

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

Summary

The San Simeon Community Services District ("San Simeon CSD" or "District") was formed in 1961. The District currently provides water, sewer, road maintenance, street lighting, and weed abatement to approximately four hundred (400) residents through 210 water meters, including 10 hotels for transient visitors and services to the California State Parks system.

The District faces an increasingly complex environment for services and management that is internally unsustainable and unresolvable.

Consequently, the District Board of Directors seeks to transfer all of the District's present active or inactive, services to the County of San Luis Obispo ("County"). The proposal requires the formation of a new County Service Area ("CSA"). Under a new CSA, there would likely be no change in the level of services provided or in the boundaries of the affected territory. San Simeon CSD would be dissolved entirely, and a new CSA would be formed to provide all services currently provided by the District. This transition would involve transferring management, administration, operations, and financial responsibilities from the District to the County via the new CSA.

Having the County provide San Simeon's water, wastewater, and other services via a dedicated CSA has many advantages. Grants are available to assist disadvantaged communities like San Simeon, but the District lacks the resources to identify and apply for these grants. The County, in contrast, would have the expertise and ability to pursue grants in a way that the District cannot. The County also has a sizeable skilled staff, including engineering, permitting, accounting, finance, legal, administration, and operations. These resources can be applied to benefit the newly formed CSA, whereas San Simeon CSD will never be able to match these skills and the depth of resources.

The County would benefit from the creation of a CSA. Stabilizing San Simeon's services and improving San Simeon's infrastructure will add value to the County regionwide. State Parks and Hearst Ranch amount to about 40% of the San Simeon CSD's wastewater treatment use. The County, State Parks, and Hearst Ranch all have an incentive to ensure the continued provision of services to the San Simeon community. Service and management continuity, which has been an ongoing struggle for the District, will no longer be an issue for the community under the CSA.

The community's health and safety are the priorities. The CSA structure will provide stable, capable, cost-effective governance for the San Simeon community.

As discussed more below, there are three primary reasons in support of San Simeon CSD's dissolution and transfer of service provisioning to a new CSA:

within the presently subdivided area. The Service Area Boundary and Sphere of Influence are the same as the County's Village Reserve line.

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 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 CSD 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 reorganizing the District, which included consolidation with Cambria Community Services District, incorporation, formation into a CSA, or, as it remains today, a Community Services District.

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

Primary reasons in support of San Simeon CSD's dissolution and transfer of services to a new CSA

1. San Simeon needs a long-term, stable, capable governance structure.

San Simeon CSD has tried multiple governance structures and faced many challenges over the years. In just the past 10 years, the following events impacted the District's stability:

- In 2014, San Simeon CSD faced a complete collapse and shutdown of operations, administration, and management when its provider of these services, parent company APTwater Services LLC, went bankrupt. This was costly because the

In 2022, San Simeon CSD was divided into five voting districts/areas to comply with the California Voting Rights Act. Although the District had not been served with a lawsuit nor did the District believe that its at-large voting structure violated the California Voting Rights Act, the District was concerned that maintaining at-large voting put the District at risk for potentially costly litigation that would further drain the District's resources. The District transitioned to by-district voting beginning with the November 2022 District Board elections.

The main problem with dividing San Simeon CSD into five voting districts is that San Simeon CSD has only two hundred registered voters total. In early 2023, two Board directors resigned. Eventually, one candidate came forward for Area A. No candidate came forward from Area C, which has only twenty-four registered voters and has been left without representation because of its vacant Board seat. That area remains unrepresented. Given the limited number of eligible voters in each district, it has been and will continue to be difficult for San Simeon to fill all the District's Board seats. It is unlikely that the District 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.

San Simeon CSD could consider reverting back to at-large voting, but doing so puts the District at risk for a costly lawsuit under the California Voting Rights Act, which is the reason why the District transitioned to by-district voting to begin with. Further, although Elections Code section 10650 allowed the San Simeon CSD to easily move into district-based elections by resolution without the need for a District-wide vote, no such provision exists to allow San Simeon CSD to similarly revert back to at-large voting without a District-wide vote.

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, but the District cannot even fill all of its Board seats. A CSA provides a more stable governance structure through experienced staff resources and a Board of Supervisors for final decision-making. The proposed new San Simeon CSA can have an advisory council representing the San Simeon community's interests if there are concerns about ongoing representation.

3. The District lacks the resources to secure any of the available grants to cover the costs of relocating the wastewater treatment plant and infrastructure improvements.

Along with providing water, sewer, street lighting, and road maintenance services, the District is required to meet regulatory requirements for its infrastructure. Currently, the District is faced with the need to move its wastewater treatment plant to meet California Coastal Commission requirements. The District has been granted additional time for the relocation as the Coastal Commission is aware that the District is trying to dissolve. However, the underlying relocation project is still necessary, and the District is not equipped

