

Date: January 2, 2024

To: **Dan Carl, District Director, Central Coast and North Central Coast Districts**, Dan.Carl@coastal.ca.gov

Subject: San Simeon CSD Coastal Hazards Response Plan – Status and Extension Request

The 2019 Wastewater Treatment Plant Coastal Development Permit (CDP) 3-19-0020 required completion of a Coastal Hazards Response Plan (CHRP) by July 19, 2024. As enumerated below, this schedule will not be met for multiple reasons. An extension is requested for the completion of the CHRP.

Further, San Simeon CSD has initiated a study of divestiture of its water and wastewater treatment services to the County of San Luis Obispo. Such a transfer would include the CHRP and other commitments made in the July 19, 2019, CDP settlement. The divestiture is in the initial study phase. A formal review and approval process by San Luis Obispo County Local Area Formation Commission (LAFCO) and the County is required. This process could take many months.

The District's Situation

The reasons the CHRP cannot be completed on schedule are many of the same reasons the district is seeking divestiture of the water and wastewater treatment services.

In 2022, San Simeon CSD was divided into five mini-districts to comply with the California Voting Rights Act. The district has a total of 200 registered voters. This has left the district severely challenged to find a director from each of the five mini-districts. One mini-district has less than thirty voters. San Simeon CSD presently operates with four directors, none of whom are willing to be the board chair. Three directors are acting temporarily to help the community get to a stable, long-term management arrangement, potentially via divestiture.

In June 2023, the San Luis Obispo District Attorney's Office concluded a multi-year investigation of San Simeon's General Manager, Charles Grace and his company, finding multiple violations of state laws. In the final court settlement, Grace admitted to violating conflict-of-interest laws. Multiple settlement conditions were mandated. The board acted immediately to relieve him of his general manager responsibilities at the end of June 2023. However, because of the conflicted arrangement, his company continued responsibility for all district services. Ultimately, Grace's company contract was fully terminated on September 17, 2023. Unfortunately, this turned out to be a hostile transition with no support in transition. An interim general manager has been appointed, and a new operations company (Fluid Resource Management) is in place, with the administration transition remaining a work in progress.

The district is operating precariously with an understaffed board, an acting chairperson, and an interim general manager.

Potential development within the district has brought litigation, threats of litigation, and settlements straining the district's resources. Studies of Pico Creek have been required, including an in-stream flow study with ongoing monitoring. County staff and the California Coastal Commission are involved in the detailed and demanding analysis, never-ending back-and-forth questions and answers, paperwork, and likely more studies to end a decades-long moratorium in San Simeon.

Besides the obvious legal, consulting, and study fees, these activities further strain the district which must work with all parties involved to manage these and other complexities of the district. San Simeon CSD is a small, disadvantaged community with limited financial and personnel

resources. And, due to the previous operational disfunction of the district, many district resources were squandered inappropriately.

There are, of course, the continued requirements to maintain district facilities. The district is currently working to complete major pipe bridge maintenance that had been neglected for years. A backup generator is badly needed for the wells and equipment in the RO/Desalination building.

Coastal Hazards Response Plan - Update

Despite the major district challenges, recent key decisions related to the wastewater treatment plant relocation were made. A study of alternatives has tentatively led to selecting a-preferred site.

In 2022, the relocation study reached a critical and divisive point. A rift in the community developed when certain hotel owners and a large developer wanted to relocate the wastewater treatment plant in a multi-family zone residential site adjacent to a senior's-mobile home park. That location was away from their business interests. They proceeded to get a petition signed by some residents who did not want it located near their homes. The district board, at that time, fully supported this multi-family zoned residential site and ended the study of other sites.

A opposing groundswell of residents in the community strongly opposed placing the sewage plant anywhere in town. This, in part, led to certain community members stepping forward for open board positions for the November 2022 elections. A new board majority was established. Within months, the new board majority passed a resolution banning further consideration of sites in residential and other in-town areas.

The district had looked at locations in town, on State Parks property, joining Cambria CSD's wastewater treatment facility, and private property, including Hearst Corporation's property. The district would like to include the Hearst Corp. site as the preferred site, subject to further study. This will not be done without the pre-approval of Hearst Corp. If Hearst Corp. grants its approval for further site consideration, including the CHRP, the revision and reissue of a 2017 Letter of Intent for land use are needed, effectively attesting to this agreement.

Work by Dudek Inc., the firm hired by the district to prepare the CHRP, had been put on hold while the preferred site issue/rift was resolved. The district has requested further study with Hearst Corp. of a site on their property. This property is part of the Hearst Ranch Conservation Easement and will ultimately also need approval by multiple agencies, including the California Rangeland Trust and the California Wildlife Conservation Board. These approvals will take some time.

The district's 50-year-old agreement to process State Parks Hearst Castle operations wastewater expired two years ago. A new agreement will be needed if the processing of State Park's wastewater continues. That agreement will require the approval of LAFCO.

The CCC Local Coastal Program grant funding of \$130,000 (signed on April 13, 2020) for the study efforts is nearly exhausted. The county obtained this grant funding to assist the district in completing the CHRP study and pay for county staff's time reviewing and amending the Local Coastal Plan. Additional funding will be necessary to continue work and complete the CHRP.

Summary

The district lacks the staff and financial resources to complete the CHRP study.

The district will need additional funding to complete the CHRP. The paucity of district resources to work on a grant or continued work on CHRP remains an open problem.

As detailed above, due to its redistricting under the California Voting Rights Act, the district is dealing with a precarious management structure. The divestiture of the district's water and wastewater services to the county would provide a stable long-term management arrangement for these critical community services. The county is already involved in grant funding for the CHRP and future modification of the LCP. As stated above, the divestiture is in the initial study phase and will take many months to complete.

The county is in a far better position to complete the CHRP. This is a regional solution given involvement of state parks and Hearst Corp., both outside the district's boundaries on county unincorporated land.

Currently, the district will need financial support to continue the study, assistance from the county to provide active study management, and the Coastal Commission's extension of CHRP completion by eighteen months to January 19, 2026.

Patrick Faverty Ed.D.

Interim General Manager

Cc Karina Tiwana, Vice-Chair, SSCSD Board

Bruce Gibson, Supervisor, District 2, SLO County Board of Supervisors