Date	Stream Flow (cfs)	Notes
01/14/2022	4.10	Flow measured before pressure transducers were installed
2/8/2022	1.56	Flow measured before pressure transducers were installed
3/15/2022	0.35	Pressure transducers installed
3/30/2022	0.86	
4/15/2022	0.14	
4/28/2022	0.11	Outlier, removed from rating curve
5/9/2022	0.05	
6/13/2022	0.00	

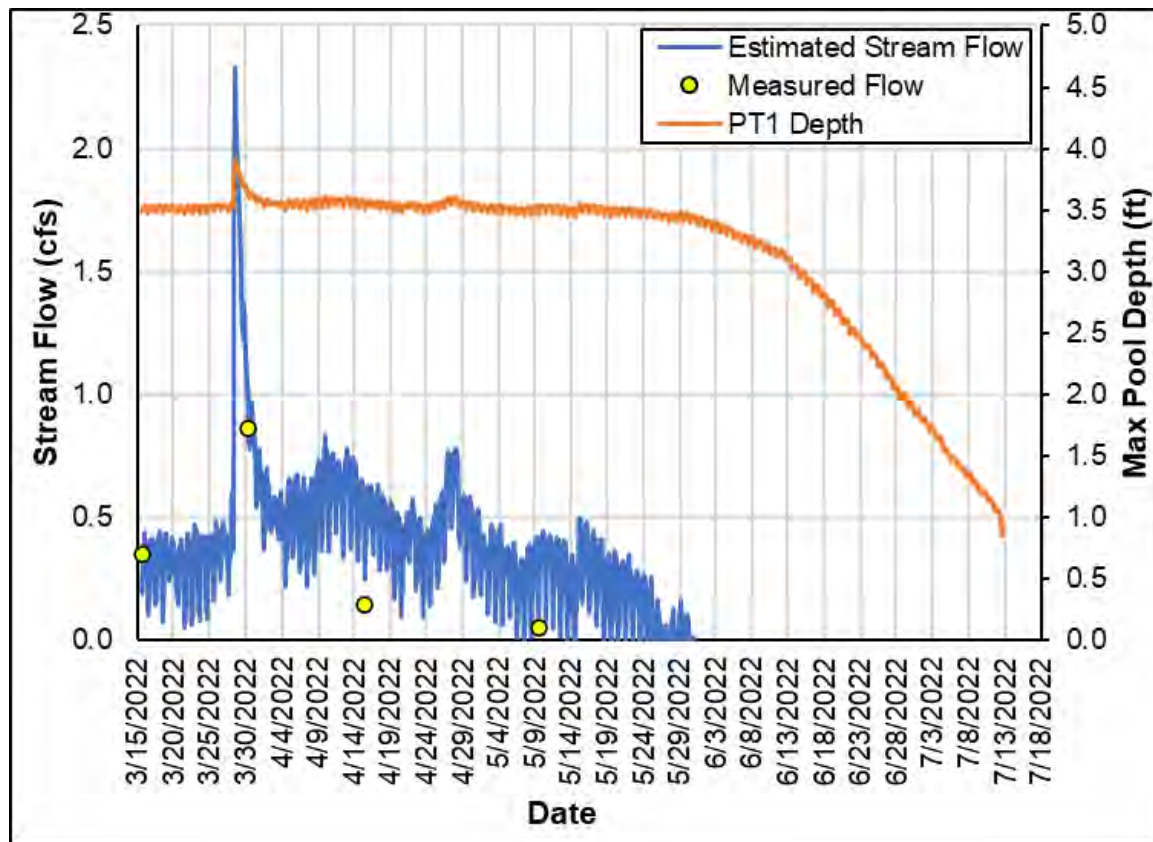


Figure 14. Estimated stream flow in Pico Creek based on stage discharge rating curve for PT1.

4.2.2 Water temperatures

Ambient temperature was recorded on PT1, PT2, and PT3 during the study. All three pools where pressures transducers were installed provided suitable water temperatures for steelhead and CRLF until the pools became dry. Stable and cool water temperatures were recorded on the PTs until pool depths began to decrease. As pool depths decreased, water temperatures became more responsive to the daily fluctuations in air temperature. The downstream end of the Study Reach remained wet later into summer than pools at the upstream end of the Study Reach. Water temperatures recorded at PT1, which remained under water throughout the study, never exceeded suitable levels for steelhead or CRLF (Figure 15) while water temperatures recorded at PT2 and PT3 remained suitable for steelhead and CRLF until they became dry in late May (Figure 16 and Figure 17).

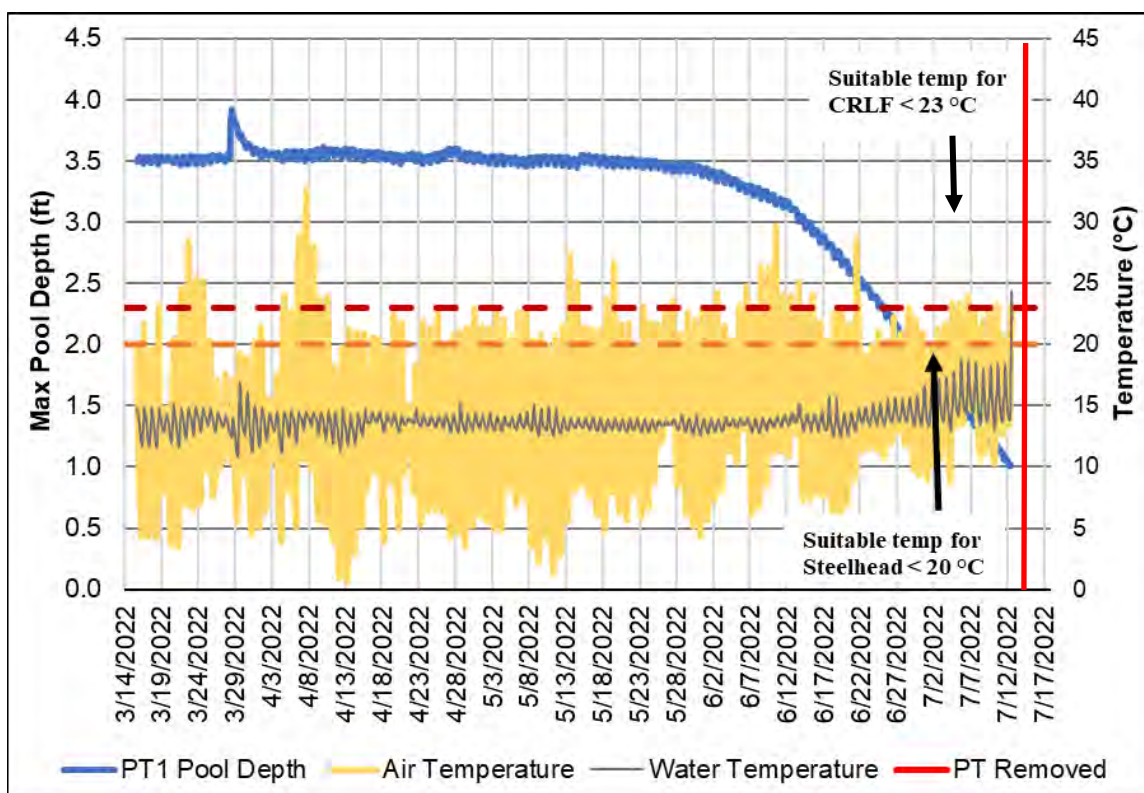


Figure 15. Pool depth and water temperature monitored at PT1.

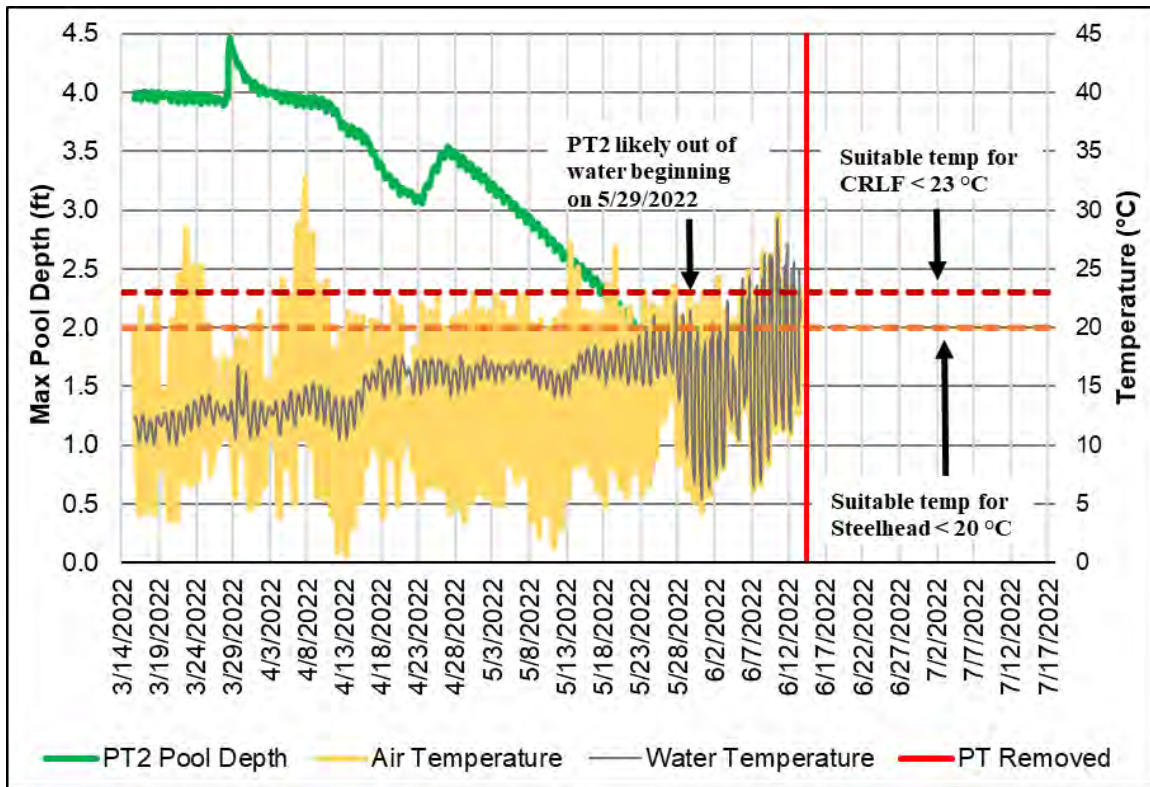


Figure 16. Pool depth and water temperature monitored at PT2.

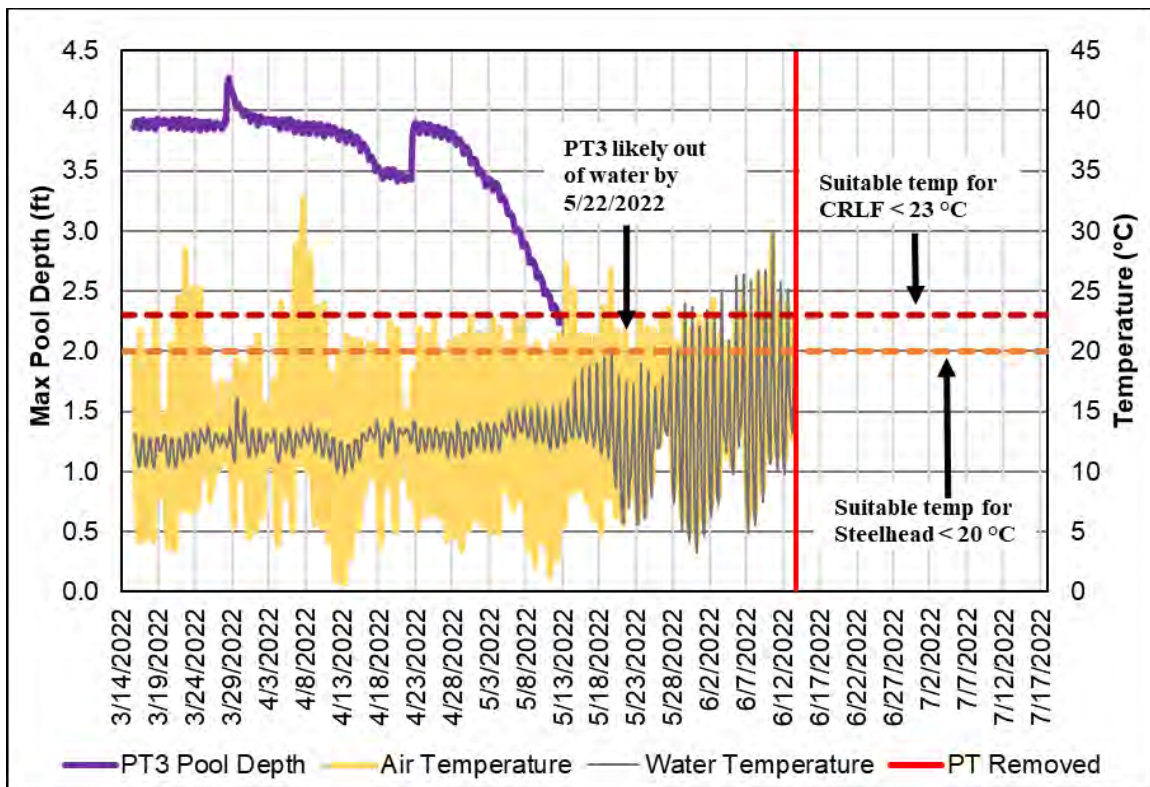


Figure 17. Pool depths and water temperature monitored at PT3.

4.3 Riffle Habitat Conditions

Observations from the riffle assessments were evaluated to understand what flows supported productive BMI habitat and passage conditions for juvenile steelhead within the Study Reach. Suitable conditions to support BMI production in riffles were observed at all riffles assessed when flows ranged from 4.10 cfs to 0.86 cfs. At flows of 0.35 cfs, suitable conditions to support BMI production in riffles were observed at most riffles assessed while a few riffles no longer supported BMI production. When flows were below 0.35 cfs, no suitable habitat for BMI production was observed at any of the riffles assessed (Table 3). Photos showing riffle conditions over a range of flows are included in Figures 18–23.

Flows that provide passage for juvenile steelhead likely occur throughout the Study Reach at flows of 4 cfs and greater. Suitable conditions for juvenile steelhead were observed at all riffles assessed at 4.10 cfs and at most riffles assessed at 1.56 cfs. At 0.86 cfs, conditions to support juvenile steelhead passage were observed at just over half of the riffles assessed. When flows were at 0.35 cfs and below, conditions did not provide passage for juvenile steelhead at any of the riffles assessed (Table 3).

Table 3. Results of Pico Creek riffle habitat assessment for BMI production and juvenile steelhead passage conditions observed during surveys conducted between January 14 through April 28, 2022. *Note, surveys were conducted through July 12, 2022 but conditions no longer supported BMI production or juvenile fish passage after the April 15, 2022 survey.*

Location		Jan. 14, 2022 (4.10 cfs)		Feb. 8, 2022 (1.56 cfs)		March 30, 2022 (0.86 cfs)		March 15, 2022 (0.35 cfs)		April 15, 2022 (0.14 cfs)		April 28, 2022 (0.11 cfs)	
Habitat unit number	PPT#	BMI production	Juvenile passage	BMI production	Juvenile passage	BMI production	Juvenile passage	BMI production	Juvenile passage	BMI production	Juvenile passage	BMI production	Juvenile passage
13	1*	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	No	No	No
15	1	--	--	--	--	Yes	Yes	Yes	No	No	No	No	No
17	2	--	--	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
29	3	--	--	--	--	Yes	Yes	Yes	No	No	No	No	No
33	4	--	--	--	--	Yes	No	No	No	No	No	Dry	Dry
35	5	--	--	--	--	Yes	Yes	No	No	No	Dry	No	Dry
37	6	Yes	Yes	Yes	No	Yes	No	Dry	Dry	No	No	Dry	Dry
40	7	--	--	--	--	Yes	Yes	No	No	Dry	Dry	Dry	Dry
46	8	--	--	Yes	Yes	Yes	Yes	Yes	No	Dry	Dry	Dry	Dry
50	9	--	--	--	--	Yes	No	Yes	No	Yes	No	Yes	No

-- indicates location was not assessed on the specified date. Photo points were established on March 15, 2022; however, some locations were photographed during earlier surveys conducted at higher flows during January and February 2022.



Figure 18. Riffle habitat at PPT1* showing suitable BMI habitat and juvenile steelhead passage at 4.10 cfs (A) and 1.56 cfs (B), BMI habitat but no juvenile steelhead passage at 0.86 cfs (C), and no BMI habitat or juvenile steelhead passage at 0.11 cfs (D).



Figure 19. Riffle habitat at PPT1 showing suitable BMI habitat and juvenile steelhead passage at 0.86 cfs (A), BMI habitat but no juvenile steelhead passage at 0.35 cfs (B) and 0.11 cfs (C), and no BMI habitat or juvenile steelhead passage at 0.05 cfs (D).



Figure 20. Riffle habitat at PPT2 showing suitable BMI habitat and juvenile steelhead passage at 1.56 cfs (A) and 0.86 cfs (B), BMI habitat but no juvenile steelhead passage at 0.35 cfs (C), and no BMI habitat or juvenile steelhead passage at 0.14 cfs (D).



Figure 21. Riffle habitat at PPT6 showing suitable BMI habitat and juvenile steelhead passage at 4.10 cfs (A), BMI habitat but no juvenile steelhead passage at 1.56 cfs (B) and 0.86 cfs (C), and no surface flow when flows measured downstream were 0.35 cfs or less (D).



Figure 22. Riffle habitat at PPT8 showing suitable BMI habitat and juvenile steelhead passage at 1.56 cfs (A) and 0.86 cfs (B), BMI habitat but no juvenile steelhead passage at 0.35 cfs (C) and no surface flow when flows measured downstream were 0.14 cfs.



Figure 23. Riffle habitat at PPT9 showing suitable BMI habitat but no juvenile steelhead passage at 0.86 cfs (A), 0.35 cfs (B), and 0.14 cfs (C), and no surface flow when flows measured downstream were 0.05 (D).

4.4 Wet and Dry Stream Channel Mapping

Observations of the stream channel drying out within the Study Reach were observed early in the study. The first observation of disconnected stream flow was observed during March 15, 2022 when a short segment within the middle of the Study Reach (at PPT6) was dry. Following a substantial rain event (1.44 inches) on March 28, 2022, surface flows were observed throughout the entire Study Reach. By April 15, 2022 dry stream channel segments were observed in two sections within the upper half of the Study Reach and both sections were dry again on April 28, 2022, even after a 0.40 inch rain event occurred on April 21, 2022. On May 9, 2022 the upper half of the Study Reach had no surface flow and water was limited to a few isolated pools. On June 13, 2022, the upper half of the Study Reach was completely dry with no surface flow and no water in isolated pools upstream of the Pico Creek Bridge to the confluence of North Fork and South Fork Pico Creek (Figure 24 and Figure 25). No surface flow was observed throughout the Study Reach on July 12, 2022 but a few small isolated pools were observed between Pico Creek Road and the lagoon.

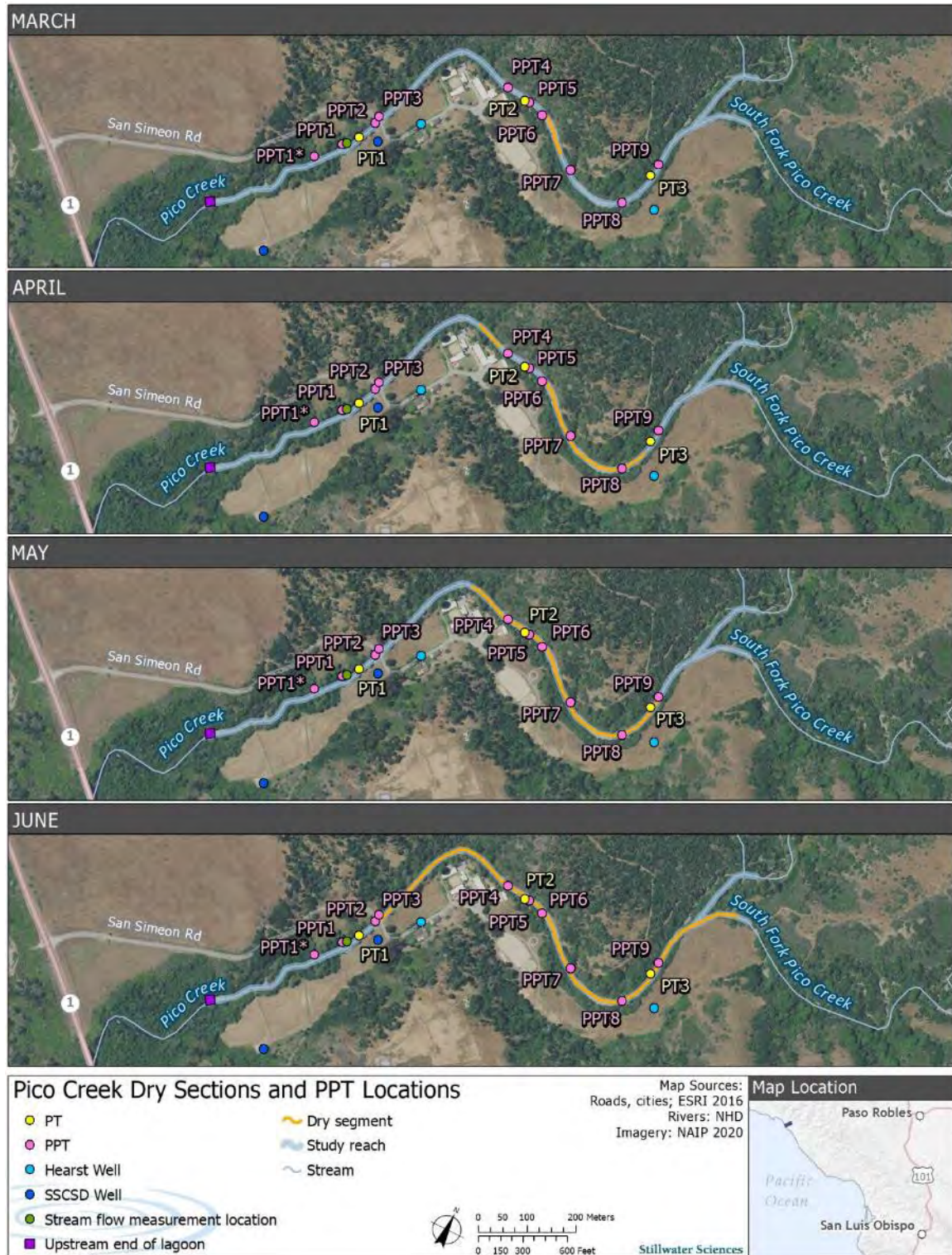


Figure 24. Pico Creek dry segment locations observed during surveys conducted during March through June 2022.

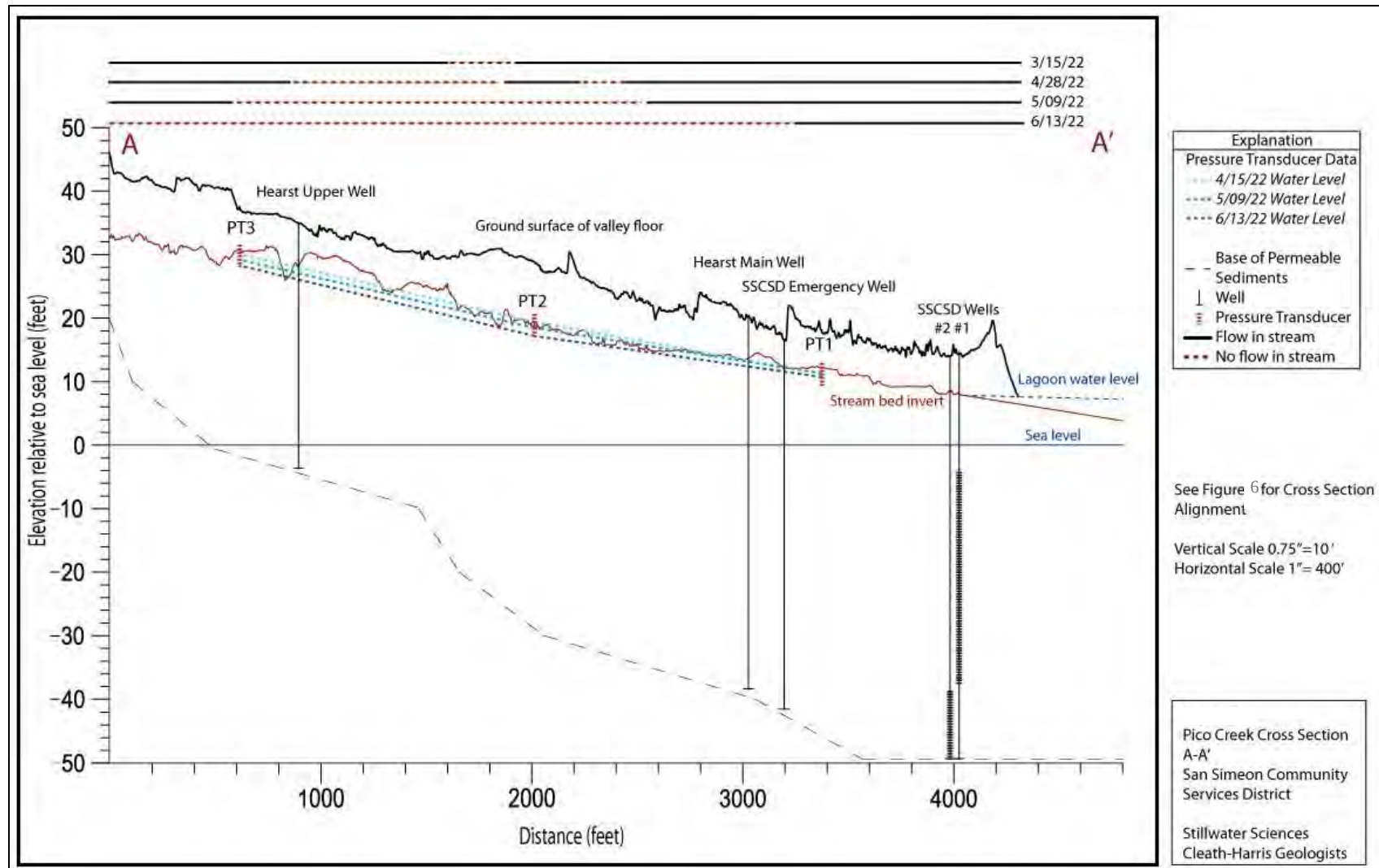


Figure 25. Pico Creek longitudinal elevation profile showing extent of intermittent stream flows in relation to groundwater wells along the Study Reach.

4.5 Surface Water/Groundwater Connectivity

Pump tests were conducted on April 16, 2022 at Well #1 which pumps from depths of 15–47 ft and on April 23, 2022 at Well #2 which pumps from depths of 50–60 ft. The volume of water pumped from the shallow well (Well #1) was 90,284 gallons and occurred over an 8-hour period (equivalent to a rate of 0.42 cfs). The volume of water pumped from the deep well (Well #2) was 108,834 gallons and occurred over a 9-hour period (equivalent to a rate of 0.45 cfs).

Stream flow during the pump tests at the upstream monitoring point was about half the rate at the downstream monitoring point. Stream flow measurements fluctuated during the tests up to roughly 0.20 cfs during testing at Well #1 and by roughly 0.05 cfs during testing at Well #2. However, the overall trend when the shallow well (Well #1) was pumped shows stream flows decrease by approximately 0.1 cfs at the upstream monitoring point while stream flow at the downstream monitoring point increased by approximately 0.1 cfs (Figure 26). The increase in flow observed downstream of the wells may be due to bank storage-drainage from the shallow aquifer into the stream channel. Stream flow at the upstream monitoring point of the deep well (Well #2) shows a decrease in stream flow of approximately 0.04 cfs, and no detectable trend in stream flow was observed at the downstream monitoring point (Figure 27). The sensor depth at PT1 for both tests declined by approximately 0.05 ft during pumping and then recovered after pumping ceased (Figure 26 and Figure 27). However, the fluctuation in sensor depth observed at PT1 during the pump tests were similar to the daily fluctuations observed during days when District well production was more than half the amount during the pump tests (Figure 28, see daily fluctuations for PT1 on 4/07/2022 and 4/25/2022 when daily well production was around 30,000 gallons).

Based on the daily fluctuations in sensor depths at all three PT sensors monitoring points, the drop in stage level observed at PT1 during the pump tests is likely in part due to evapotranspiration of phreatophyte/riparian vegetation that increases during the daylight hours and decreases as daily light fades. Steep declines in sensor depths observed at PT2 and PT3 began to occur in mid-April, which coincides with the timing when disconnected surface flow was increasing. A sharp increase in sensor depth occurred at PT2 on April 24, 2022 and at PT3 on April 23, 2022 (Figure 28), which are shortly after a 0.4 inch rain event occurred on April 21, 2022 that likely reconnected surface flow and refilled pool habitat (Figure 10). Overall, the degree of stream flow impacts adjacent to the District wells resulting from groundwater extractions could not be distinguished from the more evident evapotranspiration demand impact. Additional pump tests would be required to isolate stream flow reductions resulting from groundwater extractions versus evapotranspiration; however, the amount is expected to be ≤ 0.1 cfs which is approaching the range of error for surface flow monitoring equipment.

Groundwater levels respond to the first substantial rain event (i.e., daily total rainfall amounts >1.0 inches) of the rainy season. During the winter of 2020/2021 groundwater levels increased slightly following several early season rainfall events, which produced less than 0.5 inches of rain based on daily rainfall totals; however, the first substantial rain event occurred on January 27, 2021 of nearly 7 inches lead to an immediate increase in groundwater levels (Figure 29). In October 2021, the first rain event of the season was just over 1.5 inches and the following day groundwater levels increased from approximately 2.5 ft up to approximately 5.5 ft (Figure 30).

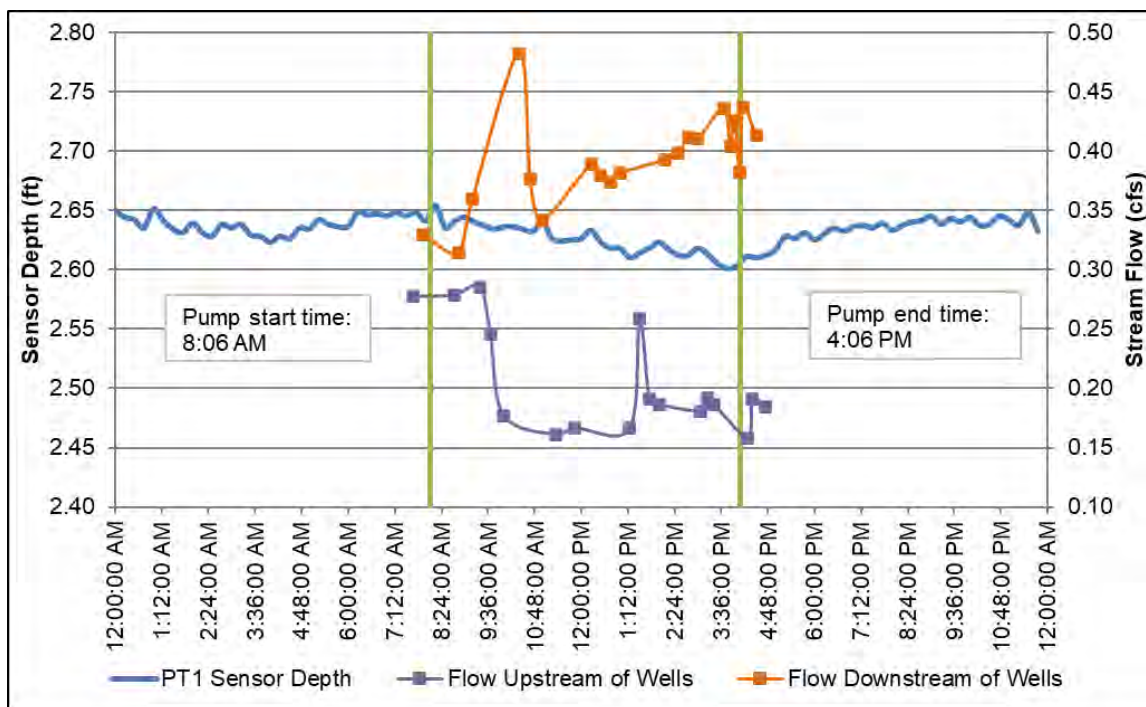


Figure 26. Pico Creek stream flow and PT1 sensor depths during April 16, 2022 pump test at District Well #1. Pumping volume on April 16, 2022 was 90,284 gallons, which is equivalent to a rate of 0.42 cfs.

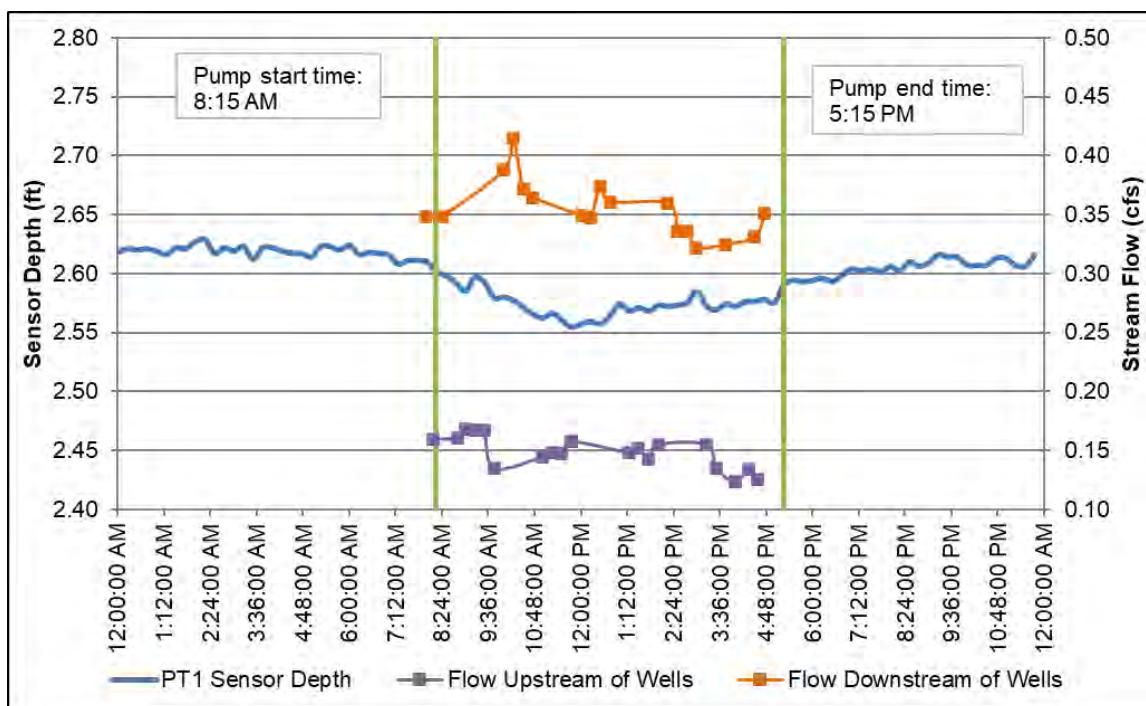


Figure 27. Pico Creek stream flow and PT1 sensor depths during April 23, 2022 pump test at District Well #2. Pumping volume on April 23, 2022 was 108,834 gallons, which is equivalent to a rate of 0.45 cfs.

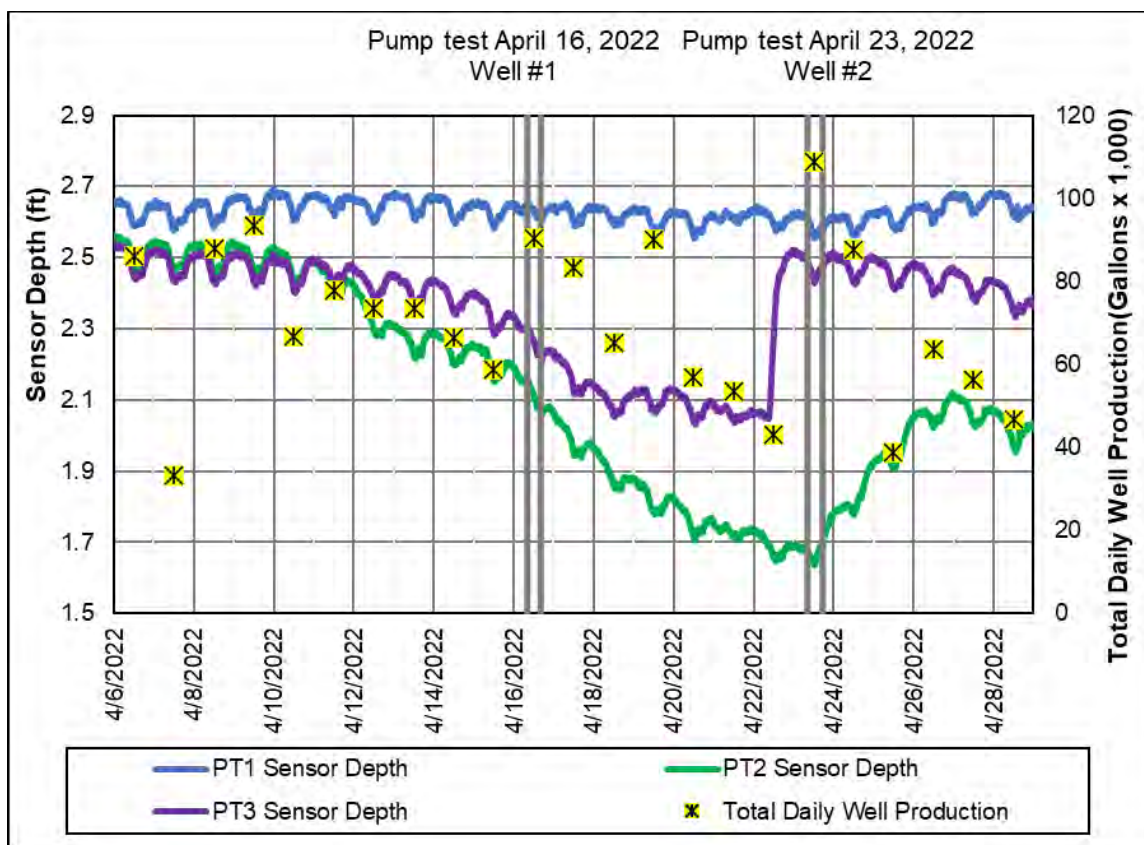


Figure 28. Pico Creek pressure transducer depths and daily well production during April 2022.

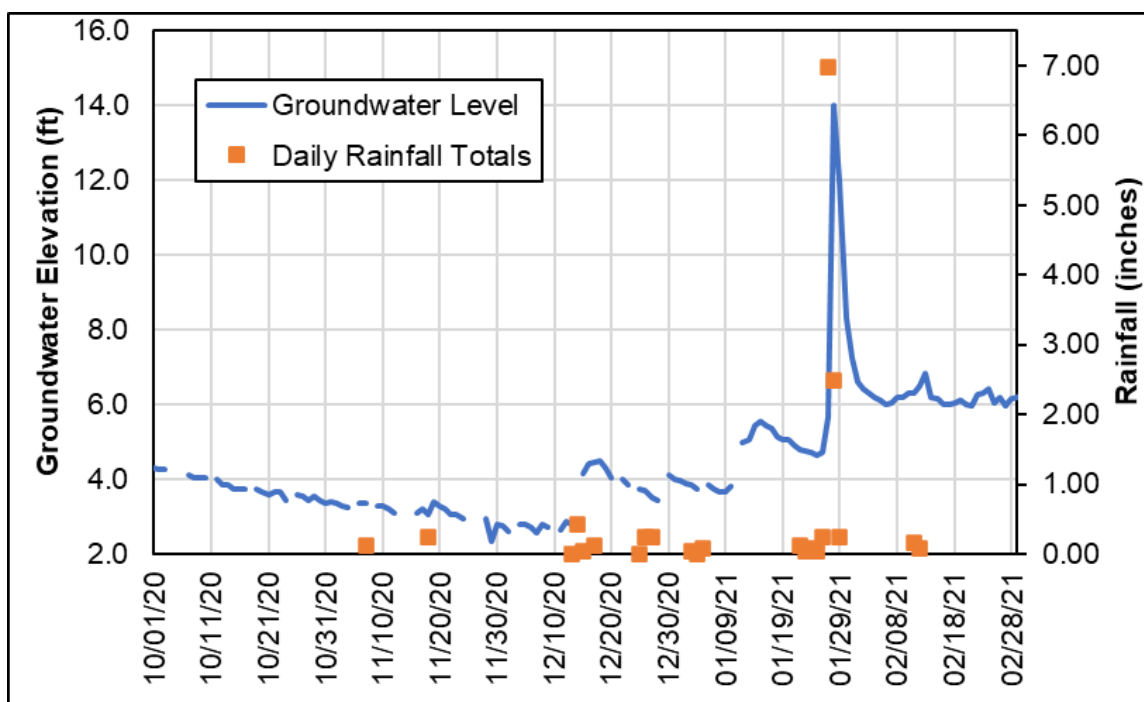


Figure 29. Average daily ground water level measured at District wells #1 and #2 and daily rainfall amounts during late-fall/winter of 2020/2021.

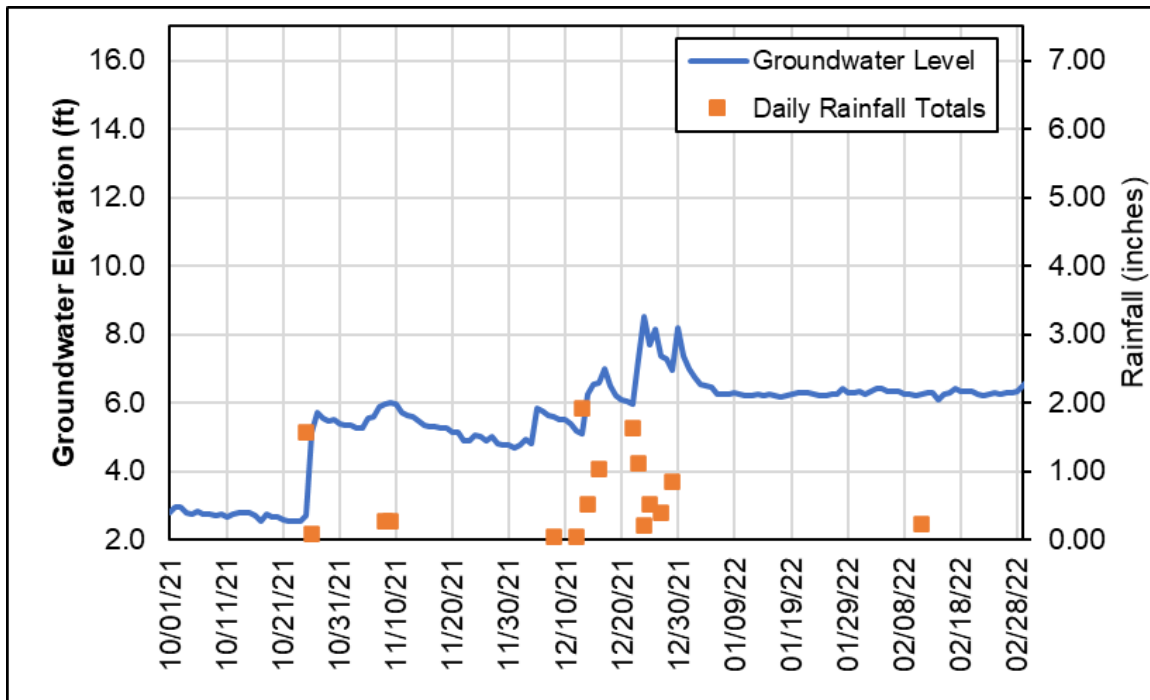


Figure 30. Average daily ground water level measured at District wells #1 and #2 and daily rainfall amounts during late-fall/winter 2021/2022.

4.5.1 Lagoon habitat

The wetted area of the lagoon remained relatively stable throughout the study. The upstream end of the lagoon begins at the end of a gravel bar with the channel quickly dropping in elevation as it enters the lagoon (Figure 29).

Water levels recorded in the lagoon showed minor fluctuations (<0.05 ft) on a regular basis each day. These daily fluctuations appear to be correlated with ocean tide heights, as increased sensor depths were generally recorded at high tides while reduced depths were generally recorded at low tides (Figure 29 and Figure 30). Lagoon depths showed a temporal pattern with increased depths in the morning and decreased depths in the afternoon, which suggests evapotranspiration influences lagoon water levels as well.

The magnitude and timing of daily fluctuations in the lagoon water levels appeared similar during the pump tests compared to days when pumping was reduced. The fluctuation observed in lagoon water levels appears to be the result of tidal activity and evapotranspiration. No impact to the lagoon due to pumping was evident during the test.



Figure 31. Upstream end of Pico Lagoon on March 30 (A), April 15 (B), April 28 (C), and July 12, 2022 (D).

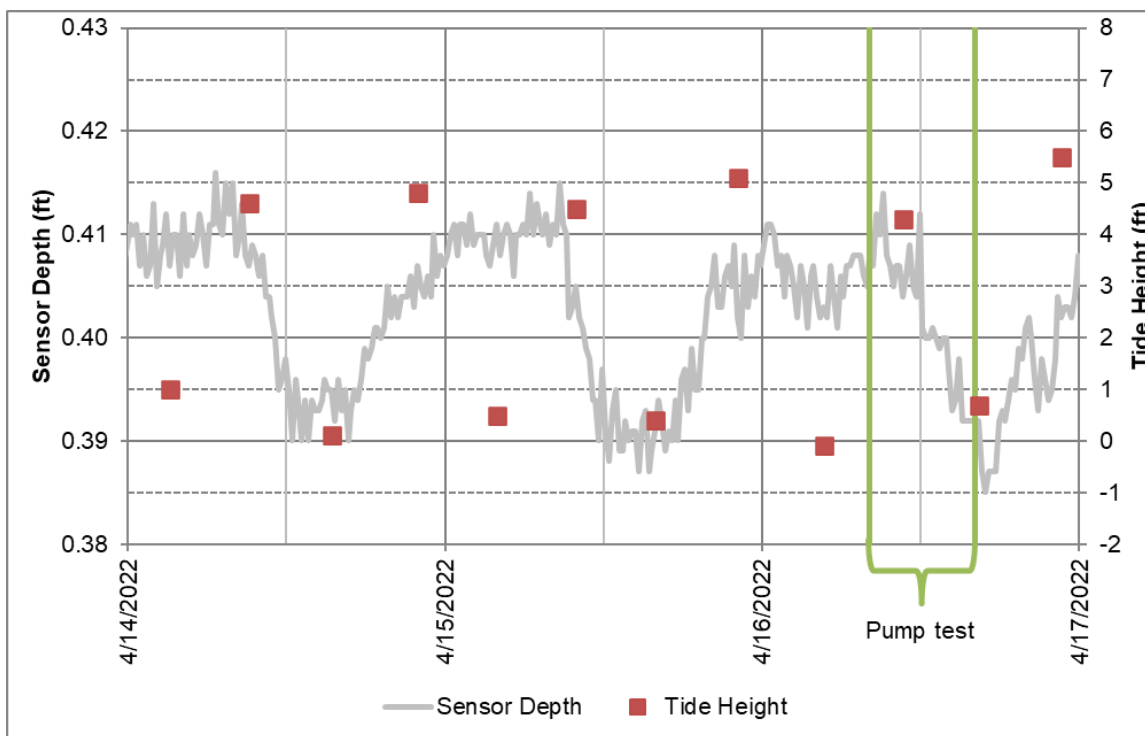


Figure 32. Pico Creek Lagoon sensor depths during April 16, 2022 pump test at District Well #1.

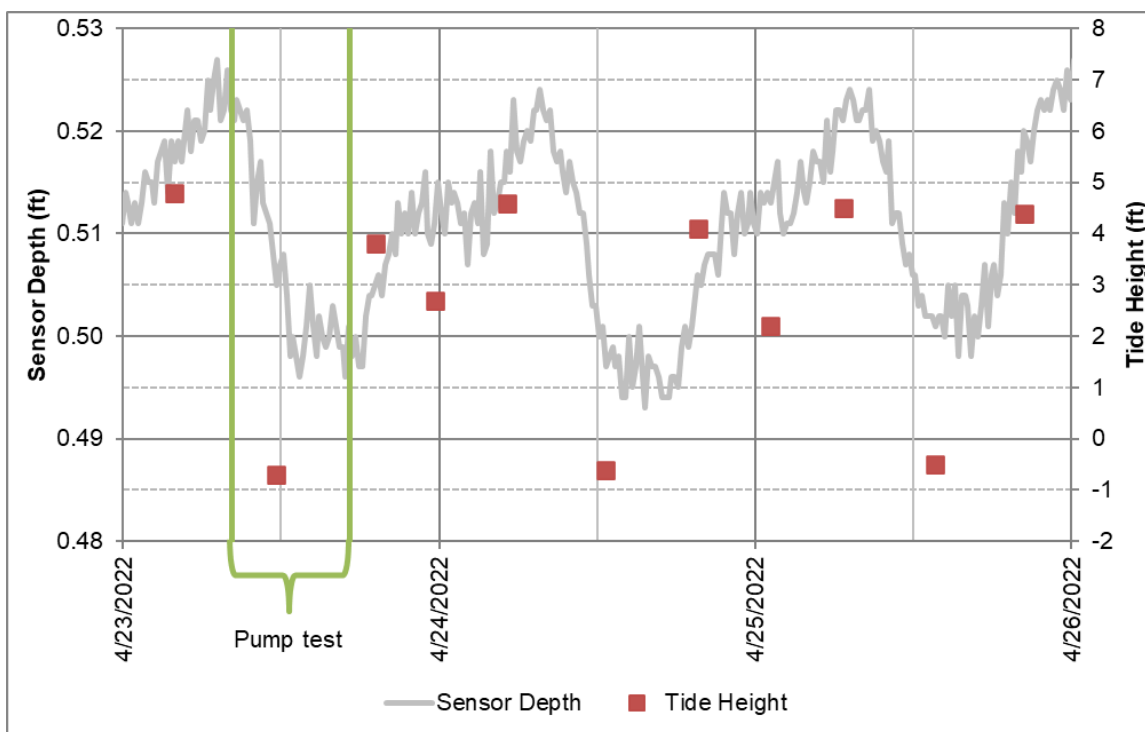


Figure 33. Pico Creek Lagoon sensor depths during April 23, 2022 pump test at District Well #2.

4.6 Wetland and Riparian Habitat Conditions

The TNC (2024a) dataset identifies 15 acres of GDEs in the Study Reach mapped in two polygons along Pico Creek. The first is located in the downstream section of the Study Area from the Highway 1 bridge to roughly 300 feet downstream of the Pico Creek Bridge and another section of the creek approximately 800 feet long just upstream of the horse stables (TNC 2024a). There is a narrow strip of riparian vegetation between these two mapped GDE polygons that is not included in the GDE map but could be linked to groundwater.

NDMI and NDVI of the two GDE polygons are relatively stable through time. Between 1985 and 2023 there were some declines in NDVI on the edges of the mapped GDEs but this is likely an artifact of land use changes coupled with limitations of the measurement technique rather than changes to groundwater. Because the pixel size from Landsat is large relative to the riparian zone width, the upstream GDE is only two pixels wide, in places. Areas of decline in NDVI or NDMI corresponded to areas where the NDVI pixels included both mapped GDEs as well as adjacent fields. The long-term stability of the NDVI and NDMI of mapped GDE polygons suggests that the GDEs likely remain connected to groundwater despite changes to groundwater levels.

Recent Google Earth imagery of the unmapped narrow strip of vegetation between the mapped GDEs shows a mixture of green vegetation and vegetation without leaves. Based on this analysis, it is not possible to assess whether the imagery captures a mix of dormant and regrowing vegetation or if some of the vegetation in this reach is dying. A study coupling groundwater measurements, modeling results, lidar topography, and field assessment of vegetation could address uncertainty in the strip of vegetation between the mapped GDEs, but given that it is a narrow strip of vegetation often bordering farmland, any changes to vegetation could be from a variety of sources. Given the stability of vegetation health indicated by the NDVI and NDMI analysis and the relatively small area between the mapped GDE units, this additional study is not warranted at this time. However, ongoing monitoring of the mapped GDEs is recommended.

Dominant species of the riparian corridor within the Study Area include various willow species (*Salix* spp.), black cottonwood (*Populus trichocarpa*), California sycamore (*Platanus racemosa*), and white alder (*Alnus rhombifolia*). All are known phreatophytes in the region and can tolerate low to moderate levels of salinity (Table 4). In California, phreatophytes are estimated to have a 30 ft depth-to-groundwater threshold, except for species with documented deeper root systems (e.g., *Quercus agrifolia*) (The Nature Conservancy 2021).

Table 4. Salinity tolerance levels for riparian species observed in Pico Creek and other regionally common riparian species.

Scientific name	Common name	Maximum salinity (ppt) ¹	California phreatophyte ²
Observed dominant species			
<i>Alnus rhombifolia</i>	white alder	8.7	Yes
<i>Platanus racemosa</i>	California sycamore	7.8	Yes
<i>Populus trichocarpa</i>	black cottonwood	2.2	Yes
<i>Salix exigua</i>	sandbar willow	8.7	Yes
<i>Salix lasiandra</i> var. <i>lasiandra</i>	Pacific willow	6.7	Yes
<i>Salix lasiolepis</i>	arroyo willow	18.4	Yes
<i>Salix sitchensis</i>	Sitka willow	7.0	Yes
Regionally common riparian plant associates³			
<i>Acer macrophyllum</i>	bingleaf maple	<1.0	No
<i>Acer negundo</i>	box elder	11.4	Yes
<i>Aesculus californica</i>	California buckeye	3.3	No
<i>Eucalyptus globulus</i>	blue gum	10.8	Yes
<i>Frangula californica</i> subsp. <i>californica</i>	coffee berry	<2.0	No
<i>Morella californica</i>	Pacific wax myrtle	18.5	No
<i>Pinus radiata</i>	Monterey pine	18.5	No
<i>Quercus agrifolia</i>	coast live oak	<2.0	Yes
<i>Salix laevigata</i>	red willow	4.3	Yes
<i>Umbellularia californica</i>	California bay	9.8	No

1 Derived from the CalFlora plant tolerance soil salinity data analysis.

2 The Nature Conservancy 2021; California Plant Rooting Depth Database, [Plant Rooting Depth Database | Groundwater Resource Hub](#)

3 Probable plant associates per regional riparian lists <https://cnpsslo.org/resources/finding-plants-in-the-wild/>

Groundwater levels monitored at the District groundwater wells during 1978 through 2014 remained above sea level during most years with a few exceptions. Groundwater levels dropped below sea level (down to -0.88 ft) during four out of six years between 1984 and 1990 which corresponds to a period of peak District pumping when annual extraction volumes were often over 120 AFY (CHG 2014). Based on the range of groundwater levels observed and the ground elevations within the riparian corridor, that range from approximately 9 ft at the downstream end of the Study Area to 35 ft at the upstream end (Figure 25), the 30 ft depth-to-ground threshold is met throughout most of the Study Area. Within the upstream end of the Study Area where ground elevations within the riparian corridor range from 30 to 35 ft, the groundwater basin is also higher in elevation and water levels are expected to be higher.

Salinity levels recorded during groundwater monitoring that occurred from 1984 through 2014 indicated maximum chloride concentrations remained below 1,000 mg/l except for February 2014 when concentrations of 1,068 were recorded. The 2014 study indicated under the maximum diversion rate CSD is permitted, saltwater intrusion events could occur every drought cycle and produce chloride concentrations up to 1,000 mg/l (equivalent to 1 ppt salinity). However, this resulting chloride concentration is below the documented salinity tolerance of the observed dominant riparian species along Pico Creek and most regionally common riparian species vegetation along Pico Creek. With the exception of bingleaf maple, which has a salinity tolerance of <1 ppt, all other riparian species have salinity tolerance of <2 to 18.5 ppt (Table 4). Based on these results no impacts on dominant riparian species are anticipated under the current or future District pumping operations.

5 CONCLUSIONS

Pico Creek follows the northern side of the groundwater basin over much of the Study Reach. The basin sediments are highly permeable and allow for percolation of stream flow when it occurs, particularly upstream of the Pico Creek Road Bridge. As the inflow from the watershed declines, the groundwater level also declines and typically by early summer the water in the stream bed dries up. The stream channel, near where the District wells are located, has a longer duration of water presence than this upstream recharge area, but still dries by mid-summer. The lagoon at the mouth of Pico Creek has water year-round.

Changes in surface flow observed during the pump test were primarily attributed to daily evapotranspiration. District pumping operations may influence surface flows in Pico Creek around the section near the District pumps (i.e., downstream of the Pico Creek Road Bridge) but the degree of influence could not be distinguished from the evapotranspiration demands. Of the two main District wells, Well #1, which pumps water from shallower in the groundwater basin layer, is expected to have the most influence on surface flows and Well #2, which pumps from the deeper groundwater basin layer, is expected to have the least influence on surface flows. Additional monitoring in the lagoon would be needed to evaluate if any changes in lagoon water depth are occurring due to pumping versus other natural factors, such as tidal influence or evapotranspiration. However, the level of lagoon water depth fluctuation observed during this study appeared to be minimal (<0.05 ft). Additional monitoring of water quality conditions in the lagoon would be needed to evaluate the potential effects of pumping operations on habitat quality in the lagoon.

In the absence of District pumping operations, the lower reach of Pico Creek within the Study Area potentially provides migratory and rearing habitat for steelhead in the winter and spring when surface flows occur. Migration conditions for steelhead within the Study Area are expected to be supported under current District pumping operations. Adult steelhead passage, which requires high flows associated with precipitation events, is not likely to be influenced by the District's maximum daily average pumping rate of 0.27 cfs. Juvenile steelhead passage conditions assessed in riffle habitat during this study indicate passage for juvenile steelhead occurs at flows of approximately 4 cfs and greater, which is also not likely to be influenced by District pumping operations due to the limited capacity of the District wells and the maximum daily average pumping rate of 0.27 cfs. While steelhead migration flows are precipitation driven, surface flows lost during groundwater basin recharge at the on-set of the rainy season could lead to reductions in the already short migration periods. Based on observations of groundwater levels and rainfall data, basin recharge likely occurs rapidly after the first substantial rain event of the season and is not expected to affect steelhead migration. However, additional monitoring is needed to better understand the relationship between basin recharge and rainfall events and how they relate to stream flow conditions in Pico Creek.

This study did not directly assess the relationship between the amount of steelhead habitat and magnitude of surface flows, and instead focused on patterns of District Operations and steelhead life history. Observations of BMI habitat and juvenile migration conditions in riffles and juvenile steelhead rearing habitat conditions in pools were made during distinct flow events. At low stream flows, habitat in lower Pico Creek is sensitive to changes in surface flows, particularly when flows are at or below 1.5 cfs. Results of the surface water monitoring and riffle habitat assessments found habitat for juvenile steelhead is abundant at stream flows of 1.52 cfs based on abundant suitable BMI habitat and juvenile migration conditions in riffles habitat and abundant pool habitat greater than 1.5 ft deep which supports juvenile steelhead rearing. When stream

flows were at 0.86 cfs or less, habitat was disconnected with limited passage in riffles for juvenile steelhead, and at 0.35 cfs BMI habitat was substantially reduced. A small reduction in flow when stream flow is less than 1.52 cfs, even by a small amount (e.g., 0.1 cfs) would reduce the quantity and quality of juvenile steelhead habitat in lower Pico Creek by reducing food availability from BMI, migration conditions, and pool depth.

Pools in the Study Area provide suitable water depth and temperature for rearing juvenile steelhead when surface occurs. Once surface flows cease, pools quickly dry up and become unsuitable for juvenile steelhead. During this study, conditions in pool habitat appeared suitable for steelhead rearing until around July, at which time surface flows ceased and nearly all wetted habitat in the Study Reach went dry. Since pool habitat remains suitable after surface flows cease temporarily, District pumping operations increases the risk of steelhead stranding and desiccation in isolated pool habitat that remains wetted after surface flows cease.

In summary, based on pumping capacity, District pumping operations have the potential to reduce the amount and quality of juvenile steelhead rearing habitat within Study Area at flows of around 1.5 cfs or less. District pumping operations will not influence aquatic habitat in Pico Creek after the channel has gone dry.

In addition to steelhead, the Study Area provides abundant suitable breeding habitat for CRLF with many pool locations observed with habitat conditions that remained suitable through the CRLF breeding season. In isolated pools that remain wet after surface flows cease, District pumping operations are likely to increase the rate at which pool habitat dries out, leading to egg desiccation or tadpole stranding. Suitable habitat for CRLF breeding is located within the Pico Creek lagoon and excavated ponds near the lagoon just upstream of the Highway 1 Bridge. Remote sensing suggests that groundwater dependent vegetation in the Study Reach is relatively stable and healthy. Small changes are confined to the edges of the mapped vegetation patches and are likely due to edge effects of the Landsat imagery rather than real changes to vegetation. A more detailed understanding of riparian vegetation and wetlands in this reach could be explored with a detailed field study, but based on the stable remote sensing indices, this does not appear to be warranted at this time.

Key conclusions of this study are listed below:

- The degree to which District pumping operations impact surface flows could not be determined from the pump tests due to daily evapotranspiration demand.
- District pumping operations may impact surface flows in Pico Creek, but surface flow reductions would likely be ≤ 0.1 cfs.
- Pumping from the deeper well (Well #2) is expected to have less influence on surface flows compared to pumping from the shallower well (Well #1)
- District pumping operations are not expected to influence adult steelhead migration in Pico Creek due to the magnitude of flow required to support adult steelhead passage.
- District pumping operations are not expected to influence juvenile steelhead migration in Pico Creek due to the magnitude of flow required to support juvenile steelhead passage.
- At low stream flows, habitat in lower Pico Creek is sensitive to changes in surface flows, particularly when flows are at or below 1.5 cfs and stream flow reductions when flows are in this range lead to reduced habitat quantity and habitat quality for juvenile steelhead
- District pumping operations that occur after surface flows cease may affect juvenile steelhead and CRLF rearing in isolated pools by decreasing pool water levels or speeding

up the process by which pools dry out increasing the risk of stranding for juvenile steelhead and CRLF tadpoles.

- District pumping operations are not expected to impact aquatic habitat once the channel within the Study Area goes dry, which happens for extended periods of most years during summer and fall.
- District pumping operations do not appear to be affecting or reducing habitat conditions within the lagoon.
- District pumping operations do not appear to be affecting or reducing habitat conditions for tidewater goby.
- District pumping operations do not appear to be affecting or reducing riparian vegetation.

6 LONG-TERM MONITORING

The following long-term monitoring efforts are suggested to ensure District pumping operations are minimizing impacts to sensitive aquatic species in Pico Creek:

- Monitor stream flow in Pico Creek near the District wells to develop a long-term record of stream flows in the watershed in relation to District pumping operations.
- Monitor isolated pool habitat within the Study Area to assess the risk of juvenile steelhead stranding in relation to District pumping operations.
- Monitor groundwater elevation at District wells and compare elevations to daily rainfall and stream flow levels to assess surface flow loss to groundwater basin recharge.
- Monitor water quality profiles in the lagoon, to assess water quality conditions and thermal stratification to assess influence of pumping.
- Monitor when the lagoon mouth opens/closes and how that relates to flows to assess potential project effects on lagoon passage for steelhead.
- Continued assessment of wetland and riparian habitat conditions using remote sensing indicators of GDE health including NDVI and NDMI.

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Attachment C

Comment Response Table

Table C-1. Responses to comments received on the Pico Creek Instream Flow Study and the Pico Creek Stream Flow Management Plan.

Comment #	Agency Name	Agency Comment	Response
1	California Coastal Commission	Is District pumping negatively impacting habitat, and can an instream flow management plan allow for more development in San Simeon?	The instream flow study concluded that the San Simeon Community Service District's (District's) pumping from Well #1—the shallow well—during sensitive flows (~2 cubic feet per second [cfs]) could have a negative impact to aquatic habitat; however, pumping from Well #2—the deep well—during sensitive flows is not likely to impact aquatic habitat because Well #2 draws from deeper in the groundwater table and is located beneath a partial clay barrier. Water supply and demand projections through the year 2045 were assessed in the System-wide Water Supply Assessment (Akel Engineering 2022). That assessment concludes that the District could resolve a small projected supply deficiency of 0.2 acre-feet per year (AFY) in normal water years by implementing water conservation actions, but the District will be required to implement water conservation actions and procedures, such as a declaring drought and calling for short-term water use reductions, to address potential water shortages in dry years. The Pico Creek Instream Flow Management Plan has been revised to include a summary of the findings from the System-Wide Water Supply Assessment.
2	California Coastal Commission	How much more development? Not answered.	The District evaluated water supply and demands through the year 2045 through a System-wide Water Supply Assessment Report (Akel Engineering 2022) that includes a summary of the findings from this assessment in the Pico Creek Instream Flow Management Plan.
3	California Coastal Commission	There is no analysis of sensitive wetland or riparian plants or other species that might have been considered and decided to leave out of the analysis.	The Pico Creek Instream Flow Study has been updated to include a wetland and riparian habitat assessment of the Study Area. The assessment included reviewing maps of groundwater-dependent ecosystems, Google Earth imagery, and trends in remote sensing indices of vegetation health.
4	California Coastal Commission	There are no findings related to agricultural activities that could be affected by pumping. The report does note, however, that the Hearst Corporation operates two wells along lower Pico Creek as part of the Hearst Pico Creek Stables, which provide irrigation and water to livestock at an average of 10-acre feet per year (AFY)	Assessing how the Hearst Corporation's wells influence surface flows is outside the scope of this study. However, the annual 10 AFY extraction for these wells was included in the 2014 groundwater modeling that evaluated the effects from groundwater extraction by the District and the Hearst wells on the Pico Creek Valley Groundwater Basin. Results of the groundwater modeling show that the District wells could produce the maximum permitted amount of 140 AFY without impacting water quality at the Hearst Pico Creek Stables.

Comment #	Agency Name	Agency Comment	Response
5	California Coastal Commission	How might Hearst Corporation well operation affect District pumping and stream flows	The annual extraction volume for the Hearst Corporation's wells is 10 AFY and is not expected to have a noticeable effect on surface flows.
6	California Coastal Commission	It was unclear where the stream flow measurements were taken.	Stream flow measurements were generally measured near pressure transducer PT1 (just downstream of the Pico Creek Road bridge). During the pump tests, stream flows were measured at two locations including one near the pressure transducer PT1 location and one just upstream of Pico Creek lagoon.
7	California Coastal Commission	Is the instream flow report saying the aquifer is fully recharged every year?	According to the Groundwater Availability Study (Cleath-Harris Geologists 2014), the Pico Creek Valley Groundwater Basin is recharged each year.
8	California Coastal Commission	Are there more wells in the drainage basin than those noted? Are the District wells the only ones doing significant pumping?	Aside from the District's wells, only two other wells that are operated by the Hearst Corporation are located in the Pico Creek Valley Groundwater Basin, and they are limited to a combined annual volume of 10 AFY. The District's wells are the only ones doing significant pumping.
9	California Coastal Commission	Habitat mapping was done in January; is there any data from later in the year? Or would there be any expected difference?	Habitat mapping in January delineated stream habitat types (e.g., pool, riffle, run) based on physical channel features (e.g., channel gradient, hydraulic control, substrate size classes), and habitat-type designations are not expected to change throughout the year. The quality of the habitat is expected to change at different stream flow levels throughout the year. How habitat quality changes under different flows was a key focus of the Pico Creek Instream Flow Study and included surveys from January through July over a range of flow conditions.
10	California Coastal Commission	The report notes rearing steelhead habitat declines at 0.86 cfs, but how do you know that it didn't start at higher flows that you didn't measure prior to 3/30/22 (above 0.86 cfs but below 1.56 cfs measured on 2/8/22)? Is BMI production the criteria for this? Is this why a 2cfs threshold is later recommended for a management trigger?	The Pico Creek Instream Flow Study found that habitat quality declined somewhere between 1.56 cfs and 0.82 cfs based on a decrease in juvenile steelhead passage conditions; however, the exact flow within this range where habitat quality declines is unknown. To protect habitat conditions, it was assumed that habitat quality declined near the upper end of this range at 1.56 cfs, which was the basis for a 2-cfs threshold included in the Pico Creek Stream Flow Management Plan. Benthic macroinvertebrate (or BMI) habitat conditions showed a decline between flows 0.82 cfs and 0.35 cfs.

Comment #	Agency Name	Agency Comment	Response
11	California Coastal Commission	How did the rain event on April 21 impact the drawdown levels in the second well test?	The rain event is not expected to have influenced the second well test because Well #2 pumps from deeper underground and is partially separated from the upper groundwater layer by the clay barrier. The rain event on April 21 produced 0.40 inch of rainfall and led to increased surface flows in the upper section of the study area where surface flows had become intermittent approximately 10 days earlier based on the sensor depths recorded at pressure transducers PT2 and PT3. However, farther downstream near the District's wells, surface flows remained constant before, during, and after the rain event based on sensor depths recorded at pressure transducer PT1.
12	California Coastal Commission	Is seawater intrusion an issue for the wells or the habitats? Would water extraction make this potential management issue worse?	Sea water intrusion was assessed in the System-wide Water Supply Assessment (Akel Engineering 2022), which concluded: at a production of 110 AFY, intrusions would not be expected during a combination of normal wet and dry years, but in some typical drought cycles. Therefore, the sustainable yield of Pico Creek Valley Groundwater Basin for the District is 110 AFY without water filtering facilities. With the District's reverse osmosis system, the sustainable yield is increased to 112 AFY. Additional details have been added to the Pico Creek Stream Flow Management Plan.
13	California Coastal Commission	What water year type was 2022? What might other water year types affect in terms of pumping recommendations/timing? Would the 2cfs threshold recommendation change?	Rainfall during 2021–2022 was roughly half of the average rainfall for San Simeon with 13.19 inches recorded at County Gauge #764 versus the 24-inch average. Under different water year types, the 2-cfs threshold would not change; however, the frequency and duration of the 2-cfs threshold would likely increase in wetter years and decrease in dryer years.
14	California Coastal Commission	Will management include other wells in the area, or only pertain to the 2 district wells?	The District's wells are the only well that will be managed.

Comment #	Agency Name	Agency Comment	Response
15	California Coastal Commission	How is daily well production determined? Just on dynamic demand? How does it compare the pumping regime tested?	The District has limited water storage, so production is fairly dynamic. Peak demand occurs in the summer after the stream channel has become dry. For the Pico Creek Instream Flow Study, pump tests were conducted in the spring when surface flow was still present but at lower levels, which were expected to be more responsive to the District's pumping.
16	California Coastal Commission	Can we get more data on what happens to flow when pump 2 (deeper well) is operated for long periods? Effects on groundwater levels? A previous pumping test (performed February 17, 2006) demonstrated that there is drawdown in the shallower well when the deeper well is pumped.	Extended pump tests are not feasible for because of the limited water storage capacity.
17	California Coastal Commission	What is the estimated maximum water supply that could be extracted from the district pumps if these limitations were in effect? What level of assurance to development could be provided, especially in case of successive drought years?	The management recommendations included in the Pico Creek Stream Flow Management Plan are not expected to change the amount of water extracted from the Pico Creek Valley Groundwater Basin but may extend the amount of time surface flows are present by pumping from Well #2, beneath the clay layer. Results from the System-wide Water Supply Assessment (Akel Engineering 2022) indicate that water supply from the District's wells is sustainable at 112 AFY during normal and dry years but during successive dry years and periods of drought, water conservation measures would likely be needed to meet future water demands. A summary of the findings from this assessment have been added to the Pico Creek Stream Flow Management Plan.
18	California Coastal Commission	Is the recommendation to operate stage monitoring continually going forward to observe the 2cfs threshold at the well #1/2? 2 years of fish stranding observations is not exactly long-term monitoring. Is it possible to readjust the threshold upon stranding observations?	Stage monitoring is recommended to be ongoing for several years to observe the 2-cfs threshold and to develop a flow record for this watershed. Monitoring for fish stranding is proposed for at least 2 years with the intent of re-evaluating conditions after that time. If stranding is observed and appears to be related to the District's operations, additional monitoring may be proposed, or the threshold may be revised.

Comment #	Agency Name	Agency Comment	Response
19	California Coastal Commission	The Coastal Act protects riparian habitat, and this is not limited to CRLF, tidewater gobies, and salmon. We would want more information on how riparian vegetation overall is influenced by stream drawdown. Is there evidence that intermittently dry areas are increased through pumping and exacerbating a lack of cover over the stream?	The Pico Creek Instream Flow Study has been updated to include a wetland and riparian habitat assessment of the study area. The assessment included reviewing maps of groundwater-dependent ecosystems, Google Earth imagery, and trends in remote sensing indices of vegetation health. Ongoing monitoring of remote sensing indices of vegetation health is recommended.
20	California Coastal Commission	How are you accounting for uncertainty in precipitation years and flow/groundwater connections?	Under different water year types, the 2-cfs threshold would not change; however, the frequency and duration when surface waters are in that range would likely increase in wetter years and decrease in dryer years.
21	California Coastal Commission	Are there plans for well tests to be done during other times of the year?	Groundwater pumping is expected to have the highest influence on surface flows near the end of the rainy season as surface flows decrease. The pumping test during the Instream Flow Study occurred in the spring when surface flows in Pico Creek were near 0.30 cfs, which is ideal for detecting an influence of groundwater pumping on surface flows. The generally higher flows during the winter would make the influence of groundwater pumping less apparent because a small proportion of surface flow is being affected and the Pico Creek Valley Groundwater Basin is generally full during the winter. Flows during the summer and fall are infrequent, making it difficult to target a flow lower than 0.3 cfs.
22	California Coastal Commission	Is there work on the water quality and/or salinity of the lagoon through the season?	Water quality monitoring of Pico Creek lagoon was added to the Pico Creek Stream Flow Management Plan.
23	California Coastal Commission	Agree that a real time stream gage would benefit management and building a long- term record	Comment noted.

Comment #	Agency Name	Agency Comment	Response
1	California Department of Fish and Wildlife	CDFW recommends that the IFS and Plan include an analysis of impacts from pumping to all special-status species that may occupy Pico Creek, including but not limited to those listed above (steelhead, tidewater goby, and CRLF). CDFW recommends that the IFS identify the biological thresholds for each life history stage that are modeled for flow and that the study include field-verifying modeled thresholds to calibrate the model and assess the model's accuracy and precision. In addition to steelhead, the biological thresholds for other species could be field verified. CDFW recommends that the Plan focus on incorporating field verification of the modeled results and avoiding impacts to special-status species.	In fall 2022, Stillwater Sciences met with the California Department of Fish and Wildlife (CDFW) to discuss the watershed and best approaches to address key questions. Based on that consultation, it was determined that prior to conducting a detailed Instream Flow Incremental Methodology (IFIM), the highest priority was understanding general flow patterns in perennial/intermittent reaches, how pumping influences surface flows, how steelhead use the section of creek where the District's pumping is most likely to influence surface flow conditions, and what flows are most sensitive to the influence of the District's pumping. Results of this assessment suggest that the District's pumping operations have a small influence on surface flows, and habitat conditions are sensitive to changes in surface flows around approximately 1.5 cfs. Based on the current water extraction plans, Stillwater Sciences believes that the information obtained is sufficient to develop water use management recommendations for Pico Creek.
2	California Department of Fish and Wildlife	CDFW recommends that the IFS and Plan include an analysis of impacts from pumping to all special-status species that may occupy Pico Creek, including but not limited to western pond turtle (<i>Emys marmorata</i>) and two-striped garter snake (<i>Thamnophis hammondi</i>) and the California Rare Plant Rank 1B.1 Monterey pine (<i>Pinus radiata</i>).	The Pico Creek Instream Flow Study Report has been updated to include a wetland and riparian habitat assessment of the study area. The assessment included reviewing maps of groundwater-dependent ecosystems, Google Earth imagery, and trends in remote sensing indices of vegetation health, which appears to be relatively stable and healthy and therefore is not likely to be impacted by the District's pumping activities. Based on this assessment, impacts to western pond turtle, two-striped garter snake, and Monterey pine are not likely to occur. Ongoing monitoring of wetland and riparian habitat conditions and water quality monitoring of Pico Creek lagoon have been proposed in the Pico Creek Stream Flow Management Plan and will help evaluate conditions for these species as they relate to future District pumping operations.
3	California Department of Fish and Wildlife	In addition to analyzing impacts to specific species, CDFW recommends that the IFS and Plan identify, analyze, and monitor impacts to riparian, wetland, and other ecosystems that may result from project related diversion and pumping	The Pico Creek Instream Flow Study has been updated to include a wetland and riparian habitat assessment of the study area. The assessment included reviewing maps of groundwater-dependent ecosystems, Google Earth imagery, and trends in remote sensing indices of vegetation health, which appear to be relatively stable and healthy and therefore are not likely to be impacted by the District's pumping activities.

Comment #	Agency Name	Agency Comment	Response
4	California Department of Fish and Wildlife	CDFW recommends that the IFS and Plan include a detailed description of the water rights and water entitlements that would pertain to their approval and related projects and address any applications or change petitions that may be filed. CDFW also recommends that the analysis include information on how related development projects may affect surface and subsurface water levels, and whether and to what extent additional well pumping or construction of additional wells will be necessary. CDFW recommends including specific triggers for evaluating changes to surface flow and subsurface water levels, and monitoring wetland and riparian habitats that would be affected by these changes	Current water rights are summarized in the Pico Creek Stream Flow Management Plan and the Pico Creek Instream Flow Study Report, including annual amounts and maximum extraction rates. No changes to water rights or building additional wells is proposed by the District.
5	California Department of Fish and Wildlife	CDFW recommends addressing other activities, in addition to municipal use, that may require well pumping, and including information on whether there is or will be infrastructure available to provide recycled water for certain uses. The incorporation of recycled water use may allow pumping operations to be minimized during certain times of the year.	A summary of the findings from the System-wide Water Supply Assessment conducted by Akel Engineering (2022) have been added to the Pico Creek Stream Flow Management Plan.
6	California Department of Fish and Wildlife	CDFW encourages monitoring that will better understand how well extraction, including the time of year and quantity extracted, may effect surface flows, in order to determine how to avoid impacts to aquatic species	The focus of this study was to monitor conditions to understand how groundwater pumping by the district may affect surface flow in order to determine how to avoid impacts to aquatic species. Ongoing stream flow monitoring is included as a recommendation to better understand flow conditions in the watershed.

Comment #	Agency Name	Agency Comment	Response
7	California Department of Fish and Wildlife	CDFW recommends that the IFS field-verify any modeling results and that instream flow be determined based on the biological needs of sensitive species (e.g., by life history stage, time of year, and with consideration to food production, temperature, and bioenergetics). CDFW recommends that the IFS analyze these flow requirements and develop measures to avoid or minimize stranding and mortality of aquatic species and incorporate these measures into the Plan to determine their effectiveness	In fall 2022, Stillwater Sciences met with CDFW to discuss the watershed and best approaches to address key questions. Based on that consultation, it was determined that prior to conducting a detailed IFIM, the highest priority was understanding general flow patterns in perennial/intermittent reaches, how pumping influences surface flows, how steelhead use the section of creek where District pumping is most likely to influence surface flow conditions, and what flows are most sensitive to the influence of the District's pumping. Results of this assessment suggest that the District's pumping operations have a small influence on surface flows, and habitat conditions are sensitive to changes in surface flows around approximately 1.5 cfs. Based on the current water extraction plans, Stillwater Sciences believes that the information obtained is sufficient to develop water use management recommendations for Pico Creek.
8	California Department of Fish and Wildlife	CDFW recommends that Standard Operation Procedures described within CDFW's Instream Flow website (Instream Flow Program Documents (ca.gov)) be considered for the IFS.	See previous comment.
9	California Department of Fish and Wildlife	A longer-term study on stream flows that incorporates all water-year types would be useful for determining instream flow impacts from well pumping. Stream flows throughout the majority of the study were less than 1.56 cfs, including in March and April when precipitation generally leads to higher flows.	This study assessed conditions from January through June. While most flows assessed during this study were below 1.56 cfs, habitat conditions were suitable for juvenile steelhead rearing at 1.56 cfs based on productive benthic macroinvertebrate habitat and juvenile passage conditions observed. Habitat conditions didn't begin to have reduced quality until flows decreased below 1.56 cfs. Therefore, assessing conditions at flows greater than 1.56 cfs is not likely to change the conclusions of the Instream Flow Study.

Comment #	Agency Name	Agency Comment	Response
10	California Department of Fish and Wildlife	According to the IFS, flows below this point [1.56 cfs] may lead to reduced quality and quantity of rearing habitat for juvenile steelhead. If pumping operations follow the recommendations made in the IFS and Plan, use of Well #1 may be greatly limited. Given that Well #2 may therefore be the primary well from which water is pumped, CDFW recommends that additional data be provided to evaluate the impacts of pumping solely or predominately from Well #2 on surface flows during different times of year and under different stream flow conditions. If the depth from which water is pumped within these wells will vary, it will be important in informing pumping operations to understand the impacts to surface flows at varying pumping depths.	Well #1 produces water from aquifers over a depth range of 15-47 feet. There is a clayey bed (aquitard) in the basin where the District wells are located that is between about 26 and 36 feet depth. Well #2 produces water from a fairly confined depth range of 50 to 60 feet located in the deepest sand and gravel beds in the Pico Creek Valley Groundwater Basin and below the clay bed (aquitard). Pump tests performed during use of Well #2 found no detectable influence on surface flows during the study. The pump test targeted a time that balanced greatest water demand when surface flows were still present in Pico Creek. Conducting additional pump tests later in the summer would not allow for surface flow monitoring because Pico Creek goes dry in the summer conversely, conducting pump tests during periods with higher flows, such as in the winter, would make detecting small changes (~0.1 cfs) in surface flows more difficult.
11	California Department of Fish and Wildlife	According to the IFS, “groundwater” (which could be subsurface flow) extraction typically increases during the summer due to the influx of tourists. Increased water demand and pumping operations on Pico Creek during this timeframe coincide with the time of year during which flows are expected to be below 1.56 cfs and are likely to have an effect on juvenile steelhead. Summertime survival is critical for rearing juvenile steelhead and any impacts to habitat/pool availability during this time could have impacts on survival. In addition, a reduction in flows due to groundwater extraction may result in impaired fish movement through critical riffles, as these riffles become a barrier due to shallow conditions. Reductions in stream flows and pool depth due to pumping operations during the summer, when groundwater is needed most, could lead to several factors impacting steelhead such as stranding/mortality of steelhead, reduced steelhead mobility through shallow or dewatered riffle habitat, increased competition for limited habitat as pools dry, as well as increased water temperature and decreased dissolved oxygen levels	Lower Pico Creek is an intermittent stream that naturally goes dry in the spring and remains dry until the first significant rain event occurs in the fall or winter season. District pumping during the summer is not expected to influence aquatic habitat conditions because the channel is dry.

Comment #	Agency Name	Agency Comment	Response
12	California Department of Fish and Wildlife	CDFW recommends that the IFS address potential impacts to adult steelhead and their spawning habitat due to District pumping operations.	The section of Pico Creek within the study area likely serves as a migratory corridor for steelhead; adult spawning and juvenile rearing is limited to the upper watershed that has year-round flows. Flows that are high enough to support adult steelhead migration (estimated to be above 10 cfs) are not likely to be influenced by the District's pumping, which is limited to a maximum daily average rate of 0.27 cfs. In addition, the Instream Flow Study Report was updated to include information on groundwater recharge and monitoring groundwater elevations in relation to rainfall events and stream flows during the onset of the rainy season was added as a long-term monitoring recommendation.
13	California Department of Fish and Wildlife	CDFW recommends that the IFS and Plan include monitoring of water quality parameters such as temperature, salinity, dissolved oxygen, etc., in the lagoon	Water quality monitoring of Pico Creek lagoon was added to the Pico Creek Stream Flow Management Plan.
14	California Department of Fish and Wildlife	CDFW recommends field verification of the modeled results for water quality within habitats that are important for steelhead and other special status species using the Pico Creek watershed.	In fall 2022, Stillwater Sciences met with CDFW to discuss the watershed and best approaches to address key questions. Based on that consultation, it was determined that prior to conducting a detailed IFIM, the highest priority was understanding general flow patterns in perennial/intermittent reaches, how pumping influences surface flows, how steelhead use the section of creek where District pumping is most likely to influence surface flow conditions, and what flows are most sensitive to the influence of the District's pumping. Results of this assessment suggest that the District's pumping operations have a small influence on surface flows, and habitat conditions are sensitive to changes in surface flows around approximately 1.5 cfs. Based on the current water extraction plans, Stillwater Sciences believes that the information obtained is sufficient to develop water use management recommendations for Pico Creek.
15	California Department of Fish and Wildlife	DFW recommends consultation with the U.S. Fish and Wildlife Service for potential impacts to federal listed terrestrial and freshwater species and with the National Marine Fisheries Service for potential effects to steelhead and its critical habitat.	Stillwater assumes the District will coordinate with all agencies as appropriate.

DUDEK



Coastal Hazards Response Plan

San Simeon Community Services District

PRESENTED BY DUDEK

MARCH 8, 2023

0 Agenda

6:00 – Introductions

6:05 – Presentation

1.Coastal Commission Permit

2.Stakeholder Updates

3.Coastal Hazards Assessment

4.WWTP Alternatives and Costs

5.Environmental Review

6:35 – Break

6:45 – Questions and Answers

7:15 – Survey Activity

7:25 – Next Steps

7:30 - End

01

Introductions

Dudek Project Team

Dudek Team



JOHN DAVIS IV
Project Manager, Principal, Senior
Coastal Ecologist



MIKE METTS
Principal Engineer



CAROLYN GROVES
Coastal Planner

Dudek Team



DANIELLE BERGER
Public Outreach Specialist



AMANDA CHRISTOPHE
CivicSpark Fellow



GREG GUILLEN
Engineer

Dudek-GHD Team



AARON HOLLOWAY, PE
Senior Engineer – Maritime and
Coastal



BRADEN FROBLE
Coastal Scientist

1.1

California Coastal Commission Coastal Development Permit

CDP 3-19-0020

CCC Coastal Development Permit

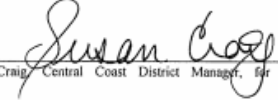
- Existing plant is exposed to many coastal hazards (flooding, wave action, storms, erosion, liquefaction, etc.)
 - Hazards will get worse with future climate change and sea level rise
- Treatment plant must be moved inland by 2029 to avoid hazards**
- Coastal Hazards Response Plan (CHRP) must address:
 - Agency and public coordination and input
 - Treatment technology alternatives (incl. outfall)
 - Preferred relocation site
 - Relocation plan with mechanism, cost, and timing



California Coastal Commission
COASTAL DEVELOPMENT PERMIT
CDP 3-19-0020 (San Simeon Community Services District)
Issue Date: July 18, 2019
Page 1 of 14

Coastal development permit (CDP) number 3-19-0020 was approved by the California Coastal Commission on July 11, 2019. CDP 3-19-0020 provides for the after-the-fact recognition and retention of: 1) a riprap revetment fronting the wastewater treatment plant (WWTP) (completed in 1983); 2) replacement of a portion of the ocean outfall pipeline (completed in 1984) and other repairs and replacements to the outfall (completed between 2010-2013); 3) improvements to a pipe support structure across Arroyo del Padre Juan Creek, including placement of riprap at abutments (completed in 1995); 4) full replacement of the pipe support structure (completed in 1999); and 5) other WWTP structural and component upgrades and related development over many years. The approval also includes new riprap augmentation of the revetment fronting the WWTP (adding two feet in height). This project is located on the bluff, beach, and riparian area fronting the San Simeon WWTP at 9245 Balboa Avenue in the unincorporated San Simeon Acres area of North San Luis Obispo County immediately adjacent to Arroyo del Padre Juan Creek (APNs 013-031-028 and 013-031-041) (all as more specifically described in the Commission's CDP file). CDP 3-19-0020 is subject to certain terms and conditions, including the standard and special conditions beginning on page 2 of this CDP.

By my signature below, the CDP is issued on behalf of the California Coastal Commission:

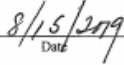


Susan Craig, Central Coast District Manager, for John Ainsworth, Executive Director

Acknowledgement
The undersigned Permittee acknowledges receipt of this coastal development permit and agrees to abide by all terms and conditions thereof. The undersigned Permittee acknowledges that Government Code Section 818.4 (which states in pertinent part that "a public entity is not liable for injury caused by the issuance of any permit") applies to the issuance of this coastal development permit.



Authorized Representative of San Simeon CSD



8/15/2019
Date

Please note that this coastal development permit is not valid unless and until a copy of it with the signed acknowledgement has been returned to the California Coastal Commission's Central Coast District Office (14 Cal. Admin. Code Section 13158).

CDP 3-19-0020: Special Condition 3

“The Response Plan shall, at a minimum, identify a preferred inland site or sites for District wastewater treatment functions, including evaluating alternative wastewater treatment options in-lieu of building a new inland WWTP (including the construction of an inland package plant or plants, the possibility of combining services with other nearby existing WWTPs, and similar alternatives), and shall provide details regarding the mechanisms, costs, funding options, and timing for potential relocation and for full restoration of the existing WWTP site. Expected costs to purchase land for a relocated plant, to decommission the existing plant and to restore the site, to upgrade any relocated wastewater treatment functions to include water recycling (including addressing the potential for joint satellite facilities and/or collaborations with nearby communities and wastewater service providers for water recycling) must be included. The Response Plan shall provide a detailed evaluation of whether the use of the WWTP outfall can be eliminated and the outfall removed as part of moving wastewater functions to a more inland location. Any costs associated with new and/or upgraded outfall pipelines, pumps, and/or lift stations deemed necessary (including rerouting of sewer pipes to a relocated plant, etc.) shall also be included. The Response Plan shall include a timeline of potential major relocation events, including expected timeframes for land acquisition, planning, permitting, design, construction and eventual operation of a relocated plant or alternative wastewater treatment solutions that avoid the significant coastal hazards that threaten the existing WWTP as identified in the Commission-adopted findings for this CDP.”

Public Input

- We received 226 votes on alternatives sites via letters and surveys.
- Public input identified Sites **A** and **J** (w/i SSCSD) and **Hearst** and **Cambria** (outside SSCSD) for analysis.
- SSCSD and CCC identified **Warren** for analysis.

Alt. Site	Total	Source			
		SSCCBD	Online Survey	Printed Survey	Mobile Home Park Resident Letter
A	108	88	13	7	
B	0				
C	0				
D	1		1		
E	2			2	
F	0				
G	0				
H	2		1	1	
I	1			1	
J	91	88	3		
Hearst	5		4	1	
State Parks	3		1	2	
Cambria CSD	9		8	1	
Warren	0				
Out of Town	4			3	1

3

Coastal Hazard Assessment



3.0 Coastal Hazards Overview

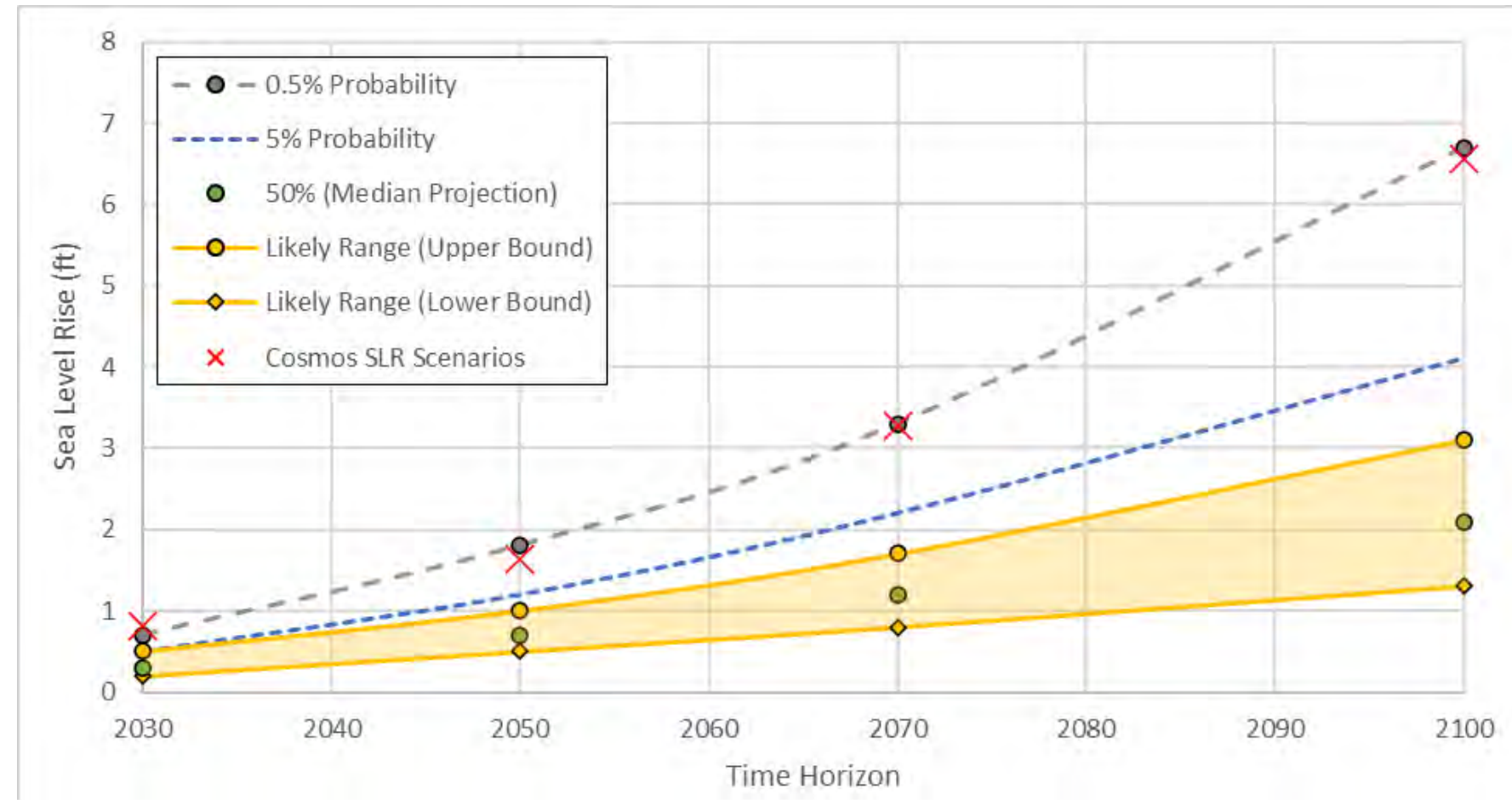
1. Coastal Hazards:

- Coastal Flooding
 - Dynamic water levels
 - Fluvial flooding
- Shoreline Erosion
- Bluff Retreat

2. USGS Coastal Storm Modeling System (CoSMoS)

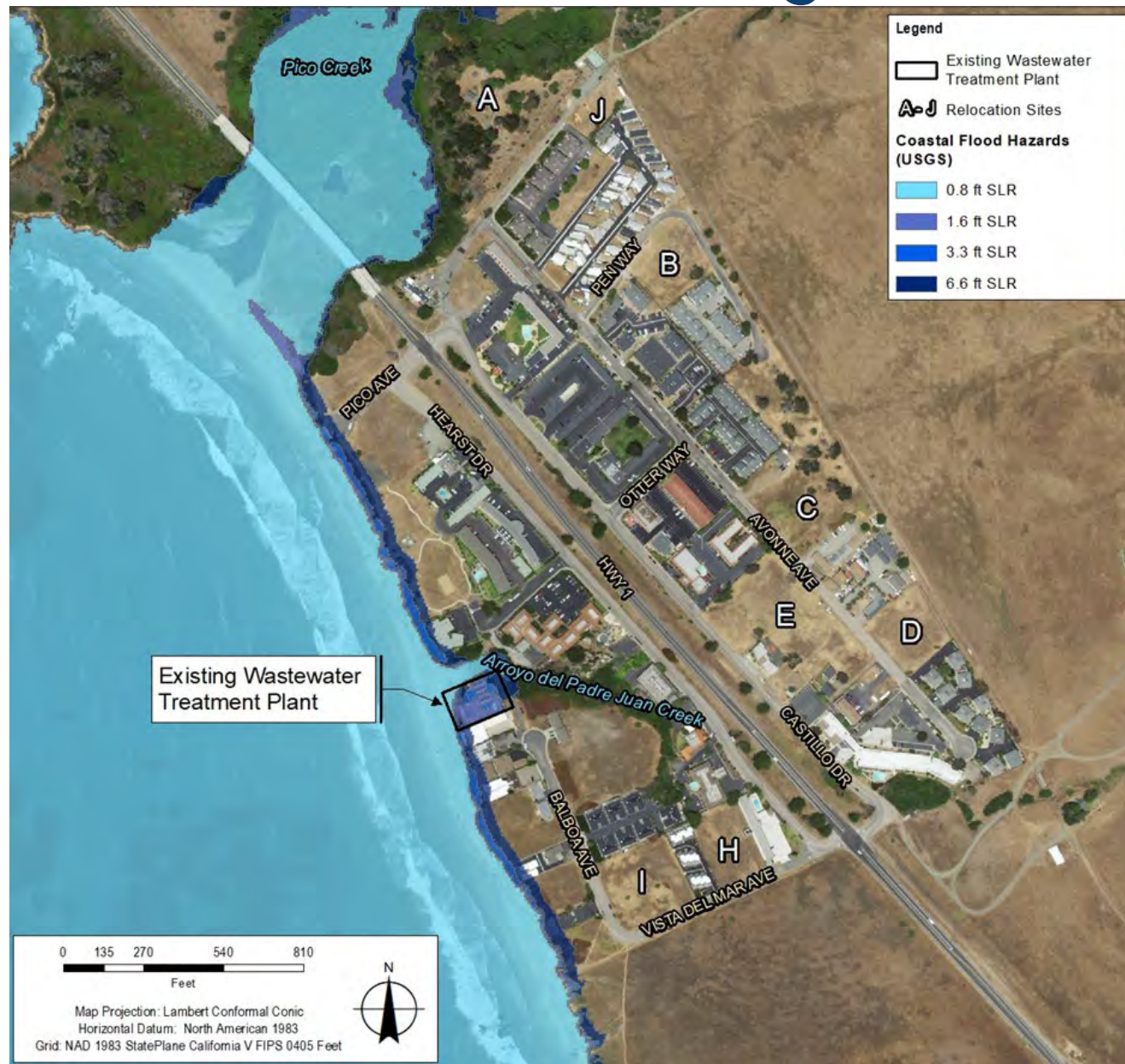
3. Sea Level Rise (OPC, 2018)

- Medium High Risk Aversion Scenario (0.5% Probability)
- 0.8 ft by 2030, 1.6 ft by 2050, 3.3 ft by 2070, 6.6 ft by 2100



3.1 Flood Hazards

Coastal Flooding

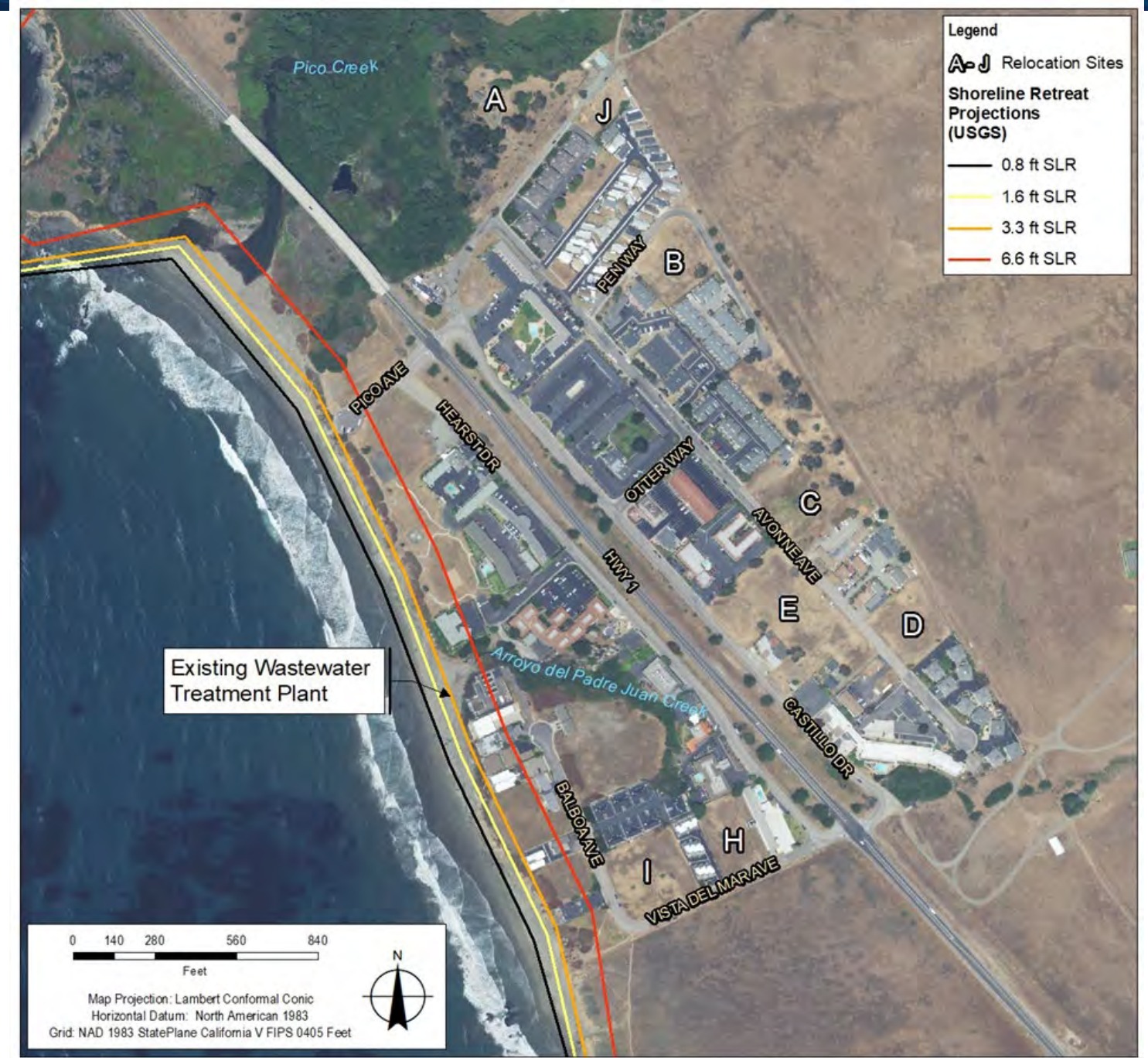


Fluvial Flooding



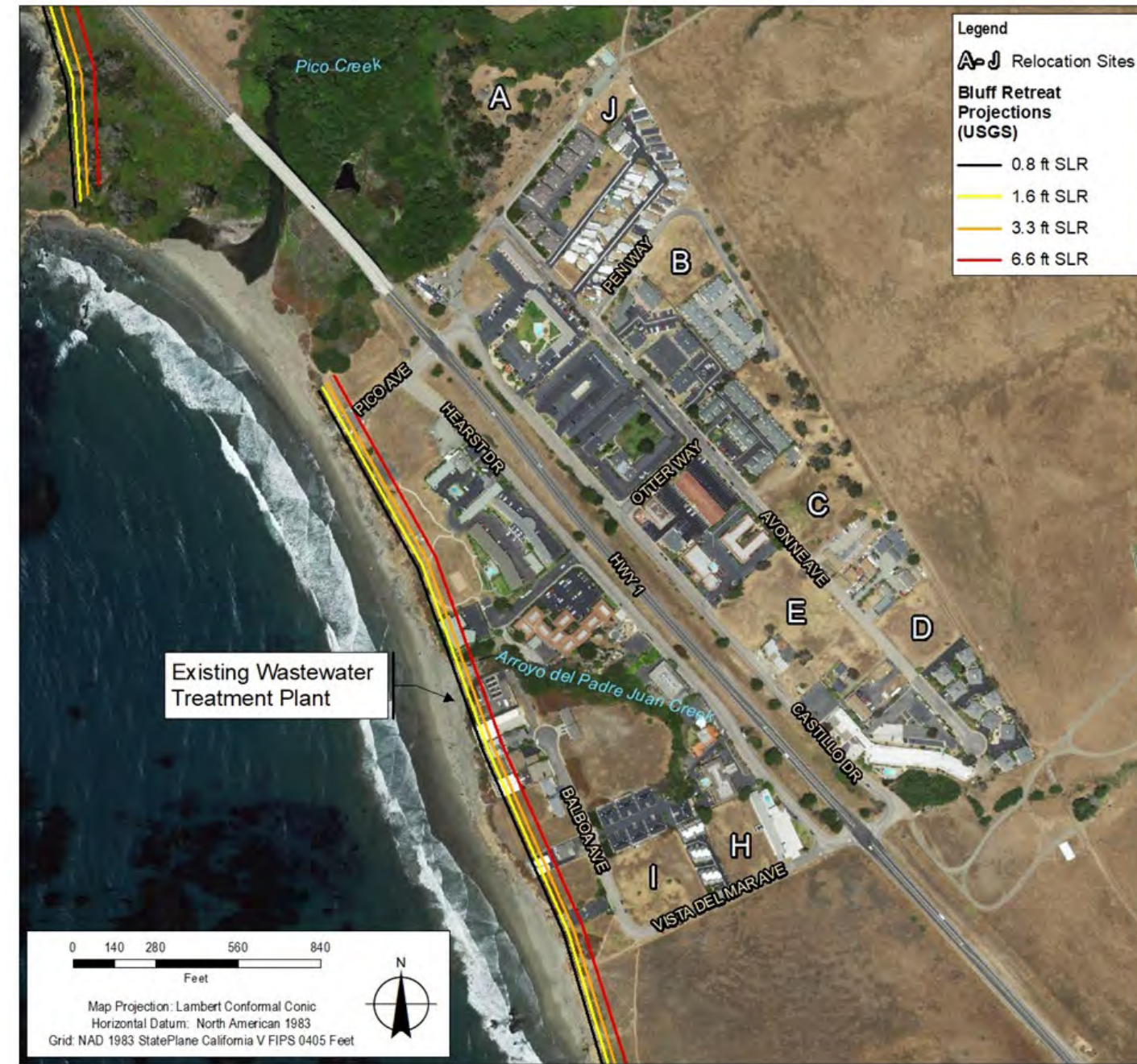
3.2 Shoreline Erosion

- Majority of infrastructure is atop coastal bluffs
- Alternative sites are not vulnerable to shoreline erosion
- Existing WWTP will be subject to SLR



3.3 Bluff Retreat

- Largely connected to shoreline erosion
- Typically, episodic and event-based with variability due to site-specific conditions
- CoSMoS 6.6 ft of SLR: Bluff retreat is approximately 85 - 90 feet from existing bluff edge
- Alternative sites are not vulnerable to bluff retreat
- Existing WWTP will be subject to SLR



3.4 Coastal Hazard Summary

- The alternative sites are not exposed to shoreline erosion, bluff retreat, or coastal flooding for the SLR scenarios evaluated (up to 6.6 ft SLR by 2100).
- A site-specific fluvial analysis of the Arroyo Del Juan Padre Creek should be carried out if Sites H or I are moved forward for consideration.

4.0 Wastewater Treatment Discussion

1

San Simeon WDR
Permit

3

Alternative Sites and
Costs

2

Wastewater Treatment
Technologies and Costs

4

Ocean Outfall
Discussion

WWTP Alternative Technologies

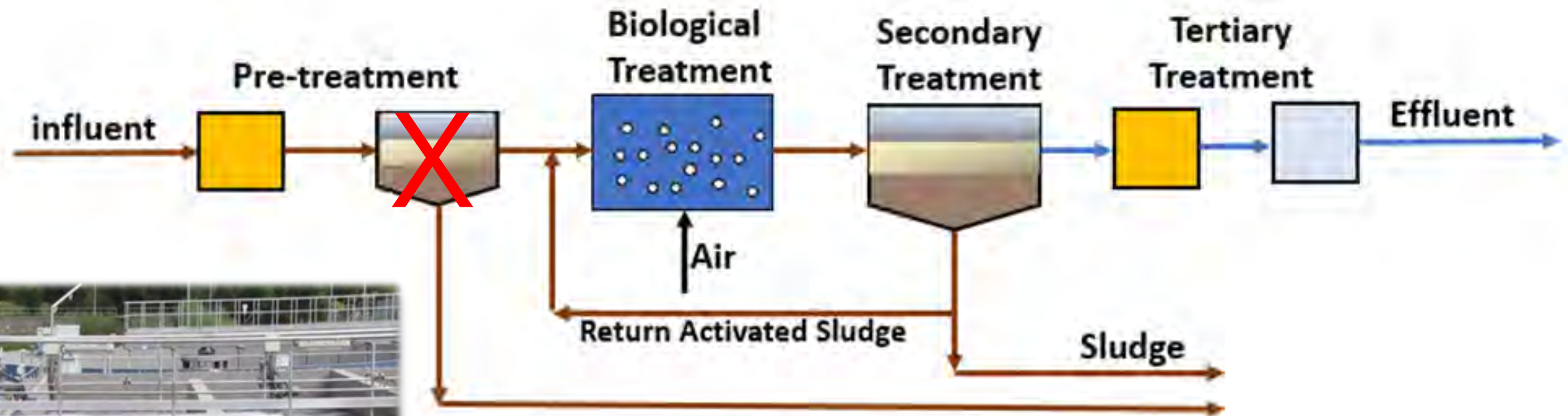
- WWTP Alternative Technologies
 - Conventional Activated Sludge (CAS), Membrane Bioreactor (MBR), Constructed Wetlands
 - General comparison, cost, space requirements
- Sewage and Treated Effluent Conveyance requirements to specific WWTP locations
 - Pipeline alignments, costs
- Effluent Disposal Options
 - Ocean outfall considerations

WWTP Design Criteria

Parameter	Units	Design Criteria
Avg. WWTP Influent Flow (ADWF)	MGD	0.2
Peak Wet Weather Flow (PWWF)	MGD	0.45
Influent BOD ₅	mg/l	300
Influent TSS	mg/l	300

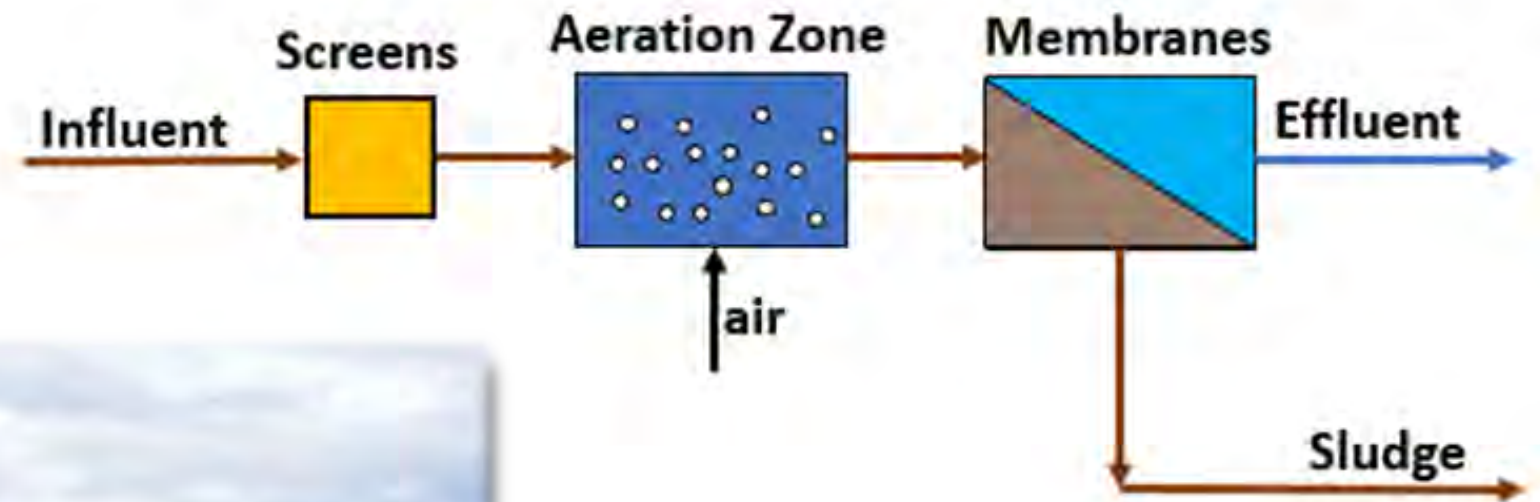
Parameter	Units	Avg. Monthly	Avg. Weekly	Max. Daily
BOD ₅	mg/l	30	45	90
	lb/d	50	75	150
TSS	mg/l	30	45	90
	lb/d	50	75	150
pH	std units	Inst. min. - max. (6-9)		
Oil and Grease	mg/l	25	40	75
	lb/d	42	67	125
Settleable Solids	ml/l	1	1.5	3
Turbidity	NTU	75	100	225

Conventional Activated Sludge



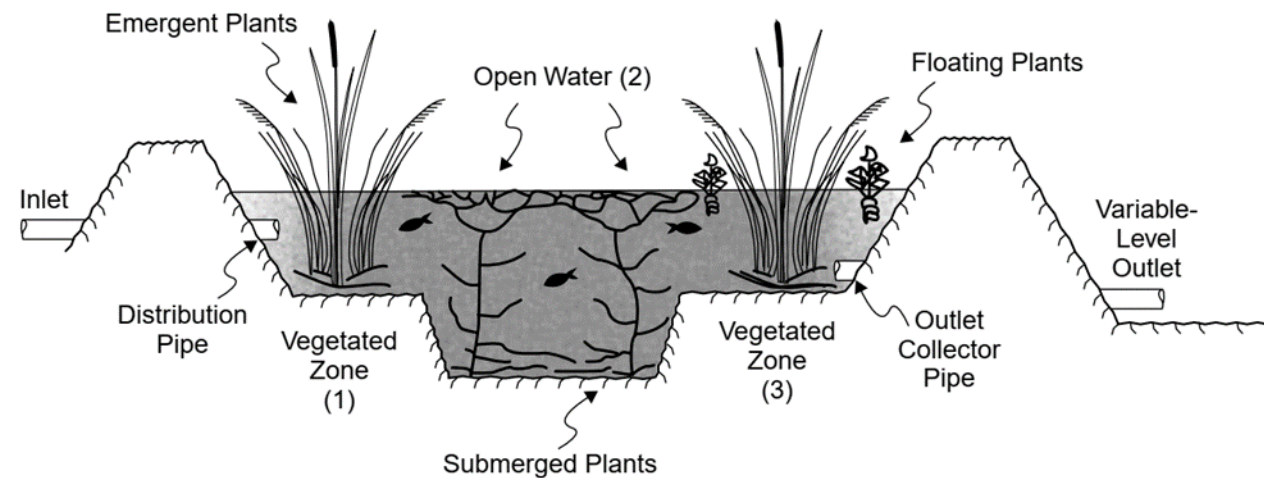
- Simple, proven technology (current WWTP)
- Moderate space requirements (0.45 acres)
- Open tanks (odor potential)

Membrane Bioreactor

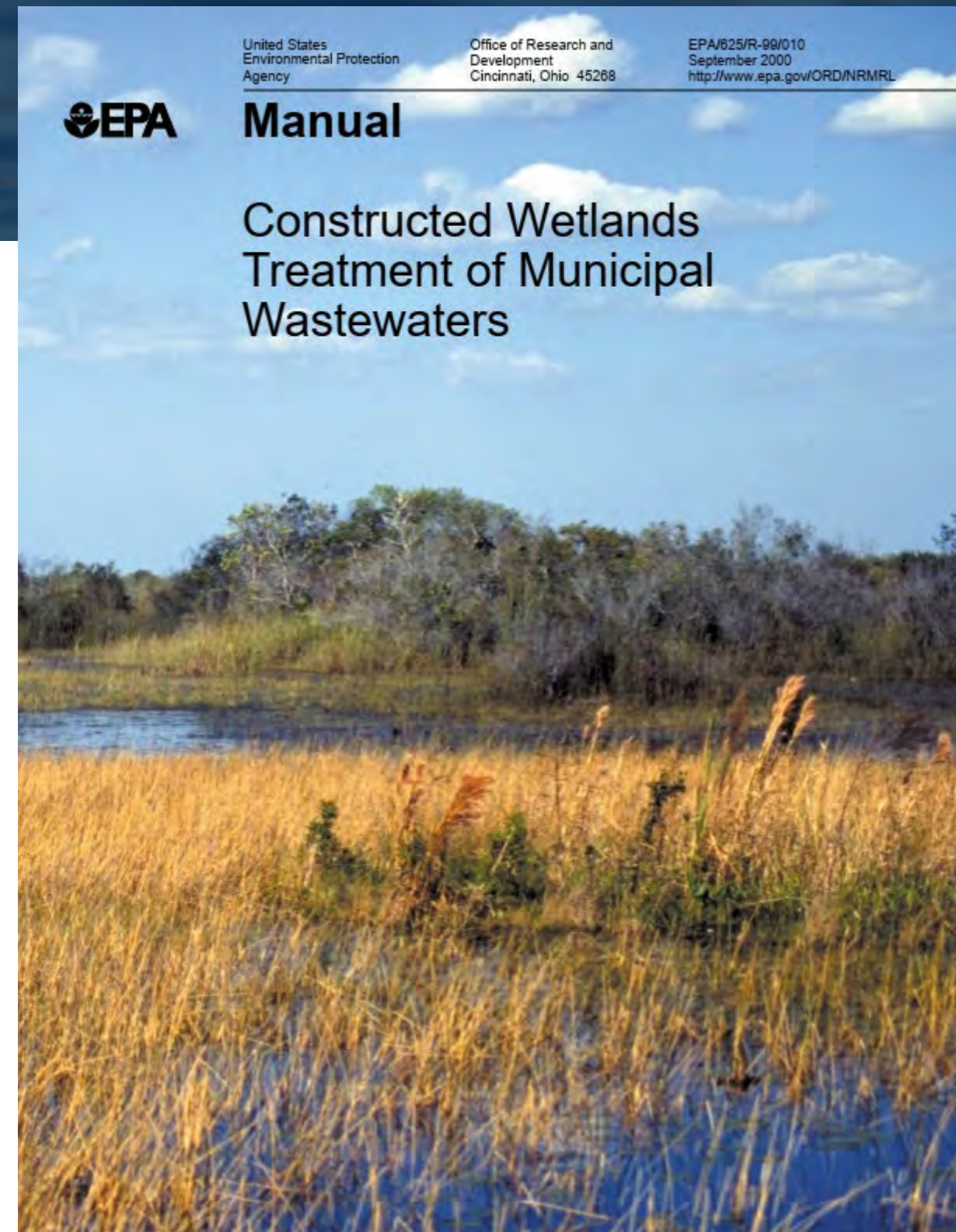


- High quality effluent
- Compact design (0.2 acres)
- Tanks can be completely enclosed

Constructed Wetlands



- Variable quality effluent
- Can provide additional wildlife habitat
- Very large space requirement (10-20 acres)
 - Alternative not further evaluated based on infeasible space requirements

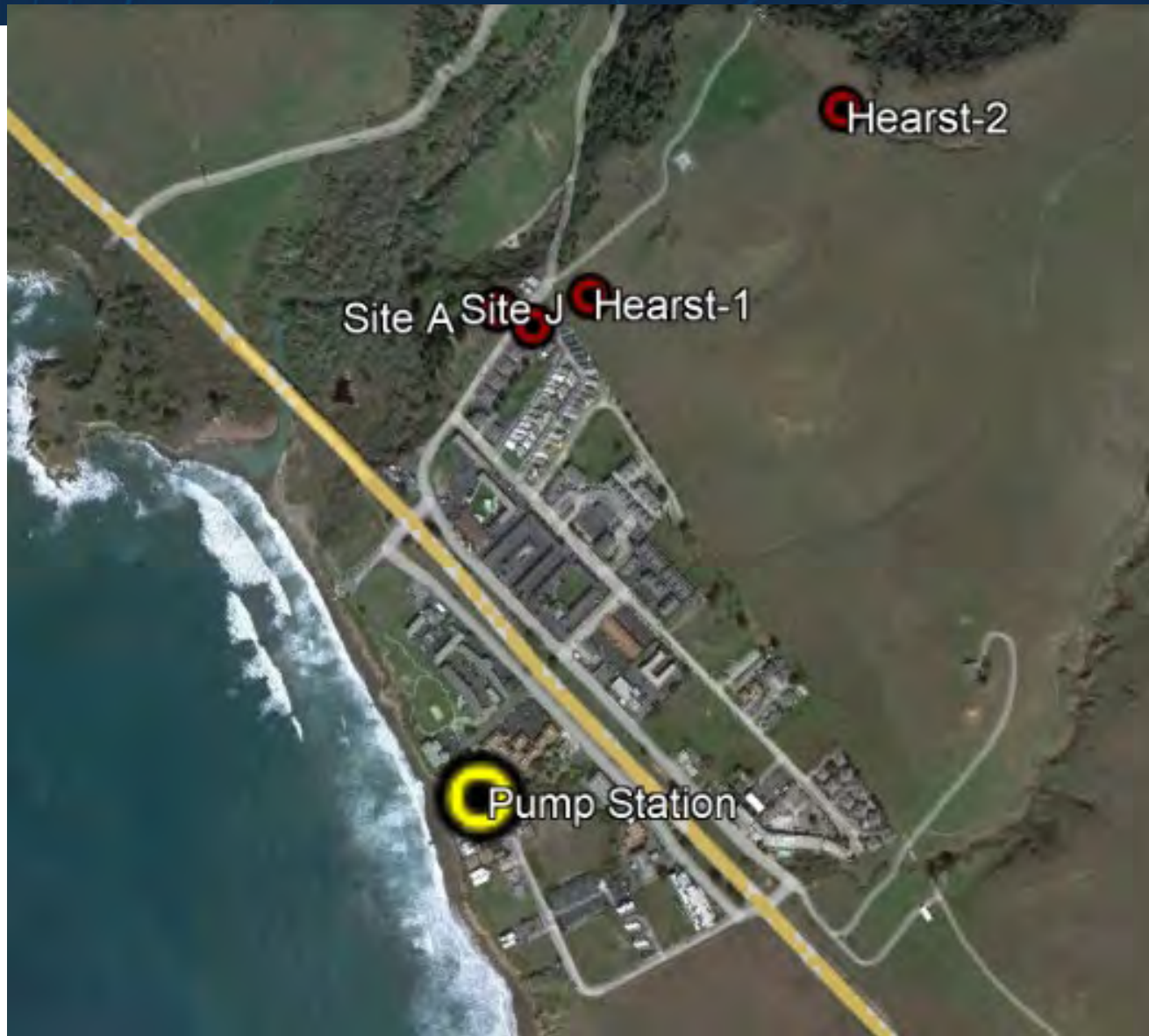


WWTP Capital and Operating Costs

Cost Item/WWTP	CAS	MBR
Construction Cost	\$1.9M	\$9.0M
Capital Cost*	\$3.4M	\$15.7M
O&M Cost	\$4.30/1,000 gpd	\$5.48/1,000 gpd
Capital NPW	\$3.0M	\$13.8M
O&M NPW	\$4.3M	\$6.5M
Total 20-YR NPW	\$7.3M	\$20.3M

*Includes 30% contingency, 20% engineering design, 25% land, easement, and permitting

Potential WWTP Locations



Sewer Forcemain and Treated Effluent Pipeline Alignments



- New lift station at location of existing WWTP
- Forcemain connecting lift station to relocated WWTP
- Treated effluent pipeline connecting WWTP to existing ocean outfall
- Forcemain and effluent pipeline share a common alignment

Conveyance System Capital and Operating Costs

Item/WWTP Location	A	J	H-1	H-2	CAM	WAR
Alignment Length (ft)	5,400	5,400	5,800	8,600	22,000	28,000
Construction Cost	\$1.2M	\$1.2M	\$1.3M	\$1.7M	\$3.7M	\$4.6M
Capital Cost	\$2.1M	\$2.1M	\$2.3M	\$3.0M	\$6.5M	\$8.1M
Capital NPW	\$1.9M	\$1.9M	\$2.1M	\$2.7M	\$5.8M	\$7.2M
O&M NPW	\$1.0M	\$1.0M	\$1.1M	\$1.4M	\$3.1M	\$3.9M
Total 20-YR NPW	\$2.9M	\$2.9M	\$3.2M	\$4.1M	\$8.9M	\$11.1M

Relocated WWTP Capital and Operating Costs

WWTP Location	20-YR Capital and O&M NPW	
	CAS & Conveyance	MBR & Conveyance
A	\$10.7M	\$25.1M
J	\$10.7M	\$25.1M
H-1	\$10.9M	\$25.4M
H-2	\$11.9M	\$26.3M
CAM	\$16.6M	\$31.1M
WAR	\$18.8M	\$33.2M

4

Ocean Outfall Considerations



Ocean Outfall Considerations

San Vicente Ocean Outfall

- Approx. 2,500 feet
- Uninterruptible Effluent Disposal
- Secondary Effluent [*reduced treatment cost*]
- Still allows for production of Recycled Water

Outfall Considerations

- Recycled Water Market Reliability
 - *100% guaranteed disposal, no spills*
- Recycled water infrastructure (PS, purple pipe)
- Permitting w/o Outfall
- Treatment Requirements w/o Outfall
- Failsafe Storage
 - 90-day storage w/o Outfall (3-5 acres)
- Percolation Disposal
 - *Location*
- Impact to Water Supply
 - *Separation Requirements*
 - *Public Safety*



5

Alternative Sites and Environmental Screening

1. SSCSD Sites
2. Regional Possibilities

5.1 Alternative Sites

SSCSD Alternative Sites

Within SSCSD

- Alternative A
- Alternative J

Outside of SSCSD

- Hearst Property
- Cambria CSD Brine Pond
- Warren Property



5.2 Environmental Screening

GIS and Literature / Database Research (Partial)

1. California Natural Diversity Database (CDFW)
2. Sensitive Biological Resources (SLO Co GIS)
3. National Wetland Inventory (NOAA)
4. Coastal Hazards (CoSMoS)
5. Cultural Resources (SLO Co GIS)
6. Agricultural Resources (SLO Co GIS, CA Dept. of Conservation FMMP)
7. Land Use (SLO Co GIS)

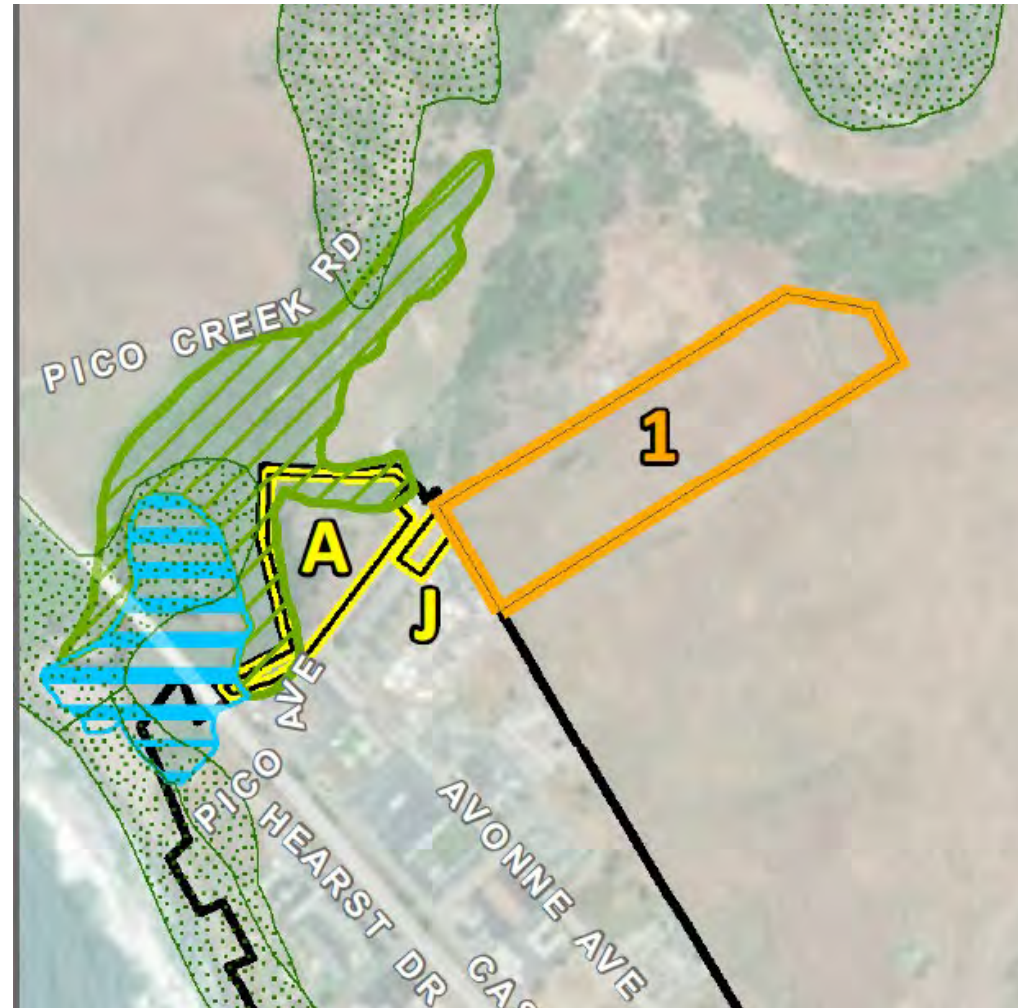
5.3a Biological Resources

Alternative Sites

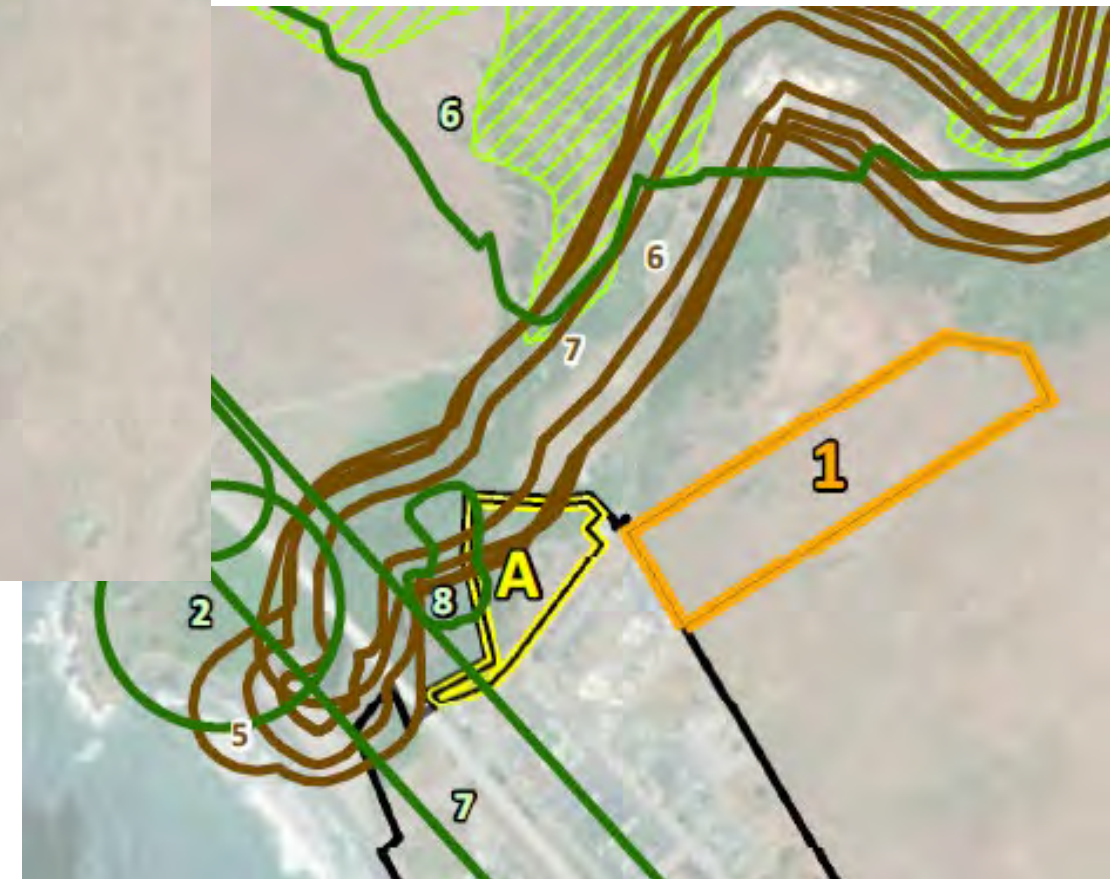
- Alt. A
- Alt. J
- Hearst (1)

Primary Biological Concerns

- Stream and Riparian Habitat
- Steelhead
- California red-legged frog
- Special-Status Plant Species



Sensitive Biological Resources



CNDDDB

5.3b Biological Resources

Alternative Sites

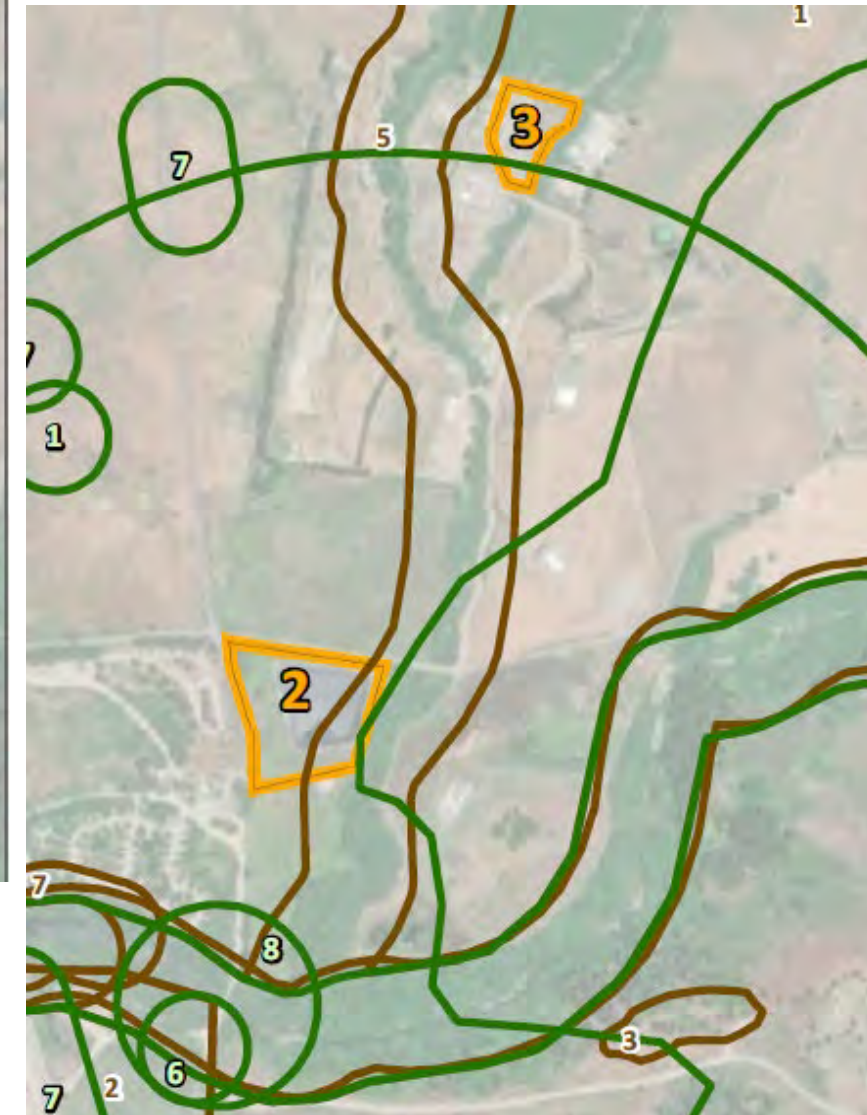
- Cambria CSD (2)
- Warren Property (3)

Primary Biological Concerns

- Stream and Riparian Habitat
- Steelhead
- California red-legged frog
- Special-Status Plant Species



Sensitive Biological Resources



CNDDDB

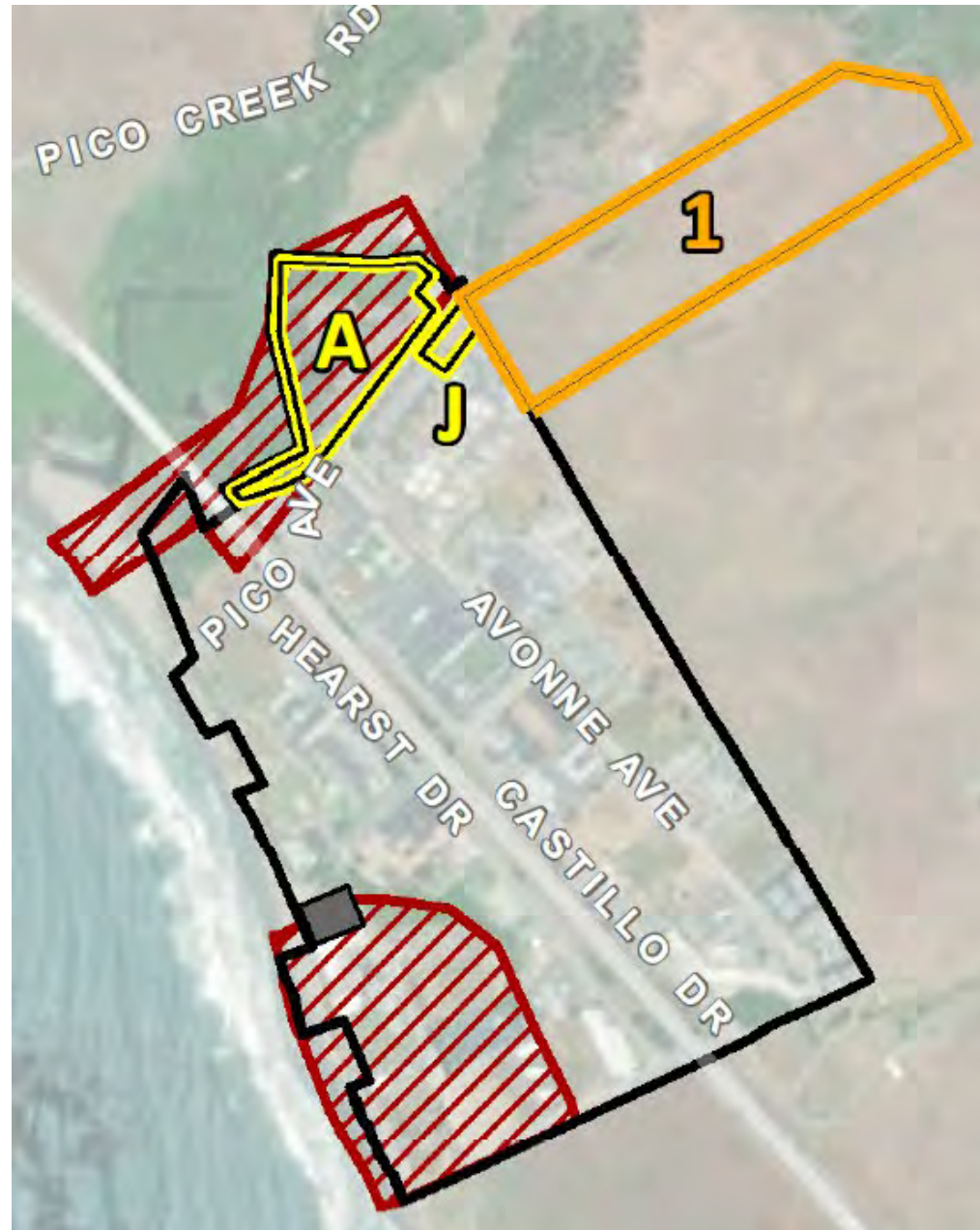
5.4 Cultural Resources

Alternative Sites

- Alt. A
- Alt. J
- Hearst Property (1)
- Cambria CSD (2)
- Warren Property (3)

Known Archeological Sensitive Area

- Alt. A



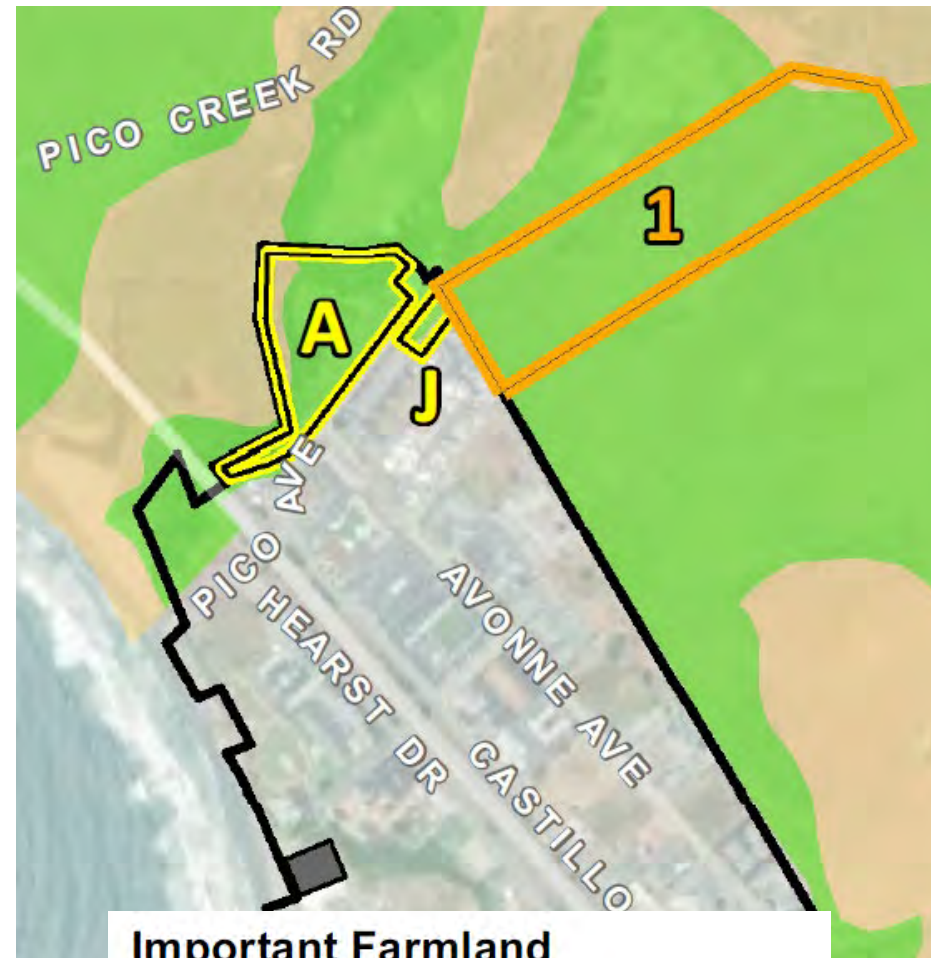
5.5 Agricultural Resources

Alternative Sites

- Alt. A
- Alt. J
- Hearst Property (1)
- Cambria CSD (2)
- Warren Property (3)

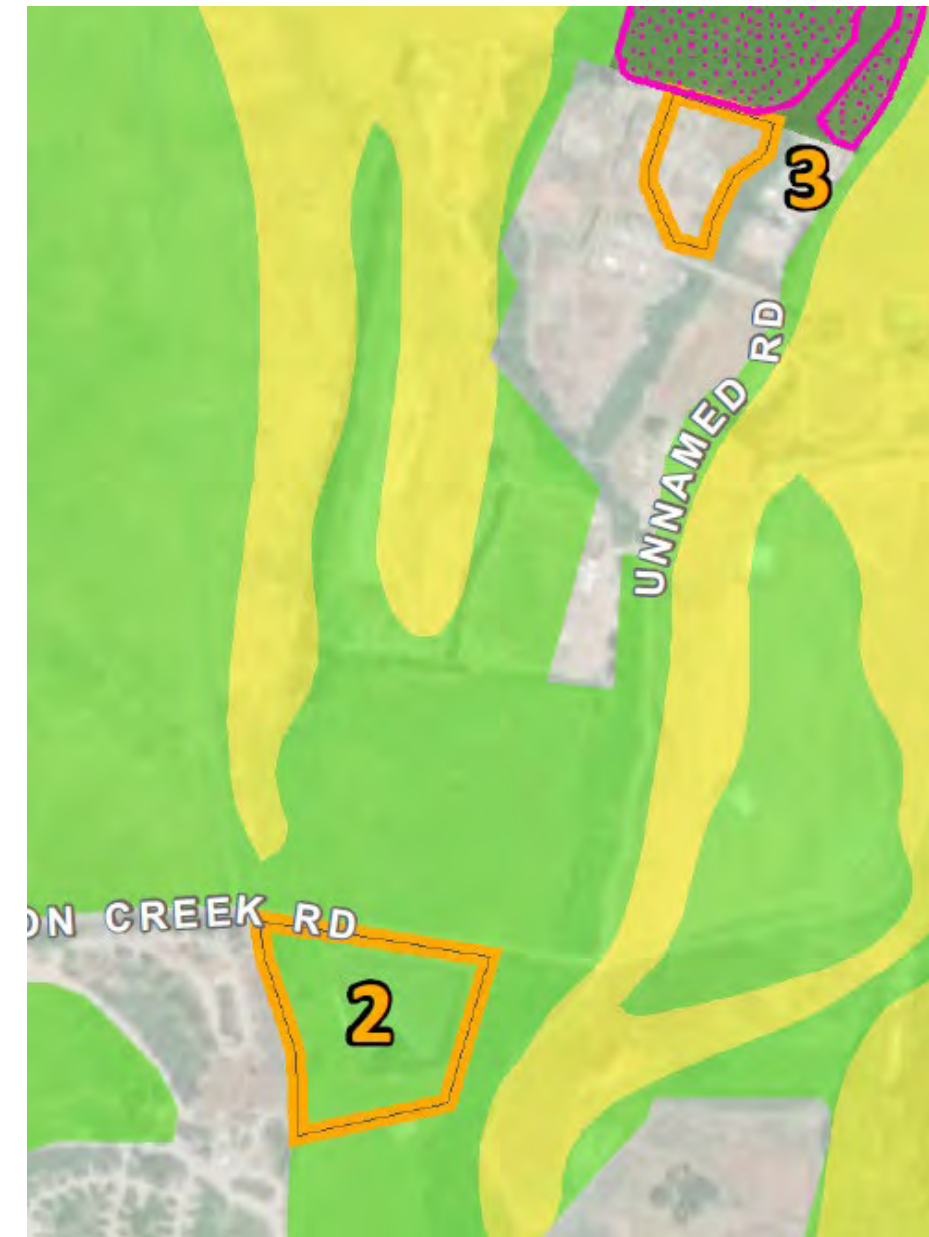
Primary Agricultural Concerns

- Prime Soils
- Local Prime Soils
- Williamson Act
- Grazing Lands



Important Farmland

- Prime Soils
- Local Prime Soils
- Soils of Statewide Importance
- Grazing Land



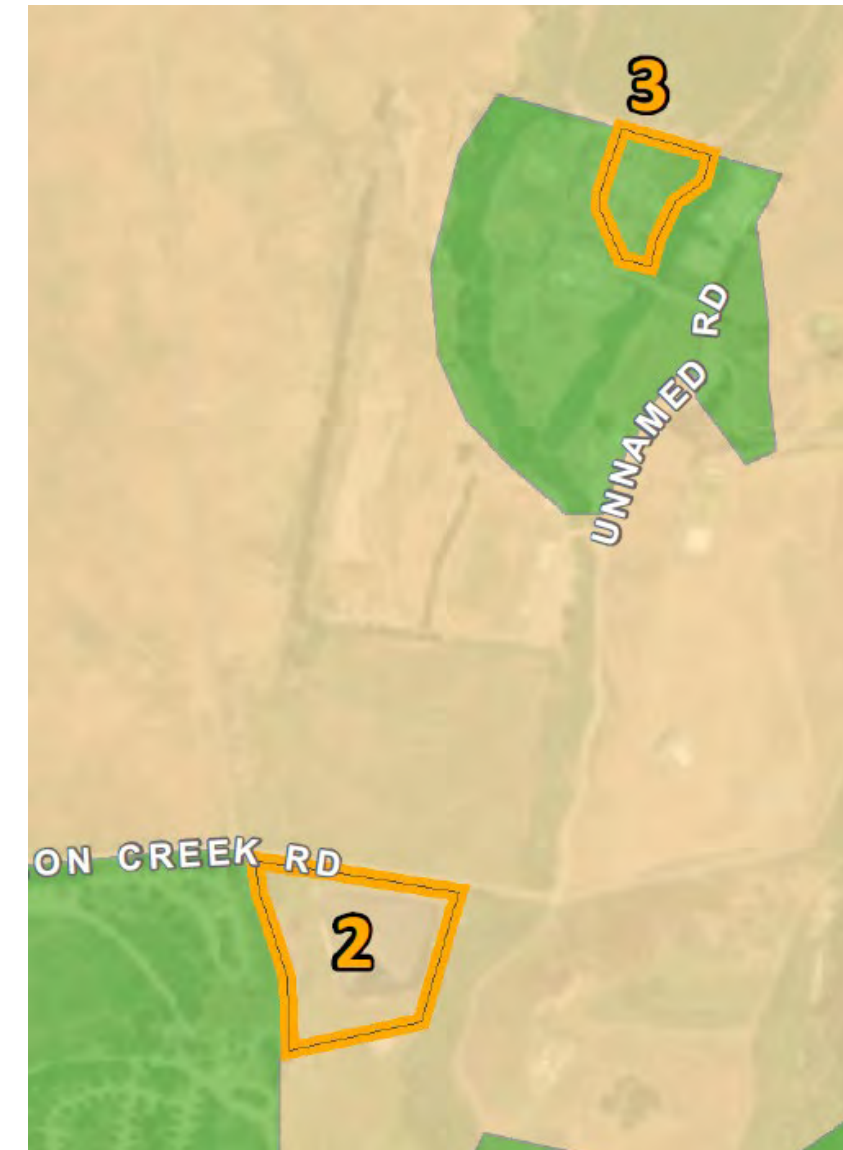
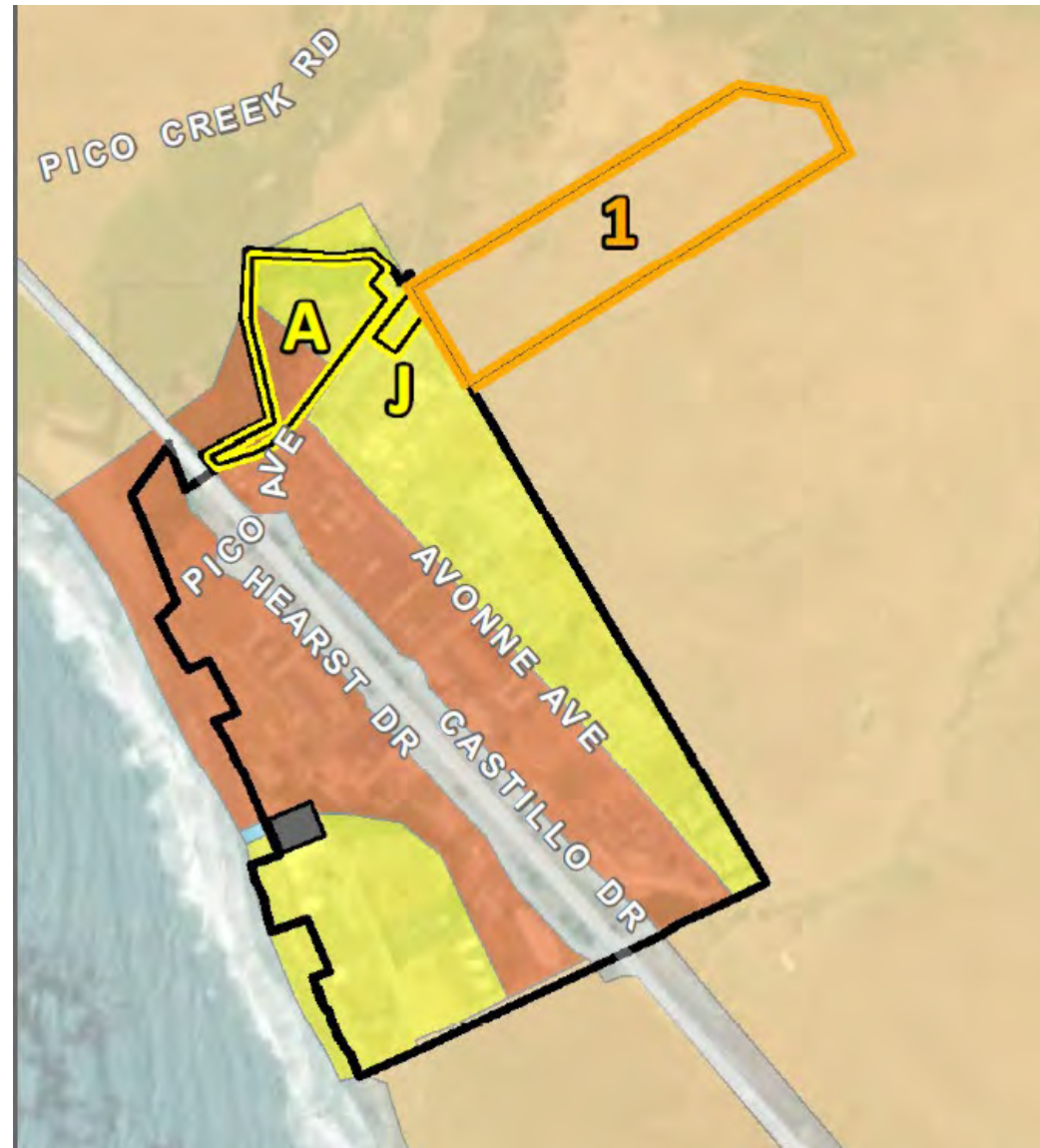
5.6 Land Uses

Alternative Sites

- Alt. A
- Alt. J
- Hearst Property (1)
- Cambria CSD (2)
- Warren Property (3)

General Plan Land Use Designations

-  Agriculture
-  Commercial Retail
-  Public Facilities
-  Recreation
-  Residential Multi-Family



5.7 Environmental Screening Summary

Screening Criteria	Site A	Site J	Hearst Property	Warren Property	Cambria CSD
Coastal hazards	Currently safe from coastal hazards, Pico Creek will flood with SLR	Safe from coastal hazards	Safe from coastal hazards	Safe from coastal hazards	Safe from coastal hazards
Public access and recreation	Not currently used, little to no potential use	Not currently used, little to no potential use	Not currently used, little to no potential use	Not currently used, little to no potential use	Not currently used, little to no potential use
Visual resources	No existing resources, plant would be shielded	No existing resources, plant would be shielded	No existing resources, plant would be shielded	No existing resources, plant would be shielded	No existing resources, plant would be shielded

5.7 Environmental Screening Summary

Screening Criteria	Site A	Site J	Hearst Property	Warren Property	Cambria CSD
Cultural resources	Known archaeological sensitivity area	No known archeological sensitivity	No known archeological sensitivity	No known archeological sensitivity	No known archeological sensitivity
Biological resources	Pico Creek, riparian area, sensitive habitat	No significant resources on site	No significant resources outside Creek areas	No significant resources outside Creek area	No significant resources on site
Agricultural resources	Contains "farmland of local potential"	Contains "farmland of local potential"	Contains "farmland of local potential"	Contains "farmland of local potential"	No agricultural resources

5.7 Environmental Screening Summary

Screening Criteria	Site A	Site J	Hearst Property	Warren Property	Cambria CSD
Land use compatibility	Residential Multi-Family, Commercial Retail	Residential Multi-Family	Agriculture	Agriculture, Recreation	Agriculture
Surrounding land uses	Open space to north, east, and west; residential to south	Residential to south and west; open space to east; District office to north	Open space to north, east, south; potential residential or open space to west	Open space on all sides	Open space on all sides (campground to west)
Proximity to existing infrastructure	Within existing service boundaries of SSCSD	Within existing service boundaries of SSCSD	Adjacent (east) to existing SSCSD service	3 miles south of existing SSCSD	3 miles south of existing SSCSD

5.7 Environmental Screening Summary

Screening Criteria	Site A	Site J	Hearst Property	Warren Property	Cambria CSD
Growth potential	Medium (7.05 acres) w/ sensitive habitat & easements, limited growth potential	Small (0.45 acres) with no growth potential	Very large (361 acres) with growth potential	Very large (319 acres) with growth potential	Large (96 acres) with growth potential
Landowner rights	Privately owned by resident, must be purchased/ leased by SSCSD	Privately owned by resident, must be purchased/ leased by SSCSD	Privately owned by Hearst, must be purchased/ leased by SSCSD	Privately owned by resident, must be purchased/ leased by SSCSD	Owned/ operated by Cambria CSD, would need regional partnership
Economic feasibility (of WWTP)	Lowest cost alternative (\$11M-\$25M)	Lowest cost alternative (\$11M-\$25M)	Low cost alternative (\$11M-\$26M)	Highest cost alternative (\$19M-\$33M)	High cost alternative (\$17M-\$31M)

Alternative Analysis

Questions

1. Coastal Hazards
2. WWTP Technology and Cost
3. Environmental Screening

06

Survey Activity



www.surveymonkey.com/r/SSCSD_CHRP2

Next Steps

1. Survey Compilation
2. Complete Fine Screening
3. Revised Draft CHRP
4. Preferred Alternative Selection
5. Stakeholder Meeting No. 3: Preferred Alternative (April 2023)

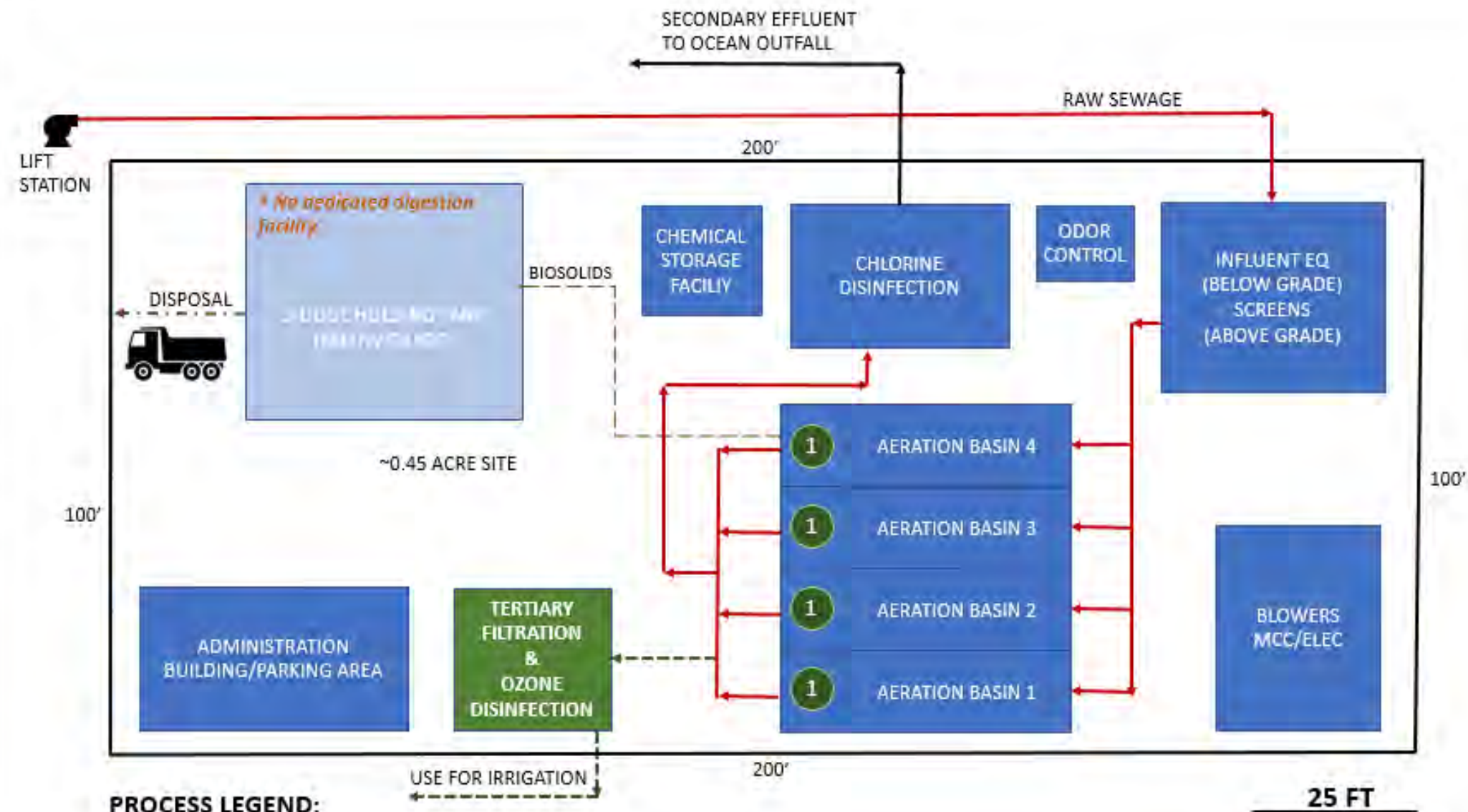
06

Next Steps

Thank you

00

Backup Slides



PROCESS LEGEND:

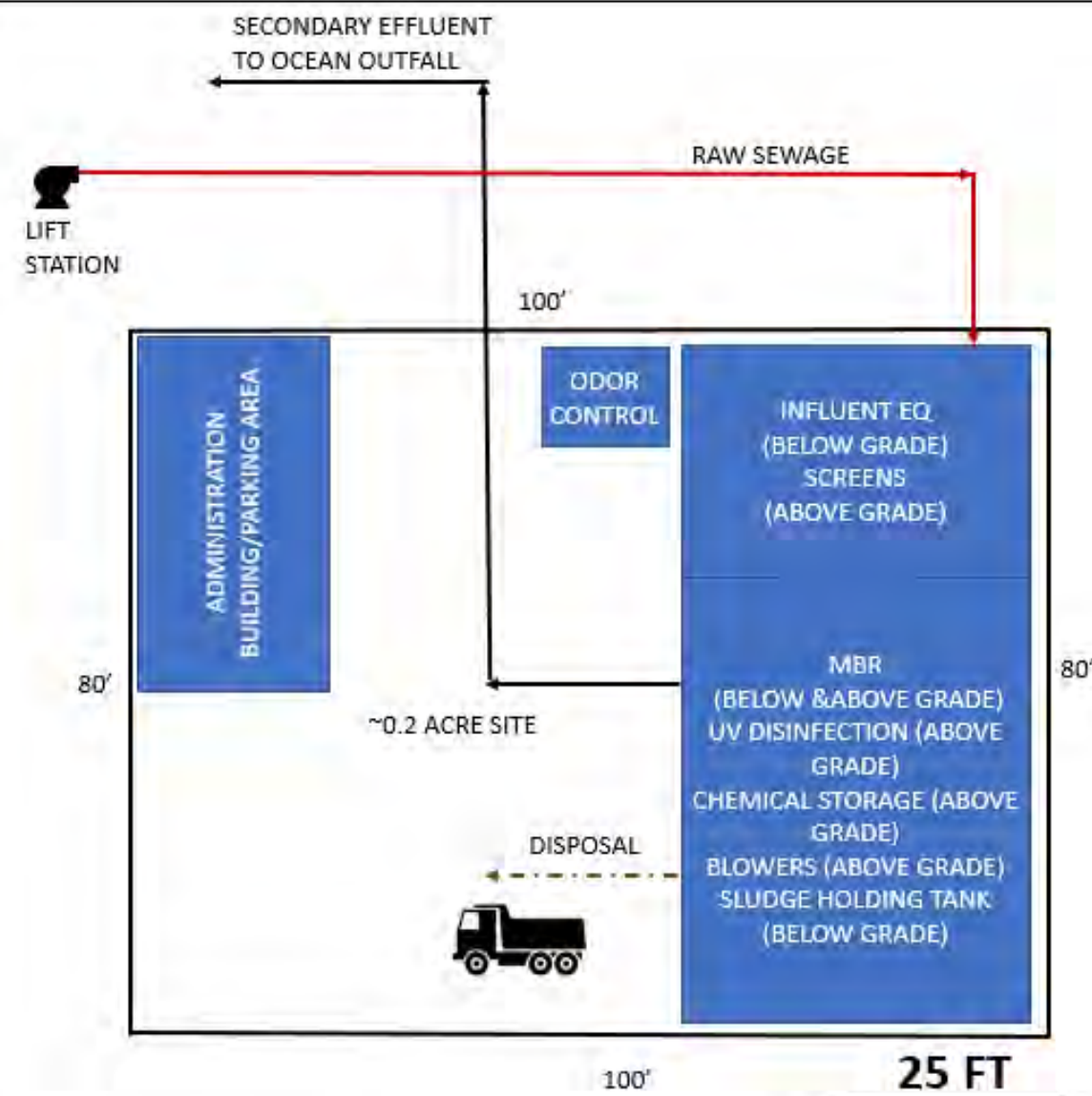
TOTAL TREATMENT CAPACITY 200,000 GPD OF SECONDARY WASTEWATER CONSISTING OF:

- 2 SCREENS
- 12-HR INFLUENT EQUALIZATION
- ACTIVATED SLUDGE PROCESS
- SLUDGE HOLDING TANK
- ODOR CONTROL SYSTEM
- CHLORINE DISINFECTION
- OCEAN OUTFALL FOR SECONDARY EFFLUENT DISPOSAL

TOTAL TREATMENT AREA OF TERTIARY WASTEWATER CONSISTING OF:

- FILTRATION
- OZONE DISINFECTION
- TWO 2,500 GALLON HDPE TANKS

1 SECONDARY CLARIFIERS NO. 1-4



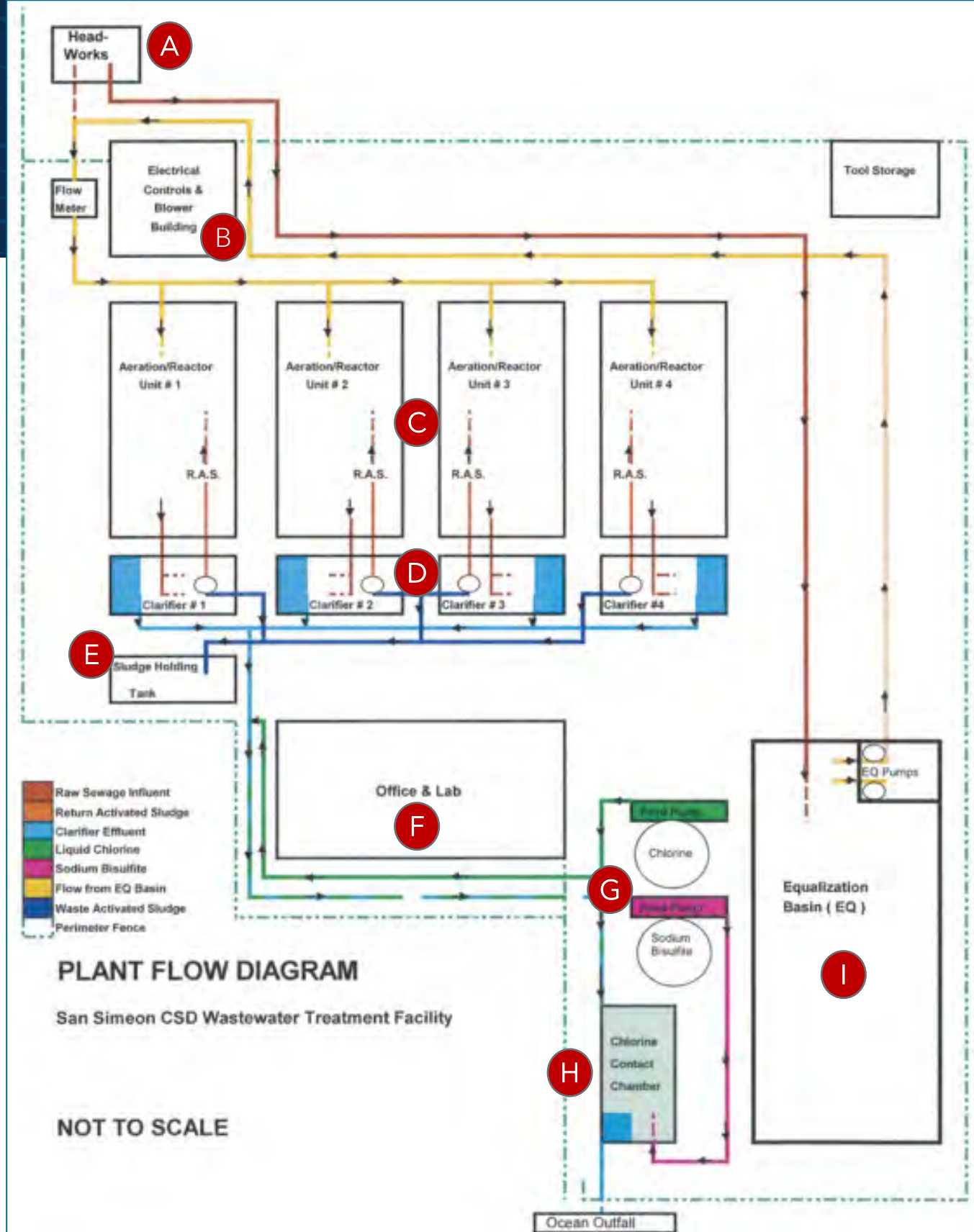
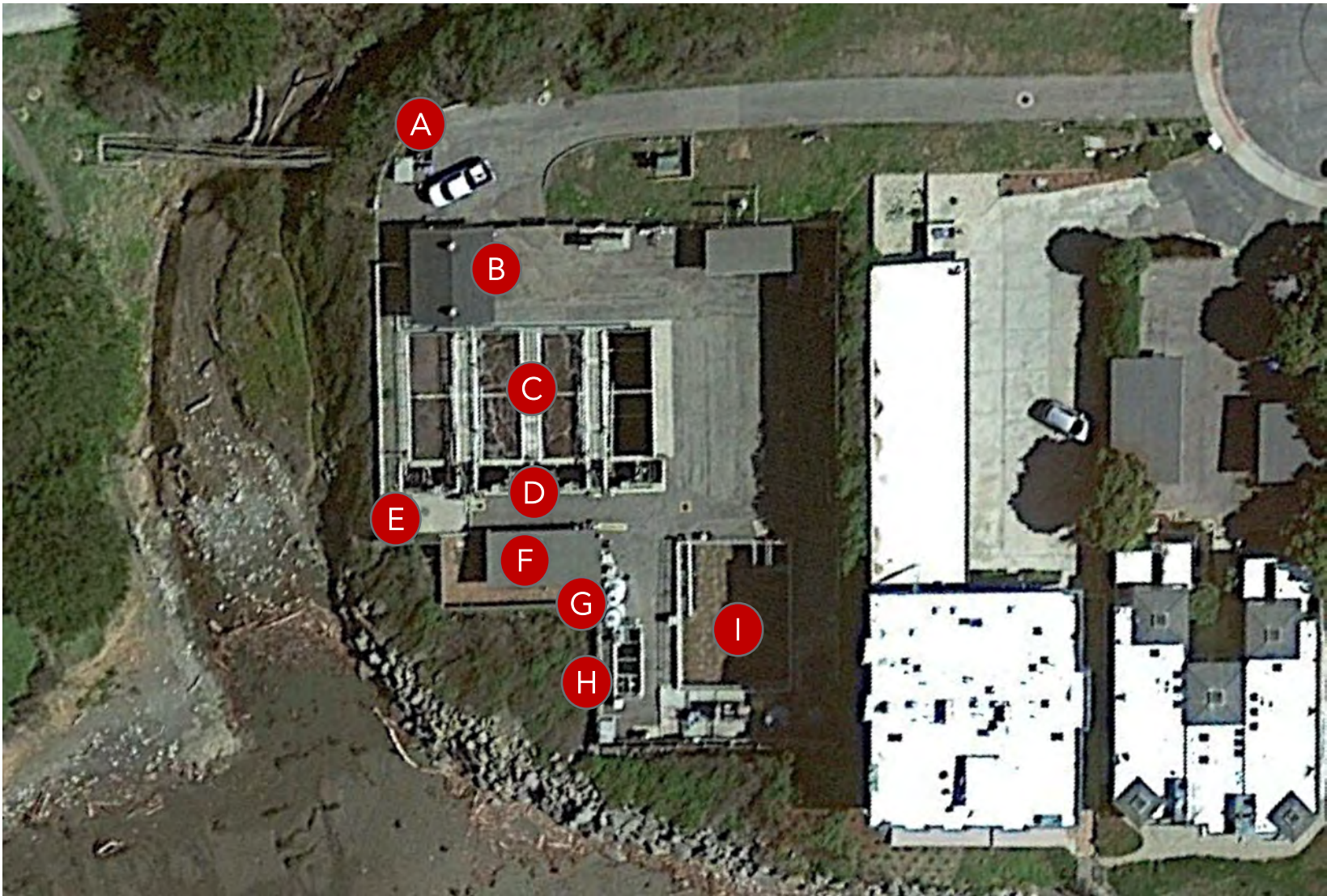
PROCESS LEGEND:

TOTAL TREATMENT CAPACITY 200,000 GPD OF TERTIARY RECYCLED WATER CONSISTING OF:

- SCREENINGS
- 12-HR INFLUENT EQUALIZATION
- ODOR CONTROL SYSTEM
- AERATION AND MEMBRANE BIOREACTOR
- UV DISINFECTION
- SLUDGE HOLDING TANK
- OCEAN OUTFALL FOR SECONDARY EFFLUENT DISPOSAL

Existing Wastewater Process

Conventional Activated Sludge Process



Nitrification & Denitrification

Existing Treatment Process

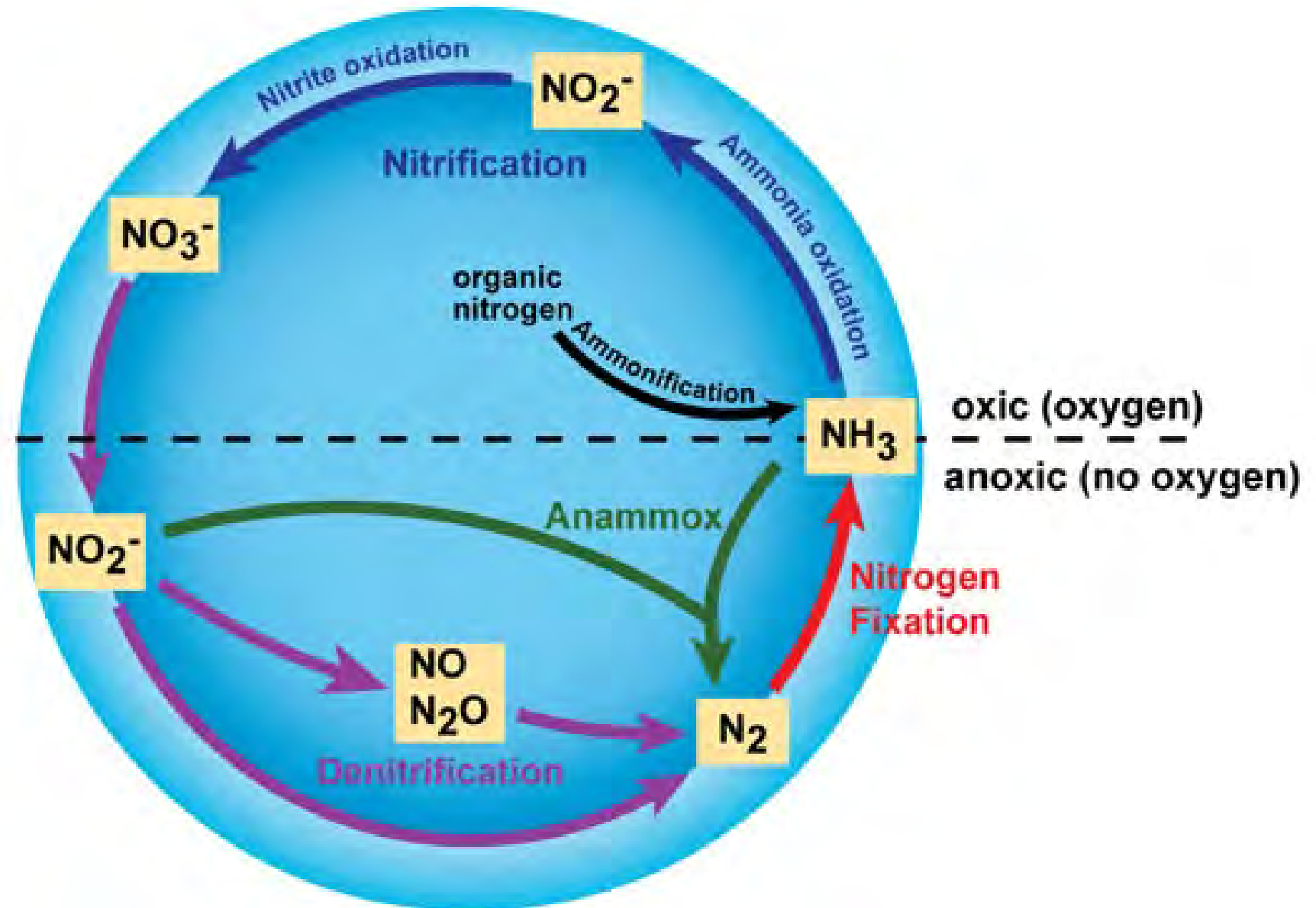
- Nitrates are not regulated
- Ocean disposal

Updated Treatment Process

- Nitrate requirements are likely
- Nitrification/denitrification process
- Effluent discharge impacts treatment requirements

Recycled Water

- Nitrification reduces fertilizer costs
- Groundwater protection



Process Option: Activated Sludge (AeroMod) Process

Harmony Grove Water Reclamation Plan

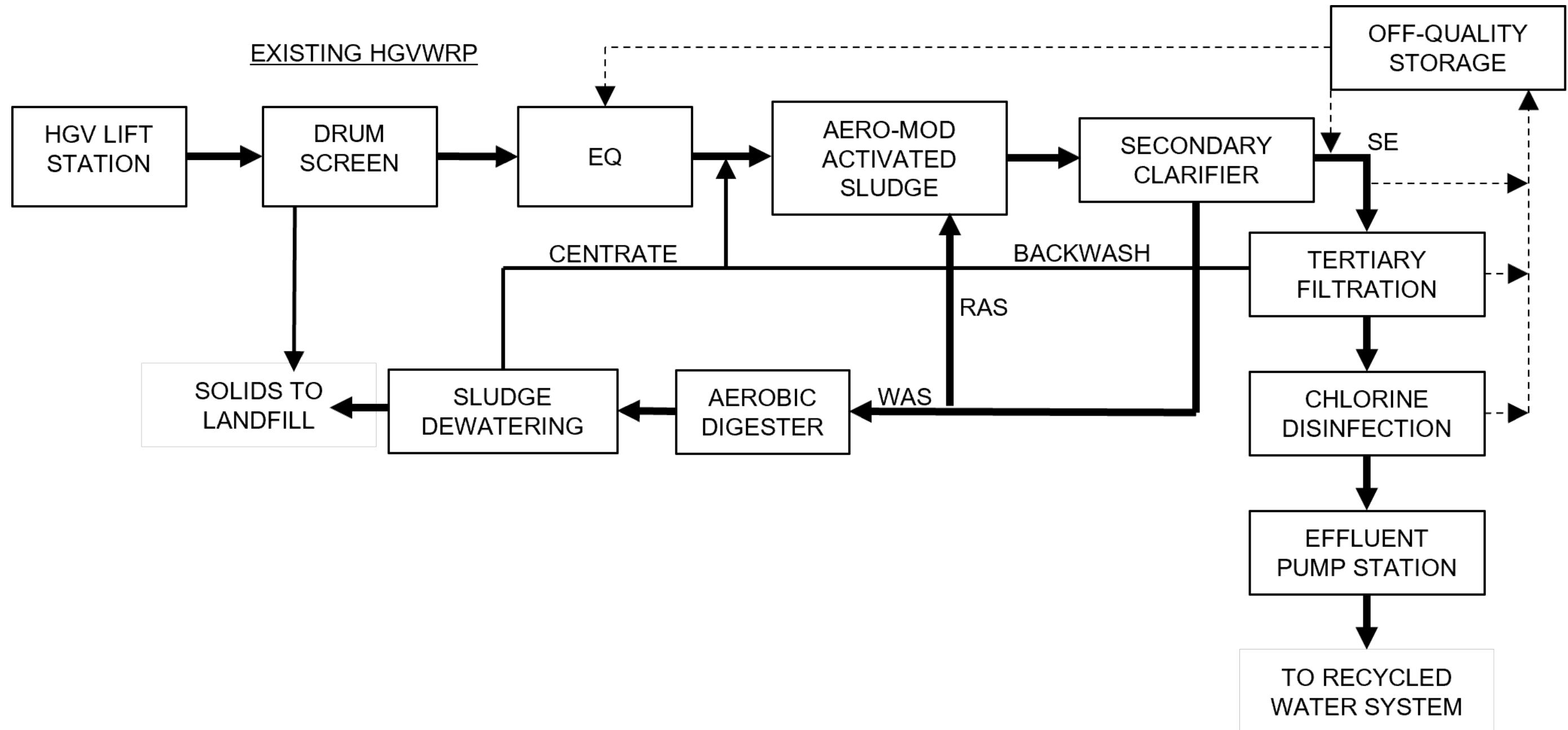
- 180,000 gpd
- 1.5 acres
- Effluent storage
- Commercial & landscape irrigation

San Simeon Water Reclamation Plant (new)

- 200,000 gpd
- 0.75 acres
- Effluent storage w/o Outfall
- Possible landscape and agricultural irrigation



Process Option: Activated Sludge (AeroMod) Process



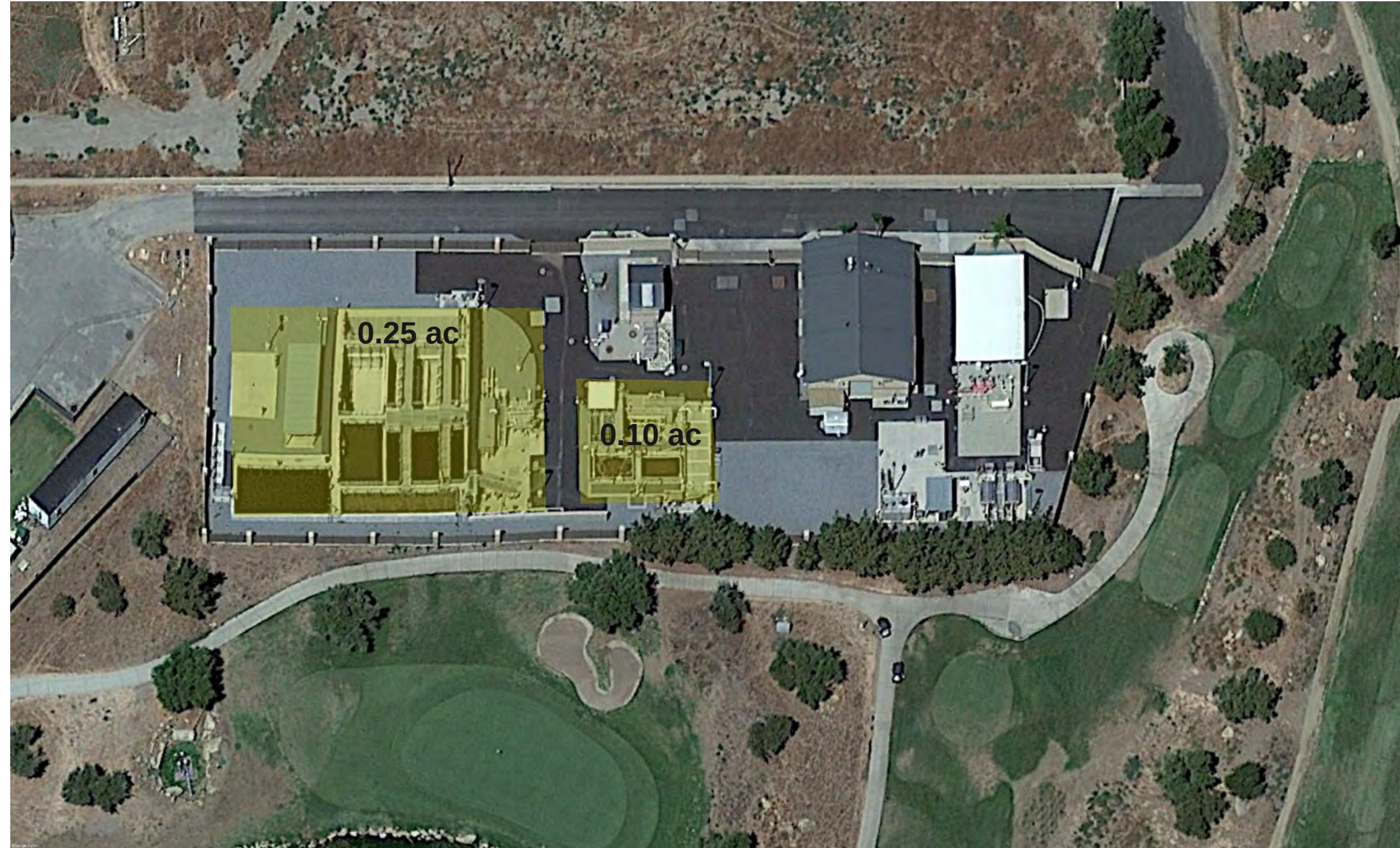
Process Option: Membrane Bio Reactor (MBR) Process

Woods Valley Water Reclamation Plan

- 75,000 gpd MBR
- 250,000 gpd AeroMod
- 1.0 acres
- GC Lake storage
- Commercial, landscape & agricultural irrigation

San Simeon Water Reclamation Plant (new)

- 200,000 gpd
- 0.50 acres
- Effluent storage w/o Outfall
- Possible landscape and agricultural irrigation



Process Option: Oxidation Ditch Activated Sludge Process

San Vicente Water Reclamation Plan

- 800,000 gpd
- 3.5 acres
- Effluent storage
- Commercial & landscape irrigation

San Simeon Water Reclamation Plant (new)

- 200,000 gpd
- 1.25 acres
- Effluent storage w/o Outfall
- Possible landscape and agricultural irrigation



Process Option: Constructed Wetland Process

Typical Plant Layout

1. Plant Influent
2. Distribution Box
3. Aerated Lagoon
4. Aerated Lagoon
5. Anoxic Lagoon
6. Distribution Box
7. Wetlands
8. Screening
9. Chlorination
10. Dechlorination
11. Metering & Discharge

San Simeon

- Significant Land Area
- Not considered viable for this project

Naturally clean

After 10 years, the unusual approach that Walnut Cove took toward treating its wastewater has proven to be an idea ahead of its time. Here is how it works:



Source: Town of Walnut Cove

Walnut Cove, North Carolina

Potential Plant Locations

San Simeon Wastewater Collection System

- Tributary to Existing Site
- Pump Station to New Site
- Effluent Pipe to Disposal
- Proximity to Identified Sites

Previously Identified Sites

- Site A
- Sites B, C, D and E
- Sites H and I
- Site J



Potential Plant Locations or Effluent Uses

Other Sites or Uses

- Cambria WWTP
[4.25 miles]
- Morro Bay WWTP
[26 miles]
- Cayucos WWTP
[20 miles]
- Local Agricultural
Uses
- Local Percolation
Sites
- Questionnaire
Reponses
- Collateral
Requirements?



1

San Simeon WDR Permit

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION
895 Aerovista Place, Suite 101, San Luis Obispo, California 93401**

**ORDER NO. R3-2022-0003
NPDES NO. CA0047961**

**WASTE DISCHARGE REQUIREMENTS
FOR THE SAN SIMEON WASTEWATER TREATMENT PLANT
DISCHARGE TO THE PACIFIC OCEAN**

This Order was adopted on:
This Order shall become effective on:
This Order shall expire on:

**February 17, 2022
May 1, 2022
April 30, 2027**

Permit Highlights

**Facility Permitted Flow: 0.2 MGD ADWF
0.45 MGD PWWF**

SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

Facility Permitted Flow	0.2 million gallons per day (MGD) (daily average dry weather flow); 0.45 MGD (peak wet weather flow)
Facility Design Flow	0.2 million gallons per day (MGD) average dry weather flow
Watershed	San Simeon Hydrologic Sub-Area
Receiving Waters	Pacific Ocean (within the Monterey Bay National Marine Sanctuary)
Receiving Water Type	Marine

- 1.1. The San Simeon Community Services District (Discharger) is the owner and operator of the Facility, a publicly owned treatment works (POTW). For the purposes of this Order, references to the "discharger" or "permittee" in applicable federal and state laws, regulations, plans, or policy are held to be equivalent to references to the Discharger herein.
- 1.2. The Facility discharges wastewater to the Pacific Ocean, a water of the United States. The Discharger was previously regulated by Order No. R3-2013-0021 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0047961, adopted on December 5, 2013, which expired on February 1, 2019. Attachment B provides maps showing the area around the Facility, the discharge and monitoring locations, and of the Facility. Attachment C provides flow schematics of the Facility.
- 1.3. When applicable, state law requires dischargers to file a petition with the State Water Board, Division of Water Rights and receive approval for any change in the point of discharge, place of use, or purpose of use of treated wastewater that decreases the flow in any portion of a watercourse. The State Water Board retains separate jurisdictional authority to enforce any applicable requirements under California Water Code section 1211. This is not an NPDES permit requirement.
- 1.4. The Discharger filed a Report of Waste Discharge (ROWD) and submitted an application for reissuance of its waste discharge requirements (WDRs) and NPDES permit on April 6, 2018.
- 1.6. Section 122.46 of title 40 of the Code of Federal Regulations (40 C.F.R.) limit the duration of NPDES permits to a fixed term not to exceed five years. However, pursuant to California Code of Regulations, title 23, section 2235.4, the terms and conditions of an expired permit are automatically continued pending reissuance of the permit if the Discharger complies with all federal NPDES requirements for continuation of expired permits.

2. FACILITY DESCRIPTION

2.1. Description of Wastewater and Biosolids Treatment and Controls

The Discharger owns and operates a wastewater collection, treatment, and disposal facility, which provides service to the community of San Simeon and the Hearst San Simeon National Historic Monument Visitor Center. The Facility receives domestic and commercial wastewater and currently serves a population

Permit Highlights

3.1 Discharge of treated wastewater at a location or in a manner other than as described in this Order at Discharge Points 001 and 002 is prohibited.

SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

affirms the realization of the human right to water and protecting human health as the Central Coast Water Board's top priorities. To meet the objectives of the resolution, staff has evaluated the disadvantaged community status of the Discharger. Using 2018 census data, the California Department of Water Resources Disadvantaged Community (DAC) Mapping Tool² identifies San Simeon Census Designated Place (CDP) as significantly disadvantaged. The Facility is located within the CDP identified as severely disadvantaged. The tool defines a disadvantaged community as a census block with a median household income between \$38,270 and \$51,026 and a severely disadvantaged community as a census block with a median household income less than \$38,270.

- 2.9. **California Environmental Quality Act.** Under California Water Code section 13389, this action to adopt an NPDES permit for the discharge of waste to surface waters is exempt from the California Environmental Quality Act (CEQA) provisions in Public Resources Code, Division 13, Chapter 3. This Order also permits the production of disinfected tertiary treated wastewater, which was approved through the Master Reclamation Permit issued as part of the previous permit, R3-2013-0021 and is Class 1 Categorically Exempt under CEQA section 15301.
- 2.10. **Notification of Interested Persons.** The Central Coast Water Board has notified the Discharger and interested agencies and persons of its intent to prescribe WDRs for the discharge and has provided them with an opportunity to submit their written comments and recommendations. Details of the notification are provided in the Fact Sheet.
- 2.11. **Consideration of Public Comment.** The Central Coast Water Board, in a public meeting, heard and considered all comments pertaining to the discharge. Details of the public hearing are provided in the Fact Sheet.

THEREFORE, IT IS HEREBY ORDERED that this Order supersedes Order No. R3-2013-0021 except for enforcement purposes, and, in order to meet the provisions contained in division 7 of the California Water Code (commencing with section 13000) and regulations adopted thereunder and the provisions of the CWA and regulations and guidelines adopted thereunder, the Discharger must comply with the requirements in this Order. This action in no way prevents the Central Coast Water Board from taking enforcement action for violations of the previous order.

3. DISCHARGE PROHIBITIONS

- 3.1. Discharge of treated wastewater at a location or in a manner other than as described by this Order at Discharge Points 001 and 002 is prohibited.

² The DAC Mapping Tool is used to inform statewide Integrated Water Resources Management (IRWM), Sustainable Groundwater Monitoring Act (SGMA), and California Water Plan implementation efforts and can be found at the following website: <https://gis.water.ca.gov/app/dacs/>.

Permit Highlights

3.3 The monthly average dry weather effluent flow at Discharge Point 001 must not exceed 0.2 million gallons per day (MGD).



SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

- 3.2. The discharge of any waste not specifically regulated by this Order, excluding stormwater regulated by General Permit No. CAS000001 (Waste Discharge Requirements for Discharges of Stormwater Associated with Industrial Activities), is prohibited.
- 3.3. The monthly average dry weather effluent flow at Discharge Point 001 must not exceed 0.2 million gallons per day (MGD).
- 3.4. The discharge of effluent to the Pacific Ocean when a dilution of 115:1 (seawater to effluent) is not available is prohibited.
- 3.5. Overflow or bypass of wastewater from the Discharger's collection, treatment, or disposal facilities and the subsequent discharge of untreated or partially treated wastewater, except as provided for in Attachment D, Standard Provision 1.7 (Bypass), is prohibited.
- 3.6. The discharge of any radiological, chemical, or biological warfare agent or high-level radioactive wastes to the ocean is prohibited.
- 3.7. Pipeline discharge of sludge to the ocean is prohibited by federal law. The discharge of municipal or industrial waste sludge directly to the ocean, or into a waste stream that discharges to the ocean, is prohibited by the California Ocean Plan (Ocean Plan). The discharge of sludge digester supernatant directly to the ocean or to a waste stream that discharges to the ocean without further treatment is prohibited.
- 3.8. The discharge of materials and substances in the wastewater that results in any of the following is prohibited:
 - Float or become floatable upon discharge.
 - May form sediments that degrade benthic communities or other aquatic life.
 - Accumulate to toxic levels in marine waters, sediments, or biota.
 - Decrease the natural light to benthic communities and other marine life.
 - Result in aesthetically undesirable discoloration of the ocean surface.

4. EFFLUENT LIMITATIONS AND DISCHARGE PROHIBITIONS

4.1. Effluent Limitations – Discharge Point 001

4.1.1. Final Effluent Limitations – Discharge Point 001

- 4.1.1.1. **Conventional Pollutants.** The Discharger must maintain compliance with the following effluent limitations at Discharge Point 001, with compliance measured at Monitoring Location EFF-001 as described in Attachment E, the Monitoring and Reporting Program:

Permit Highlights

Critical Information

Parameter	Units	Average Monthly	Average Weekly	Average Daily	Instantaneous Minimum	Instantaneous Maximum
BOD5	mg/L	30	45	90		
TSS	mg/L	30	75	150		
pH					6.0	9.0
Oil & Grease	mg/L	25	40	75		
Settleable Solids	mL/L	1.0	1.5	3.0		
Turbidity	NTU	75	100	225		

SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

Table 2: Final Effluent Limitations— Conventional Pollutants – Discharge Point 001

Parameter	Units	Average Monthly	Average Weekly	Maximum Daily	Instantaneous Minimum ^[3]	Instantaneous Maximum ^[4]
BOD ₅ ^[1]	mg/L	30	45	90		
BOD ₅ ^[1]	lbs/day ^[2]	50	75	150		
TSS ^[1]	mg/L	30	45	90		
TSS ^[1]	lbs/day ^[2]	50	75	150		
pH	standard units				6.0	9.0
Oil and Grease	mg/L	25	40	75		
Oil and Grease	lbs/day ^[2]	42	67	125		
Settleable Solids	mL/L	1.0	1.5	3.0		
Turbidity	NTU	75	100	225		

^[1] The average monthly percent removal for BOD and TSS must not be less than 85 percent.

^[2] Mass loading limits were calculated using the following formula:
 $\text{lbs/day} = \text{pollutant concentration (mg/L)} * \text{permitted flow (0.2 MGD)} * \text{conversion factor (8.34)}$

^[3] The daily maximum must apply to flow weighted 24-hour composite samples. The daily maximum mass emission must be determined using the daily maximum effluent concentration limit as C_e and the observed flow rate, Q , in MGD.

^[4] The instantaneous maximum must apply to grab sample determinations.

4.1.1.1.1. Percent Removal. The average monthly percent removal of BOD₅ and TSS must not be less than 85 percent.

4.1.1.2. Non-Conventional and Toxic Pollutants. The Discharger must maintain compliance with the following effluent limitations at Discharge Point 001, with compliance measured at Monitoring Locations EFF-001 as described in Attachment E, the Monitoring and Reporting Program:

Permit Highlights

4.3 Recycling Specifications/Discharge Point 002

In 2012, the San Simeon Community Services District constructed its SSRWF to treat secondary-treated effluent to tertiary levels . . . for recycling purposes. This Order authorizes the Discharger to act as the producer of recycled (or reclaimed) water and to **reuse recycled water onsite at the Facility.** . . . The distribution and offsite reuse of recycled water produced by the Facility is subject to **State Water Board Order No. WQ 2016-0068-DDW**, State Water Board General Water Reclamation Requirements for Recycled Water Use.

SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

Table 3: Final Effluent Limitations — Non-Conventional and Toxic Pollutants — Discharge Point 001

Parameter	Units	6-Month Median ^[1]	Maximum Daily ^[2]	Instantaneous Maximum ^[3]
Total Chlorine Residual	µg/L	230	930	6,900
Total Chlorine Residual	lbs/day	0.4	1.6	12
Acute Toxicity	TUa		3.8	

^[1] The six-month median must apply as a moving median of daily values for any 180-day period in which daily values represent flow weighted average concentrations within a 24-hour period. For intermittent discharges, the daily value must be considered equal to zero for days on which no discharge occurred. The six-month median limit on daily mass emissions must be determined using the six-month median effluent concentration C_e and the observed flow rate, Q , in million gallons per day (MGD).

^[2] The daily maximum must apply to flow weighted 24-hour composite samples. The daily maximum mass emission must be determined using the daily maximum effluent concentration limit as C_e and the observed flow rate, Q , in MGD.

^[3] The instantaneous maximum must apply to grab sample determinations.

4.1.1.3. **Dry Weather Flow.** Effluent average dry weather flow must not exceed a monthly average of 0.2 MGD.

4.1.1.4. Bacteria

4.1.1.4.1. Total Coliform: The total coliform concentrations must not exceed a 30-day geometric mean of 230 MPN/100 mL. No total coliform single sample shall exceed 2,400 MPN/100mL.

4.1.2. Interim Effluent Limitations – Not Applicable

4.2. Land Discharge Specifications – Not Applicable

4.3. Recycling Specifications – Discharge Point 002

In 2012, the San Simeon Community Services District constructed its Small-Scale Recycled Water Facility (SSRWF) to treat the secondary-treated effluent to tertiary levels in order to use it for recycling purposes. This Order authorizes the Discharger to act as the producer of recycled (or reclaimed) water and to reuse recycled water onsite at the Facility. The Discharger is responsible for compliance with all applicable requirements associated with the production and onsite use of recycled water as specified within this Order. The distribution and offsite reuse of recycled water produced by the Facility is subject to State Water Board Order No. WQ 2016-0068-DDW, State Water Board General Water Reclamation Requirements for Recycled Water Use.

Permit Highlights

2.6 Long-Term Planning and Implementation.

Federal regulations require NPDES permits to expire five years after their effective dates, after which the permit may be administratively extended prior to renewal. Planning and instituting measures to support long-term climate adaptation may span multiple permit terms. To incorporate proactive planning for the future and align with requirements of the Coastal Act, **this Order includes requirements for the Discharger to identify and plan for Facility relocation away from the coastal zone.**

The Regional Board Permit incorporates the requirements of the CCC Order.

SAN SIMEON
WASTEWATER TREATMENT PLANT

ORDER NO. R3-2022-0003
NPDES NO. CA0047961

Requirements for Recycled Water Use (State Water Board Order No. WQ 2016-0068-DDW), or other applicable permit, dependent on final use.

2.5. **Response to Climate Change.** Climate change refers to observed changes in regional weather patterns such as temperature, precipitation, and storm frequency and size. At the local scale, climate change may directly impact groundwater and surface water supply; drainage, flooding, and erosion patterns; and ecosystems and habitat. This shift in climate, combined with California's growing population, has increased reliance on pumping, conveying, treating, and heating water, increasing the water sector's greenhouse gas emissions. The State Water Board's Resolution No. 2017-0012, *Comprehensive Response to Climate Change*, requires a proactive response to climate change in all California Water Board actions, with the intent to embed climate change consideration into all programs and activities. Aligning with Resolution No. 2017-0012, this Order supports the Discharger's efforts to develop a coastal hazards response plan, identification of alternative locations for the facility away from coastal hazards, and ultimate plan to move the facility and restore the current site. Also aligning with Resolution No. 2017-0012 and the State Water Board's *Water Quality Control Policy for Recycled Water*, this Order authorizes the production of recycled water for direct non-potable reuse to help offset demand on potable water supplies and allows for the acceptance and discharge of advanced water treatment system waste to support local water supply resiliency projects. This Order increases local water supply reliability as a climate adaptation strategy, in addition to maintaining instream discharges to provide water quality benefits and enhanced aquatic habitats.

2.6. **Long-Term Planning and Implementation.** Federal regulations require NPDES permits to expire five years after their effective dates, after which the permit may be administratively extended prior to renewal. Planning and instituting measures to support long-term climate adaptation may span multiple permit terms. To incorporate proactive planning for the future and align with requirements of the Coastal Act, this Order includes requirements for the Discharger to identify and plan for Facility relocation away from the coastal zone.

2.7. **Human Right to Water.** Consistent with the human right to water stated in California Water Code section 106.3, subdivision (a) and the Central Coast Water Board's Resolution No. R3-2017-0004, this Order promotes actions that advance the human right to water and discourages actions that delay or impede opportunities for communities to secure safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes. This Order incorporates requirements to support the Discharger in providing recycled water for direct non-potable beneficial reuse. Diversification of the City's water supply portfolio is necessary to better prepare for uncertainties in water resources due to the changing climate.

2.8. **Environmental Justice.** On January 26, 2017, the Central Coast Water Board approved Resolution No. R3-2017-0004, *Adopting the Human Right to Water as a Core Value and Directing Its Implementation in Central Coast Water Board Programs and Activities*, which adopts the human right to water as a core value and

Permit Highlights

**CALIFORNIA REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION
895 Aerovista Place, Suite 101, San Luis Obispo, California 93401**

**ORDER NO. R3-2022-0003
NPDES NO. CA0047961**

**WASTE DISCHARGE REQUIREMENTS
FOR THE SAN SIMEON WASTEWATER TREATMENT PLANT
DISCHARGE TO THE PACIFIC OCEAN**

NOTE

Regional Board will issue a new permit for the relocated plant, incorporating the new treatment process, location, and discharge locations. Design must accommodate these new permit requirements, including increased treatment requirements not applicable to the existing plant.

COUNTY OF SAN LUIS OBISPO

Comprehensive Analysis of:
San Simeon Community Services District

~~May~~August 2026

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1. Executive Summary

Background – San Simeon Community Services District

San Simeon is a small, primarily commercial village located in the County of San Luis Obispo (the “County”) and was developed to provide tourist/recreation services along the central coast. It provides food and lodging facilities for State Parks (Hearst Castle) visitors and tourists driving the scenic Highway 1 route between the City of San Luis Obispo and the Monterey Peninsula. San Simeon evolved from the 1940 sale of the area by W.R. Hearst to permit recreational development. Present uses are concentrated on the frontage roads along Highway 1. The area encompasses approximately 100 acres, surrounded on its East side by Hearst Ranch areas devoted to grazing. On the West are the bluffs and beach of the Pacific Ocean.

The San Simeon Acres Community Services District was formed in 1961 and later renamed to the San Simeon Community Services District (SSCSD). The SSCSD was initially formed to provide street lighting, water, and street maintenance to San Simeon Acres.

In the early 1980s, the San Luis Obispo Local Agency Formation Commission (“LAFCO”) investigated several alternatives for reorganizing the SSCSD, including consolidation with the Cambria Community Services District (“CCSD”), incorporation, reorganization into a County Service Area (“CSA”)¹, or, as it remains today, a Community Services District (“CSD”)². The SSCSD currently provides water, sewer (added in 1964), road maintenance, street lighting, and hazardous weed abatement to its residents and associated businesses supporting transient visitors.

The permanent population within the SSCSD is limited, as very little year-round residential development has occurred. Anticipated future growth could be in multiple family units to provide second homes or retirement units or to serve those working in the local businesses. Economic development is oriented to tourism and recreation. Motels, restaurants, and specialty retail shops serving visitors to the central coast have been developed. There is currently a development moratorium.

The SSCSD has an annual expense budget of approximately \$1.7M³ and total balance sheet assets of approximately \$3.3M⁴. The SSCSD is governed by a five-member, elected Board of Directors.

The current LAFCO jurisdictional boundary map is included in Figure 1 below.

¹ Principal Act Government Code §25210-25217.4

² Principal Act Government Code §61000-61250

³ See Table 2 -SSCSD Proposed Budget 2026/27

⁴ See Table 1 - SSCSD Balance Sheet

Figure 1. SSCSD Jurisdictional Boundary



Dissolution Summary

On May 30, 2024, the SSCSD applied to LAFCO for the dissolution of the SSCSD (the “Dissolution Application”)^{5,6}. Under the applicable State Government Code⁷, “Dissolution” means the disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers, except as the commission may otherwise provide pursuant to Section 56886 or for the purpose of winding up the affairs of the district”. The Dissolution Application proposed the transfer all of SSCSD’s present active services to the County and involved the formation of a new County CSA. This would include transferring management, administration, operations, and financial responsibilities. There was no proposed change in the level of services to be provided in the affected territory. If LAFCO approved the application, then the SSCSD would be dissolved.

LAFCO provided the SSCSD with a 30-day Review of Application for the Dissolution of the SSCSD (the “Application Response”)⁸. The Application Response outlined additional information that is required for LAFCO to fully evaluate the Dissolution Application and placed the application on hold. The hold period is intended to allow the County, SSCSD and other agencies time to fully identify the issues and potential impacts of alternatives.

Goals and Approach

The Dissolution Application proposes the County as the Successor Agency. This report is prepared to provide the additional detail requested in the Application Response in order for the SSCSD, LAFCO and the County to better identify the responsibilities, obligations and liabilities of the SSCSD and to evaluate the effects of any proposed changes. This report will also provide an analysis of other Potential Successor Agencies (“PSAs”⁹) and service structures that might serve those PSAs, ~~able to provide services to the San Simeon community together~~ with the estimated impacts on the PSAs and the community itself.

This report’s approach is to evaluate each service provided by the SSCSD. The evaluation includes an inventory of assets, an estimate of the assets’ condition, a review of the SSCSD’s current funding to provide the services, a list of the PSAs, costs associated with each PSA, impacts on the levels of service provided to the SSCSD community, costs for staffing and structure to continue to provide services, ~~and estimated costs to transfer the service to a PSA.~~

This report is intended to provide a high-level overview of key concerns, potential organizational structures, and investment priorities. The information assembled regarding required and recommended projects, and the associated cost estimates, provides a baseline to identify the key issues and plan for the continuation of services to the community.

The execution of any outcome will be subject to the approval of the necessary funding (through taxes, assessments, rates, fees, charges, etc.) to accomplish the continued provision of service. All additional future funding will be based upon refined cost estimates which will support the proposed charges and will reflect the needs of the service provider.

⁵ SSCSD Resolution #24-476

⁶ LAFCO File number 2-R-24

⁷ Government Code §56035

⁸ Attached within Exhibit 21

Capital costs are expected to be similar, regardless of what form the successor agency takes. From this shared foundation, the engaged agencies will conduct additional review and continue detailed discussions to determine their recommendations for a path forward. Those recommendations will be subject to further review and discussion by the elected boards of the impacted agencies, as well as stakeholder vetting through the LAFCO process.

Summary Findings

The SSCSD is located in a remote area with no adjacent jurisdictions with the ability to provide local services. The CCSD is the closest⁹ non-adjacent local jurisdiction with the authority to provide local services. ~~The and the~~ County is the sole overlapping local jurisdiction ~~with the authority to provide the local services.~~

Upon considering the possible options, several potential outcomes exist for dissolution or reorganization of the SSCSD. Some outcomes are more viable than others, and this report does not explore outcomes which are considered unlikely or would require extraordinary steps, additional approvals, and further legal analysis. The two primary outcomes follow with a brief discussion of secondary outcomes.

1. As The State of California (“State”) was considered as a PSA. Regarding proposed in the Dissolution Application, the SSCSD is reorganized with the concurrent establishment of a new County Service Area (the “New CSA”). The New CSA assumes responsibility for the provision of selected local services and is able to utilize additional revenue-raising authority provided under CSA law which may be required to maintain the levels of service.

The County does have a number of well-run CSAs including CSA 1 - Nipomo Area, CSA 7/7A/7C - Oak Shores, CSA 10/10A - Cayucos Area, CSA 12 - Avila Beach Area, CSA 16 – Shandon, CSA 18 - San Luis Obispo Country Club Area, CSA 23 - Santa Margarita. These County CSAs evidence an existing, successful framework to provide critical services including water and sewer services¹⁰ and support the option to create the New CSA as the Successor Agency.

- a. NOTE: The New CSA may contract with CCSD or other parties for services as negotiated.
- b. NOTE: The New CSA will need to include State Parks within the CSA boundary¹¹.

2. The SSCSD is reorganized (consolidated) with the CCSD for the provision of local services.
 - a. NOTE: This option may be impractical due to local governance issues associated with the distance between the communities, infrastructure limitations, and the need for CCSD approval. The scope of this analysis does not include detailed evaluation of the CCSD systems, capacity, infrastructure, or costs associated with CCSD system upgrades to provide services to SSCSD area.

Both of the above outcomes will require LAFCO approval of a specific Plan for Service addressing the transfer of any assets, liabilities, revenues, obligations and service responsibilities together with a comprehensive funding plan to ensure the provision of services. A tax exchange agreement would also be

⁹ Distance approximately 5 miles.

¹⁰ <https://www.slocounty.ca.gov/departments/public-works/committees-programs/county-service-areas>

¹¹ LAFCO 30-day Response Letter, Attached within Exhibit 21

required as part of the dissolution process to determine the allocation of existing property tax revenues following dissolution.

Secondary Outcomes

Several other outcomes may be legally or theoretically possible but are not considered primary outcomes at this time due to complexity, limited precedent, or the need for extraordinary approvals. The following outcomes are recognized as possible but not developed further in this report. They include:

1. Special legislation authorizing a unique service delivery or funding structure for the SSCSD community.
2. Creation of a Joint Powers Authority if two or more public agencies agree to jointly provide or manage services.
3. Privatization or contract operation by a private utility operator subject to regulatory approval, resolution of asset and liability issues, and a separate rate-setting process through the California Public Utilities Commission.
4. Formation of a mutual water company¹² for provision of water service only. This structure would require property-owner participation, transfer of water system assets, resolution of liabilities and obligations, and creation of a private governance structure.
5. Creation of individual special purpose districts such as an independent Water District¹³ or a Sanitary /Sanitation District¹⁴.
6. Creation of individual, standalone special purpose financing districts such as a Road Maintenance District¹⁵ or a Lighting and Landscaping District¹⁶.

Transfer to the State of California ("State") as a PSA. Specifically regarding the provision of water and sewer services, the State generally limits itself to setting standards, monitoring activities, and managing the State's water resources. The State does, in certain very limited circumstances related to State owned and operated facilities, provide water and/or sewer services to private property associated with supporting State facilities in remote areas. The facts regarding SSCSD and its proximity and relationship to the Hearst Castle State Park may justify the State's interest in considering this option. A specific determination by the State that SSCSD's water and wastewater services are sufficiently connected to State operations will be required to pursue this option. Consultation with the State will inform the viability of this option as it is an exceptionally rare occurrence.

7. At this time, While the State is not considered to be a primary option to assume these local services. However, the State has enacted legislation which might provide State financial assistance to

¹² Corporations Code §14300 et seq

¹³ County Water District - Water Code Div. 12, California Water District - Water Code Div. 13, Municipal Water District - Water Code Div. 20. All subject to LAFCO approval

¹⁴ Sanitary District - Health & Safety Code, Division 6, County Sanitation Districts - Health & Safety Code, Division 5. All subject to LAFCO approval.

¹⁵ Such as Benefit Assessment Act of 1982 - Government Code §54703 et seq. Subject to Prop 218 approval.

¹⁶ Landscaping and Lighting Act of 1972 - Streets & Highways Code §22500 et seq. Subject to Prop 218 approval.

disadvantaged communities ~~via the following~~ The SSCSD's potential participation in the following State financial assistance programs is not part of this report.

- ~~a. 1. — Assembly Bill 805 -(2024) related to inadequate sewer systems.~~
- ~~b. 2. — Senate Bill 200 -(2019) SAFER program related to inadequate water systems.~~

~~The SSCSD's potential participation in these State assistance programs is not part of this report.~~

~~Upon considering all possible options, two agencies remained as viable PSAs and are further evaluated below. There are three options which allow~~ Lastly, the dissolution of option to do nothing must be addressed. If nothing is done, it is likely the SSCSD and will eventually not be able to provide for the continuation of the local services provided by the SSCSD.

- ~~1. — The SSCSD is dissolved and the County assumes responsibility for the provision of local services within its unincorporated territory.~~

~~a. — NOTE: The County may contract with the CCSD for services as negotiated.~~

- ~~2. — The SSCSD is reorganized with the concurrent establishment due to some combination of a new County CSA (the "New CSA"). The New CSA assumes responsibility for the provision of local services and is able to utilize additional revenue raising authority provided under CSA law which may be required to maintain the levels of service.~~

~~a. — NOTE: The New CSA may contract with CCSD for services as negotiated.~~

~~b. — NOTE: The New CSA will need to include State Parks within the CSA boundary¹⁷.~~

- ~~3. — The SSCSD is reorganized (consolidated) with the CCSD for the provision of local services.~~

~~a. — NOTE: This option may be impractical due to local governance issues associated with the distance between the areas.~~

~~As stated above, The County can assume service responsibilities for the SSCSD with or without forming a CSA. The County does have a number of well-run CSAs including CSA 1 — Nipomo Area, CSA 7/7A/7C — Oak Shores, CSA 10/10A — Cayucos Area, CSA 12 — Avila Beach Area, CSA 16 — Shandon, CSA 18 — San Luis Obispo Country Club Area, CSA 23 — Santa Margarita. These existing County CSAs provide critical services including water and sewer services¹⁸ and support the option to create a new CSA as the Successor Agency.~~

WATER & SEWER

~~The SSCSD water and wastewater systems are functionally operational and in an overall good condition. However, they are at or beyond their anticipated service lives and require ongoing repairs to stay in service. To achieve long term serviceability, the systems require substantial capital reinvestment or replacement. Key system components, including wells, reservoir, distribution pipelines, wastewater collection~~ lack of funding, leadership, infrastructure, and the wastewater treatment plant (WWTP), exhibit age-related deficiencies and regulatory constraints requiring certain near-term actions. The SSCSD faces a constrained set of practical options driven primarily by regulatory deadlines and aging infrastructure. The WWTP relocation requirement establishes a non-discretionary capital need in the near term.

¹⁷ ~~LAFCO 30-day Response Letter, Attached within Exhibit 21~~

¹⁸ ~~<https://www.slocounty.ca.gov/departments/public-works/committees-programs/county-service-areas>~~

8. For wastewater, regionalization with Cambria presents a potentially cost-competitive and operationally efficient solution, subject to successful interagency agreements and/or permitting to operate its systems, etc.

~~For water supply, no comparable regional solution exists, and reinvestment in the existing system is unavoidable regardless of long-term alternative selection. Desalination remains a strategic but longer-term and higher-risk option due to permitting and cost constraints.~~

OTHER SERVICES

~~Road maintenance may also present a significant cost if the roads are added into the County's Maintained Road System. The impacts of the other services (Street Lighting, Hazardous Weed Abatement, Pico Stairway Maintenance, and General Administration) are negligible compared to the water and sewer issues.~~

SUMMARY ACTION

Summary Action

Given these findings, the County, LAFCO, and ~~potential successor agencies~~ PSAs (including the County, a new County Service Area, and/or CCSD) must evaluate successor service responsibilities, long-term liabilities, including the capital and regulatory commitments associated with either rebuilding SSCSD's standalone systems or consolidating services regionally. This report provides the factual foundation for that discussion and evaluation.

2. Services and Assets

The following local services and associated assets are included in this report.

1. Water Service
2. Sewer Service
3. Road / Storm Drain Maintenance
4. Street Lighting
5. Hazardous Weed Abatement
6. Pico Stairway Maintenance
7. General Administration

The SSCSD Balance Sheet and Preliminary Budget for FY 2026/27 are included below.

Table 1. SSCSD Balance Sheet

San Simeon CSD Balance Sheet	
Fixed Assets	As of October 31, 2025
1400 Fixed assets	
1420 Building and structures	279,580.67
1480 Earthquake 2003	0.00
1500 Equipment	\$0.45
1500a Equip-PA System	7,591. 16
1500b Equip-Muffin Monster	5,098.32
Total for 1500 Equipment	\$12,689.93
1540 Major Water Projects	0.00
1560 Pipe bridge	29,497.00
1580 Sewer plant	869,352.16
1590 Sewer plant equipment	12,468.83
1600 Water system	235,615.43
1620 WWTP expansion	299,565.92
1630 Tertiary Project	568,063.00
1640 Wellhead Rehab Project	448,253.95
1650 Walkway access projects	26,791.00
1660 RO Unit	950,521.38
1680 Generator	18,291.00
Total for 1400 Fixed assets	\$3,750,690.27
1450 Construction in Progress	
1670 Reservoir / Water Tanks	287,693.56
Total for 1450 Construction in Progress	\$287,693.56
1690 Accumulated depreciation	-1,921,019.44
Total for Fixed Assets	\$2,117,364.39
Other Assets	0.00
1830 Contingent liability reserve	
Total for Other Assets	\$0.00
Total for Assets	\$3,327,956.12

Table 2. SSCSD Preliminary Budget FY 2026/27

	Fund Accounts	Wastewater Fund	Water Fund	Roads, Lighting, Weed Abatement	Total Preliminary Budget
Allocations		65%	30%	5%	100%
4000 Operating Revenues					
4005	Utility fees-waste Anticipated revenue- wastewater	\$ 665,900	\$0	\$0	\$ 665,900
4010	Utility fees-water Anticipated revenue- water	\$0	\$587,400	\$0	\$ 587,400
4012	Meter/Service fees Anticipated revenue- other	\$0	\$132,500	\$0	\$ 132,500
4050	State Parks-wastewater	\$67,100	\$0	\$0	\$ 67,100
	Total Operating Revenue	\$733,000	\$719,900	\$0	\$1,452,900
Property Taxes					
4100	Prop Tax Income	\$0	\$0	\$121,400.00	\$ 121,400
	Total Property Taxes	\$0	\$0	\$121,400.00	\$121,400
Other Income					
8010	Interest Income - CLASS	\$26,000	\$12,000	\$2,000	\$40,000
8020	Interest- money market	\$20	\$9	\$2	\$30
8044	Grant Funds	\$0	\$0	\$0	\$0
4013	Late fees & adjustments	\$0	\$0	\$0	\$0
	Total other Income	\$26,020	\$12,009	\$2,002	\$40,030
	Total Income	\$759,020	\$731,909	\$123,402	\$1,614,330
Expense					
6000	Accounting	\$12,903	\$5,955	\$993	\$ 19,850
6020	Bank Fees	\$1,098	\$507	\$84	\$ 1,689
6025	Bookkeeping	\$29,368	\$13,554	\$2,259	\$ 45,181
6030	Director Fees	\$2,340	\$1,080	\$180	\$ 3,600
6031	Payroll Expense	\$179	\$83	\$14	\$ 275
6035	Dues and Subscriptions	\$3,276	\$1,512	\$252	\$ 5,040
6045	Electrical Power	\$59,632	\$25,557	\$0	\$125,000
6050	Election Expenses	\$263	\$122	\$20	\$ 405
6055	Road Maintenance	\$0	\$0	\$0	\$0
6060	RipRap Engineering	\$0	\$0	\$0	\$0
6065	Equipment Rental	\$0	\$0	\$0	\$0
6075	Insurance-PERS Health	\$0	\$0	\$0	\$0
6076	Pension Plan - PERS Retirement	\$11,478	\$5,297	\$883	\$17,658
6080	Insurance - Liability	\$8,427	\$3,890	\$648	\$12,965
6095	LAFCO Costs Apportionment	\$2,265	\$1,045	\$174	\$3,484
6100	Legal Fees	\$54,600	\$25,200	\$4,200	\$84,000
6105	Licenses and permits	\$11,493	\$5,305	\$884	\$17,682
6110	Memberships and seminars	\$0	\$0	\$0	\$0
6115	Miscellaneous expenses	\$0	\$0	\$0	\$0
6120	Office Expenses	\$29,246	\$13,498	\$2,250	\$ 44,994
6125	O & M operations	\$467,147	\$251,540	\$0	\$ 718,687
6130	Operating Repairs & Supplies	\$0	\$0	\$0	\$0
6135	Weed Abatement	\$0	\$0	\$6,000	\$6,000
6145	Professional Fees	\$26,000	\$12,000	\$2,000	\$40,000
6191	Emergency Water Standby	\$0	\$15,202	\$0	\$15,202
6192	Excess Repairs	\$65,000	\$30,000	\$5,000	\$100,000

	Fund Accounts	Wastewater Fund	Water Fund	Roads, Lighting, Weed Abatement	Total Preliminary Budget
6195	Website Support	\$4,290	\$1,980	\$330	\$6,600
6200	Violations				
		\$789,003	\$413,327	\$26,171	\$1,268,312
	Other Expenses				
9010	Depreciation Expense	\$56,793	\$26,212	\$4,369	\$87,374
9030	Capital Projects/Improvements	\$0	\$0	\$0	\$0
9020a	Water Well Loan Interest	\$0	\$10,525	\$0	\$10,525
9020b	Water Well Loan Repayment	\$0	\$10,165	\$0	\$10,165
	Capital Project - Pipe Bridge Painting	\$0	\$0	\$0	\$0
	Capital Proj- Outfall Line Repair	\$0	\$0	\$0	\$0
	Reorg Study	\$74,100	\$34,200	\$5,700	\$114,000
	Reorg County & LAFCO Labor	\$9,750	\$4,500	\$750	\$15,000
	County CalWARN Response	\$124,800	\$57,600	\$9,600	\$192,000
	Total Other Expenses	265,443	\$143,202	\$20,419	\$429,064
	Total Expense	\$1,054,446	\$556,529	\$46,590	\$1,697,376
	Net Operating Income(Loss)	(\$295,427)	\$175,380	\$76,812	(\$83,046)
	Use of Reserves				\$83,046

Water Service

Schaaf & Wheeler Consulting Civil Engineers (“Schaaf”) acting as a subconsultant to NBS prepared the Potable Water System Assessment Report dated May 4, 2026 (the “Schaaf Water Report”)¹⁹. The Schaaf Water Report is summarized below. Please refer to the Schaaf Water Report contained in Exhibit 32 for additional details.

In 2025 the SSCSD engaged Akel Engineering Group to provide an updated System-Wide Water Supply Assessment to evaluate the impact of SSCSD water demands on water supplies and to analyze the sufficiency of water supply through the horizon year of 2045. The SSCSD also retained Stillwater Sciences and Cleath-Harris Geologists in 2025 to prepare the Pico Creek Instream Flow Study. Those studies do not specifically address the infrastructure and obligations which are the focus of this report, but they are included as reference materials to inform planning discussions by the PSAs.

SYSTEM OVERVIEW

The SSCSD potable water system consists of two shallow groundwater wells (constructed 1952 and 1967) drawing from the Pico Creek–influenced basin; a treatment building with cartridge filtration (185 gpm) and reverse osmosis (266.5 gpm permeate); a partially buried 150,000-gallon concrete reservoir; and a gravity-fed distribution network. The distribution network largely dates to the 1960s–1970s and is predominantly asbestos cement pipe (“ACP”).

¹⁹ Attached within Exhibit 32

Figure 2. SSCSD Water System Overview



The SSCSD contracts with Fluid Resource Management ("FRM") to operate the water system. FRM has been the contract operator for approximately 3 years, and thus, their knowledge of the system is limited to their experiences.

CONDITION & USEFUL LIFE

Schaaf reports that conversations with FRM indicate that the water supply system is in good condition overall. The only area of particular concern is the reservoir. Each component of the water system is summarized below with an estimate of its remaining useful life. With the exception of the reservoir, none of the existing facilities require immediate repair or replacement.

Water Wells: The existing well equipment, piping, pumps, building, and electrical equipment are functioning and in good condition, with the only visible signs of distress being corrosion of certain exterior components which is common given the site's proximity to the ocean.

With proper maintenance and continued upkeep, Schaaf estimates that the wells and their appurtenances have 20 to 25 years of useful life remaining, with the following caveats:

- Operators noted that the standby generator is not in good condition, and likely should be replaced.
- Rotating mechanical equipment like pumps, typically has a replacement interval between 10 and 15 years.

- Typically, shallow wells can have lifespans of 50 years or more, depending on the materials of construction. The two existing wells were constructed in 1952 and 1967. Though there are no indications of an imminent well failure, the two existing wells are past their typical expected lifespan, and it would be prudent to budget for their replacement. Schaaf & Wheeler also noted that the existing concrete well pedestals do not appear to conform to modern dimensions required by the California Division of Drinking Water (DDW).

Water Filtration & Treatment: The primary treatment system employs cartridge filters and is in very good condition with approximately 10–15 years of useful life remaining. However there is supply-chain risk to secure replacement cartridge filters. On the occasion when the groundwater contains elevated chlorides, a different method is used. The water is treated using a Reverse Osmosis (“RO”) system. The RO system is in good condition with approximately 15-20 years of useful life remaining.

Reservoir: The existing reservoir is the most critical item for immediate replacement and should be replaced as soon as possible.

The existing water reservoir is located on Hearst property under an easement granted June 9, 1972 to SSCSD by the Hearst Corporation (“Hearst”). In a letter dated February 1, 2017, Hearst outlined preliminary terms for SSCSD and Hearst to negotiate a modification of the existing easement to accommodate relocation and expansion of the water reservoir capacity. That non-binding Letter of Intent (“2017 LOI”) noted requirements including but not limited to: a) conditions for maximum capacity and viewshed; and b) approvals by Hearst and California Rangeland Trust, including review by their own experts and lawyers. The deadline for the 2017 LOI expired in December 2018 without completion of a formal agreement. The document does provide a roadmap to restart discussions to explore relocated and/or expanded use of Hearst property.

Per SSCSD’s ~~master plan~~ Master Plan, the amount of required storage is 1.6 million gallons. This is necessary to maintain safe drinking water, meet Division of Drinking Water standards, and provide critical fire storage. The Master Plan was prepared by Phoenix Civil Engineering and adopted by the SSCSD board in 2018. The Master Plan includes analysis and phasing of capital improvements for potable water, wastewater, recycled water and road systems. The fire suppression storage requirement was calculated based on California Fire Code. The Master Plan notes that in many communities such as this, the fire storage requirement exceeds the requirements for operational and emergency drinking water. The Master Plan contemplates replacement and expansion of water storage capacity through the phased installation of four storage tanks of 400,000 gallons each. In 2020, Phoenix Engineering delivered a set of 95% submittal plans to SSCSD for Phase 1 of the water system improvements. The plans included engineering for installation of the first water tank, and site construction for the second tank with installation scheduled for Phase 2.

Distribution: FRM indicated no issues with the existing distribution system, however the Master Plan does indicate upsizing and/or replacement of the majority of the water system as well as the construction of several new pipelines to increase fire flow capacity of the system. Schaaf recommends budgeting for replacing at least 1% of the distribution system annually, though that timeline may need to accelerate depending on future conditions of the pipeline. By replacing 1% annually, pipeline replacement budgets can be aligned with an expected pipeline life of 100 years. This could be extrapolated to replacing 10% every 10 years in order to make the replacement project meaningful in size. Although this may need to be accelerated drastically to prevent issues from the existing pipes exceeding their service life.

ADDITIONAL CONSIDERATION - FIRE FLOW & REFILL

The existing system is not capable of meeting the current fire flow demands of 6,000 GPM for 4 hours. Construction of a substantially increased reservoir would allow the existing system to meet a portion of the current fire flow requirements. However, without a water source capable of refilling the tank in the required 8 hours, the system will remain noncompliant. The lack of a total of 3,000 gallons per minute of well production and treatment capacity means that the water system is likely to remain noncompliant regardless of improvements made.

If a water source capable of meeting the required fire flow replenishment rate were available, the treatment systems would need to be substantially upsized to accommodate the substantially increased flow with a minimum required capacity of 3,000 GPM. Schaaf recommends alternative fire protection strategies should be coordinated with the appropriate fire authority.

IMPROVEMENT SCHEDULE PRIORITIES

1. Reservoir – treat as near-term critical project;
2. Wells – initiate phased replacement, prioritize generator replacement;
3. Treatment – maintain and plan mid-life refurbishment over 10–20 years;
4. Distribution – implement a programmatic replacement plan ($\geq 1\%/yr$) including upsizing and hydrant additions as per the Master Plan.

IMPROVEMENT COSTS

The estimated costs to implement the improvements and equipment replacements identified above are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 15% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, survey etc. These costs do not include annual ongoing costs such as electricity, replacement parts, or other maintenance and operating expenses.

Table 3. SSCSD Preliminary Water System Rehabilitation Costs

Item	Units	Quantity	Unit Cost	Extended Cost
Wells				
Replacement Well Drilling and Construction	EA	2	\$ 250,000.00	\$ 500,000.00
Well Mechanical Equipment (Per Well)	EA	2	\$ 150,000.00	\$ 300,000.00
Electrical Controls	LS	1	\$ 250,000.00	\$ 250,000.00
Standby Generator	LS	1	\$ 200,000.00	\$ 200,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Well Subtotal				\$ 1,300,000.00
Treatment System*				
Filter System Package	LS	1	\$ 200,000.00	\$ 200,000.00
RO System Package	LS	1	\$ 250,000.00	\$ 250,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Treatment System Subtotal				\$ 500,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 12,530,000.00
Construction Cost Contingency (30%)				\$ 3,759,000.00
Estimated Engineering and Administrative Costs (15%)				\$ 1,879,500.00
Successor Agency Staffing Costs (30%)				\$ 3,759,000.00
Grand Total				\$ 21,927,500.00

* Treatment System is not identified for immediate replacement - cost included to provide budgeting estimate.

** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.

ALTERNATIVE WATER SERVICE OPTIONS

Service from Cambria: It may be technically feasible to obtain water service from CCSD through the construction of a new transmission pump station and pipeline, running parallel to Highway 1 but the CCSD does not have sufficient water available to meet the current water demands within its existing service area. As of August 2025, there are a total of 676 single-family, multi-family, and commercial properties on the water waitlist for CCSD. Because CCSD does not currently have sufficient water to meet its own demand, it is not considered a viable alternative and is not considered further.

Desalination System: A seawater desalination system would provide the SSCSD with a locally controlled, drought-resilient water supply that is independent of imported water or groundwater basin constraints. However, it is a capital-intensive, energy-dependent, and operationally complex system that would be heavily scrutinized, particularly along the Central Coast. Key hurdles include:

- Infrastructure limitations – Desalination is energy-intensive, it is not clear that there is sufficient electrical capacity to provide reliable power.
- Environmental limitations – This will require preparation of an EIR. Furthermore, construction will require a coastal development permit from the Coastal Commission. Additional state and federal permitting would be required from CDFW, DDW, RWQCB, USACE, NOAA/NMFS, and local agencies. Typically, desalination projects require more than 20 permits.
- Potential Public Opposition – Environmental watchdog groups concerned about coastal development and environmental impacts.
- Timeline – Navigating the hurdles and challenges of constructing and permitting a desalination system for San Simeon is likely to take 10 or more years.
- Additional environmental issues – The desalination plant will require preparation of an Environmental Impact Report (“EIR”), as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the Coastal Commission.

Ideally, the desalination system would have a capacity of 3,000 GPM to meet the required fire tank refill rate, but doing so will substantially oversize the system for regular operation. If constructed, a Desalination system should be sized to accommodate the maximum day demand, as identified in the Master Plan. Sizing for the maximum day demand will not allow for a fast enough tank refill, but it may be possible to coordinate with the fire marshal to develop alternative, acceptable methods of compliance such as additional fire storage.

The estimated costs to construct a desalination system are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 15% allocation of estimated construction costs to fund engineering designs, standard permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. Lastly a 30% allocation of the force main and desalination plant cost is included for the special permits required specifically for desalination plants.

These costs do not include costs associated with, rights-of-way, additional studies such as a required EIR, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc. These costs do not include annual ongoing costs such as electricity, replacement parts, or other maintenance and operating expenses.

Table 4. SSCSD Preliminary Desalination Plant Cost Estimate

Item	Units	Quantity	Unit Cost	Extended Cost
Forcemain Pipeline*				
8-inch PVC C900 (Connection to (E) System)	LF	200	\$ 400.00	\$ 80,000.00
Surge Valve Appurtenances	LS	1	\$ 75,000.00	\$ 75,000.00
Misc. Improvements	LS	1	\$ 50,000.00	\$ 50,000.00
Pipeline Subtotal				\$ 205,000.00
Desalination Plant*				
Property/Land Purcahse	LS	1	\$ 3,500,000.00	\$ 3,500,000.00
Seawater Catchment	LS	1	\$ 400,000.00	\$ 400,000.00
Pre-treatment System	LS	1	\$ 450,000.00	\$ 450,000.00
Reverse Osmosis System	LS	1	\$ 2,500,000.00	\$ 2,500,000.00
Chemical Post-treatment	LS	1	\$ 550,000.00	\$ 550,000.00
Brine Management System	LS	1	\$ 400,000.00	\$ 400,000.00
Power/Energy for Desalination Plant	LS	1	\$ 400,000.00	\$ 400,000.00
Desalination Plant Subtotal				\$ 8,200,000.00
Reservoir				
Replacement Reservoir	EA	4	\$ 1,250,000.00	\$ 5,000,000.00
Misc. Site Improvements	LS	1	\$ 300,000.00	\$ 300,000.00
Reservoir Subtotal				\$ 5,300,000.00
Distribution System**				
Pipeline Replacement	LF	10500	\$ 500.00	\$ 5,250,000.00
Hydrant Replacement	EA	31	\$ 5,000.00	\$ 155,000.00
Misc. Pipeline Improvements	LS	1	\$ 25,000.00	\$ 25,000.00
Distribution System Subtotal				\$ 5,430,000.00
Grand Subtotal				\$ 19,135,000.00
Special Desalination Permitting (30%)				\$ 2,521,500.00
Construction Cost Contingency (30%)				\$ 5,740,500.00
Estimated Engineering and Administrative Costs (15%)				\$ 2,870,250.00
Successor Agency Staffing Costs (30%)				\$ 5,740,500.00
Grand Total				\$ 36,007,750.00

* Special Desalination Permitting applies to force main and Desal plant only.

** Suggest replacement of distribution system at 1% equivalent annual rate to align with proposed design life of replacement system components.

Sewer Service

Schaaf acting as a subconsultant to NBS prepared the Wastewater Collection and Treatment Assessment Report dated May 4, 2026 (the “Schaaf Sewer Report”)²⁰. The Schaaf Sewer Report is summarized below.

SYSTEM OVERVIEW

SSCSD’s wastewater system collects wastewater from the community mostly through 6-inch vitrified clay pipe (“VCP”), which was largely constructed in the 1960s and 1970s. The system includes a collection system consisting of approximately 1.6 miles of predominantly 6-inch VCP gravity mains (one 8-inch to the headworks) with 29 manholes, and a WWTP located at 9245 Balboa Avenue. The WWTP provides the common stages of treatment. First, it passes through screening, then grit and sludge removal. After that, it enters the aeration basins, followed by final sedimentation and disinfection before being discharged to an ocean outfall. Wastewater operations are also contracted to FRM. The service area includes flows from the San Simeon community and California State Parks’ Hearst San Simeon Historical Monument. The State Parks collection system includes a connection serving the Old Simeon area. Those flows are captured at the State Parks meter to SSCSD.

Figure 3. SSCSD Sewer System Overview



CONDITION & USEFUL LIFE

Based on the age of the SSCSD wastewater collection and treatment system (60 + years), the components are near or past their design lifespan. However, with diligent maintenance and triage of maintenance items as they occur, operation of the system could continue indefinitely. Schaaf reports that conversations with

²⁰ Attached within Exhibit 32

FRM and field observations indicate that the wastewater system requires improvements to multiple items. The main concerns observed during Schaaf's field visit:

- Water infiltration into gravity system.
- Reduced structural integrity in surrounding walls of existing treatment plant and in basins.
- Repair of the Ocean Outfall²¹.

Collection System: The VCP collection system is beyond a typical service life and exhibits wet-weather inflow & infiltration. Schaaf recommends a collection system rehabilitation be performed over approximately 10 years with the following considerations:

- Conducting CCTV inspections for all pipelines would provide a more accurate assessment of their condition. This would show any major infiltration into the pipeline that needs repair or replacement as a majority of the system is past its service life.
- As stated in the Master Plan, an option for extending the life of the pipelines is to install a Cured-in-Place piping (CIPP) liner throughout.

The Master Plan notes there are a total of four pipelines identified for upsizing. The pipelines would be upsized to 8-inch PVC pipe and one 10-inch PVC for the pipeline to the headworks vault.

FRM staff observed a significant increase in wastewater influent to the treatment plant during the wet season and visually confirmed water infiltration into manholes during system checks. Based on these observations and staff input, most manholes appear to be in satisfactory condition with an estimated remaining life of 5 to 10 years. However, the manholes showing signs of infiltration should be repaired or replaced as soon as possible. Schaaf recommends conducting video inspections of all manholes to identify any additional structures requiring repair or replacement.

WWTP: The WWTP shows structural cracking, staining, corrosion of aeration piping and perimeter fencing, and corrosion on other exposed equipment. Given the age and poor condition of much of the core WWTP infrastructure, Schaaf estimates it has exceeded its designed useful life, though continued operation is clearly possible through diligent monitoring and repairs.

Ocean Outfall: Per the J.F. Brennan Company, Inc.'s ("Brennan") outfall inspection performed on 8/5/25 (the "Brennan Report")²², the ocean outfall is in poor to serious condition. Heavy deterioration and unsupported sections of pipe were discovered which require ballast repairs as soon as possible.

PERMITTING

Coastal Development Permit CDP 3-19-0020 the (the "CDP")²³ limits improvements at the existing site to critical maintenance and requires relocation of the WWTP by July 11, 2029 (the "expiration date"). The CDP provides for potential modification of the expiration date subject to submission of documentation showing significant and diligent progress towards meeting the relocation requirement. This is the primary driver of near-term capital planning. Per the CDP requirements, the existing treatment plant requires relocation immediately. As such, the SSCSD should budget for the plant relocation as soon as possible. In order to avoid a wholesale reconfiguration of the collection system, it is assumed that a below-grade sewage pump

²¹ Per the Brennan Report - Attached within Exhibit 32

²² Attached within Exhibit 32

²³ Attached within Exhibit 43

station would be installed at the headworks of the existing treatment plant to convey the sewage to the replacement treatment plant. As discussed later in this report, the fastest feasible timeline for replacement of the wastewater treatment plant is 5 to 10 years. The CDP requires planning for relocation of wastewater treatment functions and states that planning should include an analysis of alternatives involving the construction of a package plant or combining services with other existing WWTPs.²⁴

It should be noted that the Central Coast Regional Water Board Order R3-2022-0003 permits 0.2 MGD average dry-weather and 0.45 MGD peak wet weather flows. Historical flows (2019–2025) range ~0.058–0.088 MGD AAF with peaks up to ~0.379 MGD. The WWTP is operating within this permit envelope.

PLANT RELOCATION

In 2008, Rincon Consultants, Inc. (“Rincon”) reviewed and developed alternate locations in San Simeon for the relocation of the existing WWTP. Their report used multiple criteria to screen potential properties that would meet the needs of a relocated WWTP. The list of criteria from the report included:

- Size: areas approximately one-acre or greater in size.
- Topography: Flat or gently sloping topography considered and not steep slopes or on or near coastal bluffs.
- Land Use Designations and Zoning: County of San Luis Obispo North Coast Area Plan and Coastal Zone Land Use Ordinance were considered.
- Sensitive Receptors: potential impacts to neighboring properties resulting from construction and operation of the WWTP, including odor, noise and obstruction of ocean views.
- Visibility: where general visibility was limited, including visibility from roads, residences or hotels, and the beach.
- Important Farmland: the California Department of Conservation Farmland Mapping and Monitoring Program (FMMP) was referenced to determine the presence of Prime or Unique Farmland and with the intent of avoiding those areas.
- Biological Resources: areas not supporting sensitive habitat or special-status plant and animal species were considered.
- Cultural Resources: consideration was given to areas that have been previously disturbed, as the areas are not likely to contain important cultural resources.

Rincon located nine potential sites, labeled A through I with the map shown in Figure 4 below.

ReviewingAfter reviewing the criteria for all nine potential sites and, Rincon rejected seven of them. The remaining two potential sites, D and E, were deemed satisfactory with the caveat of possibly requiring an amendment to the North Coast Area Plan to change the land use designation to Public Facility and a zone change.

In 2021, SSCSD engaged Dudek to provide consulting services for preparation of a Coastal Hazards Response Plan (“CHRP”) as a condition of the WWTP CDP. The CHRP was intended to evaluate alternatives for relocation of wastewater treatment functions, including the identification of a preferred inland site or sites, the evaluation of a package plant treatment system, and the possibility of combining services with other nearby existing WWTPs. The CHRP was also intended to provide details of costs, funding and timing for relocation and restoration of the existing site. The Dudek effort was paused at the draft stage in 2023.

²⁴ Per CDP Special Condition 3 – Attached within Exhibit 4

SSCSD records indicate the work was put on hold for multiple reasons, including organizational instability at the board and administrative levels; community division and uncertainty over potential inland sites; and lack of funding for the remaining work. A 2023 public presentation for stakeholder input was the only deliverable finalized by Dudek.

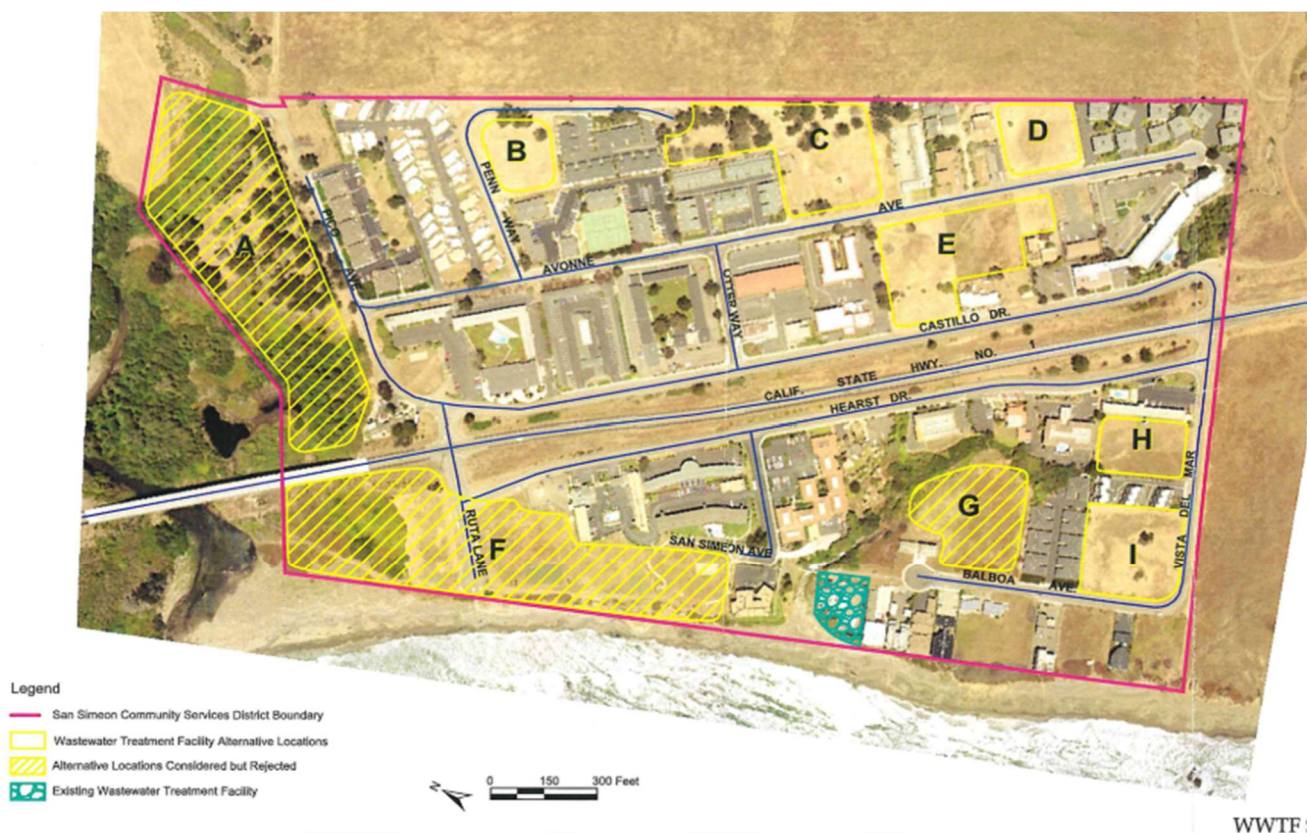
This Dudek presentation included preliminary cost estimates for construction and operation of a replacement WWTP. The analysis included conventional activated sludge (“CAS”) and a package plant, identified as a membrane bioreactor (“MBR”). Dudek’s construction estimates included contingencies of 30% construction, 20% engineering design, and 25% land, easement and permitting. The estimated capital cost for a package plant in 2023 was \$15.7M. Additional capital costs of \$2.1M to \$8.6M were estimated for a new conveyance system from the existing plant to the new treatment location. The combined WWTP and conveyance costs presented for a package plant range from \$17.8M to \$23.8M. The Dudek cost estimates are provided for WWTP and conveyance only and do not include rehabilitation and replacement costs for the existing collection system.

Dudek provided the presentation for community discussion of alternatives in March 2023. District records do not include any recording or minutes of that workshop. Anecdotal information indicates that the community was divided on potential locations for wastewater treatment within existing SSCSD boundaries, and the concept of WWTP relocation on Hearst property was the preferred alternative among residents.

The San Simeon community proposed an updated LOI with Hearst to include discussion of WWTP relocation near the water reservoir. The 2017 LOI from Hearst referenced treatment of existing wastewater flows from Hearst properties in Old San Simeon noted as 3,000-5,000 gpd and requested additional capacity up to 15,000 gpd for future potential construction. Pursuing this location as an alternative would require Hearst preliminary agreement and negotiation of terms with as well as approvals from Hearst, California Rangeland Trust and other stakeholders.

The Rincon study was conducted in 2008 and, with the Dudek presentation providing additional information in 2023, with additional discussion held during the intervening years. The site analysis should be updated to evaluate current conditions and potentially expand the suitability criteria.

Figure 4. SSCSD Potential WWTP Relocation Site Map (prepared 2008)



IMPROVEMENT SCHEDULE

1. WWTP - immediately begin siting, CEQA/permitting, design, and delivery of a replacement facility. The fastest feasible replacement timeline is 5 to 10 years.
2. Ocean Outfall – immediate repairs to ballast and pipe²⁵.
3. Service Area - formalize a new wastewater service agreement with State Parks, meter any external flows, and confirm the practical service area boundary.
4. Piping and associated manholes - rehabilitate at a rate of 10% of per year over a 10-year horizon with piping repairs and manhole sealing prioritized by infiltration and capacity needs.

IMPROVEMENT COSTS

The estimated costs to implement the equipment replacements identified above are shown in the table below. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 30% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. These costs do not include costs associated with rights-of-way, studies, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc.

²⁵ Per Brennan Report - Attached within Exhibit 32

Table 5. SSCSD Preliminary WWTP Replacement Cost Estimate

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Item	Units	Quantity	Unit Cost	Extended Cost
Wastewater Treatment Plant and Appurtenances				
Influent Pump Station	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Piping to New WWTP	LS	1	\$ 750,000.00	\$ 750,000.00
Package Treatment System	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Misc. Improvements	LS	1	\$ 250,000.00	\$ 250,000.00
Real Estate Acquisition	LS	1	\$ 1,250,000.00	\$ 1,250,000.00
Treatment System Subtotal				\$ 5,500,000.00
Construction Cost Contingency (30%)				\$ 1,650,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,650,000.00
Successor Agency Staffing Costs (30%)				\$ 1,650,000.00
Treatment System Grand Total				\$ 10,450,000.00
Collection and Treatment System Grand Total				\$ 17,180,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

ALTERNATIVE SEWER SERVICE OPTION

Considering the permitting restrictions requiring the WWTP to be re-sited by July 11, 2029, there are two potential wastewater treatment alternatives; 1) relocating the WWTP within the SSCSD (estimated above) or, 2) provide a connection to CCSD for treatment. No other local municipalities or wastewater service providers exist in proximity to the SSCSD.

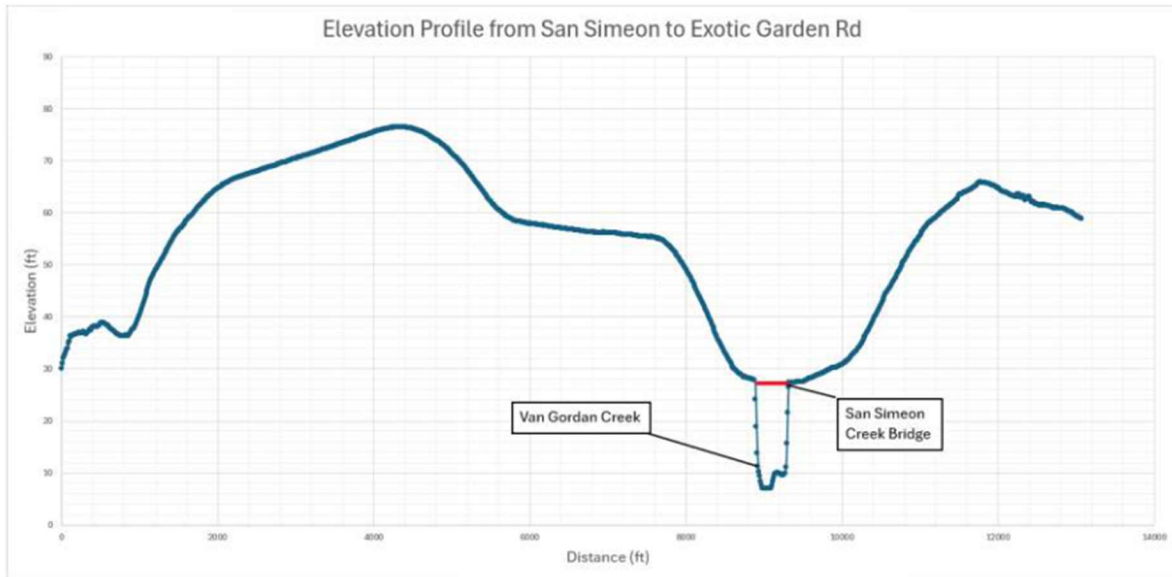
Connection to CCSD: The connection to CCSD would require SSCSD to route sewage to CCSD's WWTP. CCSD's average annual flows are well below the design flow given by the General Order²⁶. SSCSD's average wet weather flow according to the Master Plan is 81,900 gallons per day (gpd) or about 0.082 MGD. Taking CCSD's inflows into account, the CCSD WWTP would likely be able to accommodate this small increase of daily wastewater inflow. Detailed negotiations with CCSD are required to verify the feasibility and acceptability of this connection.

²⁶ General Order No. R3-2020-0020

HYDRAULICS TO CCSD

The elevation profile between SSCSD and CCSD is not flat. Figure 5 below shows the elevation profile across the span. Schaaf prepared cost estimates for two conveyance configurations using a 6-inch force main (single and dual pump stations).

Figure 5. SSCSD Hydraulics to CCSD



For the single pump station configuration, a station would be constructed at the SSCSD WWTP plant head works, and pump through a dedicated force main to the connection point on Exotic Garden Rd. Schaaf anticipates that sufficient power would be available at the SSCSD WWTP to serve the anticipated 20 horsepower pumps. The dual pump station option would include a pump station at the SSCSD WWTP and a second pump station near San Simeon Creek Bridge. While sufficient power is present at the SSCSD WWTP, it is unlikely that sufficient electrical service exists at the midpoint. A new electrical service should be planned at the second pump station site.

COSTS TO CONNECT TO CCSD

Connecting to CCSD's WWTP will require pump station(s) as outlined above. It also requires coordinating with Caltrans and CCSD to know where trenching will occur on Highway 1 and within the city limits of Cambria. These kinds of costs are difficult to estimate without further contact and coordination with these entities.

The costs of the two pump station alternatives are shown in Tables 6 and 7. Note that costs are presented in May 2026 dollars and include a 30% hard construction cost contingency, a 30% allocation of estimated construction costs to fund engineering designs, permits and administration. Also included is a 30% allocation of estimated project costs to fund Successor Agency staffing efforts associated with planning, negotiations, and execution of siting the facilities, connections, etc. These costs do not include

costs associated with rights-of-way, studies, extending necessary electrical services to sites not currently supplied with sufficient electrical power, etc.

Table 6. SSCSD Costs to Connect to CCSD Single Pump Station

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Item	Units	Quantity	Unit Cost	Extended Cost
Single Pump Station Configuration				
Lift Station - Civil	LS	1	\$ 450,000.00	\$ 450,000.00
Lift Station - Electrical	LS	1	\$ 550,000.00	\$ 550,000.00
20 HP Pumps, 2 Each Installed	LS	1	\$ 350,000.00	\$ 350,000.00
Flow Meter	LS	1	\$ 50,000.00	\$ 50,000.00
Diesel Generator	LS	1	\$ 110,000.00	\$ 110,000.00
6-inch Force Main	LF	12000	\$ 200.00	\$ 2,400,000.00
6-inch Gravity Pipe via Trenching	LF	1100	\$ 300.00	\$ 330,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Single Pump Station Subtotal				\$ 5,540,000.00
Construction Cost Contingency (30%)				\$ 1,662,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,662,000.00
Successor Agency Staffing Costs (30%)				\$ 1,662,000.00
Single Pump Station Grand Total				\$ 10,526,000.00
Collection and Single Pump Station Grand Total				\$ 17,256,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

Table 7. SSCSD Costs to Connect to CCSD Dual Pump Station

Item	Units	Quantity	Unit Cost	Extended Cost
Collection System				
Pipeline Rehabilitation (CIPP)	LF	8500	\$ 250.00	\$ 2,125,000.00
Pipe Replacement	LF	1200	\$ 1,000.00	\$ 1,200,000.00
Manhole Rehabilitation	EA	29	\$ 7,500.00	\$ 217,500.00
Collection System Subtotal				\$ 3,542,500.00
Construction Cost Contingency (30%)				\$ 1,062,750.00
Estimated Engineering and Administrative Costs (30%)				\$ 1,062,750.00
Successor Agency Staffing Costs (30%)				\$ 1,062,750.00
Collection System Grand Total				\$ 6,730,750.00
Item	Units	Quantity	Unit Cost	Extended Cost
Dual Pump Station Configuration				
Lift Station 1 - Civil	LS	1	\$ 300,000.00	\$ 300,000.00
Lift Station 1 - Electrical	LS	1	\$ 375,000.00	\$ 375,000.00
6 HP Pumps, 2 Each Installed	LS	1	\$ 100,000.00	\$ 100,000.00
Diesel Generator	LS	1	\$ 60,000.00	\$ 60,000.00
Lift Station 2 - Civil	LS	1	\$ 350,000.00	\$ 350,000.00
Lift Station 2 - Electrical	LS	1	\$ 450,000.00	\$ 450,000.00
12 HP Pumps, 2 Each Installed	LS	1	\$ 225,000.00	\$ 225,000.00
Flow Meter	LS	2	\$ 50,000.00	\$ 100,000.00
Diesel Generator	LS	2	\$ 100,000.00	\$ 200,000.00
6-inch Force Main	LF	9100	\$ 200.00	\$ 1,820,000.00
6-inch Gravity Pipe via Trenching	LF	4000	\$ 300.00	\$ 1,200,000.00
AC Repaving	SY	2000	\$ 150.00	\$ 300,000.00
Real Estate Acquisition	LS	1	\$ 500,000.00	\$ 500,000.00
Outfall Improvements*	LS	1	\$ 1,000,000.00	\$ 1,000,000.00
Dual Pump Station Subtotal				\$ 6,980,000.00
Construction Cost Contingency (30%)				\$ 2,094,000.00
Estimated Engineering and Administrative Costs (30%)				\$ 2,094,000.00
Successor Agency Staffing Costs (30%)				\$ 2,094,000.00
Dual Pump Station Grand Total				\$ 13,262,000.00
Collection and Dual Pump Station Grand Total				\$ 19,992,750.00

* Extents and total costs of outfall improvement is unknown and cannot be fully understood until more detailed design is evaluated.

~~Considering the above, the single pump option is likely the most viable option.~~

ADDITIONALThe single pump option is obviously the most economical option. However, the dual pump system cost information is provided in recognition that a single pump system may not be adequate due to the complications of distance and elevation changes. Further engineering study will be required to determine the adequacy of any solution.

DRAFT

ADDITIONAL CONSIDERATIONS

Schaaf identified a number of additional hurdles and estimate it is likely to take 5-10 years to resolve them. It is important to note that the costs of addressing the hurdles listed below are not included in this study.

- Interagency agreements and coordination – Negotiating terms and operational aspects including pricing structure, priority of service definitions, and agreement clauses will require time.
- Environmental limitations – This will require preparation of an EIR as well as coordination with Caltrans for potential encroachment into their ROW. Furthermore, construction may require a coastal development permit from the California Coastal Commission.

CCSD's feasibility study from MKN & Associates discusses a transmission main from CCSD's Emergency Advanced Water Treatment Plant (AWTP) to San Simeon's WWTP to dispose of brine through the SSCSD's existing ocean outfall. This could be part of the overarching consolidation of SSCSD and CCSD systems. Construction of this transmission main is not included in the cost estimates shown herein and could substantially increase the project costs expected to be covered by CCSD. Some efficiencies could also be realized with a combined effort versus design and construction of separate wastewater and brine connections.

Legacy Agreement: The SSCSD had a fifty-year agreement with California State Parks to serve Hearst Castle Visitor's Center and a portion of San Simeon State Beach. Old San Simeon Village (Hearst Ranch houses, Hearst Ranch Winery and Sebastian's Deli) also discharges wastewater through a connection to the State Parks system. These flows are included in the total volume metered at State Parks' connection to the SSCSD collection system. The agreement allowed a wastewater capacity total of 50,000 gpd to be treated by the SSCSD's WWTP. The agreement recently expired in 2021 and a new agreement and billing arrangement are needed for wastewater services for the Hearst San Simeon Historical Monument. Though a formal agreement isn't in place, SSCSD continues to receive and treat sewage from the Hearst San Simeon Historical Monument. This inflow is discharged into the SSCSD sewer system at a manhole near the intersection of Highway 1 and Pico Ave. Given the previous agreement, and current accommodations, Schaaf recommends that any selected alternative continue to provide sewer treatment services to the Hearst San Simeon Historical Monument.

Hearst's 2017 LOI estimates wastewater volume from Old San Simeon in the range of 3,000 – 5,000 gpd. The LOI requests continuation of services and agreement to accommodate a future increase up to 15,000 gpd. The Successor Agency should consider Hearst's requested future capacity in negotiations and address terms around how that capacity could be reserved, guaranteed and priced.

Road Maintenance

The roads within the SSCSD are maintained by the California Department of Transportation (“Caltrans”), the County ~~and~~, the SSCSD, and private property owners. The SSCSD road maintenance is funded by ad valorem property taxes²⁷. The SSCSD Proposed Budget for FY 2026/27 lists the total annual estimated costs to be \$0. NBS notes the SSCSD paid an invoice to Wilber Construction Inc. dated 5/3/2024 for \$34,950.00 for seven asphalt patches. It is unclear where in the SSCSD the work was performed.

There are ~~four~~five options available for ongoing road maintenance for the roadways currently maintained by SSCSD.

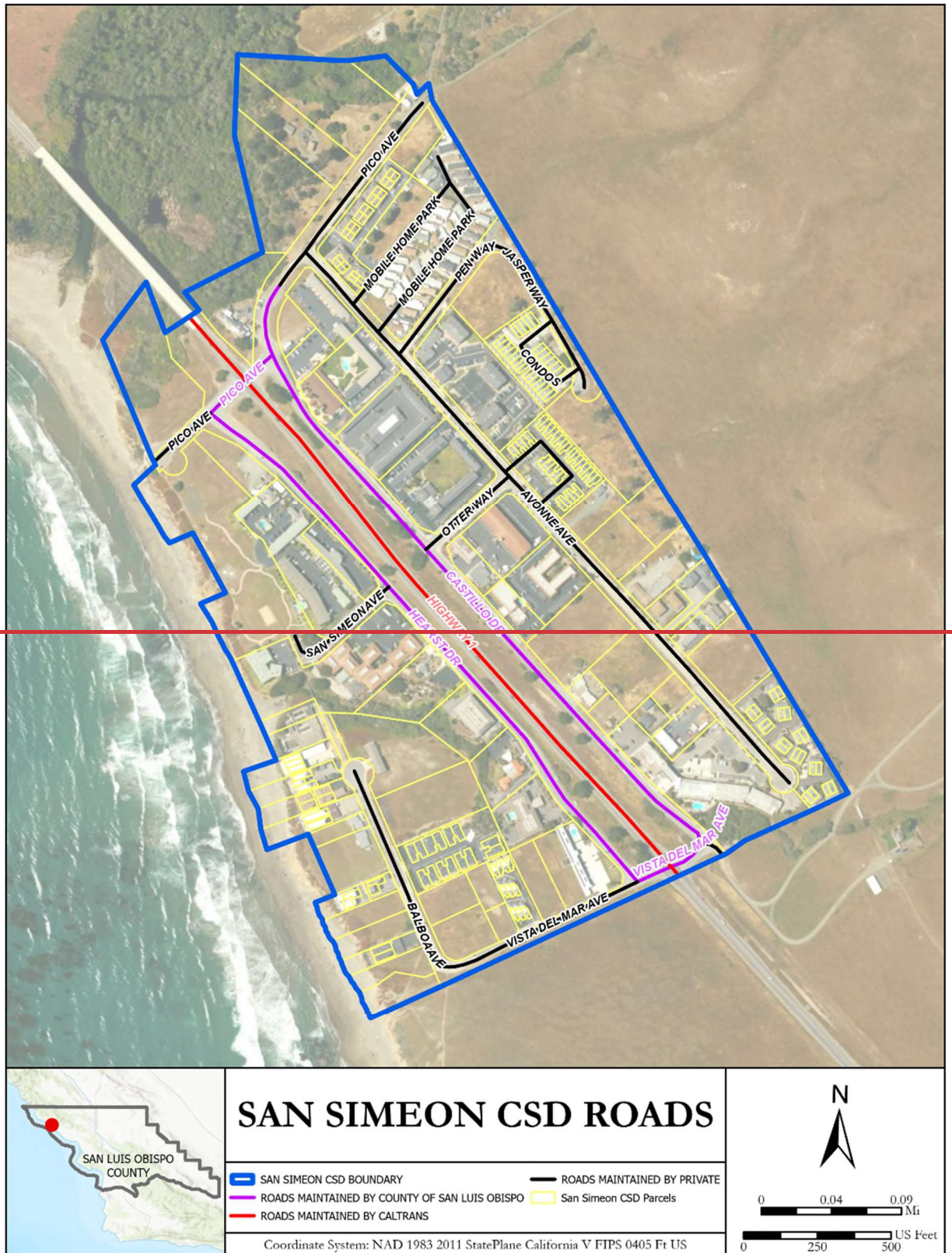
1. If the property owners want the roads upgraded to County standards, they can petition the County to include the roads into the County Maintained Road System under the County’s Cooperative Road Improvement Program²⁸. The program requires the roads to be brought up to County standards prior to acceptance for ongoing maintenance and provides a vehicle to fund the required improvements as well as engineering and project management to complete the improvements. This program is fully funded by the property owners, including administrative costs.
2. If a CSD is formed, the CSD may fund road maintenance services to the desired level.
- 2.3. The property owners might establish a maintenance funding instrument without application into the County Maintained Road System. This may include ~~a CSA (with road maintenance authority)~~, a special assessment district or a special tax district administered by the County. Any special district will be fully funded by the property owners, including administrative costs and subject to the policies, practice and approval of the County.
- 3.4. The property owners can cooperatively and privately maintain the roads.
- 4.5. ~~These~~ roads can become unmaintained public roads and there will be no public road maintenance performed.

Road maintenance does not necessarily require a successor agency and may be addressed at a future date. The figure below shows the roadways and the associated maintenance agency.

²⁷ SSCSD Plan for Services pg. 6, Attached within Exhibit 21

²⁸ <https://www.slocounty.ca.gov/departments/public-works/services/programs-outreach/cooperative-road-improvement-program>

Figure 6. SSCSD Road Maintenance – Responsible Agency



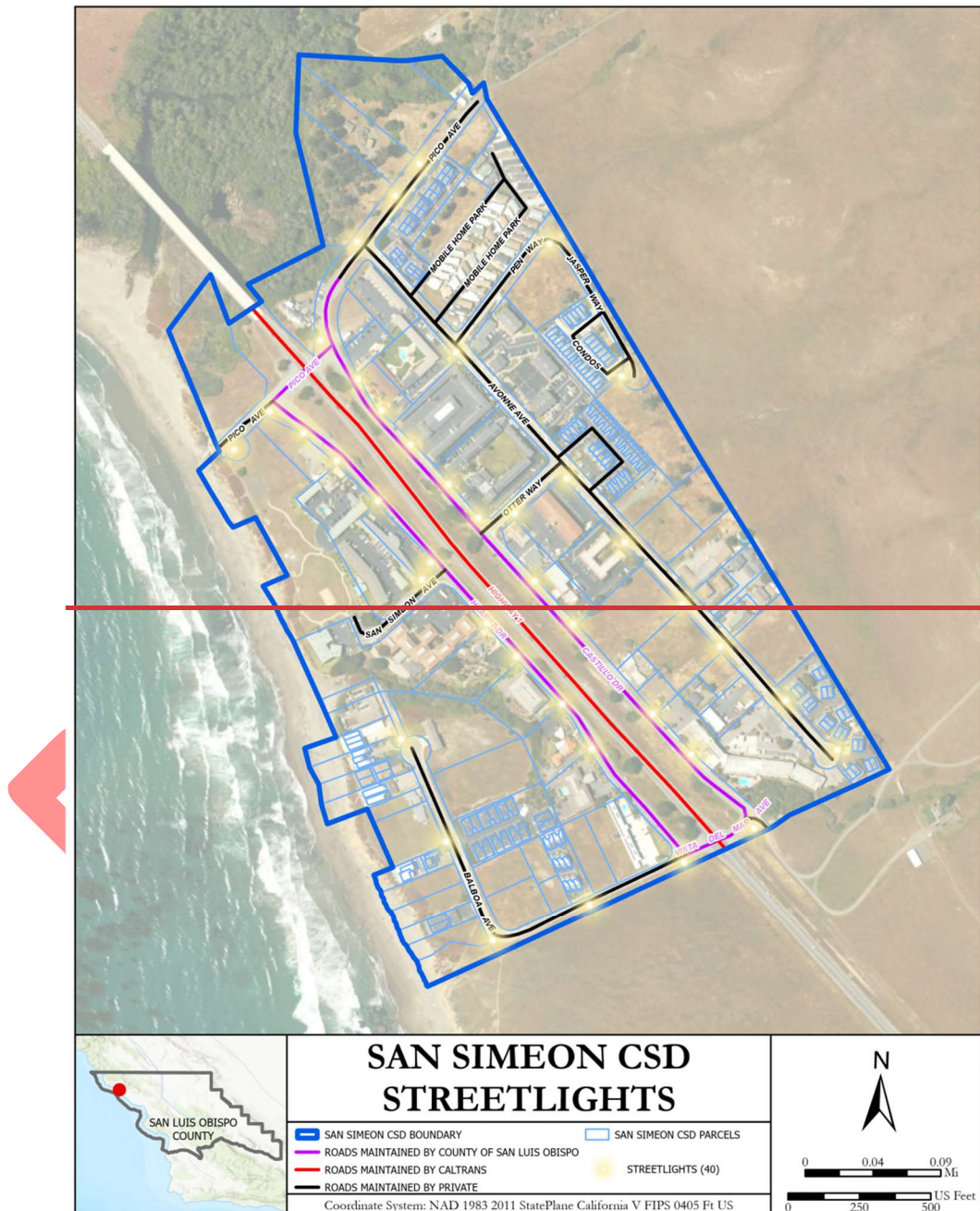


The SSCSD road maintenance efforts include the maintenance of appurtenant storm drains. The SSCSD does not separately track its storm drain costs. The storm drain plan is included in the figure below. A storm drain plan was located and is included in the figure below. Figure 7 identifies storm drain sections located in public roadways as “District maintained.” No supporting record of SSCSD storm drain ownership or maintenance has been located, and there is contradictory information on this point. There is also no record of SSCSD costs associated with the maintenance of any storm drains. This issue requires additional research.

Street Lighting

The SSCSD provides street lighting services which are currently funded by ad valorem property taxes²⁹. There are approximately 40 streetlights in the SSCSD which are owned and maintained by PGE. ~~District~~SSCSD records indicate an average annual electric expense of \$10,000 for street lighting.

Figure 8. SSCSD Streetlights



²⁹ SSCSD Plan for Services pg. 6 , Attached within Exhibit 21



Weed Abatement

The ~~District~~SSCSD has authority to enforce weed abatement on undeveloped parcels within the District. The costs of abatement, if unpaid by the property owner, are subject to a lien against the parcel.

Pico Stairway Maintenance

The Pico Stairway is a local beach access stairway and viewing area located at the coastal termination of Pico Avenue. This facility is maintained by the SSCSD as part of a California Coastal Commission (the “CCC”) permit to operate the wastewater treatment plant. This arrangement is complicated by the fact that this

facility is situated upon private property with no recorded easement. The facility is in disrepair as noted by the Ashley & Vance Engineering, Inc. Observation Memo dated June 27, 2024 (the "Observation Memo")³⁰. The SSCSD has placed several signs warning the public that the stairway is unusable and dangerous. The Observation Memo concludes that the facility should be removed and/or replaced. The SSCSD does not have a cost estimate for this work. The CCC issued an enforcement warning on January 16, 2024³¹ outlining the history, violations, required resolution and enforcement remedies which include various fines.

Based solely on a visual inspection of the Pico Stairway and not considering underlying structural issues, the stairway is generally usable and is being used for beach access. However, given the structural considerations, conditions may change rapidly given environmental factors.

General Administration (District Office)

The SSCSD's office space is located at 111 Pico Avenue. APN 013041005 consisting of 0.35 acres. The SSCSD lists its Building and Structures Fixed assets as having a balance sheet value of approximately \$280k³². The building size is approximately 400 SqFt³³.

Other Assets/Equipment/Improvements

The SSCSD does not own any other material assets beyond those listed above³⁴.

³⁰ Attached within Exhibit 54

³¹ Attached within Exhibit 43

³² SSCSD Balance Sheet Comparison as of October 31, 2025, Attached within Exhibit 1

³³ Per Google Earth estimation - Construction and condition is unknown.

³⁴ SSCSD Balance Sheet Comparison as of October 31, 2025, Attached within Exhibit 1

3. Obligations and Additional Issues

Debt Obligation

The SSCSD secured a \$500k loan for rehabilitation of its water wells from the United States Department of Agriculture (the “USDA”). The loan is dated September 23, 2013, with a term not to exceed 40 years. The annual interest rate is 2.75%. The SSCSD pledged its water rate revenue to repay the loan and makes semi-annual payments of \$10,345 on each March 23 and September 23. The current balance outstanding is approximately \$416k³⁵. The loan’s Reserve Requirement is \$20,690 and the SSCSD maintains this fund balance³⁶.

Additional Issues

The SSCSD is navigating the following special circumstances which merit mention in this report.

FUNDING NEEDS EXCEED CURRENT RATE CAPACITY

This report identified several projects required to achieve and/or maintain regulatory compliance as well as numerous additional projects that are necessary for ongoing operations. The total cost for priority projects alone will create significant rate increases if funded within standard financing timelines of 40 years or less.

San Simeon has a low median household income and is identified by State agencies as a disadvantaged community. This status provides eligibility for certain types of state funding as well as priority scoring in grant opportunities. The combination of a small, rural disadvantaged community requiring investment in utility infrastructure puts San Simeon in a competitive position for funding to support needed projects.

However, several standards need to be met before applying for grants, loans or other supplemental funding. These standards include a stable governing agency, significant progress towards project engineering and permitting, and sufficient funding through customer rates to complete the project. Identifying and obtaining supplemental funding should be a priority once a successor agency is established, stabilizing rates are approved, and defined projects are advanced to the point of funding qualification.

CAVALIER SETTLEMENT AGREEMENT

The SSCSD entered into a Settlement Agreement with Cavalier Inn & V&H Holdings³⁷ (collectively “Cavalier”) on August 31, 2022 (the “Settlement Agreement”). The SSCSD holds approximately \$680k³⁸ of capacity fee deposits for Cavalier. The Settlement Agreement acknowledges Cavalier is in Position No. 1 of the Hook-up Waiting List and that Cavalier has a vested contractual right and entitlement to water and sewer service capacity. The Settlement Agreement and associated issues should be reviewed by any PSA’s Counsel to determine which obligations and/or liabilities may follow to the PSA. This information may also inform requirements (capacities) for service when estimating the required infrastructure for the water and sewer systems.

³⁵ Per Oct 31, 2025 Balance Sheet Acct: 2520, Attached within Exhibit 1

³⁶ In account 1017c, Attached within Exhibit 1

³⁷ Attached within Exhibit 43

³⁸ Balance of \$678,999 in account 1017f, Attached within Exhibit 1

PIPE BRIDGE

The SSCSD utilizes a pipe bridge on to convey water and sewer service across the Arroyo Del Padre Juan. There are a few issues with the pipe bridge. Needed maintenance repairs are completed but the bridge should be re-evaluated and routinely monitored due to the ongoing effects of the coastal environment. Approximately two years ago, a major rain event deposited a large number of tree limbs just above the pipe bridge. The property owner (Cavalier) required the SSCSD to obtain an easement prior to accessing the debris for removal. The easement is not yet recorded and the debris removal work remains to be performed. In the intervening time, the number and location of limbs has shifted. The remaining limbs may be a threat to the pipe bridge structure during another heavy rain event. The situation should be reviewed and addressed.

STATE PARKS (HEARST CASTLE)

The SSCSD provides the California Department of Parks and Recreation's facility Hearst Castle ("State Parks") with sewer services. There is no current sewer service agreement with State Parks. Documentation of all property outside the SSCSD boundary and discharging wastewater to SSCSD should be performed so that the actual service area can be determined. This need to determine the service area boundary is also noted in Section 4 of LAFCO's Application Response. Section 4 also notes that if a CSA is selected as the PRA successor agency, a new CSA boundary will need to include affected/served State Park (or other) areas.

Table 8. SSCSD Summary of Obligations & Issues

Obligation / Issue	Key Facts	Implication for PSA	Immediate Action
USDA Water Well Loan	Original \$500k (2013, 2.75%); current balance ≈ \$416k; semi-annual payments \$10,345; reserve requirement \$20,690.	Debt and covenants transfer to successor; pledge of water revenues must be honored.	Confirm payoff schedule; maintain reserve; disclose in reorganization terms.
Cavalier Settlement & Capacity Deposits	\$679k held in capacity fees; #1 on hookup list; vested rights to water/sewer capacity.	May drive the sizing of replacement or regional facilities; legal obligations follow successor.	Counsel review; memorialize obligations in PSA agreements/rate studies.
Pipe Bridge Over Arroyo Del Padre Juan	Debris upstream; easement pending; immediate repairs completed. Needs eval, replacement estimate ~\$0.66–\$0.70M.	Shared water/sewer risk; coastal permitting; potential emergency repairs.	Secure easement; remove debris; plan replacement with CCC noticing.
State Parks/Hearst Castle Service	Flows received without current agreement; historic allowance up to 50,000 gpd expired in 2021.	Must formalize service boundary, cost recovery; include State Parks in CSA boundary if applicable.	Negotiate new agreement; document actual service area.

4. RECOMMENDED NEAR-TERM ACTIONS

NBS recommends the following actions to be completed by the SSCSD in the next 6-18 months.

1. Continue Cal-WARN agreement with County of San Luis Obispo Public Works.
2. Continue operating the CSD throughout the LAFCO proceedings.
3. Cooperatively define service structures with amenable PSA (County, CSA, CCSD) and jointly prepare LAFCO submittals, including boundary adjustments to include State Parks if required.
 - See the Services Summary Tables below for an outline of the services, options, estimated costs, timelines, and key risks.
4. As existing funding allows:
 - Execute interim outfall ballast repair (~\$150k).
 - Negotiate and adopt a formal wastewater service agreement with State Parks.
 - Evaluate current status of debris behind pipe bridge. Secure pipe bridge access easement; remove debris; evaluate replacement schedule and funding.

The following additional actions should be undertaken as soon as practicable once a PSA has established authority to proceed.

1. Select preferred wastewater path (local replacement vs. regional conveyance) and initiate CEQA/permitting accordingly.
 - Start WWTP siting, zoning/plan amendments (if needed), OR advance CCSD intertie preliminary design and MOUs.
 - Apply to CCC for time extension to complete relocation of WWTP.
 - Perform legal review of Cavalier Settlement obligations and review the SSCSD capacity/connection policies and planning requirements.
 - Authorize collection system CCTV and prioritize a rehabilitation plan to reduce inflow/infiltration.
2. Begin phased water reservoir replacement project definition and fire authority coordination on alternative fire protection strategies.

Services Summary Tables

Table 9. SSCSD Water Service Options and Costs Summary

Option	Scope / Notes	Capex (Appx)	Timeline	Permits / Agreements	Key Risks
Reinvest in SSCSD System	Replace reservoir (critical) and upsize; well replacement + standby generator; cartridge/RO with mid-life rehab.	\$21.9M , excl. addtl. power.	Phased approach, near-term incremental reservoir replacement; long term funding requirements to meet priorities.	DDW coordination; fire authority strategy; CEQA for tank & mains.	Fire flow non-compliance without source upgrade; supply-chain for filters.
Local Seawater Desalination	New SWRO plant sized to maximum day demand; intake/discharge; power upgrades; not fire compliant.	\$36.0M , excl. addtl. power.	≥10 years (permitting-intensive).	Multiple State/Federal permits + CEQA/EIR.	Permitting, high ongoing energy cost; environmental scrutiny; public opposition risk. <u>Fire flow non-compliance</u>

Table 10. SSCSD Sewer Service Options and Costs Summary

Option	Scope / Notes	Capex (Appx)	Timeline	Permits / Agreements	Key Risks
Replace / relocate WWTP in SSCSD	Site, permit, design, and construct replacement WWTP; add headworks pump station; rehab collection (CIPP/upsizes); repair outfall.	\$17.2M , WWTP replacement, Collection rehab.	5–10 years.	CEQA; CDP compliance; RWQCB Order R3-2022-0003; site zoning/plan amendments as needed.	CDP relocation deadline vs delivery time; land acquisition; power extension; construction in coastal zone.
Convey to CCSD WWTP (regional treatment)	New force main (~5 miles) with pump station(s) to CCSD headworks; decommission/repurpose SSCSD WWTP; rehab collection, coordinate service to State Parks.	Single PS: \$17.3M ; Dual PS: \$20.0M ; Collection rehab.	5–10 years.	EIR; Coastal Dev. Permit; Caltrans encroachment ; interagency agreement (capacity, pricing, curtailment, term).	Mid-point power availability; public acceptance; additional AWTP/ brine line concepts not included in cost.

Table 11. SSCSD Other Services, Options and Costs Summary

Service	Current Provider / Ownership	Annual Cost (Budget)	Funding Source	PSA Requirements
Road Maintenance / Storm Drains	Shared: Caltrans, County, SSCSD, private	Cost dependent on selected solution	Ad valorem property tax, or other depending on service level.	None or adopt maintenance program; coordinate roles; continue storm drain upkeep.
Street Lighting	Approx. 40 lights owned/maintained by PG&E	\$10,000/yr	Ad valorem property tax or other	Maintain PG&E service; ensure continued funding.
Weed Abatement	SSCSD Authority for undeveloped parcels within District	Pass through when powers exercised	Actual cost levied to parcels serviced	Ensure program continuity.
Pico Stairway	Facility on private property; SSCSD maintenance per CCC permit	No estimate available; CCC enforcement active.	N/A (capital TBD)	Resolve property rights/easement; coordinate removal or replacement; address CCC enforcement to avoid fines.
General Administration (District Office)	111 Pico Ave (APN 013041005); ~400 sf building; book value ~\$280k	N/A (asset value)	N/A	Decide on disposition/continued use; account for asset transfer at dissolution.

5. Exhibits

Exhibit 1) Combined Financial ~~Information~~ and LAFCO Documents

- a) SSCSD FY 2025/26 Preliminary Budget
- b) SSCSD Financial Summary as of October 31, 2025
- c) SSCSD Audited Financials FY 2023/24

~~Exhibit 2)~~ Combined LAFCO documents

- ~~a)d)~~ SSCSD Resolution of Application for Dissolution
- ~~b)e)~~ SSCSD Application for Dissolution (Includes Plan for Services)
- ~~c)f)~~ LAFCO 30-day Review Letter

~~Exhibit 3)~~ ~~Exhibit 2)~~ Combined Utility Studies

- a) Schaaf Water Report
- b) Schaaf Sewer Report
- c) Brennan Report

~~Exhibit 4)~~ ~~Exhibit 3)~~ Combined Obligations, Agreements & Misc. Information

- a) USDA Loan Agreement
- b) Cavalier Settlement Agreement
- c) Wilbur Construction Invoice
- d) 1972 Easement Agreement & Deed Hearst Corporation
- e) Hearst LOI 2-1-17 Final Executed

~~Exhibit 5)~~ ~~Exhibit 4)~~ Additional Supporting Information Vol. 1

- a) Akel Water Report
- b) Ashley Vance Pico Stairs Observation Letter
- c) CCC Pico Stairs Enforcement Warning Letter
- d) Coastal Development Permit 3-19-0020

Exhibit 5) Additional Supporting Information Vol. 2

- a) Pico Creek Stream Flow Management Plan for Dissolution report
- b) Dudek FINAL SHM NO.2 CHRP PPPrez Mar 8 2023