

COUNTY OF SAN LUIS OBISPO

Comprehensive Analysis of:

San Simeon Community Services District

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”) 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 Purchse	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.

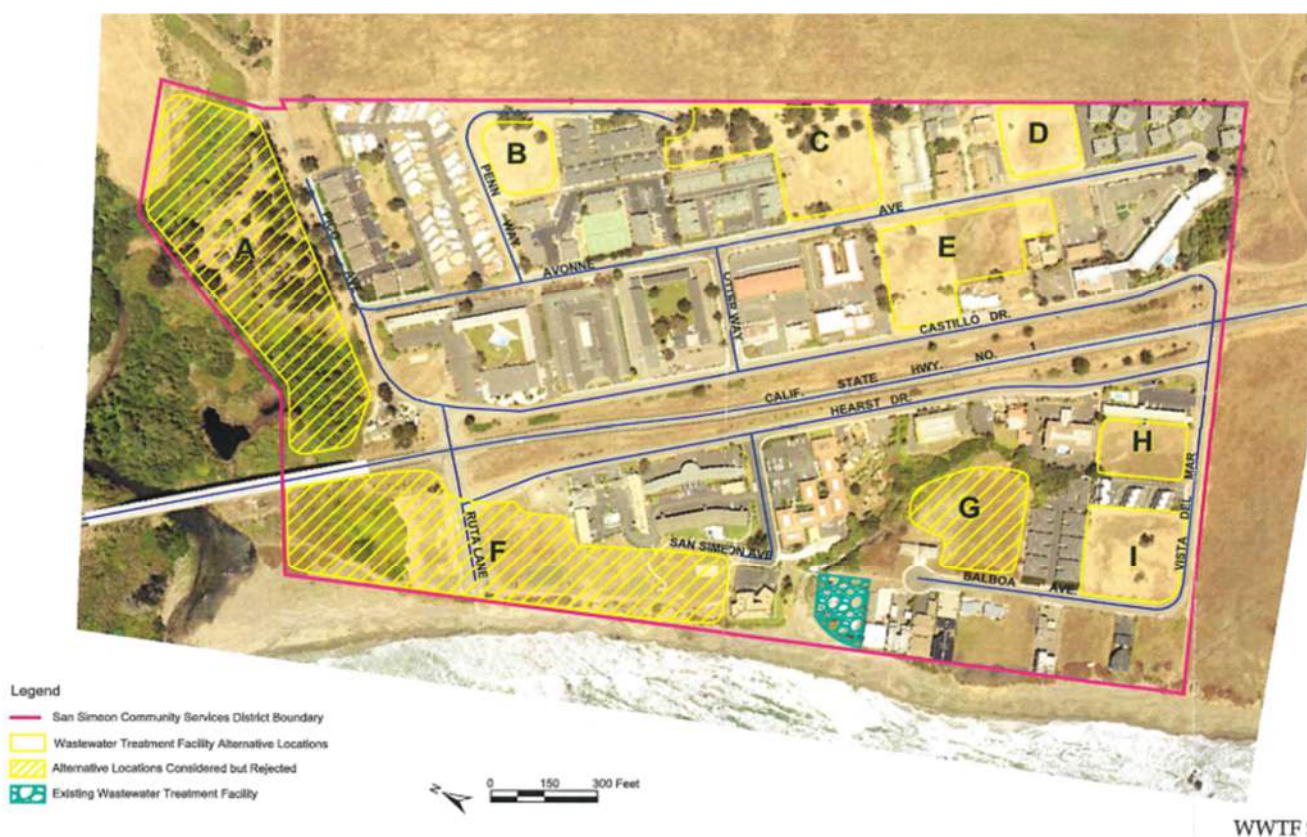
This Dudek presentation included preliminary cost estimates for construction and operation of a replacement WWTP. The analysis included conventional activated sludge (“CAS”) and a package plant, identified as a membrane bioreactor (“MBR”). Dudek’s construction estimates included contingencies of 30% 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.

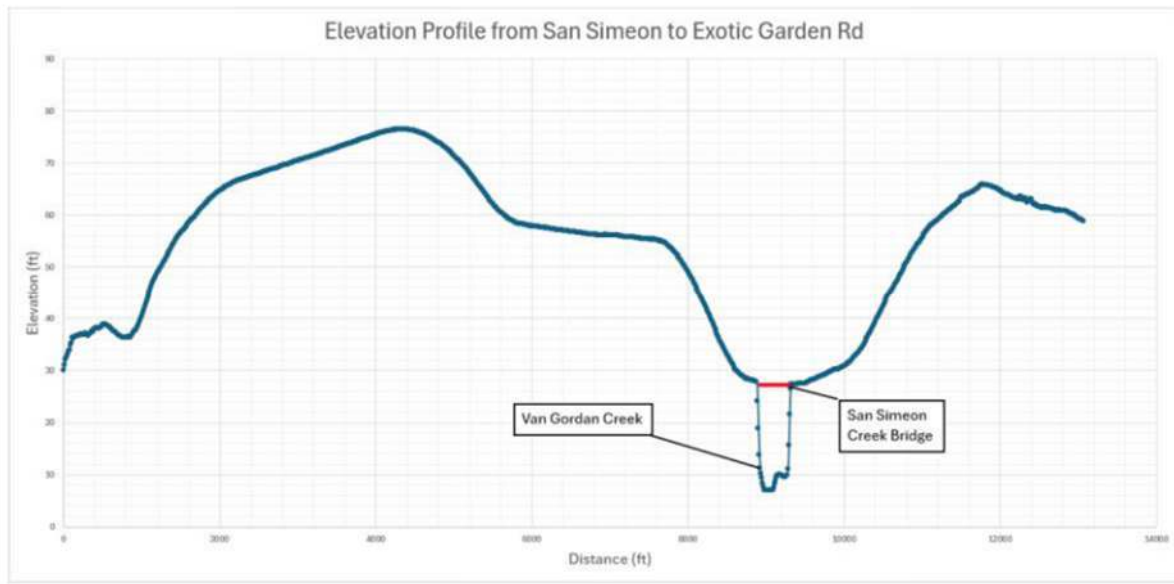
Connection to CCSD: The connection to CCSD would require SSCSD to route sewage to CCSD's WWTP. CCSD's average annual flows are well below the design flow given by the General Order²⁴. SSCSD's average wet weather flow according to the Master Plan is 81,900 gallons per day (gpd) or about 0.082 MGD. Taking 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



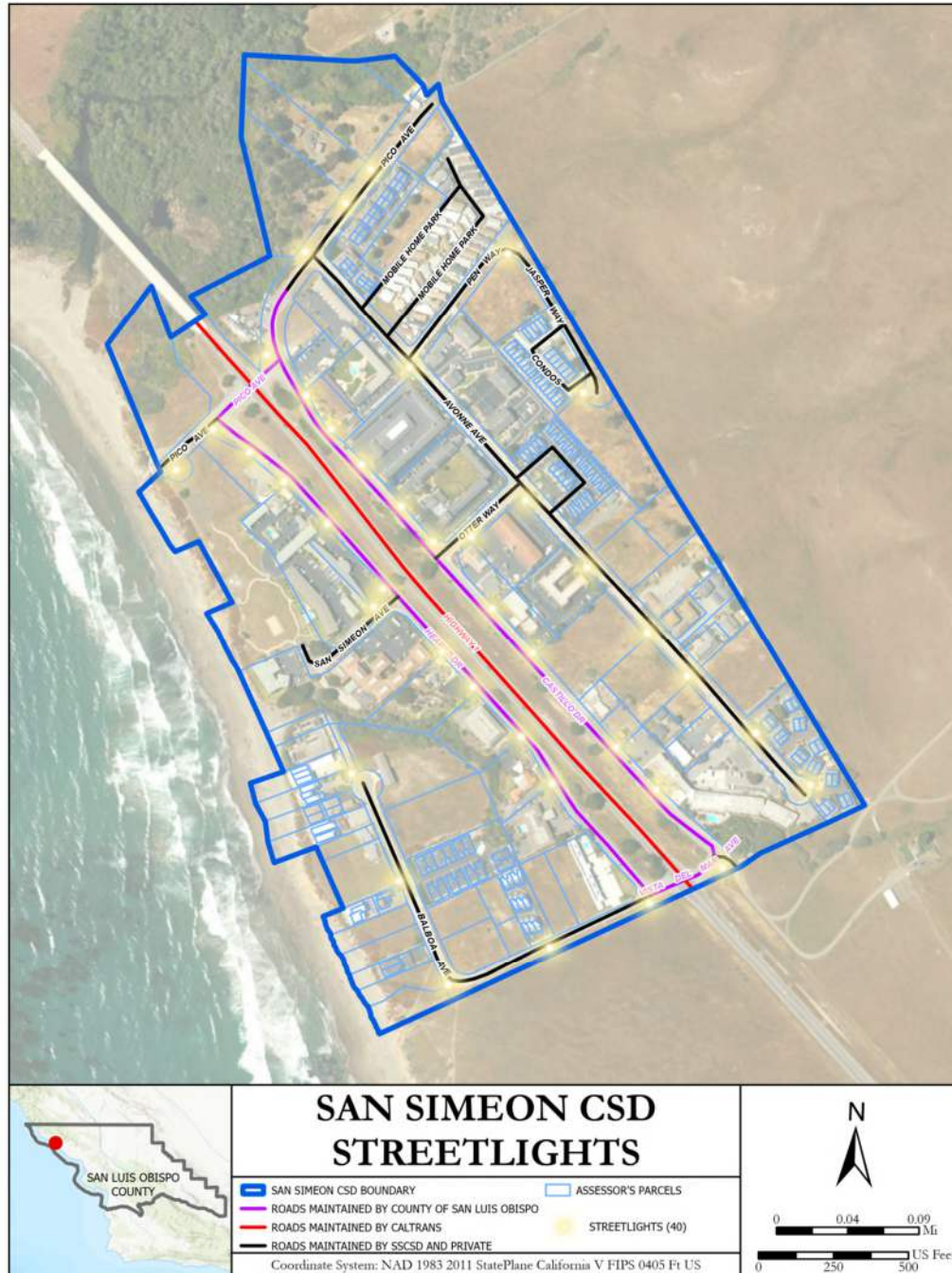
A storm drain plan was located and is included in the figure below. Figure 7 identifies storm drain sections located in public roadways as “District maintained.” No supporting record of SSCSD storm drain ownership or maintenance has been located, and there is contradictory information on this point. 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