OCEANO CAPITAL IMPROVEMENT PROGRAM ADVISORY COMMITTEE
WEDNESDAY, AUGUST 27, 2025 – 3:00 P.M.
Oceano Community Services District Board Room
1655 Front Street Oceano, CA

All items on the agenda, including information items, may be deliberated. Any member of the public with an interest in one of these items should review the background material.

The Oceano Community Services District encourages your active participation in the public process. All persons desiring to speak during any public comment period are asked to fill out a "Board Appearance Form" to submit to the Board Secretary before the start of the meeting. If you wish to speak to an item NOT on the agenda, you may do so during the "Public Comment On Matters Not on the Agenda" period. Each individual speaker is limited to a presentation time of THREE (3) minutes per item. The time limits allocated to speakers are subject to change. Time limits may not be yielded to or shared with other speakers.

The purpose of the Committee meeting is to conduct the community's business effectively and efficiently. For the benefit of the community, the Oceano Community Services District requests that you follow the meeting guidelines while attending meetings and treat all attendees with respect and dignity.

1. CALL TO ORDER

2. ROLL CALL

3. AGENDA REVIEW

4. PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA:

This public comment period provides an opportunity for members of the public to address the Board on matters of interest within the jurisdiction of the District that are not listed on the agenda.

5. CONSENT AGENDA ITEMS:

Consent Items are considered routine and may be approved by one motion. Any committee member or staff member may request that an item be removed from the Consent Calendar. If an item is pulled, the Committee may consider hearing the item separately from the rest of the consent items. Members of the public wishing to speak on consent items may do so when recognized by the Presiding Officer.

A. Action: Review and approve the OCIP meeting minutes of May 28, 2025.

6. BUSINESS ITEMS:

A. Action: Elect Chair and Vice Chair of Committee

B. Information: Review updated PER with Committee and Tank 2 amendments

C. Action: Review and comment on Draft Final Sewer CIP (MKN to present) and recommend full Board adoption in September

D. Information: Discuss long-term Administrative building options

E. Information: Update on fire services post divestiture

1. Sheriff Building Lease Agreement

F. Information: Status of Consolidation Project (Halcyon, KenMar Gardens, etc.)

7. ITEMS FOR NEXT AGENDA

8. ADJOURNMENT

This agenda was prepared and posted pursuant to Government Code Section 54954.2. The agenda is posted at the Oceano Community Services District, 1655 Front Street, Oceano, CA. Agenda and reports can be accessed and downloaded from the Oceano Community Services District website at www.oceanocsd.org

ASSISTANCE FOR THE DISABLED If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (805) 481-6730 for assistance at least three (3) working days prior to the meeting so necessary arrangements can be made.

Oceano Capital Improvement Program
Advisory Committee Meeting

Summary Minutes for

Tuesday, May 28, 2025 – 3:00 P.M.

Oceano Community Services District

1. **Call To Order:** President Gibson called the meeting to order at approximately 3:06 PM.

2. **Roll Call:**

Present:	Absent:
Alyssa Sparling, Committee Member At Large Paavo Ogren, Committee Member At Large Craig Angello, Committee Member, FCFA Director Austin, Committee Member, OCSD President Gibson, Committee Member, OCSD Peter Brown, General Manager, OCSD Carey Casciola, Business and Accounting Manager, OCSD	Jermy Ghent, Committee Member, SSLOCSD Kerry Langford. Committee Member At Large

3. **Agenda Review:** Director Austin motioned to approve the agenda as accepted with a second from Craig Angello, 5-0 vote.
President Gibson requested that Paavo Ogren preside over the meeting.

4. **Public Comment on Matters not on the Agenda:**

Charles Varni	Provided comment on the mission of the committee and the members.

5. **Consent Items:** None

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6. **Business Items:**

The committee requested that 6D be moved to after 6A, and that 6E be moved after 6D.

A. Review and discuss the Water Capital Improvement Plan – Preliminary Engineering Report:

After a presentation by staff, an opportunity for public comment, and committee and staff discussion, the committee gave direction to review/update the section regarding state water and to include more information on PSI and Fire Flow (gallons per minute) for each project location.

Public Comment: None

D. Review and discuss the Water Rate Study:

After a presentation by staff, an opportunity for public comment and committee and staff discussion, the committee gave direction to reconsider rates in year 3 and 4 if grants are obtained and to consider issuing debt in the future if the 40% assumption in grants aren't met, to provide a break down the percent increases by factors like a new FTE, inflation, capital, and basic operation at the public hearing for the Board and public, and to review at the public hearing the reasons for commercial rates going down.

Public Comment:

Laurel Marquardt	Asked if the District could move to monthly billing cycles?
Grant Marquardt	Asked why the rates are going up so quickly now and the 5 year period?

B. Review and discuss the Draft Sewer Capital Improvement Plan:

After a presentation by staff, an opportunity for public comment and committee and staff discussion, the committee received and filed the draft plan.

Public Comment:

Charles Varni	Provided comment on the County's improvement plan on Pier Avenue and the lift station.

E. Review and discuss the Sewer Rate Study:

After a presentation by staff, an opportunity for public comment and committee and staff discussion, the committee received and filed the rate study.

Public Comment: None

C. Review and discuss Draft FY 2026 Budget Review:

After a presentation by staff, an opportunity for public comment and committee and staff discussion, the committee received and filed the draft FY 2026 Budget.

Public Comment:

Charles Varni	Provided comment on the programs in the Solid Waste fund and funding associated.

F Review and discuss the Notice of Proposed Increase in Wastewater and Water Service Charges:

After a presentation by staff, an opportunity for public comment and committee and staff discussion, the committee

Public Comment:

Grant Marquardt	Asked if everyone received the Prop 218 notice and provided comment on a potential flyer to have ready for customers after the rate increase is implemented.
Charles Varni	Asked for an update on the SSLOCSD redundancy project.

7. **Items for Next Agenda:** Bring back the consideration of the Chair and Vice Chair of the OCIP committee.

The committee requested the Water and Wastewater CIP plans with the updates, the County Lease Agreements related to Sheriff's Building, the Halcyon and Ken Mar Consolidation Project, and fire services in Oceano.

The committee gave direction to hold their next meeting on August 27, 2025, at 3PM.

8. **Adjournment:** Paavo Ogren adjourned the meeting at 5:10 PM.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Utilities Service
RUS Bulletin 1780

Preliminary Engineering Report (PER)

Water System Improvements Project

Prepared for:

Oceano Community Services District
1655 Front Street
Oceano, California

Prepared by:

Mike Kielborn, P.E.

Cannon
1050 Southwood Drive
San Luis Obispo, California

Date: August 2025

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1. PROJECT PLANNING

a. Location Maps

The location of the Oceano Community Services District (OCSD) is presented in Figure 1. The OCSD is located south of Grover Beach and Arroyo Grande in San Luis Obispo County, California.

Figure 1 – OCSD Location Map

The location of the OCSD service area boundary is presented in Figure 2.

Figure 2 – OCSD Service Area Boundary

b. Environmental Resources Present

A National Environmental Protection Act (NEPA) document is required to be completed based on USDA Rural Development NEPA regulations and submitted for review and acceptance as part of the funding application for the proposed project. The required NEPA document provides an evaluation of the potential for environmental impacts due to the planned construction activities of the proposed project.

On August 14, 2024, the OCSD Board of Directors approved the Final Initial Study and Mitigated Negative Declaration (IS-MND) and the Mitigation and Reporting Program for the Project in accordance with the California Environmental Quality Act (CEQA).

c. Population Trends

The population served by the OCSD in 2020 was the estimated census population (7,183) plus the additional customers outside the District (671).

The County General Plan currently uses a 0.67% annual growth rate for the Oceano area. The projected additional service connections were calculated by dividing the projected increase in population by an assumed average household size of 2.84 per connection.

Table 1 – Population Projection for the OCSD

Year	Population Served	Additional Connections
2020	7,854	0
2030	8,401	193
2040	8,987	399

d. Community Engagement

The OCSD successfully raised water rates in October 2020. As part of this effort, they have created a page on their website with water rate increase information and held multiple public meetings with public comments in accordance with Proposition 218. A public hearing may also be required to solicit public comments after the California Environmental Quality Act (CEQA) Lead Agency comes to a decision regarding CEQA. New water rates will be analyzed in 2025 and the Board will consider a new 5-year rate structure from 2025-2030.

2. EXISTING FACILITIES

a. Facilities Layout Maps

A facilities layout map of the OCSD water system is presented in Figure 3.

b. System Description

The OCSD was formed in 1980 when it took over potable water services for residential and commercial/institutional customers within its service area from the County of San Luis Obispo. The drinking water system is comprised of groundwater wells, a water supply connection to the Lopez Project/State Water Project, an emergency water supply interconnection with the City of Grover Beach, two water storage tanks, iron and manganese treatment, a hydropneumatic tank, a booster pump station and the associated pipeline distribution system.

Groundwater Supply

The OCSD gets approximately 15% of their water supply from groundwater wells, although this varies annually. The OCSD has a total of four groundwater wells including two active wells (Well 6 and Well 8) and two inactive wells (Wells 4 and 7 are disconnected from the system, to be decommissioned). Well 6 is equipped with a 40 hp pump that produces 325 gpm. Well 8 is equipped with a 125 hp pump that produces approximately 950 gpm. Well 4 has been inactive since November 2019 due to sediment issues and a collapsed casing. Well 7 does not produce sufficient water and has water quality issues.

Surface Water Supply

The primary water supply source for the OCSD is through the use of surface water supply contracts. The OCSD purchases treated surface water from the Lopez Project (LP) system which is owned and operated by the County of San Luis Obispo and the State Water Project via a subcontract with the San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWCD) system. The surface water from the Lopez Project is supplied from nearby Lopez Lake. The lake water is released into the Terminal Reservoir before treatment in the adjacent Lopez Water Treatment Plant. The treated water is then distributed to the OCSD and all Zone 3 Lopez agencies through an eight-inch diameter pipeline connection that provides approximately 600 gpm. The SLOCFCWCD is a wholesale distributor of treated surface water from the State Water Project which is also delivered via the Lopez distribution system. The Department of Water Resources provides raw surface water to the CCWA's Polonio Pass Water Treatment Plant. The treated surface water is then distributed to participating member agencies in SLO County, including the OCSD.

Storage Tanks

The OCSD has two storage tanks, Tank 1 and Tank 2, that store up to a total of 1.3 million gallons of water. The water supplied from Well 6 and the Lopez Project/State Water Project feeds into the two storage tanks through inlets on top of the tanks, and Well 8 feeds directly into the water distribution system. Tank 1 is constructed of welded steel and has a storage capacity of 300,000 gallons. Tank 2 is also constructed of welded steel and has a storage capacity of 1.0 million gallons. A hydropneumatic tank is also part of the OCSD system.

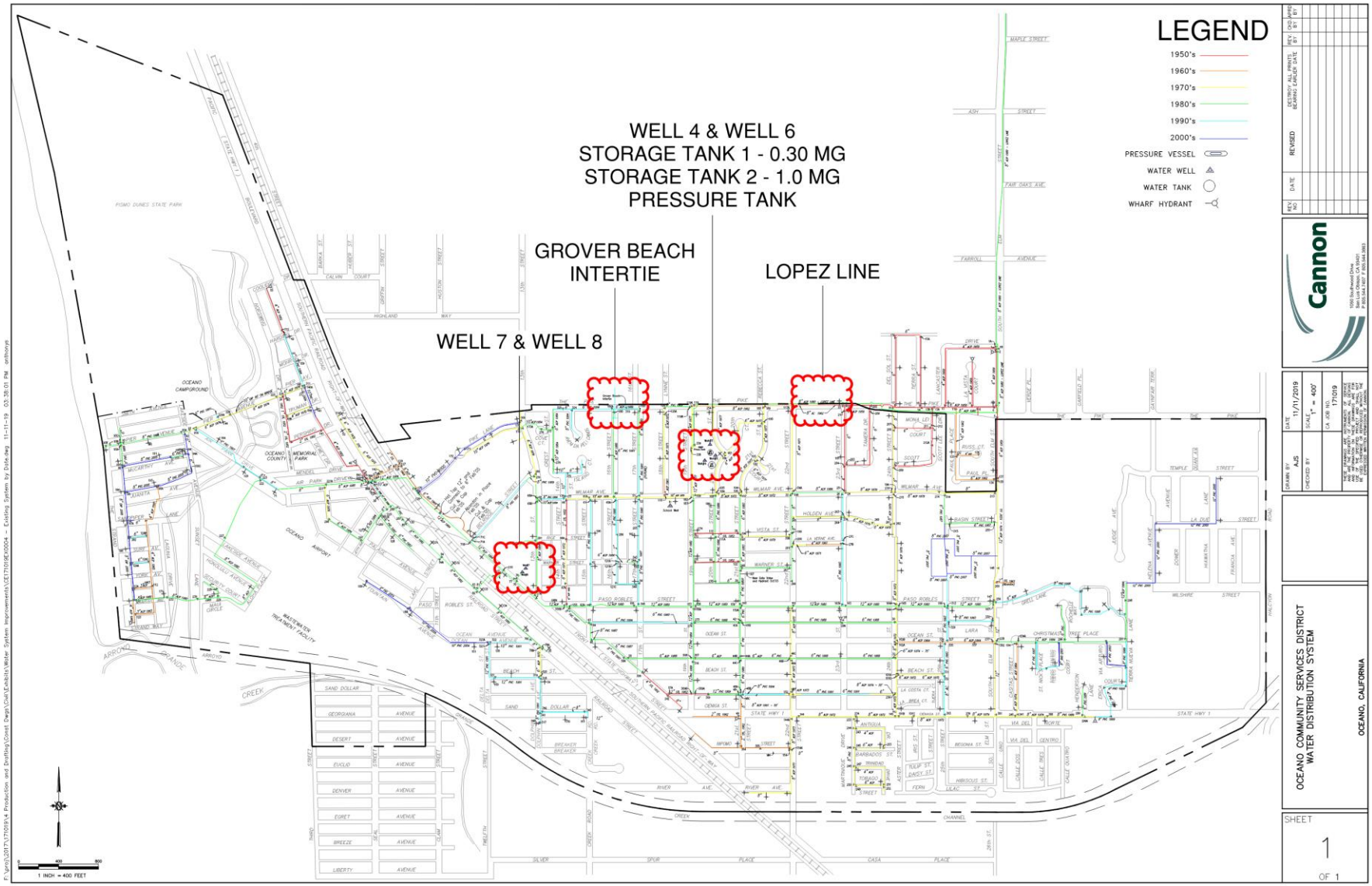


Figure 3 – OCSD Water Facilities Layout Map

Treatment

OCSD injects 12.5% sodium hypochlorite into the well discharge line for Wells 6 and 8 for disinfection. Tank 2 is used to blend water from the groundwater supply wells with surface water supplies from the Lopez/State Water systems for iron and manganese treatment. This blending is classified as a T1 treatment facility. Tank 1 also blends/floats with Tank 2

Booster Pump Station

The OCSD has one booster pump station to pressurize the water distribution system. The booster station has four pumps with pumping capacities from 250 to 1,000 gpm. The booster station is equipped with emergency power backup.

Distribution Pipeline System

The OCSD distribution system is comprised of one pressure zone. Mainlines consist of PVC, AC and metal pipelines with 450 valves. The distribution system is pressurized between 45 and 85 psi.

Table 2 – Summary of OCSD Drinking Water System Components

Component	Number	Capacity/Size	Age (years)	Material/Type
Service Connections	2,115			
Water Meters	2,115	---		
Treatment (NaClO)	1	0.5 to 1.0 mg/L		PE storage tanks + pump
Distribution Pipeline	22.4 miles	2-inch to 12-inch	16-69	DIP, ACP, PVC
Booster Pump Station	1	550, 400, and 250 gpm		
LP/CCWA Connection		600 gpm		
Well #4		inactive	69	
Well #6		350 gpm	42	12” diameter steel casing
Well #8		1,000 gpm	37	12” diameter steel casing
Well #7		inactive	37	
Tank 01		0.3 MG	30	Welded Steel
Tank 02		1.0 MG	39	Welded Steel

c. Condition of Existing Facilities

Water Supply

The OCSD uses two active groundwater wells, a connection to the Lopez/State Water system, and two storage tanks to meet their water system demand. The groundwater wells produce 1,275 gpm and the LP/CCWA system provides 600 gpm for a total active water source supply of 1,875 gpm. The current Title 22 maximum day demand (MDD) calculated for the system is 1,802 gpm and therefore the OCSD water supply source capacity is greater than the required MDD.

The OCSD serves more than 2,115 service connections and should meet four hours of peak hourly demand with source capacity, storage capacity, and/or emergency service connections. The OCSD has a total of 1.3 MG of storage. The required calculated peak hourly demand is 2,702 gpm or 162,120 gallons per hour. The OCSD could provide eight hours of storage and therefore has adequate storage capacity to meet the California Waterworks Standard.

Water Quality

The District's surface water supply is treated by the Lopez Lake Water Treatment Plant for water from the Lopez Project system and by the Polonio Pass Water Treatment Plant for water from the State Water Project system. The quality of the groundwater supply meets the State's primary regulatory standards. The water from Well 6 needs blending treatment to meet the secondary regulatory standards for iron. There are currently no regulatory water quality supply violations.

Infrastructure Issues

The system is comprised of approximately 22.5 miles of pipelines that vary in age from recently installed to almost 70 years old. While a major portion of the system was installed or replaced in the 1980's and 1990's, there are still several water mains in the system that are reaching the end of their useful life. There is also a mix of several different pipe materials that have been installed over the years, and approximately 2,200 connections tied into those pipelines. There are 25 dead ends reported for the pipeline system.

The pipeline system consists of undersized pipeline sections that that do not provide adequate fire flow at the minimum operational pressures. Approximately 15,000 feet of pipeline needs to be replaced with larger appropriately sized pipe to provide both adequate fire flow and potable service pressure. There are sections of undersized mains that are at the end of their useful life. These old small diameter pipe sizes are at risk of breakage and leakage. There are several pipeline sections that need improvements such as looping dead-end mains, increasing the pipeline size to the District's eight-inch minimum diameter, and control valve replacements or additions.

The OCSD has some system water loss through leakage or breaks (real losses), and some loss may be through data collection errors or unauthorized consumption (apparent losses). The current system water loss is estimated to be less than 10%.

Over time the linings and coatings on steel tanks break down and need replacement. Regular inspections of the tank and coatings should be performed by a qualified coating specialist either by diving, or at the next scheduled tank cleaning, to assess the condition of both tanks. Additionally, an inspection report was prepared in July of 2020 for the 0.3 MG tank that noted several deficiencies in the coatings of the tank. Based on the findings in this report, the 0.3 MG water storage tank was repaired, re-coated, and re-lined in 2024. An assessment is currently underway for possible rehabilitation of the 1.0 MG water tank.

Sanitary Survey

The Division of Drinking Water (DDW) also performed an inspection of OCSD's system in 2024 for their Sanitary Survey Report. OCSD has responded to the comments, but the most noteworthy issue identified was that Tank 2 needs spot-repairs to address external corrosion, particularly on the tank roof, access ladder, and guardrails. The work to identify the repairs was completed in 2024, and design plans are currently being prepared to address these issues. Once the bid package is complete, it will be distributed for competitive bids, and the work will be completed.

d. Financial Status of Existing Facilities

Table 3 – OCSD Water Service

Type	Number of Service Connections	Number of Water Meters	Average Monthly Usage per Connection in gallons (over the last 12 months)
Residential	1,959	1,959	5,596
Other	156	156	19,984
Total:	2,115	2,115	

Table 4 – OCSD Calculated EDUs (USDA Method)

User Type	Average Monthly Water Usage (total gallons)	Number of Users (connections)	Average Monthly Usage per Connection (gal)	Number of EDUs
Residential	6,513	1,959	6,513	2,804
Other	25,250	156		571
Total:	32,034	2,115		3,375

Table 5 – OCSD Water Rate Schedule

	Bi-Monthly Rates					
	Current	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024	FY 2024-2025
Single Family Residential Base Charge	$53.56	$60.52	$66.58	$73.23	$75.43	$77.69
Multi Family Residential Base Charge	N/A	$45.39	$49.93	$54.92	$56.57	$58.27
Non-Residential Base Charge						
5/8	$59.80	$67.57	$74.33	$81.76	$84.22	$86.74
3/4	$72.81	$82.28	$90.50	$99.55	$102.54	$105.62
1	$111.40	$125.88	$138.47	$152.32	$156.89	$161.59
1&1/2	$201.21	$227.37	$250.10	$275.11	$283.37	$291.87
2	$312.52	$353.15	$388.46	$427.31	$440.13	$453.33
3	$497.30	$561.95	$618.14	$679.96	$700.36	$721.37
4	$844.80	$954.62	$1,050.09	$1,155.10	$1,189.75	$1,225.44
6	$1,317.12	$1,488.35	$1,637.18	$1,800.90	$1,854.93	$1,910.57
Volume Charges (1 CCF= unit)						
per unit	per unit	per unit	per unit	per unit	per unit	per unit
0-6 units	$1.80	$3.30	Actual	Actual	Actual	Actual
7-12 units	$5.44	$6.47	Actual	Actual	Actual	Actual
13-18 units	$5.83	$6.47	Actual	Actual	Actual	Actual
19-24 units	$6.31	$6.47	Actual	Actual	Actual	Actual
24+ units	$6.54	$6.47	Actual	Actual	Actual	Actual
Other:						
Hydrant Meter	$3.53	$6.47	Actual	Actual	Actual	Actual
Out of Area Charge	$8.51	$9.62	$10.58	$11.64	$11.98	$12.34
Backflow Preventer Inspection	N/A	Pass-through	Pass-through	Pass-through	Pass-through	Pass-through
Meter Test Charge	$40.00	$150.00	$150.00	$150.00	$150.00	$150.00

Actual costs are wholesale pass-through costs for Lopez and State water supplies

Table 6 – OCSD Annual Revenue FY 2023-24

Revenues	Amount
Water Sales	$ 3,169,495
Front Footage Fees	$ 4,080
Delinquent Fees	$ 81,482
New Account Setup Fees	$ 4,350
Courtesy Notices Fees	$ 3,623
Wheeling Fees	$ 21,871
Interest	$ 51,373
Grant Revenue	$ 0
Other Revenues	$ 31,700
Total:	**$ 3,367,974**

Table 7 – OCSD Annual O&M Costs FY 2023-24

Expenses	Amount
Water Supply - Lopez (Pass through)	$ 527,159
Water Supply - State (Pass through)	$ 1,126,227
Salaries & Benefits	$ 340,560
Admin Allocation	$ 551,152
Services & Supplies	$ 290,376
Capital Outlay	$ 115,116
Debt Service	$ 54,005
Total:	**$ 3,004,595**

Capital Improvement Plan

The OCSD has developed a Capital Improvement Plan (CIP) to provide better water availability and reliability of the drinking water system by planning for the maintenance, replacement and addition of water system components. A copy of the OCSD CIP is in Appendix B. Some of the projects in the CIP have been completed since the last update. The remaining projects are summarized below.

Table 8 is a summary of the remaining CIP projects. Refer to Table 10 for a comprehensive list of the projects that will need to be completed.

Table 8 - OCSD Capital Improvement Plan Summary

Improvement Program	Number of Projects Planned	Estimated Cost
Pipeline Replacement/Connection	29	$ 3,139,150

Table 9 – OCSD Water System Existing Debts

Description	Amount	Annual Debt Service
CalPERS – UAL	$ 906,000	$ 80,980

e. Water/Energy/Audits

As part of the 2009 Water Master Plan unaccounted-for water use was tabulated for years between 2003 and 2008, averaging 9%. The OCSD also recently completed water audits for 2019, 2020, 2021, 2022 and 2023 and found that overall unaccounted-for water was typically less than 10%, which was lower than anticipated given the age of the system.

3. NEED FOR PROJECT

a. Health, Sanitation and Security

There are currently no water supply issues and no water quality issues with the OCSD drinking water system. The pipeline system consists of undersized pipeline sections that that do not provide adequate fire flow at the minimum operational pressures. Approximately 15,000 feet of pipeline needs to be replaced with larger, appropriately sized pipe to provide adequate fire flow and service pressure.

b. Infrastructure Issues

There are sections of undersized main pipelines that are at the end of their useful life. The old and small diameter pipe sizes are at risk of breakage and leakage. There are several pipeline sections that need improvements such as looping dead-end mains, increasing the pipeline size to the District's eight-inch minimum diameter, and control valve replacements or additions.

c. Reasonable Design Capacity

The reasonable design capacity for the development of additional water system infrastructure is based on the current population and the allowable estimated growth rate indicated in Section 1.c. of this report.

4. ALTERNATIVES CONSIDERED

The OCSD pipeline system issues are addressed by the District's Capital Improvement Plan. The CIP includes the listing of pipeline replacement projects to upgrade sections of old and undersized pipelines to improve fire flow and service pressure and to remove pipeline sections that are at risk of breakage and leakage.

5. SELECTION OF AN ALTERNATIVE

The OCSD CIP includes pipeline projects that have been evaluated for priority need as described below. Some of the projects from the CIP have been completed in the last several years, and have been excluded from the table. The remaining projects needed are listed.

Priority 1 CIP Projects: Pipelines that need the replacement and upsizing of main pipeline sections across the system in areas that are significantly deficient in the required fire flow at the minimum pressure of 20 psi within five years.

Priority 2 CIP Projects: Pipeline sections needed to correct existing and anticipated future lower priority pipeline system deficiencies (depending on growth and development) within one to ten years. Second priority projects also include those pipeline areas that have deficient fire flow requirements at the minimum residual pressure of 20 psi but are operating closer to the required minimums. These projects may also include the upgrade of undersized pipeline mains that are nearing the end of their useful life. These older, smaller diameter pipe sizes are more at risk to leak or break.

Priority 3 CIP Projects: Pipeline sections that that do not have immediate deficiencies but should be corrected in the future as budgets allow. The pipeline system improvement work would include looping dead-end mains, increasing water main sizes when a pipeline's useful life is nearing the end, increasing undersized pipelines to the District’s 8-inch minimum, and valve replacements or additions.

In addition to the operational deficiencies noted above, the project ranking procedure also considered future County and Caltrans street improvement projects. The projects that are in areas where development or street improvements projects are planned have been elevated on the priority list to minimize excavation in recently repaved streets or where service to new development would be provided.

The proposed USDA funded project work is described in Table 10.

Table 10 – Selected CIP Projects for USDA Funding

CIP Project No.	Description
Priority 1 CIP Projects	
	Pipeline Projects
1-2	Cabrillo Hwy. and Front St.
1-3	22nd St. at Paso Robles St.
1-4	Truman Dr.
1-5	Railroad St. Alley (Truman to Air Park)
1-7	Strand Way (South of Utah)
1-8	Laguna Dr. Alley (South of Utah)
1-10	Utah Ave Alley (Strand Way to Utah)
1-11	Pershing Drive across Hwy 1
Priority 2 CIP Projects	
	Pipeline Projects
2-1	Pier Ave. (Lakeside to Hwy. 1)
2-2	Norswing Dr. Loop (North of Pier)
2-3	Railroad Street (Creek to 17th)
2-4	Creek Road (Sand Dollar to Railroad)
2-5	16th St. at Warner St.
2-6	14th St. at Wilmar Ave.
2-7	Vista St. (19th to 21st)
2-8	Warner St. (19th to 21st)
2-9	South 4th St. Upgrade
2-10	Temple St. and Halcyon Rd.
Priority 3 CIP Projects	
	Pipeline Projects
3-1	La Verne Avenue (22nd to 23rd)
3-2	23rd Street at Wilmar Ave.
3-3	18th St at Wilmar Ave.
3-4	Laguna Dr. Alley (Utah to Juanita)
3-5	Utah Ave. Alley (York to Utah)
3-6	Rochelle Way Loop
3-7	Security Ct. at Sunset Ln.
3-8	21st St. at River Ave.
3-9	La Vista Ct. at The Pike
3-10	Lancaster Drive at The Pike
3-11	Trinidad Drive at Martinique

6. PROPOSED PROJECT

a. Preliminary Project Design

The major work components of the proposed OCSD Water System Improvement Project are based on the water system needs previously described in the CIP and are described below:

<u>Pipeline Work (approximately 15,000 feet)</u>

- Install new eight-inch diameter pipeline main sections.
- Replace existing main pipeline sections with upsized eight-inch diameter pipe.
- Extend dead-end pipeline to form pipeline loops.
- Install new and replace old control valves in the pipeline system.

The project construction work will be completed in compliance with the State, County, AWWA and OCSD construction standards, and other relevant standards as required.

A location map of the proposed pipeline work is presented in Figure 4.

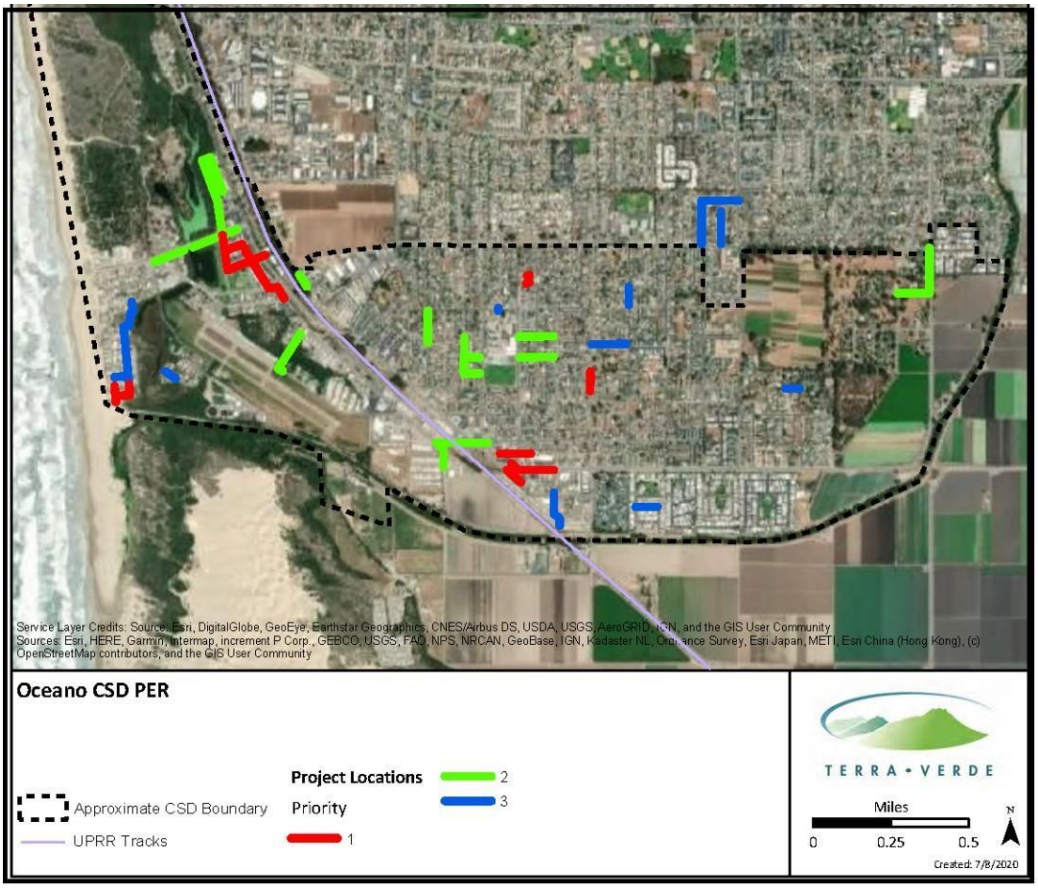


Figure 4 – Pipeline Work Location Map

b. Project Schedule

Milestone	Estimated Completion
USDA RD Approval of PER	May 2025
Project Funding Obtained	November 2025
Begin Design of Remaining Projects	December 2025
Permits Obtained	January 2026
Environmental Clearances Obtained	February 2026
Final Design Complete	March 2026
USDA RD Approval of Final Design	June 2026
Advertisement to Bid/Contract Award	November 2026
Final Construction Complete	November 2028

c. Permit Requirements

Each of the proposed pipeline projects will require an encroachment permit. Most will be with the County of San Luis Obispo, but some will be with Caltrans, UPRR, and the City of Arroyo Grande.

Local, state, and federal government resource agencies will require various project permits or conditions to avoid or reduce potential impacts to such resources to a level that is less than significant. These permits or conditions will include a list of measures to be completed before, during, and/or after construction and may include such items as a jurisdictional delineation and waters assessment for waters, wetlands, and riparian areas; preconstruction biological surveys for special-status plants and animals; necessary actions to avoid and/or reduce any impacts during construction; and habitat restoration following construction.

d. Sustainability Considerations

The replacement of the pipes will provide reliable fire flow pressures and upgrade older system pipes to ensure that there will not be any leaks or breaks in the pipes, causing water loss.

e. Total Project Cost Estimate

The total project cost estimate for the proposed project is presented in Table 11.

A construction cost estimate breakdown for the construction part of the total project cost is presented in Table 12. Note, these construction costs have been updated since the preparation of the CIP in 2019, to reflect current construction installation costs.

Table 11 – Total Project Cost Estimate

Oceano CSD – PER
(as of August 2025)

Item		Amount
Legal Counsel and Bond Counsel		$ 60,000
Interim Financing Expense		$ 190,000
Environmental Report Services		$ 25,000
Engineering Services	**Subtotal**	
Exhibit A	---	
- A1.01 Study and Report Phase (PER)	$ 25,000	
- A1.02/3 Design Phase	$ 427,700	
- A1.04 Bidding/Negotiating Phase	$ 88,285	
- A1.05 Construction Phase	$ 176,566	
- A1.06 Post Construction Phase	$ 25,000	
Exhibit D	---	
- D1.01 Resident Project Representative	$ 706,275	
Total - Engineering Services:		$ 1,448,826
Construction Contract (based on construction cost estimate)		$ 3,531,375
Total Project Contingency (15% of construction estimate)		$ 529,706
Total:		**$ 5,784,907**

"The estimated project cost is based on the understanding that the project is required to be in compliance with the USDA Rural Development American Iron and Steel (AIS) requirements."

Table 12 - Construction Cost Estimate Breakdown
(as of August 2025)

CIP Project No.	Description	Pipeline Diameter (in)	Pipeline Length (ft)	Unit Cost ($/ft)	Cost Estimate
Priority 1 CIP Projects					
	Pipeline Projects				
1-2	Cabrillo Hwy. and Front St.	8	400	225	$ 90,000.00
1-3	22nd St. at Paso Robles St.	8	225	225	$ 50,625.00
*1-4	Truman Dr.	8	250	225	$ 56,250.00
*1-5	Railroad St. Alley (Truman to Air Park)	10	1,000	225	$ 225,000.00
*1-7	Strand Way (South of Utah)	8	235	225	$ 52,875.00
*1-8	Laguna Dr. Alley (South of Utah)	8	130	225	$ 29,250.00
*1-10	Utah Ave Alley (Strand Way to Utah)	8	195	225	$ 43,875.00
1-11	Pershing Drive across Hwy 1	8	200	375	$ 75,000.00
				Total Priority 1:	**$622,875.00**
*** Projects 1-4, 1-5, 1-7, 1-8, and 1-10 are currently out to bid in a Construction package (estimated total Project cost ~ $700,000)**					
Priority 2 CIP Projects					
	Pipeline Projects				
2-1	Pier Ave. (Lakeside to Hwy. 1)	10	1,140	225	$ 256,500.00
2-2	Norswing Dr. Loop (North of Pier)	8	1,750	225	$ 393,750.00
2-3	Railroad Street (Creek to 17th)	8	650	315	$ 204,750.00
2-4	Creek Road (Sand Dollar to Railroad)	8	480	225	$ 108,000.00
2-5	16th St. at Warner St.	8	940	225	$ 211,500.00
2-6	14th St. at Wilmar Ave.	8	380	225	$ 85,500.00
2-7	Vista St. (19th to 21st)	8	480	225	$ 108,000.00
2-8	Warner St. (19th to 21st)	8	480	225	$ 108,000.00
2-9	South 4th St. Upgrade	8	190	225	$ 45,000.00
2-10	Temple St. and Halcyon Rd.	12	1,075	240	$ 258,000.00
				Total Priority 2 :	**$1,779,000.00**
Priority 3 CIP Projects					
	Pipeline Projects				
3-1	La Verne Avenue (22nd to 23rd)	8	500	225	$ 112,500.00
3-2	23rd Street at Wilmar Ave.	8	300	225	$ 67,500.00
3-3	18th St at Wilmar Ave.	8	40	225	$ 9,000.00
3-4	Laguna Dr. Alley (Utah to Juanita)	8	1,195	225	$ 211,500.00
3-5	Utah Ave. Alley (York to Utah)	8	195	225	$ 43,875.00
3-6	Rochelle Way Loop	8	200	225	$ 45,000.00
3-7	Security Ct. at Sunset Ln.	8	280	225	$ 63,000.00
3-8	21st St. at River Ave.	8	690	225	$ 155,250.00
3-9	La Vista Ct. at The Pike	8	425	225	$ 95,625.00
3-10	Lancaster Drive at The Pike	8	1,150	225	$ 258,750.00
3-11	Trinidad Drive at Martinique	8	300	225	$ 67,500.00
				Total Priority 3:	**$1,129,500.00**
				Total Construction Cost Estimate:	**$3,531,375.00**

f. Annual OCSD Operating Budget (projected for FY 2024-25)

Income

Table 13 – OCSD Annual Revenue FY 2024-25

Revenues	Amount
Water Rate Revenue	$3,150,000
Capacity Charge	$40,704
Delinquent Fees	$70,750
New Account Setup Fees	$6,000
Courtesy Notices Fees	$3,700
Wheeling Fees	$25,000
Interest	$51,373
Other Revenues	$55,030
Total:	**$3,402,557**

Annual O&M Costs

Table 14 – OCSD Annual O&M Costs FY 2024-25

Expenses	Amount
Water Supply - Lopez (Pass through)	$553,575
Water Supply - State (Pass through)	$1,151,000
Salaries & Benefits	$396,370
Admin Allocation	$660,921
Services & Supplies	$291,755
Debt Service	$54,000
CIP Projects - Fixed Assets	$150,000
Total:	**$3,257,621**

Debt Repayments

The OCSD requests a funding amount of $5,784,907 for the proposed project.

A loan only funding request for the proposed project work has the following components (USDA will evaluate for grant funding):

Current interest rate:	2.00%
Loan term:	40 years
Loan amount:	$5,784,907
Annual payment amount:	$210,218

Other District debt service payments:

$ 80,980 annual payment to CalPERS, which is included in the District's budget.

Reserves

Debt Service Reserve

USDA requires a 10% debt service reserve which is $ 21,022 per year until a full annual payment is accrued in a restricted asset account held by the District.

Short-Lived Asset Reserve

Table 15 – Short-Lived Asset Reserve

Short-Lived Asset	Useful Life	Replacement Cost	Annual Reserve Amount
Booster Pump – 15 hp	10	$ 10,500	$ 1,050
Booster Pump – 20 hp	10	$ 12,500	$ 1,250
Booster Pump – 25 hp	10	$ 14,500	$ 1,450
Flow Meter – 8"	10	$ 8,300	$ 830
Booster Pump – Natural Gas	15	$ 20,000	$ 1,333
Pump Motor – 60 hp (Well 6)	15	$ 7,000	$ 467
Pump Motor – 125 hp (Well 8)	15	$ 10,000	$ 667
Back-Up Generator	15	$ 40,000	$ 2,667
		Total:	**$ 9,714**

7. CONCLUSIONS AND RECOMMENDATIONS

The recommended Priority 1, 2, and 3 projects are straightforward and will result in significant improvements to the water system needs. The District would like to make each of the recommended upgrades so that they can strengthen their system reliability, security, and longevity. The District is seeking assistance from USDA Rural Development and other funding sources to construct the project. It is recommended that the District pursue funding and implementation of the projects outlined above.

8. TANK 2 REHABILITATION PROJECT (SEPARATE PROJECT)

a. Executive Summary

The Oceano Community Services District (OCSD) is undertaking a critical infrastructure project to rehabilitate Tank 2, a 1-million-gallon steel water storage tank constructed in 1979 that supplies 75% of the district's total water storage. A Sanitary Survey conducted in July 2024 identified extensive corrosion and multiple structural and regulatory non-compliance issues. These include deteriorated interior and exterior coatings, a severely corroded roof vent, non-compliant access ladders and guardrails, and outdated seismic design features. While the tank's steel structure remains in generally good condition, the extent of corrosion—particularly on the interior roof support and exterior roof guardrail—poses significant risks to water quality and public health.

OCSD has developed a comprehensive rehabilitation plan to address these deficiencies. The project includes structural repairs, replacement of protective coatings, safety upgrades, seismic resiliency improvements, and installation of a cathodic protection system to reduce internal corrosion risks. Three alternatives were evaluated, with full rehabilitation identified as the most cost-effective and sustainable option, expected to extend the tank's service life by 30 to 50 years. Environmental and land use impacts are minimal since all work will occur on existing OCSD property, and a CEQA Class 2 Categorical Exemption is anticipated.

OCSD is seeking funding assistance, including support from USDA Rural Development, with construction expected to begin in November 2026 and be completed within three years. This project will significantly enhance system reliability, reduce long-term operational costs, and ensure compliance with public health and safety regulations.

b. Background Project Information

Please refer to Section 2 for detailed background project information.

c. Problem Description

On July 3, 2024, the Oceano Community Services District (OCSD) received a Sanitary Survey from the California Division of Drinking Water identifying significant exterior corrosion on the roof, vent, and sides of Tank 2, a 1-million-gallon (1MG) welded steel water storage tank constructed in 1979. This tank is critical to the OCSD system as it provides approximately 75% of the district's total water storage capacity. The district's only other tank lacks the capacity to meet community demand, making Tank 2 essential infrastructure without redundancy.

In response to the Sanitary Survey, OCSD developed a comprehensive scope for tank rehabilitation, which includes:

- Mobilization and demobilization
- Interior and exterior coating
- Repair roof and replace hatch
- Replacement of roof vent
- Interior and exterior ladder modifications with climber safety devices
- Roof guardrail and gate installation

- Fall protection anchor
- Ladder security door
- Cathodic protection system
- Flexible piping connections (4 locations)
- Overflow system modifications
- Interior mixing system
- Replacement of structurally damaged rafters
- Increase in freeboard to improve seismic resilience

The proposed rehabilitation ensures long-term functionality, protects water quality, and reduces operational risks related to tank failure. Although OCSD is not under an MCL-related compliance order, the observed corrosion poses a risk of future water quality violations. The project is not related to a violation of Section 10609.62 of the Health and Safety Code, and no MCL exceedances or citations have occurred in the past two years.

d. Consolidation Analysis

OCSD is currently in the process of incorporating four smaller water systems into OCSD's service area. These systems include:

- Halcyon Temple of the People
- Halcyon Estates
- Grand Mobile Manor
- Ken Mar Gardens

OCSD has no plans or identified need to consolidate with another larger water district. Given the critical nature of Tank 2 to the existing OCSD system and the absence of a practical alternative water supplier in the region, consolidation into a different agency is infeasible.

e. Alternatives Analysis

<u>Description of Alternatives</u>

Alternative 1 – Rehabilitate Tank 2 (Recommended)

Full rehabilitation of Tank 2 as per the Sanitary Survey findings and proposed scope of work. This will extend the tank's life 30–50 years.

Alternative 2 – Continue Maintenance-Only Approach

Under this alternative, the District would perform periodic spot repairs, coatings, and inspections. The existing tank coatings are aged and do not effectively prevent corrosion. This option is less expensive; however, this approach leads to frequent maintenance, higher long-term costs, and eventual need for rehabilitation or replacement.

Alternative 3 – Do Nothing

Allow the tank to deteriorate, eventually leading to failure. This alternative would require emergency replacement, pose risks to public health and safety, and reduce storage by 75% over a significant period of time. This option is not recommended.

Design Criteria

All design components will conform to the latest editions of:

- California Building Code (CBC)
- ASCE 7
- NSF 61 (Safe Drinking Water Standards)
- California State Health Code

Environmental Impacts

Alternatives 1 and 2 are proposed as Class 2 Categorical Exemptions under CEQA. The exemption is due to the construction scope being limited to the existing tank. The existing tank footprint and foundation would remain. Alternative 3 would likely require a full CEQA review (and possibly a Mitigated Negative Declaration) due to the potential for moderate ground disturbance during the tank replacement.

Land Requirements

All work will occur on existing OCSD property. No easements or land acquisition is necessary for Alternatives 1 or 2. Alternative 3 could require temporary construction easements.

Construction and Site Considerations

Tank 2 provides 75% of OCSD's water storage; thus, the construction duration must be minimized to prevent operational disruptions. Site access is adequate, and the facility is on elevated ground which reduces flood risks.

Cost Estimate

Figure 5 - Tank 2 Estimated Cost Comparison

			Alternate #1			Alternate #2		
Item No.	**Description**	**Unit**	**Quantity**	**Unit Cost**	**Total Cost**	**Quantity**	**Unit Cost**	**Total Cost**
1	Mobilization	LS	1	$ 20,000	$ 20,000	1	$ 20,000	$ 20,000
2	Improve resistance to Seismic Damage	LS	1	$ 259,300	$ 259,300	0	$ -	$ -
3	Appurtenance Upgrades	LS	1	$ 85,800	$ 85,800	1	$ 59,800	$ 59,800
4	Stairway, Security Cage, Locking Door	LS	1	$ 55,000	$ 55,000	0	$ -	$ -
5	Interior Coatings	LS	1	$ 322,606	$ 322,606	0	$ -	$ -
6	Exterior Coatings	LS	1	$ 297,140	$ 297,140	1	$ 297,140	$ 297,140
7	Welded Patch Plates	EA	60	$ 375	$ 22,500	60	$ 375	$ 22,500
8	Replace Roof Rafters	EA	10	$ 2,250	$ 22,500	0	$ -	$ -
9	New Cathodic Protection System	LS	1	$ 31,400	$ 31,400	0	$ -	$ -
10	Backup Generator	LS	1	$ 250,000	$ 250,000	1	$ 250,000	$ 250,000
11	Tank Level Controls (Backup)	LS	1	$ 75,000	$ 75,000	1	$ 20,000	$ 20,000
12	Demobilization	LS	1	$ 15,600	$ 15,600	1	$ 15,600	$ 15,600
13	Modify Exterior Ladder, Safety Device	LS	1		$ -	1	$ 14,600	$ 14,600
					$ 1,456,846			
				Total:	$ 1,401,846			$ 699,640
				Contingency (5%)	$ 70,092			$ 34,982
				Construction Estimate	$ 1,471,938			$ 734,622
				Engineering (10%)	$ 147,194			$ 73,462
				Inspection/CM (10%)	$ 147,194			$ 73,462
				Total Project:	**$ 1,766,326**			**$ 881,546**

Advantages/Disadvantages

Alternative	Advantages	Disadvantages
Rehabilitate	-Upgrade to current code standards including seismic design. -Reuses existing foundation. -Adds stairway for improved access and maintenance. -New interior coatings improve corrosion protection and extend tank life.	-Higher initial cost. -Seismic upgrades limited to replaced elements rather than that of a full tank replacement to current codes
Maintenance-Only Approach	- Lower short-term cost - Less downtime while the tank is out of service	- Leaves aging and corroded rafters in place - Corrosion will continue - Full replacement needed in future. - Increased annual O&M costs
Do Nothing	- Costs are low for existing routine maintenance costs (Only minor repairs)	- High failure risk - High cost of full replacement - Significant temporary reduction in water storage capacity (up to 75%)

Alternative Evaluation and Selection

The rehabilitation of Tank 2 was selected as the most cost-effective, reliable, and sustainable alternative. It complies with regulatory and operational needs while preserving critical infrastructure.

f. Selected Project-Rehabilitate Existing Tank

Project Description

The selected project will rehabilitate the 1MG water storage tank including: mobilization and demobilization of construction resources, interior and exterior coating, interior ladder modifications for clearance at hatch, interior ladder climber safety device, roof repairs, roof guardrail and gate, fall protection anchor, replacement of roof vent, cathodic protection system for interior, ladder security door, roof hatch, modification of exterior ladder and add climber safety device, flexible piping connection at 4 locations, modify overflow, interior mixing system, replacement of rafters with corrosion damage, and increase freeboard for seismic damage resistance.

Schematic and Map

A schematic and site map of the proposed facilities are available and included as an attachment.

Justification

The existing steel tank was built in 1979 and is generally considered functional. The tank is near the pacific ocean and the coastal influence accelerates corrosion. Corrosion has severely damaged portions of the roof and some of the appurtenances. The State Water Resources board has requested that actions be taken to repair items important for maintaining drinking water quality and allowing safe access to the tank roof.

The selected project directly addresses deficiencies noted in the 2024 Sanitary Survey. It will extend the useful life of the tank by 30–50 years and ensures continued compliance with drinking water regulations. Compared to alternatives, it minimizes operational risk and lifecycle costs.

O&M Challenges and Solutions

The rehabilitation is expected to reduce long-term O&M costs significantly. Modern protective coatings and structural reinforcements will decrease frequency of maintenance. Household rate impacts are expected to be neutral or improved due to reduced emergency repair costs.

Local/County Planning Consistency

As a rehabilitation project on existing infrastructure, this effort does not trigger local or county planning reviews or requirements. No changes to land use, tank height, or footprint are anticipated.

Green and Resilient Components

This project does not include designated green components. However, installing cathodic protection and upgrading structural components will enhance seismic and corrosion resilience.

Consolidation

This is not a consolidation project.

Land Acquisition

No land acquisition is required.

Final Plans and Specifications

The design for the tank rehabilitation includes the following:

1. Prepare to take tank #2 out of service (reduces OCSD storage capacity by 75%) by installing level control automation for tank #1 and a back-up generator at Well 8.
2. Cut off appurtenances that have severe corrosion damage and replace with new to meet current health and safety regulations. This includes roof vent, roof hatch and roof guardrail.
3. Replace the most corroded roof support rafters with new rafters.
4. Install welded patches on the roof where corrosion damage is most severe.
5. Replace the corroded exterior ladder with a new stairway to improve safety and facilitate future maintenance of the tank coatings.
6. Modify piping connections to improve flexibility and resistance to damage from movement that can be expected in a seismic event.
7. Remove existing interior and exterior coatings and replace with new coatings.
8. Install a cathodic protection on the tank interior to add redundancy for protection of submersed surfaces.

Specifications and plans (60% complete) can be considered to include all of the most significant aspects of the project. These are provided with this application.

Water Demand and Capacity Analysis

Water demand data is detailed in the Preliminary Engineering Report prepared by Cannon dated, August 2025. The tank is sized to meet Maximum Day Demand (MDD), local fire flow requirements, and reasonable population growth over 20 years.

Estimated Useful Life

The existing tank is approximately 45 years old. Steel can be maintained to last indefinitely. Many 100-year-old tanks exist. Portions of a steel tank, that are not accessible for recoating have significantly shorter life.

- The life of coatings on the interior and exterior is generally expected to be 20 years.
- The existing tank bottom can only be accessed for coating on the top side. It is expected to last 50 years because it was replaced in approximately 2010 and the conditions for corrosion on the underside are expected to significantly improve over the conditions on the original bottom.
- The new appurtenances and roof structure are expected to last 50 years.
- The repaired roof plate is expected to last 50 years.
- The tank shell would be expected to last 75 years.

Detailed Cost Estimate

Figure 6 - Tank 2 Estimated Cost- Selected Alternate

Item No.	Description	Unit	Quantity	Unit Cost	Total Cost
1	Mobilization & Construction Coordination	LS	1	$ 20,000	$ 20,000
2	Improve resistance to Seismic Damage	LS	1	$ 259,300	$ 259,300
3	Appurtenance Upgrades	LS	1	$ 85,800	$ 85,800
4	Spiral Stairway, Security Cage and Locking Door	LS	1	$ 55,000	$ 55,000
5	Interior Coatings	LS	1	$ 322,606	$ 322,606
6	Exterior Coatings	LS	1	$ 297,140	$ 297,140
7	Welded Patch Plates	EA	60	$ 375	$ 22,500
8	Replace Roof Rafters	EA	10	$ 2,250	$ 22,500
9	New Cathodic Protection System	LS	1	$ 31,400	$ 31,400
10	Backup Generator (for out of service ops)	LS	1	$ 250,000	$ 250,000
11	Tank Level Controls (for out of service ops	LS	1	$ 75,000	$ 75,000
12	Demobilization	LS	1	$ 15,600	$ 15,600

Total:	$	1,401,846
Contingency (5%)	$	70,092
Construction Estimate	$	1,471,938
Engineering (10%)	$	147,194
Inspection/CM (10%)	$	147,194
Total Project:	**$**	**1,766,326**

Proposed Schedule

Construction is anticipated to begin in **November 2026**, contingent on funding award. The project will be completed within the required 3-year timeline from agreement execution.

g. Climate Change Response

Vulnerability

Tank 2 is located on elevated ground, outside of the floodplain. There have been no impacts from recent storm events, and no sea-level rise risks exist at the site. Regional risks include prolonged drought, increased wildfire exposure and seismic activity. Wildfire is not a concern given the project's location coastal location.

Adaptation

No structural relocation or design adaptation is currently necessary due to the site's inherent resilience. Interior mixing and cathodic protection systems reduce heat-related stagnation risks and internal corrosion, respectively.

Mitigation

While this project does not include direct mitigation of greenhouse gas emissions, rehabilitation of existing infrastructure reduces the carbon footprint compared to constructing a new facility. Preventative maintenance reduces the need for energy-intensive emergency operations.

h. GHG Reduction Efforts

The project proposed rehabilitation of non-mechanical parts of the tank. Construction activities are limited in scope and duration, with no expected increase in operational GHG emissions.

i. Permits & Documentation

The project will not augment or change existing supply. Existing elements will be replaced with upgraded elements in-kind, therefore a building permit does not apply.

APPENDIX A

Sanitary Survey Report 2024

APPENDIX B

Capital Improvement Plan
(2019)

Sanitary Sewer CIP Draft Engineering Report Presentation

Presenter: Eileen Shields, PE

Sanitary Sewer CIP Report Overview

- Condition evaluation of existing infrastructure
- Develop Capital Improvement Program
- Cost estimates for projects (10+ year planning period)
- Long-term framework for capital expenditures
- Provide CIP basis for sewer rate study
- Identify grant and low-cost financing opportunities

CIP Development Process

Worked collaboratively with District Staff

District input guided CIP development

District Staff Workshop

- Revised system hotspots
- Identified pipes & manholes for inspection
- Discussed near- & long-term goals

→

Field Investigations

- CCTV of gravity sewer pipes
- Manhole inspections
- Pier Ave. Lift Station condition assessment

→

Risk Analysis

- Pipes
- Manholes

→

District Staff Workshop

- District review input
- Identify projects
- Priority rankings

→

Capital Improvement Plan

Field Inspections

Joint offset observed in N. Hwy 1 Crossing

Pier Avenue Lift Station

Visual Inspection of 15 manholes

- District jetted and cleaned lines prior to CCTV inspection
  - Recleaning required due to amount of sand and debris

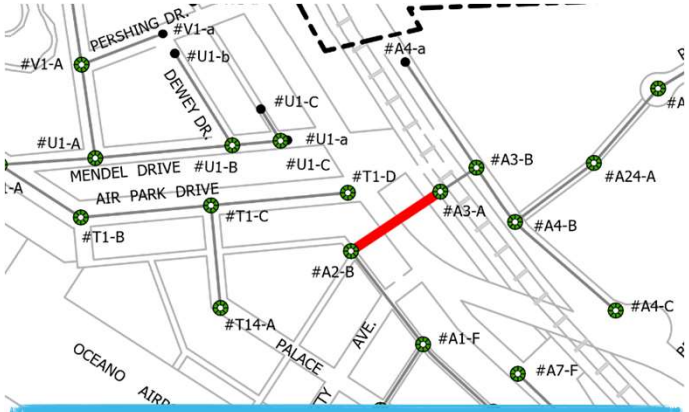
- Plant Services Inc. performed CCTV inspections on:
  - 12/16 - 12/20/2024
  - 2/19 - 2/20/2025
- CCTV Inspection - 10,800 ft total

Pipe (in)	CCTV length (ft)
6	1,200
8	4,100
10	4,300
12	1,200

Risk Analysis

Gravity Sewer Pipe Consequence of Failure

Parameter	Parameter Weighting	Assigned Ranking		
		1	2	3
Street Access	1	No Access Restrictions	Collector or Arterial Road, Limited Access	Highway 1, Airport, No Access
Environmental Location	2	No Issue	Spill to Residential	Spill to Water Body
Diameter	1.5	6-inch	8- to 10-inch	12-inch
Material	1	PVC	-	VCP
Pipe Age	1.5	Current - 1990	1990 - 1970	Pre 1970



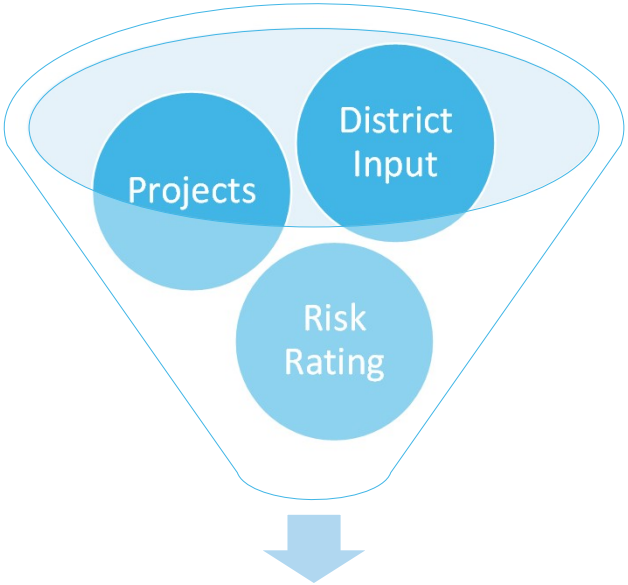
8-inch VCP North railroad crossing pipe segment with a consequence of failure score of: 2.29

Manhole Risk Analysis

Parameter	Parameter Weighting	Assigned Ranking		
		1	2	3
Manhole Access	1	No Access Restrictions	Collector/Arterial Road, Private Property, Limited Access	Highway 1, Private Property, Airport, No Access
Environmental Location	2	No Issue	Spill to Residential	Spill to Water Body
Structural	3	Minimal to No Damage	Minor Damage, Missing Grout, Minor Cracks, Minor Root Intrusion, Moderate Rust on Frame/Cover	Significant Damage, Cracking, or Fractures; Significant Root Intrusion
O&M	2	No Known Issues	Intermittent Maintenance	Frequent Maintenance
No. of Connections	1	2	3	4+
Size of Connections	1.25	6-inch	8- to 10-inch	12-inch

Manhole T6-B on Strand Way often cleaned because of a sand intrusion with risk score of 5.33

Capital Improvement Plan



Project Priority List

Project Priority List

- Priority A – Near Term, next 5 years
- Priority B – Mid-Term, next 5-10 years
- Priority C – Long Term, 10+ years

10-Year CIP Overview

Historical Cost Data

Costs Include:

- Construction
- Contingency
- Engineering Design
- Project Administration
- Permitting

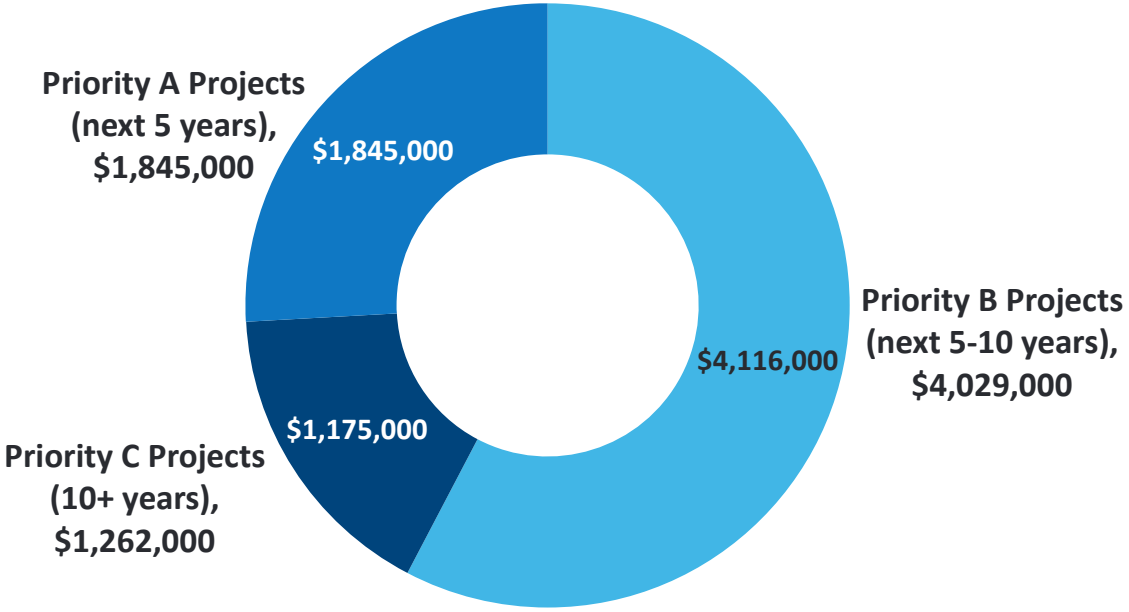
Supports Sewer Rate Study

AACE Level 4 Cost Estimate

- Accurate within -30% to +50%

Project Costs by Priority Ranking

2025 Dollars



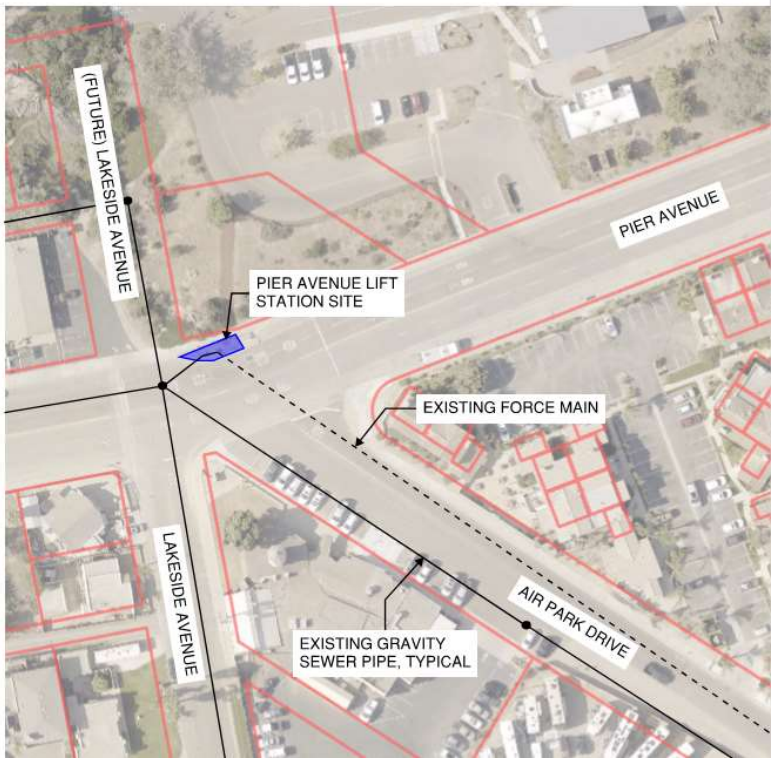
Total Project Costs = $7,136,000

Priority A Projects

(within next 5 years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
A-1 Sewer Maintenance Equipment	Replace undersized sewer cleaning equipment with a larger water jetting truck	$330,000 (Used) $660,000 (New)	2026
A-2 Pier Ave. Lift Station Interim Improvements	Various improvements include backup generator, upgrade motor/pumps, access hatch, and recoating exposed dry well	$487,000	2027
A-3 Belridge St. Sewer Rehabilitation Project	Replacement of 372 feet of 8-inch VCP pipe that has sags which cause backups	$383,000	2028
A-4 Wilmar Ave. Sewer Rehabilitation Project	Point repair of 5 feet of 10-inch VCP pipe where PVC fragment obstructs flow and clearing of clogged lateral	$46,000	2029

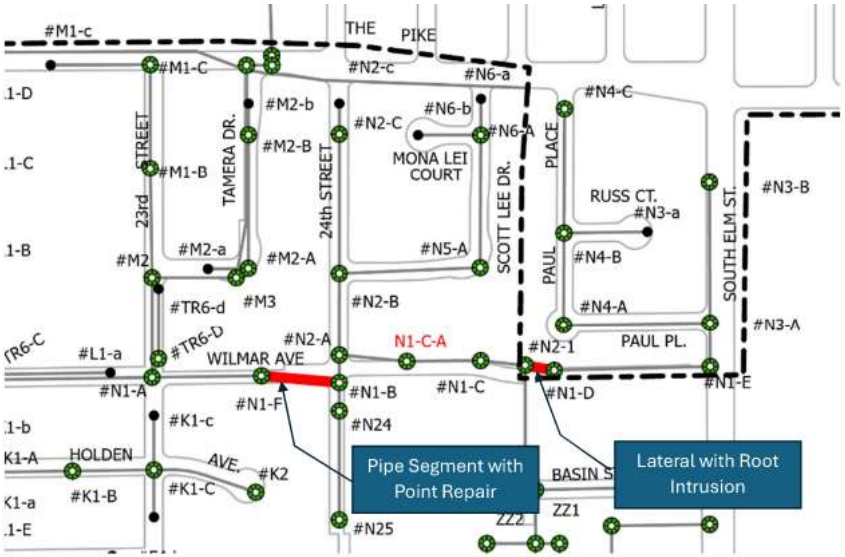
Project A-2: Pier Ave. Lift Station Interim Improvement



Project A-3: Belridge Street Sewer Rehabilitation

Pipe belly (sag) observed between manholes #A9-A-A and #A9-A-B

Project A-4: Wilmar Avenue Sewer Rehabilitation



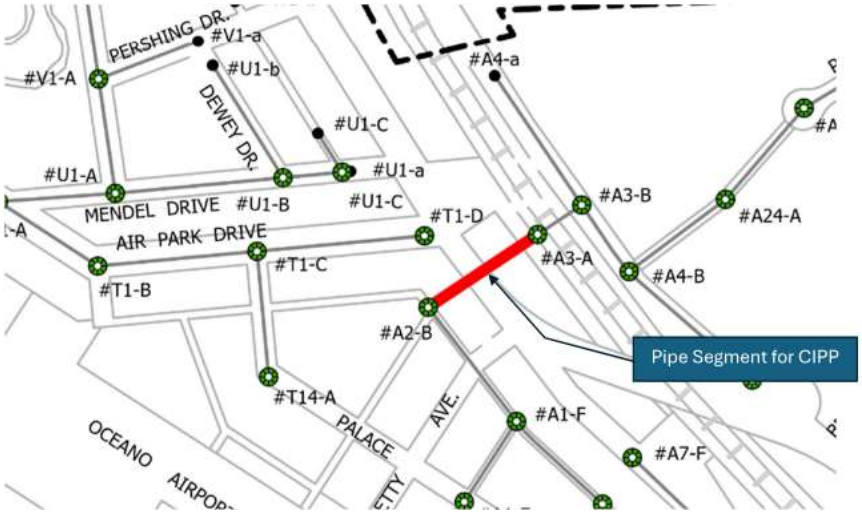
PVC lodged into pipe between manholes #N1-B and #N1-F

Priority A Projects

(within next 5 years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
A-5 North Highway 1 Crossing Sewer Rehabilitation	Rehabilitation of 322 feet of 8-inch VCP with cured-in-place liner to fix horizontal joint deflections	$116,000	2029
A-6 CCTV Inspection - Phase 1	CCTV footage to identify any potential deficiencies and provide record of infrastructure conditions	$63,000	2029
A-7 Lateral Replacement Project	Replace 6 District owned laterals	$90,000	2030

Project A-5: North Highway 1 Crossing



Joint offset observed between manholes #A2-B and #A3-A

Project Funding Opportunities

Funding Source	Funding Type	OCSD Competitive
USDA Water and Waste Disposal Loan & Grant Program	Low-Interest Financing and Grants	High
USDA Community Facilities Direct Loan & Grant Program	Low-Interest Financing and Grants	Moderate
U.S. Department of HUD CDBG Program	Grant	Low
U.S. Congressman Salud Carbajal FY26 Appropriations Request	Grant (Submitted April 2025)	Moderate

Thank You!
Questions and Comments

Priority B Projects

(5 to 10 years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
B-1: Ocean Avenue and Fountain Avenue Sewer Rehabilitation	Replace pipe segments along Ocean Avenue and Fountain Avenue and point repair on pipe segment within Ocean Avenue	$929,000	2031
B-2: The Strand Sewer Rehabilitation	Replace pipe segments in the Strand area. Replace 21 manhole covers and frames with waterproof, composite manhole covers.	$803,000	2033
B-3: Railroad Crossing South	Replace pipe segment underneath railroad and Highway 1 and pipe segment within Railroad Street. Project requires coordination with Union Pacific Railroad.	$1,792,000	2034
B-4: Cienaga and Beach Street FOG Project	Installation of manhole smart cover and biological dosing system to reduce FOG within pipes.	$42,000	2033

Priority B Projects

(5 to 10 years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
B-5: MH Improvements – Phase 1	Replace manhole covers, frames, and grade rings	$137,000	2031
B-6: CCTV Inspection – Phase 2	Inspect portion of sewer collection system	$63,000	2033
B-7: Pier Avenue Lift Station Replacement Planning and Design	Planning and design phase of Pier Avenue Lift Station Replacement Project	$263,000	2035

Priority C Projects

(10+ years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
C-1: 20th Street Sewer Rehabilitation	Point repair pipe cracks	$52,000	-
C-2: Holden Avenue Sewer Rehabilitation	Point repair pipe cracks	$37,000	-
C-3: Pier Avenue Lift Station Replacement	Construction phase of the Pier Avenue Lift Station Replacement Project	$960,000	-
C-4: CCTV Inspection – Phase 3	Inspect portion of sewer collection system	$63,000	-

Priority C Projects

(10+ years)

Project Name	Project Description	Project Cost (2025 Dollars)	Recommended Start Year
C-5: MH Improvements – Phase 2	Replace manhole covers and grade rings with waterproof manhole covers	$75,000	-
C-6: Standard Specifications & Drawings Update	Update District Standard Specifications and Drawings	$75,000	-

OCEANO COMMUNITY SERVICES DISTRICT

SANITARY SEWER CAPITAL IMPROVEMENT PLAN

DRAFT CIP ENGINEERING REPORT

AUGUST 18, 2025

PREPARED FOR:

OCEANO COMMUNITY SERVICES DISTRICT
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Oceano Community Services District

Sanitary Sewer Capital Improvement Plan

Draft CIP Engineering Report

August 2025

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EXECUTIVE SUMMARY

Oceano Community Services District (OCSD or District) retained Michael K. Nunley & Associates, Inc., (MKN) to develop a Sanitary Sewer Capital Improvement Plan (CIP) focusing on the identification of high-priority projects (Priority A) recommended for completion within the next five years, medium-priority projects (Priority B) recommended for completion between five to ten years, and low-priority projects (Priority C) recommended for completion after ten years.

As a component of the CIP, Closed Circuit Television (CCTV) investigations were completed for determination of existing sewer collection system conditions and identification of deficiencies. Research into available funding opportunities was conducted to present the District with currently available public and private grants, and low-cost financing. MKN retained subconsultants National Plant Services, Inc., (NPS) for the completion of CCTV investigations and Rincon Consultants, Inc., (Rincon) to conduct research into available funding.

A Preliminary Sanitary Sewer CIP Workshop was held in November 2024 to establish District-identified priority projects, discuss known system deficiencies, and reach consensus regarding weighting and scoring of deficiencies potentially uncovered during inspections. The agreed upon weighting and scoring was used to establish a risk analysis framework for classification of deficiencies observed.

CCTV, manhole, and the Pier Avenue Lift Station inspections were conducted in December 2024 and February 2025. Applicable data was gathered and compiled, and a risk analysis was conducted to identify areas of concern within the sewer collection system. Identified deficiencies were classified within the established risk analysis framework and localized deficiencies were grouped together to form priority projects. A complete list of the identified priority projects is presented below:

Priority A Projects (High-priority projects recommended for completion in the next 5 years):

- A-1: Sewer Maintenance Equipment[1]
- A-2: Pier Avenue Lift Station Interim Improvements
- A-3: Belridge Street Sewer Rehabilitation Project
- A-4: Wilmar Avenue Sewer Rehabilitation Project
- A-5: North Highway 1 Crossing Sewer Rehabilitation
- A-6: CCTV Inspection – Phase 1
- A-7: Lateral Replacement Project

Priority B Projects (Medium-priority projects recommended for completion in 5–10 years):

- B-1: Ocean Avenue and Fountain Avenue Sewer Rehabilitation
- B-2: The Strand Sewer Rehabilitation
- B-3: Railroad Crossing South
- B-4: Cienaga and Beach Street Fats, Oils, and Grease (FOG) Project

[1] New and used options were compared for purchase of the cleaning truck included in Priority Project A-1. **Table 1-1** and **Figure 1-1** of this report include the estimated cost of a new cleaning truck.

- B-5: Manhole Improvements – Phase 1
- B-6: CCTV Inspection – Phase 2
- B-7: Pier Avenue Lift Station Replacement – Design

Priority C Projects (Low-priority projects recommended for completion beyond 10 years):

- C-1: 20th Street Sewer Rehabilitation
- C-2: Holden Avenue Sewer Rehabilitation
- C-3: Pier Avenue Lift Station Replacement – Construction
- C-4: CCTV Inspection – Phase 3
- C-5: Manhole Improvements – Phase 2
- C-6: District Standard Specifications and Drawings Update

Table 1-1 provides the total estimated capital expenditure for each project and project category.

The total estimated expenditures to implement the high- and medium-priority projects in the CIP are approximately **$5.9M** (2025 dollars) over a 10-year period. Low-priority projects extending beyond the ten-year planning period were forecasted within the CIP and total approximately **$1.3M** (2025 dollars). Implementation expenditures for all projects (Priorities A, B, and C) total approximately **$7.2M**. Annual capital project outlay over the CIP planning period is presented in **Figure 1.** The draft CIP, including estimated annual capital outlay associated with design/planning and construction per fiscal year, is presented in **Appendix A.**

As information on the sewer collection system is gathered in the future, it is recommended that the District group necessary rehabilitation and pipeline replacement projects according to their location in the system and scope of work. This methodology will assist in defraying bid advertisement and construction costs related to the project bid and award process, material procurement, mobilization/demobilization, and more. Additionally, the recurring update of the CIP in combination with continued investigations into available funding sources provide the District the opportunity to identify grants and other funding aids that may reduce the District's capital expenditure burden.

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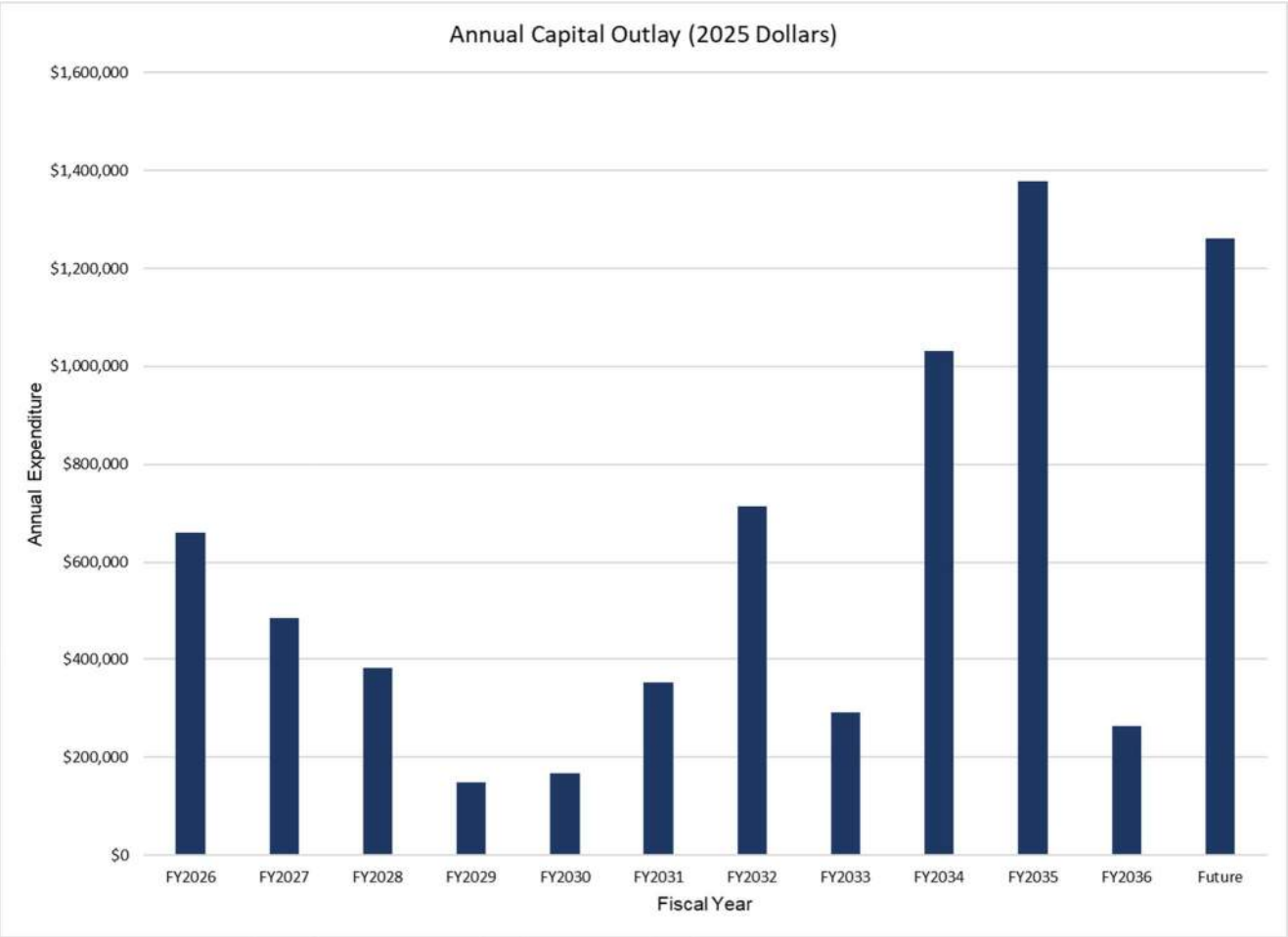
Table 1-1: Priority Project Capital Expenditures

Project Number	Sewer Improvement	Brief Description	Project Limits	Pipe Size (inches)	Pipe Material (Existing)	Pipe Material (New)	Construction/ Product Cost ($)	Contingency Cost ($)	Engineering, Project Administration, and Construction Management ($)	Total Project Cost Estimate ($)	Project Start[4] (FY)
Priority A Projects											
A-1	Sewer Maintenance Equipment	Purchase water jetting truck	N/A	N/A	N/A	N/A	$300,000 (Used) $600,000 (New)	$30,000 (Used) $60,000 (New)	N/A	$330,000 (Used) $660,000 (New)	2026
A-2	Pier Avenue Lift Station Interim Improvements	Upgrade pumps, relocate controls/power above grade, flood proof access hatch, recoat above grade dry well riser, replumb sump discharge piping, backup generator, aluminum davit crane and receiver	Pier Avenue Lift Station	N/A	N/A	N/A	$299,000	$75,000	$113,000	$487,000	2027
A-3	Belridge Street Sewer Rehabilitation	Replace pipe segments on Belridge Street	Belridge Street (MH #A9-A-A to MH #A9-A-B).	8	VCP	PVC	$235,000	$59,000	$89,000	$383,000	2028
A-4	Wilmar Avenue Sewer Rehabilitation	Replacement of a portion of the pipe segment between MH #N1-B and MH #N1-F and clearing roots from a lateral along the pipe segment between MH #N1-D and MH #N2-1.	Wilmar Avenue (MH #N1-D to MH #N2-1 and MH #N1-B to MH #N1-F).	10	VCP	PVC	$28,000	$7,000	$11,000	$46,000	2029
A-5	North Highway 1 Crossing	CIPP lining between MH #A3-A and MH #A3 -B.	West of Railroad Street to Air Park Drive (MH #A3-A to MH #A3-B).	8/10	VCP/PVC	N/A	$61,000	$16,000	$39,000	$116,000	2029
A-6	CCTV Inspection - Phase 1(1)	Inspect portion of sewer collection system	TBD	N/A	N/A	N/A	$50,000	$13,000	N/A	$63,000	2029
A-7	Lateral Replacement Project	Replace 9 District owned sewer laterals	Various Locations	N/A	N/A	N/A	$12,000(3)/Each	$3,000/Each	N/A	$90,000	2030
									Priority A Projects Total[2]	**$1,845,000**	
Priority B Projects											
B-1	Ocean Avenue and Fountain Avenue Sewer Rehabilitation	Replace pipe segments along Ocean Avenue and Fountain Avenue and	Ocean Avenue (MH #A5-D to MH #A6-B) & Fo	$12	VCP	PVC	571000	143000	$215,000	$929,000	2031
B-2	The Strand Sewer Rehabilitation	Replace pipe segments in the Strand area. Replace 21 manhole covers and frames with waterproof, composite manhole covers.	The Strand Area (MH #T9-G to MH #T9-F and MH #T5-A to MH #T2-B)	10	VCP	PVC	$493,000	$124,000	$186,000	$803,000	2033
B-3	Railroad Crossing South	Replace pipe segment between underneath railroad and Highway 1 and pipe segment between within Railroad Street. Project requires coordination with Union Pacific Railroad	Highway 1 to Railroad Street & Ocean Avenue Intersection (MH #A8-A to MH # A6-C)	10	VCP/PVC	PVC	$1,102,000	$276,000	$414,000	$1,792,000	2034
B-4	Cienaga and Beach Street FOG Project	Installation of a Manhole Smart Cover and biological dosing system	Easement Parallel to Highway 1 to Highway 1 (CO #P3-a to MH #P1-A)	6/8/10	VCP	N/A	$33,000	$9,000	N/A	$42,000	2033
B-5	MH Improvements - Phase 1	Replace manhole covers, frames, and grade rings. Replace MH ZZ4	Various Locations	N/A	N/A	N/A	$109,000	$28,000	N/A	$137,000	2031
B-6	CCTV Inspection - Phase 2(1)	Inspect portion of sewer collection system	TBD	N/A	N/A	N/A	$50,000	$13,000	N/A	$63,000	2033
B-7	Pier Avenue Lift Station	Planning and design for relocation of Lift Station to the north of	Pier Avenue Lift Station	N/A	N/A	N/A	N/A	N/A	$263,000	$263,000	2035
									Priority B Projects Total	**$4,029,000**	
Priority C Projects											
C-1	20th Street Sewer Rehabilitation	Point repair pipe cracks	20th Street (MH #H1-A to MH #H1-B)	$6	VCP/PVC	PVC	41000	11000	N/A	$52,000	-
C-2	Holden Avenue Sewer Rehabilitation	Point repair pipe cracks	Holden Avenue (MH #K1-C to MH #K2)	6	VCP/PVC	PVC	$29,000	$8,000	N/A	$37,000	-
C-3	Pier Avenue Lift Station Replacement Construction	Construction for relocation of Lift Station to the north of existing lift station including feasability study	Pier Avenue Lift Station	N/A	N/A	N/A	$698,000	$175,000	$87,000	$960,000	-
C-4	CCTV Inspection - Phase 3(1)	Inspect portion of sewer collection system	TBD	N/A	N/A	N/A	$50,000	$13,000	N/A	$63,000	-
C-5	MH Improvements - Phase 2	Replace manhole covers and grade rings	Various Locations	N/A	N/A	N/A	$60,000	$15,000	N/A	$75,000	-
C-6	Standard Specifications & Drawings	Update District Standard Specifications and Drawings	N/A	N/A	N/A	N/A	$60,000	$15,000	N/A	$75,000	-
									Priority C Projects Total	**$1,262,000**	
									CIP Priority Project Total (A, B, & C)	**$7,136,000**	

Notes:
1. Assumes two-week duration for CCTV inspection.
2. Priority A Project Total includes purchase of new truck for project number A-1.
3. Lateral replacement costs may vary significantly depending on lateral location, length, depth of sewer connection, and other factors.
4. Project start years for Priority C projects are outside the functional 10-year CIP planning window.

Figure 1: Annual Capital Outlay



To assist the District in identifying potential funding sources, available Federal, State, regional, and private grants and low-interest loans for the anticipated CIP projects were investigated. The research included associations between funding sources and applicable CIP projects, the anticipated competitiveness of the District to secure funding, and recommendations on whether the District should pursue the funding source. Eight potential sources were evaluated, with six recommended for consideration:

- California Infrastructure and Economic Development Bank Infrastructure State Revolving Fund Program
- California State Water Resources Control Board (SWRCB) Clean Water State Revolving Fund
- USDA Water and Wastewater Disposal Loan & Grant Program
- USDA Community Facilities Direct Loan & Grant Program
- U.S. Department of Housing and Urban Development Community Development Block Grant Program
- U.S. Congressman Salud Carbajal FY26 Appropriations Request[2]

[2] An appropriations request was submitted to U.S. Congressman Salud Carbajal's office in April 2025 combining Priority A Projects 3 through 5 under the project name "OCSD Critical Pipeline Resiliency Program".

1.0 INTRODUCTION

1.1 Overview

OCSD is a multi-service special district located at the southwestern corner of San Luis Obispo County. The District provides potable water, sanitary sewer collection, solid waste, street lighting, and parks and recreation services to approximately 7,600 residents and businesses in Oceano, California. The OCSD sanitary sewer collection system conveys wastewater from the District's service area to the South San Luis Obispo County Sanitation District (SSLOCSD) trunk main which conveys flows to the SSLOCSD Wastewater Treatment Plant. The District's collection system is comprised of approximately 86,000 feet of pipe ranging in diameter from 6- to 12-inches and is mainly constructed of vitrified clay pipe (VCP) with some polyvinylchloride (PVC) pipe found in areas of newer construction and both PVC pipe and Cured-in-Place Pipe (CIPP) at locations previously rehabilitated. The District operates one lift station (Pier Avenue Lift Station) located near the Oceano Dunes State Vehicular Recreation area entrance along Pier Avenue. An overview of the District's collection system can be found in **Figure 1-1**.

1.2 Purpose

As with any sanitary sewer collection system, the District's sewer facilities require improvements to address system renewal and replacement needs, ensure the safety of staff and customers, protect public health and the environment, continue to maintain and improve system reliability, ensure compliance with applicable regulations. This CIP Engineering Report presents recommended projects to be completed over the next 10+ years to ensure the integrity of the sanitary sewer collection system. The intent of this report and the associated CIP is to provide a long-term framework for capital expenditures that can be updated and implemented at regular intervals. It is important to note that the CIP is intended to be a fluid document, and as such, future adjustments are expected due to increases or reductions of funding levels, construction cost fluctuations, new information uncovered during subsequent inspections, opportunities for grants or other financial aids, and delays due to permitting and necessary approvals, emergency needs, or simply changes in District priorities.

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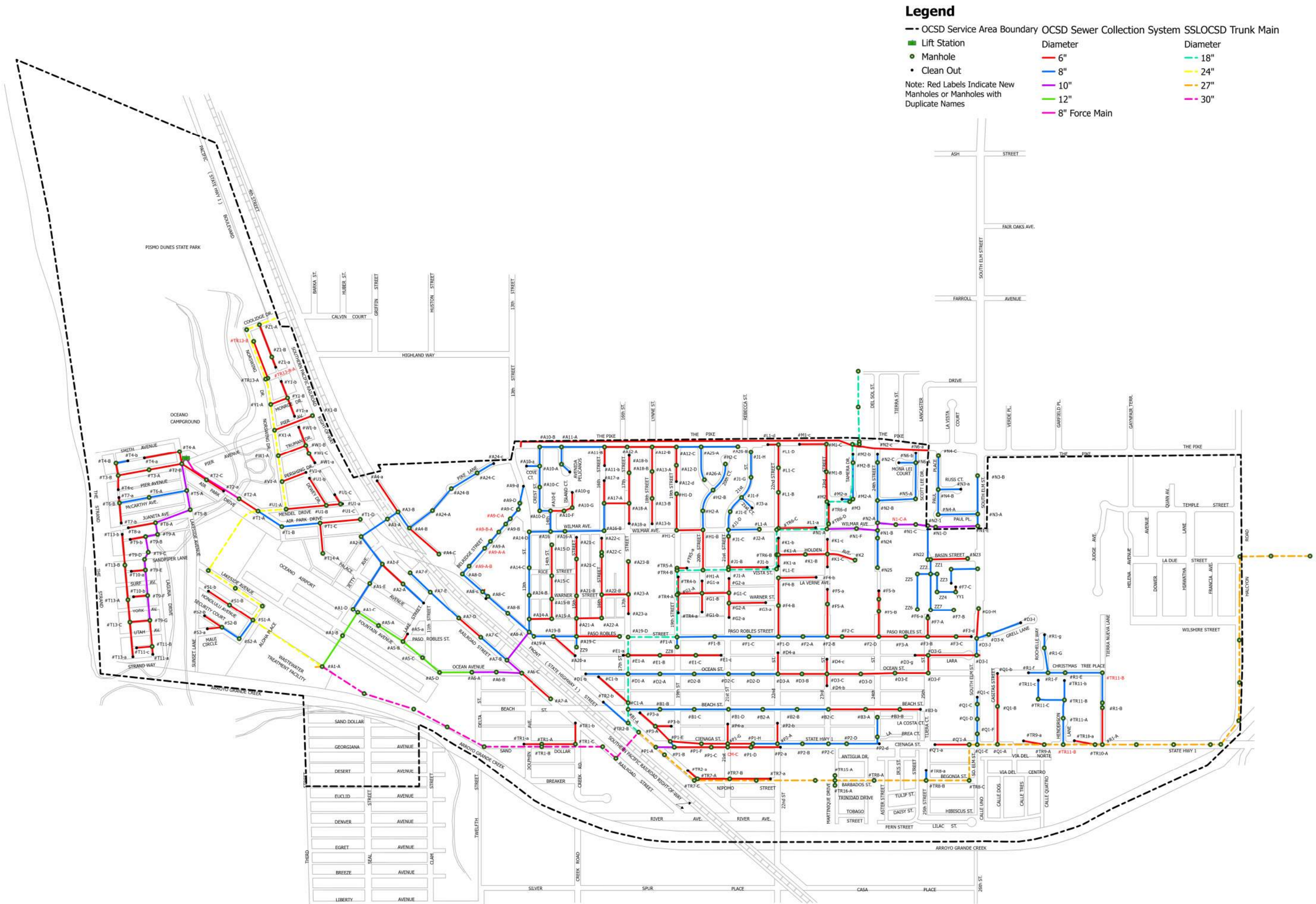

Figure 1-1
Oceano Community Services District
Draft CIP Engineering Report
Sewer System Map

2.0 FIELD INVESTIGATIONS AND INSPECTIONS

2.1 Field Investigations and Inspections Summary

MKN performed field investigations and inspections on portions of the District's sanitary sewer system including CCTV inspection of selected segments of gravity sewer piping, 15 manholes, and the Pier Avenue Lift Station. Pipe segments to be inspected were selected based on known system deficiencies and areas where the consequence of a failure was determined to be high (see **Section 2.2**). This included pipes 10 inches and larger in diameter and where pipes crossed under railroad tracks and Caltrans-controlled roadways. Manholes to be investigated were selected by the District (see **Section 2.3**).

2.2 Pipeline Inspections

Inspections of the District's existing collection system were conducted utilizing CCTV data capture with assessment and categorization of pipeline defects completed in accordance with the National Association of Sewer Service Companies (NASSCO) Pipeline Assessment Certification Program (PACP) guidelines and recommendations. Pipelines which were to be inspected were identified during the Preliminary Sanitary Sewer CIP Workshop by District staff and included the following:

- All 12-inch-diameter pipe
- All 10-inch-diameter pipe
- Belridge Street
- Highway 1 between Belridge and 13th Street
- Alleyway between Beach Street and Cienaga Street
- 20th Street between Wilmar Avenue and Vista Street
- Holden Avenue between 23rd Street and the end of the cul-de-sac
- Wilmar Avenue between 23rd Street and South Elm Street
- South Elm Street between The Pike and south of Paul Place
- Tierra Nueva Lane between Christmas Tree Place and Highway 1

MKN retained National Plant Services, Inc., (NPS) to perform the inspections which took place during December 2024 and February 2025. Pipelines to be inspected were jetted and cleaned by District staff during the weeks preceding inspection. NPS CCTV operators graded defects observed during inspections into two categories: structural and operations and maintenance (O&M). Each structural and O&M defect was characterized with the following NASSCO PACP condition grading system:

- 5 – Most significant defect grade
- 4 – Significant defect grade
- 3 – Moderate defect grade
- 2 – Minor to moderate defect grade
- 1 – Minor defect grade

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Information gathered over the course of the CCTV inspections was compiled into a central database and footage captured by NPS was reviewed. Each pipeline defect observed during inspection was included in the final CCTV reports. These defects were cross-referenced with the respective CCTV footage and confirmed using the NASSCO PACP Reference Manual. Copies of the CCTV inspection reports are presented in **Appendix C** with an example report presented in **Figure 2-1**. A map of all inspected pipelines is presented in **Figure 2-2**.

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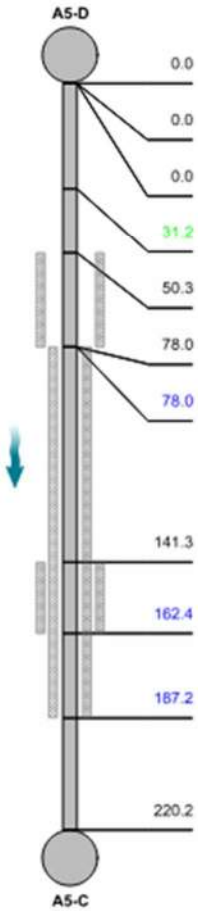
Figure 2-1: Example PACP CCTV Inspection Report

WinCan

Inspection report

Date:	Work Order:	Weather:	Surveyed By:	Certificate Number:	Pipe Segment Ref.:
2/19/2025	MKN100-7.01 REV A	Dry	B.FUGATE	U-508-7069	A5-D_A5-C
Year laid:	Pre-cleaning:	Direction:	Pipe Joint Length:	Total Length:	Length Surveyed:
	No Pre-Cleaning	Downstream		220.2 '	220.2 '

City:	OCEANO	Drainage Area:		Upstream MH:	A5-D
Street:	FOUNTAIN AVE	Media Label:		Up Rim to Invert:	0.0
Location Code:	Local rural streets with light traffic	Flow Control:		Downstream MH:	A5-C
Location Details:		Sheet Number:		Down Rim to Invert:	0.0
Pipe shape:	Circular	Sewer Use:	Sanitary Sewage Pipe	Total gallons used:	0.0
Pipe size:	12 "	Sewer Category:	SEC	Joints passed:	0
Pipe material:	Vitrified Clay Pipe	Purpose:		Joints failed:	0
Lining Method:		Owner:			
Additional Info:	DOWNSTREAM				



Distance		Code	Observation	Counter	Photo	Grade
0.0		AMH	Manhole / A5-D	00:00:00	A5-D_A5-C_43b37024-68bb-4	
0.0		MWL	Water Level, 10% of the vertical dimension	00:00:37	A5-D_A5-C_946733fe-5323-44	
0.0		MWM	Miscellaneous Water Mark, 10% of the vertical dimension	00:00:39	A5-D_A5-C_c6898aa0-c4f5-47	
31.2		CC	Crack Circumferential from 10 o'clock to 1 o'clock	00:02:22	A5-D_A5-C_34ac9e06-849e-4	S1
50.3	S01	MWLS	Miscellaneous Water Level, Sag, 20% of the vertical dimension, Start	00:03:19	A5-D_A5-C_de58af9e-de54-48	
78.0	S02	DSF	Deposits Settled Fine, 10% of cross sectional area at 6 o'clock, Start	00:04:53	A5-D_A5-C_584ceab2-73be-4	
78.0	F01	MWLS	Miscellaneous Water Level, Sag, 20% of the vertical dimension, Finish	00:04:57	A5-D_A5-C_3222ba49-73c2-4	S2
141.3	S03	MWLS	Miscellaneous Water Level, Sag, 25% of the vertical dimension, Start	00:08:29	A5-D_A5-C_63e85e2c-c911-4	
162.4	F03	MWLS	Miscellaneous Water Level, Sag, 25% of the vertical dimension, Finish	00:10:00	A5-D_A5-C_3f92e610-93dd-44	S2
187.2	F02	DSF	Deposits Settled Fine, 10% of cross sectional area at 6 o'clock, Finish	00:11:20	A5-D_A5-C_54343b9f-799f-4a	M2
220.2		AMH	Manhole / A5-C	00:13:40	A5-D_A5-C_5bac895e-915d-4	

QSR	QMR	QOR	SPR	MPR	OPR	SPRI	MPRI	OPRI
2A11	2C00	2E11	21.0	44.0	65.0	1.9	2.0	2.0

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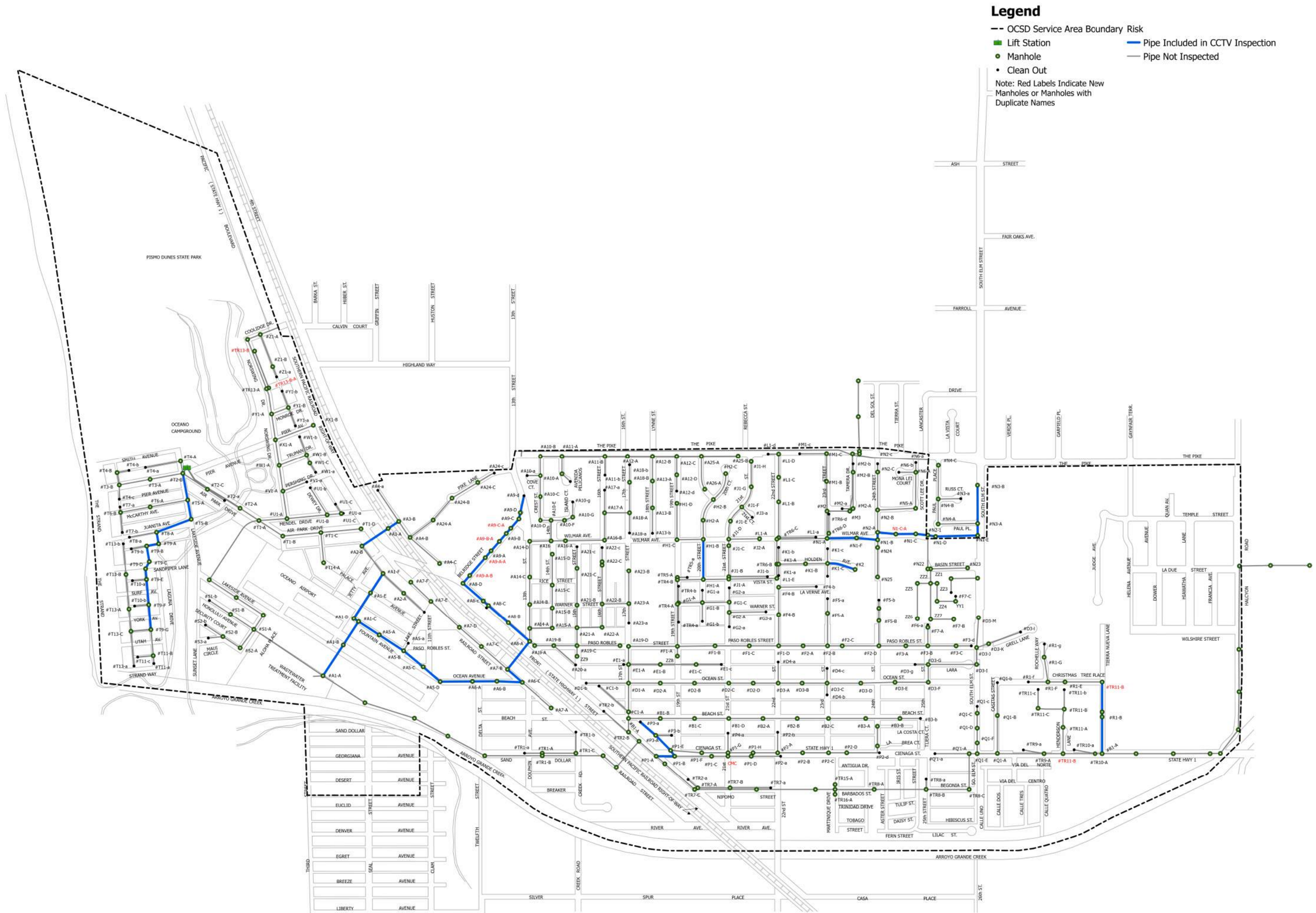

Figure 2-2
Oceano Community Services District
Draft CIP Engineering Report
CCTV Inspections Map

Scale: NTS

2.2.1 CCTV Risk Analysis

To assist the District in making informed decisions for correction of sewer collection system deficiencies, a risk analysis was performed in accordance with PACP recommendations and methodologies. Within the PACP framework, the risk analysis considers the Likelihood of Failure (LoF) and Consequence of Failure (CoF) for each pipe segment as defined in the following sections.

2.2.1.1 *Likelihood of Failure (LoF)*

Structural and O&M pipeline defect scores were provided for each pipe segment. These scores were used to determine the LoF score. The LoF is a numerical representation of the probability of failure based on the pipes condition. This value is calculated using the number of highest condition grade defects observed during inspection and can range from 1 (lowest LoF) to 6 (highest LoF). This method weighs higher grade defects heavier than lower graded defects and thus, the LoF is not adversely skewed by multiple low condition grade scores. Although the pipe may only have a small number of highly graded defects these are much more likely to result in a failure than several lower graded defects.

2.2.1.2 *Consequence of Failure (CoF)*

To account for public impact and economic and environmental costs related to a pipeline failure, CoF scoring criteria were developed. These rankings were developed with District input during preliminary project meetings and in accordance with PACP recommendations. Values range from 1 (lowest CoF) to 3 (highest CoF). Weightings were also assigned to each parameter to capture the economic, social, and environmental consequence of a pipe when compared against each of the other parameters. For example, environmental location would be considered to have a larger impact on the public and have higher economic and environmental costs compared to the type of street access. Values range from 1 (lowest CoF) to 3 (highest CoF). The established CoF matrix for the analysis is presented in **Table 2-1**.

Table 2-1: Sewer Pipe Consequence of Failure

Parameter	Parameter Weighting	Assigned Ranking		
		1	2	3
Street Access	1	Residential/Private Property, No Access Restrictions	Collector/Arterial Road, Private Property, Limited Access	Highway 1, Private Property, Airport, No Access
Environmental Location	2	No Issue	Spill to Storm Drain	Spill to Water Body
Diameter	1.5	6-inch	8- to 10-inch	12-inch
Material	1	PVC	-	VCP
Pipe Age	1.5	Current - 1990	1990 - 1970	Pre 1970

CoF values for each pipe segment were calculated as the product of the parameter ranking value and parameter weighting. The CoF values for the individual categories were then summed for each pipe segment and divided by a factor to normalize CoF between a range of 1 (lowest CoF) and 3 (highest CoF).

2.2.1.3 *Overall Risk Score*

Risk, as used within the PACP framework, analyzes each pipe's physical condition (LoF) in addition to the potential adverse effects a failure can have on the community and District (CoF). Values for Risk were calculated for both the Structural and O&M categories as the product of LoF and CoF per PACP recommendations and multiplied by a normalizing factor to fall within a range from 1 (lowest Risk) to 6 (highest Risk) as presented below.

$$\text{Risk Score} = \text{LoF} * \text{CoF} * (6/10)$$

The highest risk ratings were calculated between Railroad Street and South 4th Street (highest risk score = 6.0), Juanita Avenue (risk score = 5.62), Highway 1 (highest risk score = 4.92), Belridge Street (highest risk score = 4.83), and Laguna Drive (highest risk score = 4.80). Results of all inspected pipe segments assigned Risk scores are presented in **Appendix C**.

2.2.2 CCTV Inspection Summary of Findings

The following subsections group the CCTV data collected into respective collection system areas and summarize the inspection findings. Overall, the inspected sections of the District's collection system appear to be in good condition, especially given the age of the pipes. Areas with recurring O&M needs were identified by the District prior to inspections and were generally the areas with the most observed deficiencies. Although CCTV investigations observed defects throughout the system, it should be noted that no areas observed require immediate or emergency rehabilitation or replacement. During CCTV inspections, a number of manholes were identified along Belridge Street and Wilmar Avenue that were not previously included on the District's sewer collection system map. Approximate locations of these manholes are presented in **Figure 2-2**. The following summary of findings is provided for each general location inspected.

2.2.2.1 *The Strand Area*

Inspections in The Strand area (District area west of Lakeside Avenue and Sunset Lane) identified numerous locations of sediment, gravel, sand, and FOG deposits, an example of which can be found in **Figure 2-3**. Significant areas of sewer bellies (dips or sags in the gravity sewer pipe slope) were identified and have the potential to impede sewer flows. The most significant locations of pipeline bellies were observed between manholes #T9-F and #T2-E (Risk Score = 4.80) and between manholes #T9-G and #T9-F (Risk Score = 4.80). Locations of fine root intrusion were also identified during the inspection; however, no impedance of flows due to roots was observed.

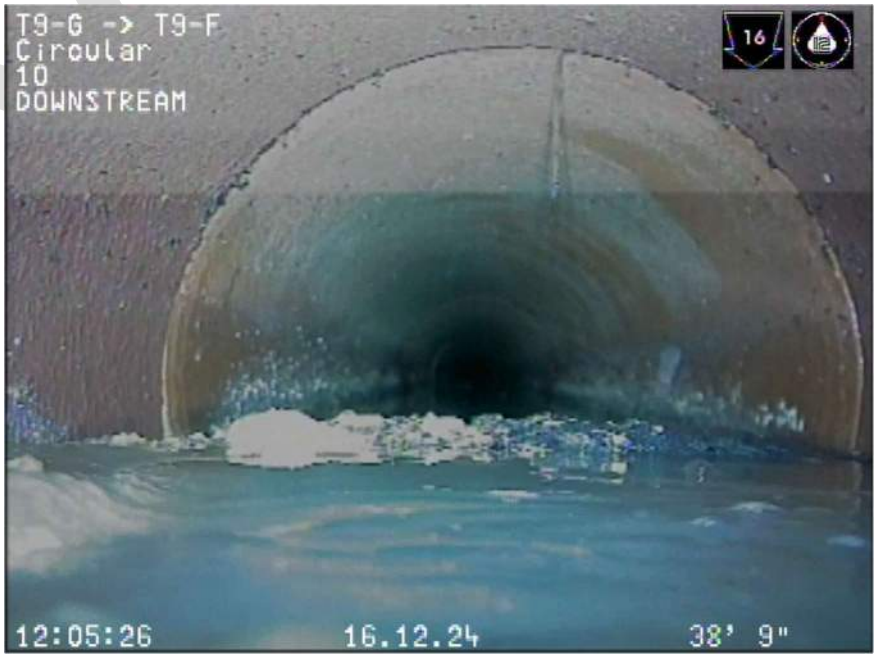

Figure 2-3: Settled deposits observed in pipeline between manholes #T9-G and #T9-F

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2.2.2.2 *Airport, Fountain Avenue, and Ocean Avenue*

Multiple pipe bellies were identified along the pipelines within Fountain Avenue and Ocean Avenue with the most significant sections observed between manholes #A6-A and #A6-B (Risk Score = 4.22) and between manholes #A5-A and #A1-C (Risk Score = 4.11). Initial inspections conducted in December 2024 observed significant sewer backup within the pipelines along Fountain Avenue and Ocean Avenue which appear to be due to buildup in the pipe bellies. NPS crew members were unable to complete inspection along this section of the collection system in December 2024 and returned in February 2025 to complete the work following additional cleaning by the District. During inspection of the pipe segment between manholes #A6-A and #A6-B, an intruding lateral was observed that impeded the CCTV camera's movement and inspection from the downstream manhole was required to complete the pipeline inspection (**Figure 2-4**). The lateral intruded approximately 2- to 3-inches into the pipe and has the potential to impede sewer flows.

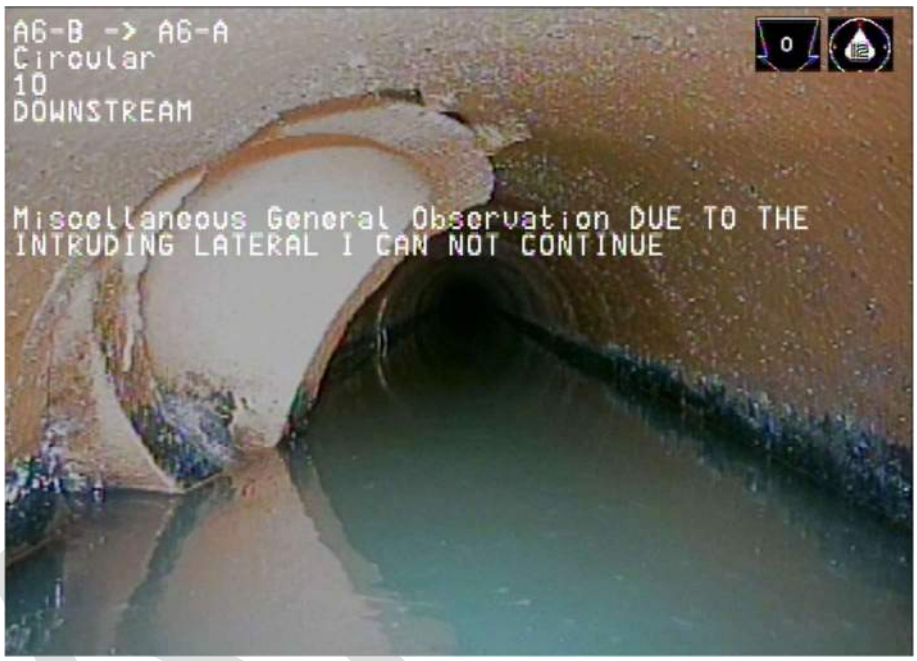

Figure 2-4: Intruding lateral observed between manholes #A6-A and #A6-B

2.2.2.3 *Belridge Street and Highway 1*

Conversations with District staff prior to CCTV footage identified the potential for pipeline bellies within Belridge Street which were assumed present by District staff due to difficulties experienced during cleaning operations. Pipe bellies were confirmed during the CCTV inspection with the most significant section observed between manholes #A9-A-A and #A9-A-B (Risk Score = 4.83), an example of which can be found in **Figure 2-5**. It should be noted that during inspection, four previously unknown and undocumented manholes were located along Belridge Street. Approximate locations of these manholes are presented in **Figure 2-2**.

Figure 2-5: Pipe belly (sag) observed between manholes #A9-A-A and #A9-A-B

2.2.2.4 *Railroad Crossing North*

Figure 2-6: Joint offset observed between manholes #A2-B and #A3-A

CCTV inspections conducted underneath the northern railroad crossing and within Railroad Street identified joint offsets that could lead to potential failure of the pipe, an example of which is presented in **Figure 2-6**. The most significant locations of the joint offsets were observed between manholes #A3-B and #A3-A (Risk Score = 6.0) and Manholes #A2B and #A3-A (Risk Score = 4.78). From the CCTV footage, it appears that rehabilitation work has been performed since the pipe's original installation due to the presence of PVC pipe underneath the railroad.

2.2.2.5 *Railroad Crossing South*

Multiple locations of significant pipe bellies were observed along the southern railroad crossing and within Railroad Street, spanning from manholes #A8-A to #A6-C with the highest risk identified between MH #A8-4 and #A7-B (Risk Score = 3.21). It is anticipated that these bellies have the potential to impede sewer flows if not cleaned on a regular cycle. From the CCTV footage, it appears that rehabilitation work was completed after the pipeline was originally installed, indicated by the presence of PVC pipe underneath the railroad. The transition between VCP and PVC pipe at one location is presented in **Figure 2-7**.

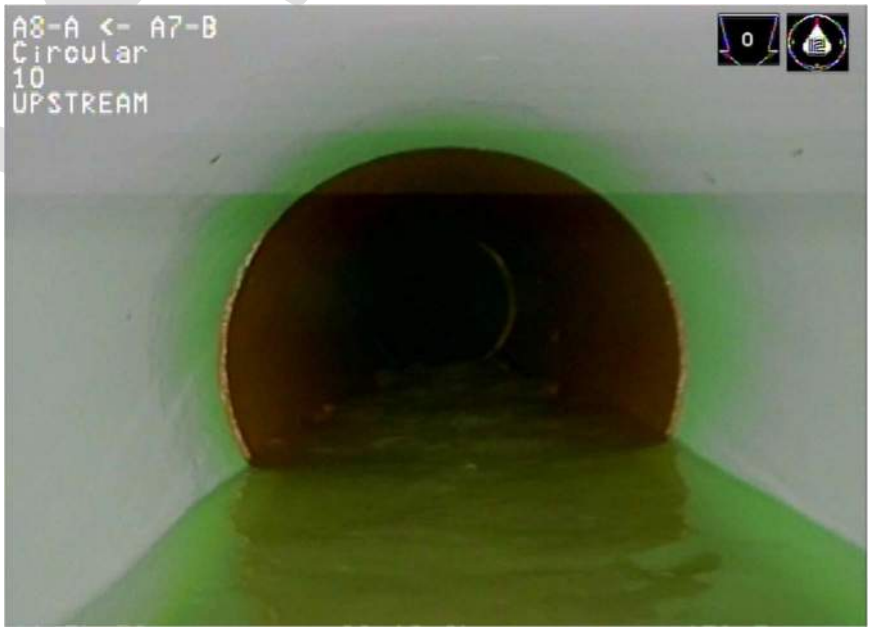

Figure 2-7: Transition between PVC and VCP pipe between manholes #A8-A and #A7-B

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2.2.2.6 *Beach and Cienaga Street*

Figure 2-8: FOG buildup observed between manholes #P3-a and #P1-E

Prior to CCTV inspections, District staff anticipated significant buildup of FOG inside pipes within an alleyway from Beach Street to Cienaga Street, potentially due to restaurants conveying flows into the pipes. CCTV inspections confirmed the presence of FOG at moderate levels between cleanout #P3-a and manhole #P1-A, with the highest risk identified between MH #P1-B and #P1-A (Risk Score = 4.11). An example of FOG observed is presented in **Figure 2-8**. No significant impedance of flow was observed due to FOG during inspection.

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2.2.2.7 *Northeastern District (South Elm Street, Wilmar Avenue, 20th Street, Holden Avenue)*

Pipelines within the northeastern section of the District's collection system were generally in good condition. Similar to Belridge Street, one previously unidentified manhole was located along Wilmar Avenue. The approximate location of this manhole is presented in **Figure 2-2**. Observations along Wilmar Avenue identified what appeared to be a shard of PVC pipe lodged in a pipe between manhole #N1-B and #N1-F (**Figure 2-9**) and root intrusion blocking the majority of a lateral was observed within the pipeline between manholes #N1-D and #N2-1. Additionally, spiral and circumferential cracking were observed between manholes #H1-A and #H1-B within 20th Street and between manholes #K1-C and #K2 within Holden Avenue, an example of which is presented in **Figure 2-10**.

Figure 2-9: PVC lodged into pipe between manholes #N1-B and #N1-F

Figure 2-10: Example of cracking between manholes #K2 and #K1-C

2.2.2.8 *Tierra Nueva Lane*

The pipelines within Tierra Nueva Lane are a District-identified hotspot due to root intrusion within the pipes. During inspection, one lateral was observed to be completely clogged by roots between manholes #R1-A and #R1-B (Risk Score = 2.99) (**Figure 2-11)**. It is suspected that this location of root intrusion is the cause of sewer blockages in the area and resulting sanitary sewer overflows. District staff have opted to remove the lateral in-house as it's not connected to a residence and was likely installed for a lot that has since been repurposed as a storm water detention basin. This project is not included in the CIP.

Figure 2-11: Roots plugging lateral between manholes #R1-A and #R1-B

2.3 Manhole Inspections

Manhole inspections took place in December 2024 guided by the NASSCO Manhole Assessment Certification Program (MACP) Level 2 inspection requirements. A 360° camera attached to a telescoping rod was used to capture still-frames and 360° videos of each manhole. Still-frames were captured at locations where defects were observed and at each manhole inlet and outlet. Lights were attached to the camera to ensure clear visibility throughout inspections. During the Preliminary Sanitary Sewer CIP Workshop, 15 manholes were identified by District staff for inspection and included the following:

- A8-A
- A8-B
- A8-C
- A8-D
- A9-A
- CMC[3]
- P1-A
- A9-B
- A9-C
- A22-C
- P1-E
- P3-A
- R1-B
- T6-B
- ZZ4

Manhole inspections gathered information on general conditions at each site (e.g., location observations, adjacent ground cover, etc.), cover observations (e.g., diameter, material, presence of rust/corrosion, etc.), and structure observations (e.g., number of adjusting rings/barrel segments, condition of bench and

[3] The CMC manhole was not previously identified on the District's sewer collection system map. The manhole is located at the intersection of Cienaga Street and 21st Street and the approximate location is presented in **Figure 2-2**.

channel, concrete staining, coating condition, etc.). Complete manhole inspection reports can be found in **Appendix D** and locations of each manhole are presented in **Figure 2-2**.

2.3.1 Manhole Risk Analysis

Manhole Risk was characterized using a risk matrix established during preliminary project meetings held with the District (**Table 2-2**).

Table 2-2: Manhole Risk Analysis

Parameter	Parameter Weighting	Assigned Ranking		
		1	2	3
Manhole Access	1	No Access Restrictions	Collector/Arterial Road, Private Property, Limited Access	Highway 1, Private Property, Airport, No Access
Environmental Location	2	No Issue	Spill to Storm Drain	Spill to Water Body
Structural	3	Minimal to No Damage	Minor Damage, Missing Grout, Minor Cracks, Minor Root Intrusion, Moderate Rust on Frame/Cover	Significant Damage, Cracking, or Fractures; Significant Root Intrusion
O&M(1)	2	No Known Issues	Intermittent Maintenance	Frequent Maintenance
No. of Connections	1	2	3	4+
Size of Connections	1.25	6-inch	8- to 10-inch	12-inch

Notes:

1. *Frequency of required maintenance provided by District during manhole inspections.*

Following the same process outlined in **Section 2.2.1**, LoF (including Structural and O&M Parameters) and CoF (including Manhole Access, Environmental Location, Number of Connections, and Size of Connections Parameters) were quantified as the product of the parameter ranking and consequence weighting. Risk was then calculated as the product of LoF and CoF and normalized to fall within a range of 1 (lowest Manhole Risk) to 10 (highest Manhole Risk). Tabulation of Manhole Risks can be found in **Appendix D**.

2.3.2 Manhole Inspection Summary of Findings

Overall, manholes within the District's collection system appeared to be in fair condition. One manhole with known deficiencies adjacent to Hass Lane (manhole #ZZ4) was inspected and confirmed to have significant root intrusion through the adjusting rings, as seen in **Figure 2-12**.

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Figure 2-12: Root intrusion in manhole #ZZ4

If left untreated, root intrusion within this manhole has the potential to degrade the structure and impede flows, potentially leading to structure failure or blockage of sewer flows.

Two manholes within Highway 1 (manholes #A8-A and #A8-B) were observed to have significant vertical fractures extending through a section of the concrete grade rings, an example of which is presented in **Figure 2-13**.

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Figure 2-13: Fracture through grade ring in manhole #A8-B

Fractures observed in manholes #A8-A and #A8-B are assumed to be the result of dynamic roadway pressures and live loads translated from semi-trucks and other passing vehicles along Highway 1. Although it does not appear that the manhole grade rings are at risk of near-term failure, continued loading on the manholes can be expected to increase the fracturing and potentially damage adjacent pavement if the structures are not repaired.

In addition to inspections, MKN investigated the potential for manholes to be submerged during flood events. Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) research identified special flood hazard zones (Zones AE and AO) and flood plains with 0.2% chance of annual flood extending along the southeastern edge of the District. Approximately 39 manholes are present within these flood plains and risk introduction of significant inflows into the collection system in a flood

event, with floodwaters intruding through the manhole covers which are not watertight. FEMA FIRMs for the areas of interest are provided in **Appendix E**.

2.4 Pier Avenue Lift Station Inspection

In November 2024, MKN conducted a field investigation of the District's Pier Avenue Lift Station accompanied by District staff. The lift station is a Smith & Loveless dry well/wet well-style unit and has known capacity issues indicated by the pumps' inability to convey peak hour flows. All controls for the lift station are located subgrade within the dry well which is a permit-required confined space. Due to the confined space access, additional staff time is required when performing regular maintenance activities to comply with OSHA and Cal/OSHA protocols. Investigations into the FEMA FIRM for the area confirmed that the lift station is located within a high-risk flood area (Zone AE). Through discussions with the District, it is understood that the replacement of the lift station to an adjacent location is the preferred long-term goal. An overview of the existing lift station site is presented in **Figure 2-14**.

Figure 2-14: Existing Pier Avenue Lift Station Site

2.4.1 Pier Avenue Lift Station Summary of Findings

On November 26, 2024, MKN conducted a site visit with District staff and performed a visual inspection of the Pier Avenue Lift Station which included an evaluation of condition, functionality, and safety. The field assessment included evaluation of the condition, functionality, and safety of the lift station. Characteristics such as site layout, condition of the dry well and wet well, site safety features, overflow prevention features, and electrical and instrumentation were also documented.

The following observations were made during the field assessment:

- **Site Layout –** The lift station has maintenance vehicle access on the south side along Pier Avenue. District staff noted that during the summer Pier Avenue traffic can back up and impact access. This is due to the entrance to the Oceano Dunes State Vehicular Recreation area being located at the west end of the street. Significant area constraints exist at the project site due to existing electrical and communication utility pedestals and vaults adjacent to the wet well and dry well. No lift station bypassing provisions exist at the site. The lift station is primarily buried aside from the electrical service meter and generator plug. The lift station site is not enclosed and is therefore open to pedestrian access. Site security is limited to the fiberglass locking cover on the dry well access hatch. No objectionable odors were noticed during the site visit.
- **Flood Plain –** Per FEMA National Flood Insurance Program FIRM No. 06079C1582J, the lift station is within Flood Zone AE with a base flood elevation of approximately 13 feet in accordance with the North American Vertical Datum of 1988 (NAVD 88). The FEMA panel can be found in **Appendix E**. A post-construction record of survey approved by the County Surveyor listed the elevation of a found nail and tag directly adjacent to the lift station site as 11.12 feet in 2021.
- **Pumps –** Information provided by the District identified two 3-horsepower (hp) pumps in operation within the dry well. In addition to experiencing capacity issues, the District has reported difficulty in obtaining pump parts due to their age.
- **Dry Well[4] –** The dry well is approximately 7 feet in diameter, 20 feet deep, and constructed of coated steel. The dry well houses the pump station's control panels, valves, pumps, and auto-dialer. Access to the dry well is limited to a 36-inch diameter riser section and the access ladder is not equipped with a fall restraint system. There is no forced-air ventilation system and staff must continuously monitor air quality when working. The dry well also contains a sump pump for removal of any nuisance water and discharges to the ground surface adjacent to the access tube. This area of Oceano historically has high ground water levels (as high as 6 feet below ground surface in one geotechnical study at an adjacent site) and the structure potentially has high levels of corrosion below grade. The above-access hatch is experiencing heavy corrosion at the hinge mechanism.
- **Wet Well –** The concrete wet well is approximately 48 inches in diameter and 18 feet deep. The existing concrete coatings are in poor condition with significant delamination and flaking observed adjacent to the existing metal screening baskets. There are one 10-inch and one 6-inch influent penetrations into the wet well. Moderate corrosion was observed on the manhole frame and cover.
- **Backup Power, Instrumentation, and Controls –** The existing control panel and power panel are located in the dry well. The lift station electrical service meter and emergency generator quick connect lug with manual transfer switch are located above grade, adjacent to the drywell. These items are mounted on a wooden backboard located approximately 3.5 feet above the ground surface. OCSD owns one backup generator that can be used to power the lift station.

Flow data for the Pier Avenue Lift Station was not available at the time of the lift station assessment. Information received from Smith & Loveless using the lift station serial number (07-4213) indicated that the lift station was originally designed for a flow rate of 200 gallons per minute (gpm) at 13 feet total dynamic head (TDH) with 3-hp pumps having eight 1/8-inch impellers. The Wallace Group Sewer

[4] The lift station dry well is a permit-required confined space. As such, no attempt to access was made during the field investigation. Information presented herein was provided by OCSD Operations Staff and gathered from the Smith & Loveless Lift Station Operations and Maintenance Manual.

Collection System Study identified that the 3-hp pumps had been upsized to 5-hp with a design point of 350 gpm at 22 feet TDH in approximately 2000 to accommodate increased loading from construction of the Pacific Plaza Hotel on Pier Avenue. As previously stated, information provided by the District identified that 3-hp pumps are currently in operation at the lift station. Based on this information and District staff observations that the lead and lag pump must operate simultaneously to convey peak hour flows, the existing pumps appear to be undersized. It is assumed that upgrading the 3-hp pumps to 5-hp pumps rated for 350 gpm at 22 feet TDH (as analyzed in the Wallace Group report) would provide sufficient capacity for the existing flow conditions. It is recommended that a draw down test be performed at the lift station to verify the capacity of the existing pumps as well as average and peak flows prior to final design of any improvements. Ideally this testing would occur during staff-observed peak flows, which is during the summer months when tourism is at its peak.

A more detailed discussion on the condition of the lift station can be found in the Pier Avenue Lift Station Improvement Plan (**Appendix B**).

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3.0 CAPITAL IMPROVEMENT PLAN

3.1 Development of Prioritization Ranking and Capital Improvement Criteria

Prioritization ranking of CIP projects was determined through conversations with the District and by using data collected during the inspection phase and weighing current conditions of each pipeline and manhole against the anticipated risk and consequence of failure. Inspected pipelines were first analyzed individually, establishing the associated Risk score for each pipeline as detailed in **Section 2.2.1.** Pipes were then grouped together into projects by combining adjacent pipe segments with deficiencies and requiring rehabilitation or replacement. Similarly, manholes were analyzed individually and assigned a Manhole Risk score as detailed in **Section 2.3.1**. Manhole rehabilitation or replacement projects were then grouped together in terms of similar work to reduce costs associated with construction.

Draft projects and prioritization rankings were presented to District staff and discussed. In addition to the projects identified during the risk analysis, District priorities such as sewer cleaning equipment, sewer lateral replacements, update of District Standard Specifications and Drawings, and complete CCTV capture of the collection system were included. Replacement of the Pier Avenue Lift Station improvements ranked high within the District's priorities. Based on known available CIP funding, phasing of lift station improvements and relocation are recommended. Interim improvements to the lift station are recommended to address current capacity issues, flood resiliency, confined space access, and improvement of operations at the existing lift station site. These improvements are included as Priority Project A-2. A summary of the project scope is presented in **Section 3.3.1.2**. When funding becomes available, it is recommended that the District pursue relocation of the lift station to a location northwest of the existing site. Special care should be taken during the planning and design phase of this project due to the highly archaeologically sensitive nature of the area and required easements for the project. The design phase of the relocation of the lift station is included as Priority Project B-7 and the construction phase in included as Priority Project C-3. A summary of the project scope is presented in **Section 3.3.3.3**. It should be noted that the County of San Luis Obispo is in the planning phase of improvements to the Pier Avenue Corridor with a potential long term plan including construction of a roundabout at the Pier Avenue, Lakeside Avenue, and Air Park Drive intersection. Although the plan has not been finalized, the preliminary roundabout sketches appear to require relocation of the existing Pier Avenue Lift Station. Due to the potential for overlap of the projects, it is recommended that the District stay in communication with the County regarding timing of the Pier Avenue Corridor improvements.

Much of the District's sewer collection system has not had CCTV inspection performed within the last 20 years. It is recommended that CCTV inspections be performed every two to three years until the complete system has been captured. Additional footage of the District's sewer collection system will inform the District of potential pipe deficiencies and provide time to allocate funds for corrective measures. For the purposes of the CIP, it is assumed that the CCTV inspections can be completed within three phases, which are included as Priority Projects A-6, B-6, and C-4.

Based on these discussions the following projects and associated prioritization were determined.

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3.2 Identified Projects

The following subsections summarize recommended improvements for Priority A, Priority B, and Priority C projects.

3.2.1 Priority A Projects

Priority A projects are the highest-priority projects and are recommended for completion within the next five years. Locations of Priority A projects are presented in **Figure 3-1.** A summary of each Priority Project is included in the following subsections and full project descriptions are presented in **Appendix F**.

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Figure 3-1
Oceano Community Services District
Draft CIP Engineering Report
Priority A Projects

3.2.1.1 *Project A-1 Sewer Maintenance Equipment*

The District regularly cleans gravity sanitary sewer lines; however, the equipment currently owned by the District may be undersized to adequately clean all pipelines within the collection system. In addition, upgrading to a larger, more modern water jetting truck will increase the debris tank size and reduce the number of disposal site trips required to empty the trucks debris tank. Purchase and use of a water jetting truck is recommended to adequately clean pipelines with large amounts of debris as seen in the CCTV inspections. In addition, a water jetting truck would reduce overall staff time to perform cleaning activities as the truck would have a significant increase in both water and debris tank size. It is recommended the District evaluate the purchase of a new truck with that of a used truck based on availability in the market. Although the initial purchase amount is generally lower for used equipment, it is possible that the cost of maintenance and repairs can outweigh the increased purchase cost of new equipment under warranty. However, if the opportunity arises for purchase of a used water jetting truck with ample service history records and the completion of satisfactory inspections prior to purchase, the option to purchase a used truck may become more viable. Additional equipment that is recommended for purchase includes a self-leveling push camera, locator, and traceable rod that will assist the District in completing limited inspections of laterals and pipelines in-house.

3.2.1.2 *Project A-2 Pier Avenue Lift Station Interim Improvements*

The Pier Avenue Lift Station is in a high-risk flood zone (FEMA Zone AE). The lift station experiences high volumes of debris and rags and is incapable of conveying peak hour flows. All lift station controls are located within the dry well, which is a permit-required confined space and results in increased staff time during maintenance activities. The Pier Avenue Lift Station Interim Improvements project recommendations address current capacity issues, flood resiliency, confined space access, and improving operations at the site.

Interim improvements to the Pier Avenue Lift Station include:

- Upgrade of existing 3-hp pumps to 5-hp pumps
- Relocation of the control panel and power panel from the dry well to a location above grade
- Purchase of a backup generator
- Flood-proof access hatch installation over the wet well
- Installation of aluminum screening baskets on rails, installation of a davit crane receiver, and purchase of a davit crane
- Recoating of exposed portions of the dry well access riser
- Adjustment of piping to allow the sump pump to discharge to the wet well rather than the sidewalk

3.2.1.3 *Project A-3 Belridge Street Sewer Rehabilitation Project*

As observed during CCTV inspection, the existing Belridge Street sewer line has a number of pipe sags that result in debris buildup and flow restrictions. The Belridge Street Sewer Rehabilitation Project includes the replacement of one segment of pipe between manhole #A9-A-A and manhole #A9-A-B to mitigate these issues.

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3.2.1.4 *Project A-4 Wilmar Avenue Sewer Rehabilitation Project*

The existing Wilmar Avenue sewer line has what appears to be a fragment of PVC lodged through a pipe between manhole #N1-B and manhole #N1-F. The fragment of PVC is obstructing flow upstream of the pipe segment. Additionally, one sewer lateral along the pipe segment between manhole #N1-D and manhole #N2-1 was observed to be plugged with intruding roots and requires correction. The Wilmar Avenue Sewer Rehabilitation Project includes a point repair at the obstruction location as well as clearing of the impacted lateral.

3.2.1.5 *Project A-5 North Highway 1 Crossing Sewer Rehabilitation*

As observed during CCTV inspections the existing gravity sewer line is located between the railroad tracks west of Railroad Street and the south of Air Park Drive (manholes #A3-A to #A3-B). This pipe segment travels under Highway 1 and between residential structures, making repair/replacement access difficult. The pipeline contains horizontal joint deflections that could lead to failure of the pipe. It is recommended the pipeline be rehabilitated with a cured-in-place liner.

3.2.1.6 *Project A-6 CCTV Inspection – Phase 1*

The CCTV Inspection – Phase I project is intended to capture approximately one third of the remaining collection system that requires inspection.

3.2.1.7 *Project A-7 Lateral Replacement Project*

From discussions with District staff, it is understood that the District maintains ownership of the laterals from the cleanout to sewer main if the lateral is constructed to District Specifications and has a cleanout located at the property line. It is understood that six such sewer laterals need replacement in various locations within the District's Service Area. The Lateral Replacement Project allocates funds for the replacement of these sewer laterals.

3.2.2 Priority B Projects

Priority B projects are medium-priority projects and are recommended for completion within five to ten years of approval of the CIP. Locations of Priority B projects are presented in **Figure 3-2**. A summary of each Priority B project is included in the following subsections. Full project descriptions are included in **Appendix F**.

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Figure 3-2
Oceano Community Services District
Draft CIP Engineering Report
Priority B Projects

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Scale: NTS

3.2.2.1 *Project B-1 Ocean Avenue and Fountain Avenue Sewer Rehabilitation*

The existing Ocean Avenue and Fountain Avenue sewer pipes contain significant pipe sags that inhibit sewer flow. A protruding sewer lateral is also located within Ocean Avenue. The Ocean Avenue and Fountain Avenue Sewer Rehabilitation project recommendations include replacement of pipe segments with the most significant pipe sags as well as a point repair for the intruding lateral.

3.2.2.2 *Project B-2 The Strand Sewer Rehabilitation*

The existing sewer in The Strand (District area west of Lakeside Avenue and Sunset Lane) has a number of pipe sags, cracks, and settled deposits affecting the operation of the sewer collection system. The Strand Sewer Rehabilitation project recommends replacement of the pipe segment between manhole #T9-G and manhole #T9-F, the pipe segment between manhole #T5-A and manhole #T2-B, and replacement of 21 existing manhole covers and frames with waterproof composite manhole covers and frames. Areas within The Strand are within FEMA identified flood plains (**Section 2.3.2**), waterproof composite manhole covers will minimize the introduction flood waters into the sewer collection system and prevent intrusion of sand and debris.

3.2.2.3 *Project B-3 Railroad Crossing South*

CCTV footage observed significant sags along the existing sewer line crossing beneath the railroad tracks and within Railroad Street from manhole #A8-A to manhole #A6-C. The pipeline sags create low points that impede flows through the pipeline and allow for FOG and sediment to settle out and accumulate at the base of the pipe. Due to these sags and the inability to rehabilitate the pipe using a cast-in-place lining system or pipe bursting, a new railroad crossing is recommended utilizing horizontal auger boring for the pipe installation with the existing pipe within Railroad Street replaced through open trench construction.

3.2.2.4 *Project B-4 Cienaga and Beach Street FOG Project*

Conversations with District staff identified segments of pipe near Cienaga Street and Beach Street with significant FOG buildup. CCTV footage gathered in the area observed minor FOG buildup within the pipeline; however, it is anticipated that increasing the frequency of pipe cleaning and the installation of an enzyme-based treatment system designed to break down FOG will mitigate the accumulation of FOG. It is understood that multiple restaurants are connected to the pipelines with FOG issues and that flows are relatively low. The Cienaga and Beach Street FOG Project recommends installation of an enzyme-based treatment system to assist in FOG breakdown within the pipelines.

3.2.2.5 *Project B-5 Manhole Improvements – Phase 1*

During manhole inspections, two manholes within Highway 1 were observed to have fractures through the concrete grade rings and are recommended to be replaced with new grade rings, frames, and covers. One manhole on Hass Lane (#ZZ4) was observed to have significant root intrusion through the grade rings. It is recommended that the District remove and replace this manhole. Reviewing the FEMA FIRM within the District's Service Area, there are approximately 40 manholes that are located within a FEMA-defined flood plain. Twenty-one of these manholes are recommended for replacement within Priority Project B-2: The Strand Sewer Rehabilitation. It is recommended the District phase replacement of the manhole frames and covers with composite, water-tight manhole frames and covers. Nine additional

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manhole cover replacements are covered within the scope of this project, with the remainder included within Project C-5.

3.2.2.6 *Project B-6 CCTV Inspection – Phase 2*

Phase 2 of the CCTV Inspection project recommends collecting CCTV footage on one-third of the District's collection system.

3.2.2.7 *Project B-7: Pier Avenue Lift Station Replacement – Design*

The Pier Avenue Lift Station Replacement project recommends replacement of the lift station in an area northwest of the existing site and within the San Luis Obispo County right-of-way. The proposed replacement will include installation of new manholes, a wet well with in-channel grinder, submersible pumps, and a discharge bypass connection which will assist the District in future operations and maintenance of the lift station. Areas adjacent to the project site are known to be archaeologically sensitive and easements will need to be coordinated with San Luis Obispo County and CA State Parks to facilitate the relocation. Replacement of the Pier Avenue Lift Station is anticipated to provide flood resiliency, reduce District maintenance concerns, provide easier maintenance access for District staff, eliminate confined space requirements during maintenance operations, and ensure adequacy and efficiency of the lift station for future flow conditions. The Pier Avenue Lift Station Replacement project is included in the CIP as Project B-7 (Design Phase) and Project C-3 (Construction Phase). The design phase, Project B-7, includes planning, easement procurement, environmental studies/documentation, permitting, and engineering design. As additional efforts are anticipated regarding archaeological/environmental studies and procurement of easements, it is recommended that the initial project phase allows adequate time for completion of design and permitting before relocation of the lift station is an immediate District need.

3.2.3 Priority C Projects

Priority C projects are low-priority projects and are recommended for completion after the ten-year CIP planning window. Locations of Priority C projects are presented in **Figure 3-3.** A summary of each Priority C project is included in the following subsections. Full project descriptions are included in **Appendix F**.

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Figure 3-3
Oceano Community Services District
Draft CIP Engineering Report
Priority C Projects

3.2.3.1 *Project C-1 20th Street Sewer Rehabilitation*

During CCTV inspections, multiple areas of cracking and joint offsets were observed along the pipe within 20th Street between Wilmar Avenue and Vista Street between MH #H1-A and #H1-B. To mitigate the potential for future issues, it is recommended that this section of pipe be replaced with a 6-inch SDR35 PVC pipe.

3.2.3.2 *Project C-2 Holden Avenue Sewer Rehabilitation*

During CCTV inspections, multiple areas of cracking were observed along the pipe within Holden Avenue between 23rd Street and the cul-de-sac between MH #K1-C and #K2. To mitigate potential future issues, it is recommended that this section of pipe be replaced with a 6-inch SDR35 PVC pipe.

3.2.3.3 *Project C-3 Pier Avenue Lift Station Replacement – Construction*

The construction phase of the Pier Avenue Lift Station Replacement. See Section 3.2.2.7 for project description.

3.2.3.4 *Project C-4 CCTV Inspection – Phase 3*

Phase 3 of the CCTV Inspection project recommends collecting CCTV footage on the remaining locations within the sewer collection system.

3.2.3.5 *Project C-5 Manhole Improvements – Phase 2*

Phase 2 of the Manhole Improvements project recommends replacement of manhole frames and covers with composite, water-tight manhole frames and covers that are located within FEMA-defined flood hazard areas. Ten manhole cover replacements are recommended within the scope of this project.

3.2.3.6 *Project C-6 District Standard Specifications and Drawings Update*

The latest update of the District Standard Specifications and Drawings was published with Resolution No. 1997-22 in 1997. The District Standard Specifications and Drawings Update project recommends review and update of these documents to meet current District preferences and materials and verify congruency between District and cross-jurisdictional standards (e.g., CA State Water Resources Control Board (SWRCB), San Luis Obispo County Air Pollution Control District, etc.).

3.3 Opinions of Cost

Preliminary Construction Cost Opinions have been developed for each priority project which include construction costs, soft costs, and contingencies. Construction costs were derived using historical cost data from previous projects and escalated to current dollars using the 20-city Engineering News-Record (ENR) Construction Cost Index (CCI) May 2025, where applicable. The developed cost opinions meet Class 4 estimates as defined by the Association for the Advancement of Cost Engineering (AACE) International Recommended Practice No. 18R. Class 4 estimates are used during project feasibility level of design and fall within an expected accuracy range of -15% to -30% (low) and +20% to +50% (high).

A contingency allowance of 25% was applied to construction costs to account for additional costs not anticipated at the feasibility level. A contingency allowance of 10% was applied to the purchase of

equipment. As projects progress to a detailed design, and the level of project definition is refined, the contingency allowances would decrease.

A mobilization and demobilization allowance of 10% was included where applicable. This allowance covers items such as construction bonds, temporary office trailers, temporary utilities, and procurement and delivery of equipment and materials to the site.

Implementation costs, including engineering, project administration, and construction management, were accounted for as a percentage of the total construction costs, which also included mobilization and contingency allowances. An implementation cost allowance of 30% has been applied to each project that is anticipated to require design services (excluding Priority Project C-3), construction management, and significant project administration services, summarized as follows:

- Planning, Easements, Environmental Documentation, and Permits: 5%
- Engineering Design: 15%
- Project Administration and Construction Management: 10%

Due to the increased effort anticipated during planning, procurement of easements, environmental documentation, and permitting, the implementation allowance for the Pier Avenue Lift Station Replacement project has been increased to 40%, as summarized below:

- Planning, Easements, Environmental Documentation, and Permits: 15%
- Engineering Design: 15%
- Project Administration and Construction Management: 10%

Individual cost opinions for each Priority Project are presented in **Appendix F**, including the cost breakdown for each phase of the Pier Avenue Lift Station Replacement Project.

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3.3.1 Opinion of Cost – Priority A Projects

Opinions of cost for Priority A projects are presented in **Table 3-1**.

Table 3-1: Opinion of Cost – Priority A Projects

Project Number	Improvement	Construction/ Product Cost	Contingency Cost	Implementation Costs	Opinion of Cost[1,2]
A-1	Sewer Maintenance Equipment	$300,000 (Used) $600,000 (New)	$30,000 (Used) $60,000 (New)	N/A	**$330,000 (Used)** **$660,000 (New)**
A-2	Pier Avenue Lift Station Interim Improvements	$299,000	$75,000	$113,000	**$487,000**
A-3	Belridge Street Sewer Rehabilitation Project	$235,000	$59,000	$89,000	**$383,000**
A-4	Wilmar Avenue Sewer Rehabilitation Project	$28,000	$7,000	$11,000	**$46,000**
A-5	North Highway 1 Crossing Sewer Rehabilitation	$61,000	$16,000	$39,000	**$116,000**
A-6	CCTV Inspection – Phase 1[3]	$50,000	$13,000	N/A	**$63,000**
A-7	Lateral Replacement Project[4]	$72,000	$18,000	N/A	**$90,000**
				Total	**$1,845,000[5]**

Notes:

1. *ENR CCI at time of cost estimate = 13838.59 (May 2025).*
2. *Values provided are in 2025 dollars and rounded up to the nearest $1,000.*
3. *Assumes a two-week duration for CCTV inspection.*
4. *Lateral replacement costs may vary significantly depending on lateral location, length, depth of sewer connection, and other factors.*
5. *Value assumes purchase of new water jetting truck.*

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3.3.2 Opinion of Cost – Priority B Projects

Opinions of cost for Priority B projects are presented in **Table 3-2**.

Table 3-2: Opinion of Cost – Priority B Projects

Project Number	Improvement	Construction/ Product Cost	Contingency Cost	Implementation Costs	Opinion of Cost[1,2]
B-1	Ocean Avenue and Fountain Avenue Sewer Rehabilitation	$571,000	$143,000	$215,000	**$929,000**
B-2	The Strand Sewer Rehabilitation	$493,000	$124,000	$186,000	**$803,000**
B-3	Railroad Crossing South	$1,102,000	$276,000	$414,000	**$1,792,000**
B-4	Cienaga and Beach Street FOG Project	$33,000	$9,000	N/A	**$42,000**
B-5	Manhole Improvements – Phase 1	$109,000	$28,000	N/A	**$137,000**
B-6	CCTV Inspection – Phase 2[3]	$50,000	$13,000	N/A	**$63,000**
B-7	Pier Avenue Lift Station Replacement Design	N/A	N/A	$263,000	**$263,000**
				Total	**$4,029,000**

Notes:

1. *ENR CCI at time of cost estimate = 13838.59 (May 2025).*
2. *Values provided are in 2025 dollars and rounded up to the nearest $1,000.*
3. *Assumes a two-week duration for CCTV inspection.*

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3.3.3 Opinion of Cost – Priority C Projects

Opinions of cost for Priority C projects are presented in **Table 3-3**.

Table 3-3: Opinion of Cost – Priority C Projects

Project Number	Improvement	Construction/ Product Cost	Contingency Cost	Implementation Costs	Opinion of Cost[1,2]
C-1	20th Street Sewer Rehabilitation	$41,000	$11,000	N/A	**$52,000**
C-2	Holden Avenue Sewer Rehabilitation	$29,000	$8,000	N/A	**$37,000**
C-3	Pier Avenue Lift Station Replacement Construction	$698,000	$175,000	$87,0000	**$960,000**
C-4	CCTV Inspection – Phase 3[3]	$50,000	$13,000	N/A	**$63,000**
C-5	Manhole Improvements – Phase 2	$60,000	$15,000	N/A	**$75,000**
C-6	District Standard Specifications and Drawings Update	$60,000	$15,000	N/A	**$75,000**
				Total	**$1,262,000**

Notes:

1. *ENR CCI at time of cost estimate = 13838.59 (May 2025).*
2. *Values provided are in 2025 dollars and rounded up to the nearest $1,000.*
3. *Assumes two-week duration for CCTV inspection.*

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4.0 Project Funding Opportunities

4.1 Project Funding Opportunities

Concurrent with development of the CIP, MKN's subconsultant Rincon Consultants, Inc., (Rincon) researched currently available Federal, State, regional, and private grants and low-cost financing for the anticipated projects to be included in the Sanitary Sewer CIP and provided a Funding Opportunity Memorandum outlining specifics of each potential funding source. The following funding sources were identified during this research:

- CA Infrastructure and Economic Development Bank (IBank) Infrastructure State Revolving Fund (ISRF) Program
- CA SWRCB Clean Water State Revolving Fund (CWSRF)
- U.S. Department of Agriculture (USDA) Water and Waste Disposal Loan & Grant Program
- USDA Community Facilities Direct Loan & Grant Program
- U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program
- U.S. Congressman Salud Carbajal FY26 Appropriations Request

An overview and summary of each funding source is presented in the following sections with the complete funding plan presented in **Appendix G**.

4.1.1 CA IBank ISRF Program

The ISRF Program provides low-cost public financing to state and local government entities for a wide variety of public and economic development projects. Recent projects receiving low-cost loans through this program include replacement of a 40-year-old lift station by Stallion Springs Community Services District, sewer line upgrades and replacements by the City of Laguna Beach and County of Santa Cruz Sanitation District, and wastewater treatment plant rehabilitation and upgrades by the City of Laguna Beach and Las Gallinas Valley Sanitary District. Recent interest rates (since October 2022) have ranged from 4.04 to 4.78 percent.

4.1.2 CA SWRCB CWSRF

The CWSRF is a financial assistance program established by the U.S. Environmental Protection Agency (USEPA) and administered in California by the SWRCB to support a wide range of water quality projects. Recent projects placed on the CWSRF Fundable List for FY2024-25 include South Tahoe Public Utility District's Bijou Wastewater Pump Station Rehabilitation project, the City of San Diego's Alvarado Trunk Sewer Phase IV project, Sunset Beach Sanitary District's Broadway Pump Station Sewer Bypass project, and the City of Oakland's Sanitary Sewer Rehabilitation (Sub-basin 82-005), Phase 2 project. The program primarily provides low-interest financing, abut also offers a limited number of grants for certain priority categories, which include Small Community Wastewater Program grants for planning and construction.

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4.1.3 USDA Water and Waste Disposal Loan & Grant Program

The Water and Waste Disposal Loan & Grant Program provides funding assistance for clean and reliable drinking water systems, sanitary sewage disposal, sanitary solid waste disposal, and storm water drainage to households and businesses in eligible rural areas. Interest rates for the second quarter of FY2025 range from 2.500 to 4.125 percent and are based on the need for the project and the median household income of the area to be served. Projects in California recently receiving loans and grants through this program include Woodbridge Sanitary District's Wastewater Facilities Rehabilitation project, Willow Creek Community Services District's Septic System Collection and Treatment project, and the City of San Juan Bautista's Sewer Improvements projects.

4.1.4 USDA Community Facilities Direct Loan & Grant Program

The Community Facilities Direct Loan & Grant Program provides affordable funding to develop water and waste disposal facilities and essential community facilities in rural areas. Interest rates for the first quarter of FY2025 range from 2.500 to 4.125 percent and are based on the need for the project and the median household income of the area to be served. Projects in California recently receiving loans and grants through this program include the purchase of a vactor truck for sewer/stormwater cleaning; purchases of various vehicles and trucks for inspections, public works, fire protection services, and police protection services; purchases of mobile and stationary equipment such as backhoes and emergency generators; and the completion of building improvements such as roof repairs, heating, and ventilation.

4.1.5 U.S. Department of HUD CDBG Program

The CDBG Program provides annual grants to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income people. Different programs are available under the block grant, such as the CDBG Entitlement Program, which provides grants to entitled cities and urban counties, or the CDBG State Program, which provides funds to states that then make awards to towns, cities, and counties not directly funded under the CDBG Entitlement Program. Although OCSD does not qualify as an eligible grantee, it may consider collaborating with the County of San Luis Obispo, which has received CDBG Entitlement Program funding since 2002 and has used its CDBG funding for activities such as improvements to water/sewer facilities, flood drainage, streets, and sidewalks. The County of San Luis Obispo has also previously allocated a portion of its CDBG funds to local participating cities (e.g., Arroyo Grande, Morro Bay, Paso Robles) for street and sidewalk improvements projects. Additional coordination with the County of San Luis Obispo would be necessary to determine whether OCSD would be considered an eligible subrecipient of CDBG Funds.

4.1.6 U.S. Congressman Salud Carbajal FY26 Appropriations Request

In March 2024, the District requested that an appropriations request be submitted to Congressman Carbajal for funding of a sewer improvement project incorporating Priority Projects A-3, A-4, and A-5 into one project. The appropriations request was submitted in April 2025. For the purposes of the CIP, these projects have been kept separate in case other funding pathways need to be explored.

U.S. Congressman Salud Carbajal of California's 24th Congressional District solicits Appropriations Request for Community Project funding, which are disbursed by various federal agencies including USDA, USEPA, the United States Bureau of Reclamation, and the Department of Homeland Security.

This process offers an alternative and more direct approach to accessing grant funding through federal grant programs (as opposed to traditional grant application processes). Recent projects in the 24th Congressional District receiving Community Project grants through this program include OCSD's Water Resources Reliability Program, the City of Solvang's Wastewater Treatment Plant Upgrade project, and the purchase of a new digester for the Goleta Sanitary District. OCSD's Sanitary Sewer CIP projects are eligible for funding under two programs – the USDA Rural Water and Waste Disposal Grants program under the Agriculture Subcommittee and the USEPA State and Tribal Assistance Grants program under the Interior and Environment Subcommittee – which are the focus of this discussion.

4.2 Funding Summary

Table 4-4 provides a summary of overall funding source recommendations. The complete Funding Plan is presented in **Appendix G**.

Table 4-4: Funding Sources Overview

Project Identifier	Project Name	U.S Congressman Salud Carbajal FY26 Appropriations Request[1]	IBank Infrastructure State Revolving Fund Program	SWRCB Clean Water State Revolving Fund	USDA Water and Wastewater Disposal Loan & Grant Program	USDA Community Facilities Direct Loan & Grant Program	HUD Community Development Block Grant Program
A-1	Sewer Maintenance Equipment		O			O	
A-2	Pier Avenue Lift Station Interim Improvements		O	O	O	O	O
A-3	Belridge Street Sewer Rehabilitation	O	O	O	O	O	O
A-4	Wilmar Avenue Sewer Rehabilitation	O	O	O	O	O	O
A-5	North Highway 1 Crossing	O	O	O	O	O	O
A-6	CCTV Inspection – Phase 1						
A-7	Lateral Replacement		O	O	O	O	O
Application Cost (time/resources)		Low	Moderate	High	Moderate	Moderate	Unknown
Grant Request (value)		$0.67M	$1.81M	$1.15M	$1.15M	$1.81M	$1.15M
OCSD Competitiveness		Moderate	High	High	High	Moderate	Low
Recommendation		Yes	No	No	**Yes**	**Yes**	Consider

Notes:

1. *As stated in Section 4.1.6, an appropriations request was submitted to Congressman Carbajal's office in April 2025.*

LEASE AGREEMENT BETWEEN THE COUNTY OF SAN LUIS OBISPO AND OCEANO COMMUNITY SERVICES DISTRICT FOR THE SHERIFF SUBSTATION

This **LEASE AGREEMENT** ("Lease") is entered into by and between **the County of San Luis Obispo**, a political subdivision of the State of California ("County"), and **the Oceano Community Services District** ("Lessor" and whereby further referred as "OCSD"), (collectively the Parties) and will replace and supersede all previous agreements between County and OCSD, with respect to the Premises hereinafter described.

WHEREAS, County's Sheriff's Office took occupancy of the Premises defined below in Paragraph 1 on September 4, 2002, under a lease dated April 17, 2001 ("2001 Sheriff Substation Lease"); and

WHEREAS, the OCSD provides fire protection services ("Fire Services") for the community of Oceano; and

WHEREAS, the OCSD submitted a request to the Local Area Formation Commission (LAFCO) in January 2023 for divestiture of Fire Services with LAFCO action on this request expected by December 31, 2024 at which point the County, as a successor agency, would be responsible for providing Fire Services to the community of Oceano; and

WHEREAS, on June 18, 2024, the County Board of Supervisors approved a Oceano Community Services District Divestiture of Fire Protection Services Plan for Services (Plan for Service), outlining the County's plan to accept responsibility for Fire Services to the community of Oceano, if divestiture is approved by LAFCO; and

WHEREAS, according to the Plan of Service, the April 17, 2001, Sheriff Substation Lease will be terminated and the parties will enter into a new lease for the Premises with no lapse in occupancy; and

WHEREAS, the Plan of Service, reflects that the new lease will provide for rent abatement of a minimum of ten (10) years, in the amount of approximately $123,854 for year one, with annual CPI escalations as further described herein; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereto agree as follows:

1. **Premises**: OCSD hereby leases to County, and County hereby hires and takes from OCSD, for the Term, at the rental and upon the conditions hereinafter set forth, those certain premises hereinafter referred to as "Premises," and more particularly described as assessor parcel number 062-271-024, 1681 Front Street, Oceano, CA, an approximate 18,700 square foot parcel with approximate 6,184 square foot building, also known as the "Oceano Sheriff Substation", as depicted on Exhibit "A" attached hereto, with exclusive use of the parking area depicted on Exhibit "A".

2. **Quiet Enjoyment:** OCSD agrees to and shall on the commencement date of the term of this Lease hereinafter set forth, place County in quiet possession of the leased Premises and shall secure to County the quiet possession hereof against all persons lawfully claiming the same during the entire term and any renewals or extensions thereof. .

3. **Term:** The term of this Lease shall be for a period of approximately twenty (20) years, commencing on the date of LAFCO's approval of OCSD's request for divestiture which is expected by December 2024 ("Effective Date"), and shall terminate on June 30, 2044, or upon the end of the 20-year term, whichever occurs later.

4. **Option to Purchase:** County, at its option and upon receiving written notice of OCSD's intent to vacate the adjacent parcel, located at 1655 Front Street, Oceano, ("CSD/Fire Premises"), as outlined in the lease dated December 17, 2024, between County and OCSD for APN # 062-271-023 1655 Front Street, Oceano, shall exercise a Letter of Intention to Purchase the Premises and improvements located at 1681 Front Street, Oceano, APN # 062-271-024. The Letter of Intention to Purchase shall outline steps and mutual consents with subsequent Board approvals for a Resolution of Intent to Purchase, a Resolution of Authorization to Purchase, and a Purchase and Sales Agreement, estimated to be around year ten (10). County's purchase price of the Premises shall be at land value only, as determined by mutually approved licensed Member of the Appraisal Institute (MAI) appraiser within 6 months of OCSD's notice of intent to vacate, and paid for by the OCSD, and is subject to a reduction for the cost of maintenance and improvement projects as outlined in paragraph **15. Repair and Maintenance, Section ii B**. If the option is not exercised all other terms and condition of the lease remain in effect.

5. **Termination:** County and OCSD agree to terminate this lease upon a mutual beneficial written agreement by the parties, which shall be effective upon the County's successful acquisition of the current Premises.

6. **Gross Rent:** According to the Plan of Service, County will not pay rent for performance of this Lease, with the exception of County's contributions of paragraph **15. Repair and Maintenance, Section ii A.**

7. **Use of Leased Premises:** The Premises shall be used solely for conducting and operating therein the business of the County and no other purpose without OCSD's prior written consent. The County Sheriff's Office is the intended occupant, and the parties understand and agree that there will be public visitation to the Premises. The County reserves the right to allow other departments or agencies of the County to occupy the Premises under this Lease upon thirty (30) days prior written approval by the OCSD.

8. **Taxes:** OCSD will pay all real property taxes, property insurance and any assessments levied or assessed on the land and improvements thereon of which the leased Premises is a part.

9. **Utilities and Fire Suppression System:** County shall pay for all separately metered utilities solely used by the County. **OCSD** agrees to maintain, at OCSD's sole cost and expense, any metered utilities not solely used by the County, including but not limited to water utilities, waste water and stormwater charges, sanitation, electrical services and gas, and to place any such utilities accounts in its name. Any and all fire suppression systems and any existing fire detection systems shall be maintained by OCSD according to requirements of the County of San Luis Obispo Fire Department.

10. **Data and Cabling**: County shall continue to solely use the County's fiber line through OCSD's existing conduit to County's own main distribution frame ("MDF"). New Voice and Data cabling whether installed by County or OCSD is subject to Exhibit "C", County of San Luis Obispo Voice, and Data Cabling version 4.0 (September 2021). County shall pay for phone and data services for County's exclusive use. Should OCSD install new Voice or Data cabling for OCSD use, OCSD shall be responsible for maintaining the cabling in good working order. Additionally, OCSD shall continue to be responsible for any existing cabling owned by OCSD.

11. **Insurance:**

By OCSD: For the Lease Term, the OCSD shall self-insure or maintain, at its own expense comprehensive general liability insurance. The OCSD insures the OCSD's personal property located on or at the Premises.

By County: MINIMUM INSURANCE REQUIREMENTS as shown in Exhibit B.

12. **Indemnification:** To the fullest extent permitted by law, County shall indemnify, defend, and hold harmless OCSD and its officers, agents, employees, and volunteers from and against all claims, demands, damages, liabilities, loss, costs, and expense (including attorney's fees and costs of litigation) of every nature arising out of or in connection with County's performance or non-performance of any obligation or duty provided for or relating to this Lease and/or the Premises, except such loss or damage which was caused by sole negligence or willful misconduct of OCSD

13. **Janitorial and Custodial Services:** County shall be solely responsible for complete janitorial services and the furnishing of janitorial supplies to the Premises occupied exclusively by the County. OCSD shall provide and pay for janitorial and routine landscape maintenance services to all exterior and common areas. OCSD shall provide sufficient exterior trash receptacles appropriate for the general office use, including existing and future South County Sanitation Services (SCSS) for solid waste, recycling and organics

removal. SCSS currently provides three stream solid waste services to both the Sherriff Substation and the Fire Station at no cost via shared bins for both buildings. OCSD shall be responsible for any future costs associated with South County Sanitation Services (SCSS)

14. **Security Cameras.** The County is permitted to install and maintain cameras inside and/or outside the Premises, at the County's sole cost.

15. **Repairs and Maintenance:** OCSD shall put the Premises, the building, and all common areas under the control of the OCSD, into a condition fit for occupancy, and shall thereafter repair all subsequent dilapidation thereof not caused by County or its employees or invitees, which may render them untenantable. "Untenantable" within this contact of this paragraph means that the Premises, or the building, or the areas under the control of OCSD, substantially lack any one or more of the following affirmative standard characteristics, unless otherwise advised by County Public Works staff as standard for County leased buildings:

i. OCSD's Responsibilities:

A. Effective waterproofing and weather protection of the roof and exterior walls, including broken windows and doors.

B. Plumbing facilities which conformed to applicable law in effect at the time of installation, maintained in good working order. County shall make all reasonable efforts to prevent the overflowing of toilets as a result of its usage and shall be solely responsible for the repair of any plumbing systems caused by inappropriate or misuse by County or its employees or invitees. "Plumbing facilities" is an industry standard term meaning all appurtenances relevant to the plumbing system, including, including but not limited to piping, connections, fixtures, or similar as further defined in the California Building Standards Code and the California Plumbing Code, as provided in the California Code of Regulations.

C. A water supply approved under applicable law, which is under the control of the County, capable of producing hot and cold running water, and produces hot and cold running water, furnished to appropriate fixtures and connected to a sewage disposal system approved under applicable law.

D. Heating, Ventilating, and Air Conditioning (HVAC) facilities which conform to applicable law at the time of installation, maintained in good working order with preventative maintenance service minimally twice a year for comfortable occupancy, including HEPA Merv 13 filters or per manufacturers specifics of the Leased Premises during normal business hours.

E. Electrical lighting, which conformed to wiring and electrical law and regulations at the time of installation, maintained in good working order.

F. Building and appurtenances and every part thereof clean, sanitary, and free from accumulations of debris, filth, rubbish, garbage, vermin; and all areas under control of County kept in every part clean, sanitary, and free from all accumulations of debris, filth, rubbish, garbage, rodents and vermin.

G. Pest control in compliance with state and local laws and regulations pertaining to the use and application of pesticides.

H. Floors, stairways, ramps, and railings maintained in good repair. Additionally,

I. OCSD shall be responsible to ensure the Premises are inspected by the appropriate public agency having jurisdiction over such inspections, to ensure that the building meets code requirements for County's use and evidence of such.

J. OCSD to be responsible for annual fire inspection as required for County's continued use of the Premises.

K. OCSD will be responsible for all common area maintenance, landscaping, exterior parking lot maintenance, parking lot repairs, exterior lighting and/or lighting facilities, associated with the County's Use of the Premises.

ii. County's Responsibilities:

A. County's obligation to pay repair and maintenance costs to the Premises are limited to an annual non-cumulative maximum of Seventeen Thousand Dollars ($17,000) per fiscal year. No portion of the annual maximum County contribution of $17,000 shall roll forward from fiscal year to fiscal year.

B. Any capital projects, repair or maintenance work exceeding this annual limit shall be mutually agreed upon in writing. In the event of County's future real property purchase, subject to **Paragraph 4. Option to Purchase**, an amount equal to the total County contribution for any capital projects or repair and maintenance work mutually agreed upon by separate agreement shall reduce the seller's proceeds of the purchase price in the County's favor.

C. If at any time during the term of this lease or upon termination of the lease, the County vacates the premises, OCSD shall reimburse the County for any contributions toward capital projects, repair, or maintenance costs that exceed the annual cap of $17,000.

16. **Surrender:** County shall surrender the Premises unto OCSD on the last day of the term (including any extension term) or sooner termination of this Lease in the same condition as when received, reasonable use and wear excepted.

17. **Tenant Improvements, Remodeling, Alterations and Additions**: Any capital projects, repair, or maintenance work exceeding the annual limit shall be mutually agreed upon in writing and costs offset as outlined in **15. Repair and Maintenance, Section ii A, B, and C.**

Under separate agreement and conditions, the OCSD will contribute $90,000 to the County related to replacement of flooring and repainting of the Premises. This contribution will be excluded from the annual maximum contribution to maintenance and repairs and will not impact any future real property purchase subject to **15. Repair and Maintenance, Section ii A, B, and C**.

Any tenant improvements constructed exclusively on behalf of the County of San Luis Obispo in excess of $1,000 shall comply with current California **prevailing wage laws**, including, without limitation, work that constitutes a public works project as defined by California law, the Public Contract Code and Labor Code section 1720.2. In addition to any other indemnification provision in this Lease, OCSD shall defend and indemnify County against any claim of liability for any failure of OCSD or its agents, contractors, or employees to comply with prevailing wage laws.

County shall not make any major improvements to the Premises, or any part thereof, without OCSD's prior written consent. County may, however, make non-structural alterations to the interior of the Premises without such consent, but upon written notice to OCSD, as long as they are not visible from the exterior, do not involve roofing or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and do not trigger the requirements for additional modifications and/or improvements to the Premises.

18. **Assignment:** County shall not assign this Lease, nor sublet the whole or any part of the Premises, without the prior written consent of OCSD.

19. **Parking:** County has exclusive right to all 20 parking spots within the premise.

20. **Right of Entry:** The OCSD shall have the right with reasonable notice and at reasonable times, to inspect the Premises and to perform maintenance, repairs and improvements to the Premises or the building of which the Premises is a part. The OCSD shall have the right and privilege at reasonable business hours with twenty-four (24) hours prior notice, to enter the Premises. However, this right of entry shall in no way interfere with the County's operation on the Premises. If County meetings are being held in the building or in an office, that portion may not be inspected during the meeting. At all times during said inspection, the

inspector(s) shall be accompanied by a County Sheriff's Office staff member as determined by the County in order to protect confidentiality of clients, workers and work product, unless waived in writing by the County.

21. Signs: County, at its sole expense, shall place, construct and maintain any signage on the Premises listing County's name and/or County program at the property.

22. Destruction of Premises: If during the term of this Lease, the Premises are injured or destroyed by fire or other cause, so as to render the Premises, in County's judgment, unfit for occupancy, or so as to substantially prevent or impair, in County's judgment, County's use of the Premises for intended purposes, then this Lease shall terminate at the option of either party hereto; provided that if the Premises can be repaired to the satisfaction of County under the laws and regulations of any governmental agency thereunto applicable, using the same type of construction, within thirty (30) days or such reasonable time per circumstance up to one hundred twenty (120) days from date of occurrence with abatement of rent thereof, then OCSD may forthwith repair the same, in which event such injury or destruction shall in no way annul or void this Lease. The County shall be entitled to a proportionate reduction in the rent herein reserved corresponding to the time during which, and to the portion of the Premises of which, County shall be deprived of possession. In the event OCSD elects not to make such repairs, or in the event repairs cannot be made to the satisfaction of the County, using the same type of construction, within thirty (30) days under the laws and regulations of any governmental agency thereunto applicable, the Lease shall then terminate at the option of either party hereto. County has no right of termination if any destruction was caused by their sole negligence or willful misconduct.

23. Condemnation:

A. Total Taking: If the whole of the Premises shall be taken or condemned by any competent authority under power of eminent domain for a public or a quasi-public use or purpose, then the leasehold estate hereby created shall cease and terminate as of the date that actual physical possession of the leased Premises is taken by the condemnor, or on the date County is required to vacate the Premises in order to continue its business operations with minimum interruption, whichever is earlier. Compensation and damages awarded for such total taking shall belong to OCSD, except that County shall be entitled to receive any award for the taking of or damage to County's equipment, fixtures, or any improvements made by County to the leased Premises for which County would have had, the right to remove on expiration or sooner termination of this Lease, but for the condemnation. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents.

B. Partial Taking: In the event that there shall be partial taking of the leased Premises during the Lease term under the power of eminent domain, this Lease shall terminate as to the portion of the leased Premises so taken on the date when actual physical possession of said portion is taken by the condemnor. However, this Lease shall, at County's option, continue in force and effect as to the remainder of the leased Premises, provided that the rental payable by County for the balance of the term where County elects to continue this Lease shall be abated in the proportion that the square footage of floor area of the leased Premises taken bears to the total floor space of the leased Premises at the time of such taking. In the event of such partial taking, compensation and damages for the taking shall belong to OCSD, except that County shall be entitled to receive any award for the taking of, or damage to, County's equipment, fixtures, and any improvements made by County to the leased Premises which County would have had, but for the condemnation, the right to remove on expiration or sooner termination of this Lease, and, in the event that this Lease is continued as to the portion of the leased Premises not taken in a suitable condition for the continuance of County's tenancy. Further, County shall be entitled to that portion of the award granted for disruption to business, business relocation costs, and similar awards to offset County's Lease with appropriate offsets on rents.

24. Environmental Matters / Covenants Regarding Hazardous Materials: OCSD and County shall at all times and in all respects comply with all federal, state and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under such laws, ordinance or regulations (collectively, "Hazardous Materials").

OCSD and County shall further indemnify, defend, protect, and hold each other free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by:

A. the presence in, on, under or about the Premises or discharge in or from the Premises of any Hazardous Materials or OCSD's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials to, in, on, under, about or from the Premises, or

B. OCSD's or County's failure to comply with any Hazardous Materials Law. OCSD's and County's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable,

all costs of any required or necessary repair, cleanup or detoxification or decontamination of the Premises, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of this lease. For purposes of the release and indemnity provisions hereof, any acts or omissions of OCSD or County, or by employees, agents, assignees, contractors or subcontractors of OCSD or others acting for or on behalf of OCSD or County (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to OCSD or County.

25. **Holding Over:** In the event that County shall hold over after expiration of the Lease term or any extension or renewal thereof, with the consent, express or implied, of OCSD, such holding over shall be deemed merely a tenancy from month-to-month on the terms, covenants, and conditions, so far as applicable, and subject to the same exceptions and reservations, as herein contained, until such tenancy is terminated in manner prescribed by law.

26. **Notices:** Any notices, demands, or communication, under or in connection with this Lease, may be served by regular mail, personal delivery, or electronic transmission ("e-mail"). Such e-mail notice, and all attachments thereto, shall for all purposes be deemed received and effective upon receipt at the e-mail address provided, and that such notice is effective irrespective of whether the addressee shall actually open or read the e-mail notice and/or attachments. If by regular mail, such mail must be deposited in the United States Post Office, postage prepaid, and if addressed to the County at:

County of San Luis Obispo
Central Services Department
Real Property Services Division
1087 Santa Rosa Street
San Luis Obispo, CA 93408
Attention: County Real Property Manager
Direct: (805) 781-5200 Email: central_rps@co.slo.ca.us

and may likewise be served on OCSD at:

Oceano Community Services District
c/o General Manager
1655 Front Street
Oceano, CA 93445
ocsdgm@oceanocsdl.org

Either County or OCSD may change such address by notifying the other party in writing as to such new address as OCSD or County may desire used and which address shall continue as the address until further written notice.

27. **Successors:** The agreements herein made shall apply to, bind and inure to the benefit of the successors and assigns of OCSD, and the successors and permitted assigns of County.

28. **Provisions Deemed Covenants and Conditions:** The parties hereto agree that all the provisions in this Lease are to be construed as covenants and conditions as though the words importing such covenants and conditions are used in each instance, and that all of the provisions hereof shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representative, successors and assigns.

29. **Estoppel:** Each party, within ten (10) days after notice from the other party, shall execute and deliver to the other party, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modifications. The certificate also shall state the amount of monthly rent, the dates to which the rent has been paid in advance, and the amount of any prepaid rent.

30. **Governing Law and Venue :** This Lease shall be governed by the laws of the State in which the Premises are located and any litigation concerning this Lease between the parties hereto shall be initiated in the County of San Luis Obispo.

31. **Subordination Agreement:** The County's rights under this Lease may be subordinate to any ground lease or mortgage, deed of trust or any other hypothecation or security entered after or placed upon the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. County's right to quiet possession of the Premises shall not be disturbed if County is not in default and so long as County shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgage, trustee, or ground lessor shall elect to have this Lease prior to the lien on its mortgage, deed of trust or ground lease, and shall give written notice thereof to County, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof. County agrees to and shall attorn to any purchaser in good faith and for value or any successor in interest of the Lessor herein.

32. **Waivers:** No waiver by OCSD of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by County of the same or any other provision. OCSD's consent to or approval of, any act shall not be deemed to render unnecessary the obtaining of OCSD's consent to or

approval of any subsequent act by County. The acceptance of rent hereunder by OCSD shall not be a waiver of any preceding breach by County of any provisions hereof, other than the failure of County to pay the particular rent so accepted, regardless of OCSD's knowledge of such preceding breach at the time of acceptance of such rent.

33. Americans With Disabilities Act: OCSD shall be responsible for alterations necessary to comply with the Americans With Disabilities Act of 1990, 42 U.S.C. sect. 12101 et seq., as currently enacted and in accordance with applicable laws subject to paragraph **15. Repairs and Maintenance**. In accordance with Civil Code Section 1938, OCSD represents that the property:

- ☐ has not undergone inspection by a Certified Access Specialist (CASp); or
- ☐ has undergone inspection by a Certified Access Specialist (CASp), and has been determined to meet all applicable construction-related accessibility standards pursuant to Section 55.53.

34. Smoking: Entire Premises occupied by County and County clients shall be a non-smoking building and no smoking shall be allowed in or on the Premises, including but not limited to all balconies, courtyards, walkways and parking areas leased by the County.

35. Severability: The invalidity of any provision of this Lease shall not affect the validity, enforceability of any other provision of this Lease.

36. Public Records: Any and all written information submitted to and/or obtained by County from OCSD or any other person or entity having to do with or related to this Lease and/or the Premises, either pursuant to this Lease or otherwise, at the option of County, may be treated as a public record open to inspection by the public pursuant to the California Records Act (Government Code Section 7920.000 et seq.), as now in force or hereafter amended, or any Act in substitution thereof, or otherwise made available to the public and OCSD hereby waives, for itself, its agents, employees, subtenants, and any person claiming by, through or under OCSD, any right or claim that any such information is not public record or that the same is trade secret or confidential information and hereby agrees to indemnify and hold harmless from any and all claims, demands, liabilities, and/or obligations arising out of or resulting from a claim by OCSD or any third party that such information is a trade secret, or confidential, or not subject to inspection by the public, including without limitation reasonable attorneys' fees and costs. OCSD acknowledges that the County will not treat this Lease as containing confidential information and may post this Lease on the transparency County Board of Supervisor's website portal. Use by the public of the information contained in this Lease shall not be considered an act of the County.

37. Authority of Central Services Director: The Board of Supervisors has delegated to the County's Director of Central Services or the Director's designee the right to exercise all rights and obligations of the County under this Lease or any Lease amendment, unless specifically provided herein, or required by law or Board resolution. Any amendment made pursuant to a delegation of authority will only be effective if the amendment is memorialized in writing, is approved by County Counsel, and is signed by the Director and OCSD. The Board expressly delegates to the Director the authority to renew this Lease contingent on prior funding approval.

38. Counterparts; Electronic Signatures: This Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Faxed, photocopied, or electronically transmitted signatures have the same effect as ink originals.

39. Entire Lease Agreement and Modifications: This Lease superseded all previous contracts between the parties related to the Premises, specifically the Sheriff Substation Ground Lease Agreement, dated April 17, 2001, which is terminated upon the effective date of this Lease. It constitutes the entire Lease between the parties hereto as it pertains to the subject real property, and there are no promised terms, conditions, or obligations referring to the subject matter hereof, other than as contained herein. OCSD shall not be entitled to any other benefits than specified herein. Any alterations, changes or modifications to this Lease must be in writing and executed by both OCSD and County. Except as otherwise stated in this Lease, County hereby acknowledges that neither the broker (if applicable) acting as agent for OCSD, nor any cooperating agent on this transaction, nor the OCSD or any employee or agents of any said persons, has made any oral or written warranties or representations to County relative to the condition or use by County of the Premises.

40. Drug Free Workplace: County and its employees, agents, assignees and sub-lessees will comply with all laws related to a drug free workplace. Neither County nor its employees will unlawfully manufacture, distribute, dispense, possess, or use controlled substances, including but not limited to marijuana, heroin, cocaine, methamphetamine, or amphetamines at any of OCSD's facilities or County's facilities or worksites.

41. Surrender of Possession: Any alteration, addition, or improvement made in or on the Premises by County shall remain the property of the County upon the expiration or other sooner termination of this Lease. County shall have the right but not the obligation to remove any personal property, fixtures, machinery, and equipment affixed to, installed in or on the Premises by County.

42. Headings: The headings of the paragraphs and sections of this Lease are inserted only as matter of convenience and for reference and do not define or limit the scope or intent of any provisions of this Lease and shall not be construed to affect in any manner the terms and provisions hereof or the interpretation or construction thereof.

43. Authority: Each person executing this Lease on behalf of a Party represents and warrants that such person is duly and validly authorized to do so on behalf of the entity it purports to bind.

//////////////////////////////////////NOTHING FURTHER PAST THIS POINT//////////////////////////////////////

IN WITNESS WHEREOF, County and OCSD have executed this Lease this 17 day of December 2024.

COUNTY OF SAN LUIS OBISPO, a political subdivision of the State of California

By: Debbie Arnold
Chairperson of the Board of Supervisors

APPROVED BY THE BOARD OF SUPERVISORS

This 17 day of December, 2024

ATTEST:
Matthew Pontes,
County Administrative Officer and Ex-Officio Clerk of the Board of Supervisors

By: Nelli Marvin

APPROVED AS TO FORM AND LEGAL EFFCT:

RITA L. NEAL
County Counsel

By: Makenzie Dunckel
Deputy County Counsel

Date: 12/09/2024

OCSD:

Oceano Community Services District

By:_____
, General Manager

Date: _____

IN WITNESS WHEREOF, County and OCSD have executed this Lease this 17 day of December 2024.

COUNTY OF SAN LUIS OBISPO, a political subdivision of the State of California

By: Debbie Arnold
Chairperson of the Board of Supervisors

APPROVED BY THE BOARD OF SUPERVISORS

This 17 day of December, 2024

ATTEST:
Matthew Pontes,
County Administrative Officer and Ex-Officio Clerk of the Board of Supervisors

By: Nili Martin
Deputy Clerk

APPROVED AS TO FORM AND LEGAL EFFCT:

RITA L. NEAL
County Counsel

By: _____
Deputy County Counsel

Date: _____

OCSD:

Oceano Community Services District

By: Peter J Brown
, General Manager

Date: 12-12-24

Exhibit "A"

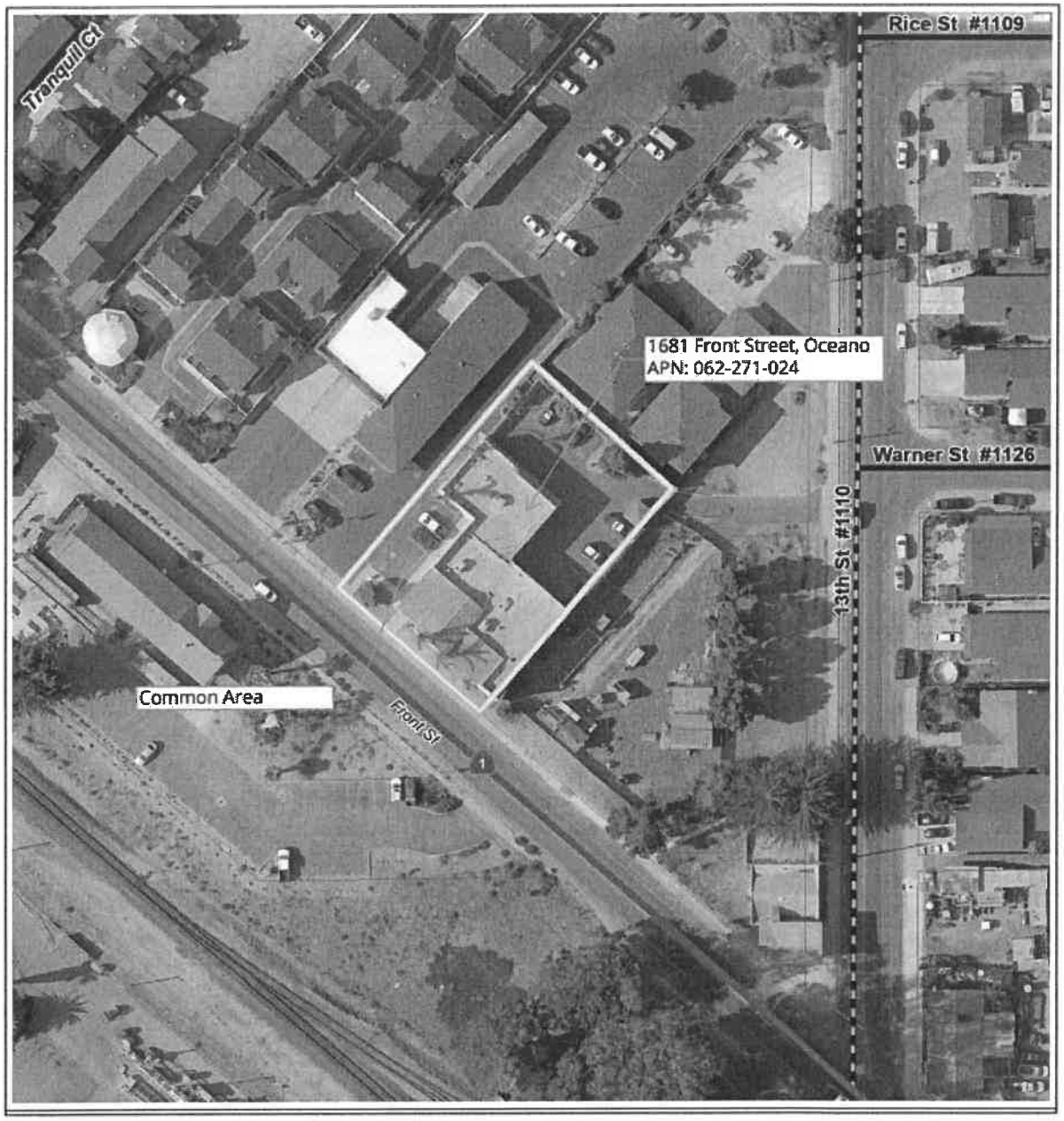
Tranquil Ct
Rice St #1109
1681 Front Street, Oceano
APN: 062-271-024
Warner St #1126
13th St #1110
Common Area
Front St

Exhibit B
INSURANCE

MINIMUM INSURANCE REQUIREMENTS

Without limiting any other obligation or liability under this Lease, the County at its sole cost and expense, shall secure and keep in force during the entire term of the Lease or longer, as may be specified below, the following insurance coverage, limits and endorsements:

County shall obtain and maintain for the entire term of the Agreement and County shall not perform any work under this Contract until after County has obtained insurance complying with the provisions of this paragraph. Said policies shall be issued by companies authorized to do business in the State of California. County shall maintain said insurance in force at all times. The following coverage with the following features shall be provided:

A. Real Property Insurance
    1. OCSD is presently self-insured. OCSD's policy as to the building and Premises shall be primary. OCSD at its cost shall maintain during the term of this Lease on the building and Premises a policy or policies of standard fire and extended coverage insurance to the extent of at least ninety (90%) percent of full replacement value thereof.
    2. County is presently self-insured. County at its cost shall procure and maintain during the term of this Lease, a policy of fire insurance on County's personal property including improvements paid for by the County, within the leased Premises.

B. Liability Insurance.
    1. OCSD is presently self-insured. The **commercial general liability policies shall name "County of San Luis Obispo, its officers, agents and employees" as additional insureds.**
    2. County agrees to maintain in force throughout the term hereof, at County's sole cost and expense, commercial general liability insurance with a broad form general liability endorsement insuring against any liability to the public for any claim for damages due to death, bodily injury or property damage related to County's occupancy of the Premises, with single limit coverage of not less than $2,000,000 per occurrence. OCSD shall be named as an additional insured in such policy. County shall provide OCSD with at least (30) days-notice of cancellation of insurance.

C. Workers' Compensation Insurance: In accordance with the provisions of sections 3700 of the California Labor Code, et seq., if County has any employees, County is required to be insured

against liability for workers' compensation or to undertake self insurance. County agrees to comply with such provisions before commencing the performance of this Lease

D. Waiver of Subrogation. County hereby grants to OCSD a waiver of any right to subrogation which any insurer of said County may acquire against the County by virtue of the payment of any loss under such insurance. County agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.

E. Primary Coverage. For any claims related to general liability to the leases premises, County's insurance coverage shall be primary insurance as respect to the OCSD, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the County, its officers, agents, and employees shall be excess of the Lessee's insurance and shall not contribute with it.

F. Notice of Cancellation. Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the OCSD.

G. Additional Insureds to be Covered: The County's commercial general liability policies shall name "OCSD" as additional insureds. The policy shall provide that the Lessee's insurance will operate as primary insurance and that no other insurance maintained by the OCSD, or additional insureds will be called upon to contribute to a loss hereunder.

H. Certification of Coverage: Within fifteen (15) calendar days of the first day of the Commencement Date of this Lease, County shall furnish OCSD with the following for each insurance policy required to be maintained by this Lease, and annually thereafter:

    1. A copy of the Certificate of Insurance shall be provided. The certificate of insurance must include a certification that the policy will not be canceled or reduced in coverage or changed in any other material aspect without thirty (30) days prior written notice to the County.
    2. A Workers' Compensation certificate of insurance must be provided.
    3. Approval of Insurance by County shall not relieve or decrease the extent to which the County may be held responsible for payment of damages resulting from County's services or operations pursuant to this Contract. Further, County's act of acceptance of an insurance policy does not waive or relieve County's obligations to provide the insurance coverage required by the specific written provisions of this Contract.

I. Effect of Failure or Refusal: If County fails or refuses to procure or maintain the insurance required by this Lease, or fails or refuses to furnish OCSD with the certifications required by *Subparagraph H.* above, OCSD shall have the right, at its option, to forthwith terminate the Contract for cause.

EXPEDITED DRINKING WATER GRANT

AGREEMENT No. D2402041

by and between

OCEANO COMMUNITY SERVICES DISTRICT ("Recipient")
AND
CALIFORNIA STATE WATER RESOURCES CONTROL BOARD ("State Water Board")

for the purpose of the

KEN MAR GARDENS, HALCYON WATER SYSTEM, HALCYON ESTATES & GRANDE MOBILE MANOR CONSOLIDATION PROJECT
EDWG-4010005-002C ("Project")

- Section 116766 of the Health and Safety Code and State Water Board Resolution Nos. 2023-006 and 2024-0028.

PROJECT FUNDING AMOUNT: $9,427,000

ESTIMATED REASONABLE PROJECT COST: $9,427,000
ELIGIBLE WORK START DATE: JANUARY 1, 2025
ESTIMATED COMPLETION OF CONSTRUCTION DATE: OCTOBER 29, 2027
PROJECT COMPLETION DATE: MARCH 1, 2029
FINAL REIMBURSEMENT REQUEST DATE: MARCH 1, 2029
RECORDS RETENTION END DATE: MARCH 1, 2065

Adobe Acrobat Sign Transaction Number: CBJCHBCAABAA07khy7aZZdBn-jzH9Z1uooAqutMvXSbR

1. The State Water Board and the Recipient mutually promise, covenant, and agree to the terms, provisions, and conditions of this Agreement, including the following Exhibits, which are attached hereto or are incorporated by reference:

   - EXHIBIT A – SCOPE OF WORK AND SCHEDULE
   - EXHIBIT B – FUNDING PROVISIONS
   - EXHIBIT C – GENERAL TERMS AND CONDITIONS
   - EXHIBIT D – SPECIAL CONDITIONS

2. The following documents are also incorporated by reference, as well as any documents incorporated by reference in Exhibit D:

   - the Drinking Water System Permit No. 04-06-17P-002, and any amendments thereto;

3. Party Contacts during the term of this Agreement are:

State Water Board		Oceano Community Services District	
Section:	Division of Financial Assistance		
Name:	Fabian Ramos, Project Manager	Name:	Peter Brown, General Manager
Address:	1001 I Street, 16th Floor	Address:	P.O. Box 599
City, State, Zip:	Sacramento, CA 95814	City, State, Zip:	Oceano, CA 93475
Phone:	(916) 449-5985	Phone:	(805) 481-6730
Email:	fabian.ramos@waterboards.ca.gov	Email:	peter@oceanocsd.org

   Each party may change its contact upon written notice to the other party. While Party Contacts are contacts for day-to-day communications regarding Project work, the Recipient must provide official communications and notices to the Division's Deputy Director in addition to the Party Contacts.

4. Conditions precedent to this Agreement are set forth as follows:

   (a) The Recipient must deliver to the Division a resolution authorizing this Agreement and identifying its authorized representative by title.

   (b) The Recipient must deliver an opinion of general counsel satisfactory to the State Water Board's counsel dated on or after the date that the Recipient signs this Agreement.

5. The Recipient represents, warrants, and commits to the following as of the Eligible Work Start Date and continuing thereafter for the term of this Agreement, which shall be at least until the Records Retention End Date:

   (a) The Recipient agrees to comply with all terms, provisions, conditions, and commitments of this Agreement, including all incorporated documents.

   (b) The execution and delivery of this Agreement, including all incorporated documents, has been duly authorized by the Recipient. Upon execution by both parties, this Agreement constitutes a valid and binding obligation of the Recipient, enforceable in accordance with its terms, except as such enforcement may be limited by law.

(c) None of the transactions contemplated by this Agreement will be or have been made with an actual intent to hinder, delay, or defraud any present or future creditors of Recipient. The Recipient is solvent and will not be rendered insolvent by the transactions contemplated by this Agreement. The Recipient is able to pay its debts as they become due. The Recipient maintains sufficient insurance coverage considering the scope of this Agreement, including, for example but not necessarily limited to, general liability, automobile liability, workers compensation and employer liability, professional liability.

(d) The Recipient is in compliance with all State Water Board funding agreements to which it is a party.

6. This Agreement, and any amendments hereto, may be executed and delivered in any number of counterparts, each of which when delivered shall be deemed to be an original, but such counterparts shall together constitute one document. The parties may sign this Agreement, and any amendments hereto, either by an electronic signature using a method approved by the State Water Board or by a physical, handwritten signature. The parties mutually agree that an electronic signature using a method approved by the State Water Board is the same as a physical, handwritten signature for the purposes of validity, enforceability, and admissibility.

7. The Recipient has reviewed and fully understands the provisions and requirements of this Agreement. The Recipient has reviewed and affirms the representations and warranties in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

OCEANO COMMUNITY SERVICES DISTRICT:

By: Peter J Brown
Name: Peter Brown
Title: General Manager

Date: Apr 24, 2025

STATE WATER RESOURCES CONTROL BOARD:

By: J. Karkoski
Name: Joe Karkoski
Title: Deputy Director
Division of Financial Assistance

Date: May 21, 2025

Adobe Acrobat Sign Transaction Number: CBJCHBCAABAA07khy7aZZdBn-jzH9Z1uooAqutMvXSbR

EXHIBIT A – SCOPE OF WORK AND SCHEDULE

A.1 PROJECT PURPOSE AND DESCRIPTION.

The Ken Mar Gardens, Halcyon Water System, Halcyon Estates, and Grande Mobile Manor, and the Oceano Community Services District (OCSD) will benefit from the Project, which has a Useful Life of at least thirty-five (35) years. The funding under this Agreement will be used to consolidate the distribution systems of Ken Mar Gardens, Halcyon Water System, Halcyon Estates, and Grande Mobile Manor with OCSD, who will become their new, direct water purveyor. The Project will resolve manganese, selenium, and nitrate maximum contaminant levels (MCL) compliance orders and California Waterworks Standards and provide overall system reliability.

A.2 SCOPE OF WORK.

Portions of this scope of work may be funded through separate agreements or programs, including agreements with third-party technical assistance providers. Such tasks may still be included herein to clearly document expectations of the Recipient regarding implementation of the Project under this Agreement. Any costs funded through other agreements or programs cannot be submitted for reimbursement under this Agreement.

The Recipient agrees to do the following:

1. Project Management

    1.1 Provide all technical and administrative services as needed for Project completion; monitor, supervise, and review all work performed; and coordinate budgeting and scheduling to ensure the Project is completed within budget, on schedule, and in accordance with approved procedures, applicable laws, and regulations.

    1.2 Notify the Project Manager at least fifteen (15) working days in advance of upcoming meetings, workshops, and trainings.

    1.3 Conduct periodic and final site visits with the Project Manager.

    1.4 Conduct pre-, during, and post-construction photo monitoring at the Project site and submit to the Project Manager as part of Progress Reports.

2. Initial Submissions

    2.1 Submit the mandatory Technical, Managerial, and Financial (TMF) Assessment elements, including Budget/Capital Improvement Plan, Consolidation Feasibility, Ownership, and Water Rights, to the Project Manager for approval.

        2.1.1 Mandatory TMF elements must be met to the satisfaction of the Division prior to Bid Solicitation Approval.

    2.2 Submit the Expedited Drinking Water Grant (EDWG) Financial Security Package to the Project Manager for approval.

        2.2.1 Division review and approval must be complete prior to Bid Solicitation Approval.

    2.3 Complete necessary work to resolve any incomplete items identified by Division after the Division reviews submittals for Items 2.1 and 2.2.

2.4 Submit the professional engineering services contract(s) to the Project Manager for review and approval prior to disbursement of funds for costs incurred under such contract(s).

3. Environmental Compliance, Permitting, and Approvals

No construction or construction-related activities, including construction bid solicitation, is authorized until the California Environmental Quality Act (CEQA) process, permitting, access negotiations and other required approvals are complete.

3.1 Complete documentation required under the CEQA for the proposed construction Project.

3.1.1 Submit the draft CEQA document or Notice of Exemption, as applicable, to the Project Manager for comment.

3.1.2 Submit the complete EDWG Program Environmental Package to the Project Manager, including one of the following: the Notice of Exemption filed with the County Clerk and with the Governor's Office of Planning and Research, State Clearinghouse; or the final CEQA document (Negative Declaration, Mitigated Negative Declaration, or Environmental Impact Report), Mitigation Monitoring and Reporting Plan, comments and responses, adoption/certification resolution, and the Notice of Determination filed with the County Clerk and the Governor's Office of Planning and Research.

3.1.3 Obtain written concurrence from the Project Manager confirming the State Water Board has made its own environmental findings if applicable and concurs that implementation/construction may proceed. The State Water Board may deem the Project ineligible for funding if construction begins prior to the Division's issuance of this written approval.

3.2 Obtain all public agency approvals, entitlements, permits, and agreements, if any, that are required for Project implementation before field work begins.

3.2.1 Submit evidence of any necessary California Public Utilities Commission (CPUC) approvals and notice to the CPUC of the receipt of grant funds.

3.2.2 If the Project is carried out on lands not owned by the Recipient, the Recipient must obtain adequate property rights or rights of way for the Useful Life of the Project.

3.2.3 If the Project requires or involves the diversion or appropriation of water, the Recipient must submit appropriate documentation showing that Recipient has acquired necessary water rights.

3.2.4 If the Project is a consolidation, the Recipient must submit a copy of the draft or executed consolidation agreement(s) in a form satisfactory to the Division of Drinking Water.

3.2.5 Submit evidence of any necessary Local Agency Formation Commission approvals.

3.2.6 Submit a list and signed copies of any other necessary approvals, entitlements, permits, and agreements to the Project Manager.

4. Planning, Design, and Engineering[1]

4.1 Prepare an Engineering Report, Technical Memo, or similar document to support the design plans and specifications in Item 4.2, and submit to the Project Manager for comment.

4.2 Prepare the fifty percent (50%) design plans and specifications and submit to the Project Manager for approval. The Project shall include:

Distribution System Components

- Install approximately five thousand seven hundred (5,700) linear feet of new water mains/pipeline.
- Install/rehabilitate/relocate approximately twelve (12) hydrants/valves.
- Furnish and install water meters and backflow prevention devices for approximately forty-nine (49) existing customers.
- Furnish and install one (1) four (4) inch master meter.
- Furnish and install one (1) three (3) inch master meter.
- Furnish and install one (1) two (2) inch master meter.
- Tie new piping into existing distribution system at five (5) locations.

[1] Planning and design through ninety percent (90%) design completed under previously approved Technical Assistance (TA) with RCAC

Consolidation Project Components

- Consolidate the Halcyon Water Company, Ken Mar Gardens Mobile Home Park, Grande Mobile Manor, and Halcyon Estates into the Oceano Community Services District.
- Install master meters, laterals, and backflow prevention devices to consolidate Ken Mar Gardens Mobile Home Park, Grande Mobile Manor, and Halcyon Estates with the Oceano Community Services District.
- Decommission and properly abandon existing wells at Ken Mar Gardens Mobile Home Park, Grande Mobile Manor, and Halcyon Estates.

Additional Project Components

- Meet fire code requirements for water pressure and access to fire response systems, including emergency inter-tie between the City of Arroyo Grande and OCSD.
- Install fire hydrant on adjacent City of Arroyo Grande water distribution system for emergency interconnect.
- Install gravel access road (approximately five hundred twenty (520) linear feet).

4.3 Complete the one hundred percent (100%) design plans and specifications and prepare a summary identifying any changes from the fifty percent (50%) design plans in Item 4.2. Submit the one hundred percent (100%) design plans and specifications and summary of changes for the Project to the Project Manager for approval.

5. Bid Solicitation

5.1 Complete the bid documents in accordance with the approved design plans and specifications in Item 4.3 and submit to the Project Manager for approval.

5.2 Complete EDWG Request for Bid Solicitation Approval Form, after obtaining: TMF approval in Item 2.1, Financial Security Package approval in Item 2.2, environmental clearance in Item 3.1.3, and the necessary approvals, entitlements, permits, and agreements in Item 3.2. Submit to the Project Manager to obtain written Bid Solicitation Approval.

5.3 Advertise the Project for bid after receiving the Project Manager approval in Item 5.2. Submit complete EDWG Final Budget Approval (FBA) Form, including necessary attachments, such as the advertised bid documents and bid summary, to obtain written FBA from the Project Manager.

6. Construction and Implementation

Construction, equipment procurement, or acquisition costs are not eligible for reimbursement prior to FBA.

6.1 After receiving FBA, award the construction contract(s) and submit the Notice(s) to Proceed and awarded contract(s) for the Project to the Project Manager.

6.2 Submit any proposed changes that arise during construction that may affect the Project's benefits and components listed in Item 4.2, schedule, or costs to the Project Manager for approval prior to proceeding with the changes.

6.3 Submit the necessary TMF Assessment elements to the Project Manager by the Completion of Construction.

6.3.1 Prior to disbursement of the final ten percent (10%) of the total Project Costs, necessary TMF elements must be demonstrated to the satisfaction of the Division, which may include elements that will be subsequently completed under Division of Drinking Water (DDW) supervision.

6.4 Submit any required drinking water permit amendment application documents to the regulating agency (Division of Drinking Water, Local Primacy Agency, County Health Department, etc.) and the Project Manager before the Completion of Construction (if applicable).

6.5 Construct the Project in accordance with the approved design plans and specifications in Item 4.3.

6.6 Expeditiously initiate Project operations upon Completion of Construction.

A.3 SIGNAGE.

The Recipient must place a professionally prepared sign at least four (4) feet tall by eight (8) feet wide made of three-fourths (¾) inch thick exterior grade plywood or other approved material in a prominent location on the Project site and must maintain the sign in good condition for the duration of Project implementation. The sign may include another agency's required information and must include, prominently displayed, the following disclosure statement and color logos (available from the Division):

"Funding for this project has been provided in full or in part under the Safe and Affordable Funding for Equity and Resiliency (SAFER) Drinking Water Program through an agreement with the State Water Resources Control Board."

A.4 SCHEDULE.

Failure to provide items by the due dates indicated in the table below may constitute a material violation of this Agreement. The Division may adjust the dates in the "Estimated Due Date" column of this table, but "Critical Due Date" adjustments will require an amendment to this Agreement. The Recipient must complete and submit all work in time to be approved by the Division prior to the Project Completion Date. As applicable for specific submittals, the Recipient must plan adequate time to solicit, receive, and address comments prior to submitting the final submittal.

The Recipient must substantially complete construction by the approved Estimated Completion of Construction date unless an extension is granted by the Division in writing. The Recipient must deliver any request for extension of the Estimated Completion of Construction Date no less than 30 days prior to the approved Estimated Completion of Construction date. Late requests may not be honored.

The Recipient must submit the Final Reimbursement Request prior to the Estimated Due Date for the Final Reimbursement Request or by any modified Estimated Due Date approved by the Division. The Recipient must deliver any request for extension of the Estimated Final Reimbursement Request Date no less than thirty (30) days prior to the approved Estimated Final Reimbursement Request Date. Late requests may not be honored. The Estimated Final Reimbursement Request Date will not be extended beyond the critical Final Reimbursement Request Date without an amendment to this Agreement.

ITEM	DESCRIPTION OF SUBMITTAL	CRITICAL DUE DATE	ESTIMATED DUE DATE
EXHIBIT A.2 – SCOPE OF WORK			
1.	Project Management		
1.1	Technical and Administrative Services	N/A	Ongoing
1.2	Notification of Upcoming Meetings, Workshops, and Trainings	N/A	As Needed
1.3	Site Visits	N/A	As Needed
1.4	Photo Documentation	N/A	Ongoing

ITEM	DESCRIPTION OF SUBMITTAL	CRITICAL DUE DATE	ESTIMATED DUE DATE
2.	Initial Submissions		
2.1	Mandatory TMF Assessment Elements	N/A	April 30, 2025
2.2	EDWG Financial Security Package	N/A	Completed
2.3	Complete any incomplete items identified by Division after review of Items 2.1 and 2.2.	N/A	April 30, 2025
2.4	Professional Engineering Services Contract	N/A	Prior to disbursement of any related costs
3.	Environmental Compliance, Permitting, and Approvals		
3.1.1	Draft CEQA	N/A	May 30, 2025
3.1.2	EDWG Environmental Package and Final CEQA	N/A	September 30, 2025
3.2.1	California Public Utilities Commission Approvals	N/A	N/A
3.2.2	Property Rights or Rights of Way	N/A	May 30, 2025
3.2.3	Documentation of Necessary Water Rights	N/A	March 31, 2025
3.2.4	Consolidation Agreement(s)	N/A	May 30, 2025
3.2.5	Local Agency Formation Commission Approvals	N/A	N/A
3.2.6	List and Signed Copies of Any Other Necessary Approvals, Entitlements, Permits, and Agreements	N/A	May 30, 2025
4.	Planning, Design, and Engineering		
4.1	Engineering Report, Technical Memo, or Similar Document	N/A	Completed
4.2	50% Design Plans and Specifications	N/A	Completed
4.3	100% Design Plans and Specifications	N/A	May 30, 2025
5.	Bid Solicitation		
5.1	Bid Documents	N/A	April 30, 2026
5.2	EDWG Request for Bid Solicitation Approval	N/A	May 29, 2026
5.3	EDWG Request for Final Budget Approval	N/A	July 30, 2026
6.	Construction and Implementation		
6.1	Notice(s) to Proceed	N/A	August 31, 2026
6.2	Notification of Project Changes	N/A	As Needed
6.3	Necessary TMF Elements	N/A	Completed
6.4	Permit Amendment Application Documents	N/A	September 30, 2027
6.5	Completion of Construction	N/A	October 29, 2027
6.6	Project Completion	March 1, 2029	N/A
REPORTS			
A.5	Progress Reports	Quarterly	N/A
A.6	Project Completion Report	N/A	January 31, 2028
A.7	Special Reports	N/A	As Required by Division
A.8	Final Inspection and Certification	N/A	April 28, 2028

ITEM	DESCRIPTION OF SUBMITTAL	CRITICAL DUE DATE	ESTIMATED DUE DATE
EXHIBIT B AND C – FUNDING TERMS	BUDGET COSTS AND REIMBURSEMENT		
B.6.1 and B.6.2	First Reimbursement Request	No later than 90 days from Agreement Execution Date	N/A
C.16	Final Reimbursement Request	March 1, 2029	N/A

A.5 PROGRESS REPORTS.

The Recipient must provide a progress report to the Division each quarter, beginning no later than ninety (90) days after execution of this Agreement. The Recipient must provide a progress report with each Reimbursement Request. Failure to provide a complete and accurate progress report may result in the withholding of Project Funds, as set forth in Exhibits B and C. A progress report must contain the following information:

1. A summary of progress to date including a description of progress since the last report, percent construction complete, percent contractor invoiced, and percent schedule elapsed;
2. Discussion of any delays experienced or anticipated in meeting the Project schedule provided in Section A.4 and measures to meet the schedule;
3. A description of compliance with environmental requirements, including a discussion of the status of the Recipient's compliance with
    a. the water-quality related mitigation measures in any Mitigation Monitoring and Reporting Program adopted for the Project, including, but not limited to, any mitigation measures included in the biological resources, geology/soils, hazards and hazardous materials, hydrology/water quality, and utilities/service systems resource categories to reduce the potential for significant water quality impacts; and
    b. any permits issued for the Project that include water quality elements, including Clean Water Act, Section 401 Certification or Section 404 Permit, Lake and Streambed Alteration Agreement, and/or Rivers and Harbors Act, Section 10 Permit issued by the relevant state and federal agencies.
4. A listing of change orders including amount, description of work, and change in contract amount and schedule; and
5. Any problems encountered, proposed resolution, schedule for resolution, and status of previous problem resolutions.

A.6 PROJECT COMPLETION REPORT.

(a) The Recipient must submit a Project Completion Report to the Division with a copy to the appropriate District Office on or before the due date established by the Division and the Recipient at the time of final Project inspection. The Project Completion Report must include the following:
    i. Description of the Project,
    ii. Description of the water quality problem the Project sought to address,
    iii. Discussion of the Project's likelihood of successfully addressing that water quality problem in the future, and
    iv. Summary of compliance with applicable environmental requirements, including a discussion of the status of the Recipient's compliance with
        a. any Mitigation Monitoring and Reporting Program adopted for the Project; and

b. any permits issued for the Project that include water quality elements, including Clean Water Act, Section 401 Certification or Section 404 Permit, Lake and Streambed Alteration Agreement, and/or Rivers and Harbors Act, Section 10 Permit issued by the relevant state and federal agencies.

(b) If the Recipient fails to submit a timely Project Completion Report, the State Water Board may stop processing pending or future applications for new financial assistance, withhold reimbursements under this Agreement or other agreements, and begin administrative proceedings.

A.7 SPECIAL REPORTS.

The Recipient must submit information required for compliance with Greenhouse Gas Reduction Fund requirements, as required by the Division.

A.8 FINAL PROJECT INSPECTION AND CERTIFICATION.

Upon completion of the Project, the Recipient must provide for a final inspection and must certify that the Project has been completed in accordance with this Agreement, any final plans and specifications submitted to the State Water Board, and any amendments or modifications thereto. If the Project involves the planning, investigation, evaluation, design, or other work requiring interpretation and proper application of engineering, or other professionals, the final inspection and certification must be conducted by a California Registered Civil Engineer or other appropriate California registered professional. The results of the final inspection and certification must be submitted to the Project Manager.

EXHIBIT B – FUNDING PROVISIONS

B.1 ESTIMATED REASONABLE COST AND PROJECT FUNDS.

The estimated reasonable cost of the total Project is set forth on the Cover Page of this Agreement, and is greater than or equal to the funding anticipated to be provided by the State Water Board under this Agreement. Subject to the terms of this Agreement, the State Water Board agrees to provide Project Funds not to exceed the amount of the Project Funding Amount set forth on the Cover Page of this Agreement.

B.2 RECIPIENT CONTRIBUTIONS.

The Recipient must pay any and all costs connected with the Project including, without limitation, any and all Project Costs. If the Project Funds are not sufficient to pay the Project Costs in full, the Recipient must nonetheless complete the Project and pay that portion of the Project Costs in excess of available Project Funds, and shall not be entitled to any reimbursement therefor from the State Water Board.

If the Recipient obtains funds for the Project from any third parties, the Recipient shall immediately notify the Division. The amount of this Agreement may be reduced to reflect such funds.

B.3 VERIFIABLE DATA.

Upon request by the Division, the Recipient must submit verifiable data to support deliverables specified in the Scope of Work. The Recipient's failure to comply with this requirement may be construed as a material breach of this Agreement.

B.4 BUDGET COSTS.

Estimated budget costs are contained in the Summary Project Cost Table below.

ITEM	DESCRIPTION	TOTAL ESTIMATED COST	PROJECT FUNDING AMOUNT
A	Construction[1]	$4,215,000	$4,215,000
B	Purchase of Land / Easements	$50,000	$50,000
C	Change Order Contingency	$758,700	$758,700
D	Force Account	$84,300	$84,300
E	Allowances (Soft Costs)	$1,897,000	$1,897,000
F	OCSD Connection Fees[3]	$1,805,000	$1,805,000
G	Conditional Costs (7% of total project cost, i.e., sum of items A-G)[3]	$617,000	$617,000
	TOTAL	$9,427,000	$9,427,000

Notes:

1. Estimated construction costs escalated to midpoint of construction (estimated to be March 2027).
2. Required monitoring for identified biological and cultural resources within project vicinity.
3. Connection fees per OCSD Municipal Code Title 6.
4. Value rounded to nearest $1,000.

The Division's Final Budget Approval(s) and related Forms 259 and 260 will document a more detailed budget of eligible Project Costs and Project funding amounts. Construction of the Project may be

completed in phases only with written approval of the Division. If construction proceeds under separate phases, the Recipient must submit a Final Budget Approval package and receive Final Budget Approval from the Division for each phase.

The Recipient is prohibited from requesting disbursement amounts that represent Recipient's mark-ups to costs invoiced or otherwise requested by consultants or contractors.

Reimbursement of costs under the Conditional Costs line item is not authorized without the Division's written approval. The Conditional Costs line item is for increased costs and unforeseen items, provided that the costs are eligible and consistent with the approved scope of work of this Agreement and are determined to be reasonable and necessary by the Division. The Recipient must contact the Project Manager with any requests to use the Conditional Costs line item; approval is subject to the Division's discretion. The Division will not approve the use of Conditional Costs for construction costs and construction change orders until after it has provided a Final Budget Approval for the Project.

B.5 LINE ITEM ADJUSTMENTS.

1. The Recipient may submit a request for an adjustment between line items of the budget in writing to the Project Manager for the Division's review and approval. Such adjustment may not increase or decrease the total Project Funding Amount. The Recipient shall submit a copy of the Agreement budget reflecting the requested changes and shall note proposed changes by striking out the original amount(s) followed with proposed change(s) in bold and underlined. Budget adjustments deleting a budget line item or adding a new budget line item shall require a formal amendment. The Division may also propose budget adjustments.

2. The Division may adjust the funding amounts of the line items of the budget as follows, in accordance with any applicable rules. Under no circumstances may the sum of line items in the approved budget exceed the Project Funding Amount set forth on the Cover Page of this Agreement.

    (a) The Division may adjust the budget for existing line items, other than the Contingency and Conditional Costs line items, by shifting funds from one line item to another. The sum of all line item adjustments approved by the Division for this Agreement must not exceed fifteen percent (15%) of the total Project Funding Amount. If the Division modifies the budget (i) at the time of the Division's Final Budget Approval(s), (ii) by amending the Agreement, or (iii) following the Recipient's submittal of its final Reimbursement Request, then any adjustments that were made prior to such modification of the budget shall not be counted in the calculation of the 15% limit.

    (b) At the time of the Division's Final Budget Approval(s) and/or any amendments to the Agreement, the Division may adjust the amounts allocated to the line items of the budget at its discretion. Any adjustments at these times are not subject to the 15% limit in paragraph a.

    (c) Following the Recipient's submittal of its final Reimbursement Request, the Division may adjust the amounts allocated to the line items of the budget at its discretion. Any adjustments at this time are not subject to the 15% limit in paragraph a.

3. No line item adjustment is authorized until the Division provides written approval for the adjustment to the Recipient. Any line item adjustments to the budget that are due to a change in scope of work will require an Agreement amendment.

B.6 REIMBURSEMENT PROCEDURE.

Except as may be otherwise provided in this Agreement, reimbursements will be made as follows:

1. Upon execution and delivery of this Agreement by both parties, the Recipient may request immediate reimbursement of any eligible incurred planning and design allowance costs through submission to the State Water Board of the Reimbursement Request Form 260 and Form 261, or any amendment thereto, duly completed and executed, except that the Recipient may not acquire or request reimbursement of costs for materials, equipment, or land until after any required environmental review process is complete and the Division provides written notice that such items may be reimbursed under this Agreement. To be eligible for reimbursement, Project Costs, including any planning and design allowance costs, must have been incurred in compliance with all applicable requirements, including the state cross-cutting requirements listed in Exhibits C and D.

2. The Recipient must submit a Reimbursement Request for costs incurred prior to the date this Agreement is executed by the State Water Board no later than ninety (90) days after this Agreement is executed by the State Water Board. Late Reimbursement Requests may not be honored.

3. Additional Project Funds will be promptly disbursed to the Recipient upon receipt of Reimbursement Request Form 260 and Form 261, or any amendment thereto, duly completed and executed by the Recipient for incurred costs consistent with this Agreement, along with receipt of progress reports due under this Agreement.

4. The Recipient shall not solicit construction bids or conduct any construction activities until the Division has provided written bid solicitation approval. The Division will not provide bid solicitation approval until after the Division completes its applicable review, which will include but not be limited to environmental review.

5. The Recipient must not request reimbursement for any Project Cost until such cost has been incurred and is currently due and payable by the Recipient, although the actual payment of such cost by the Recipient is not required as a condition of Reimbursement Request. Supporting documentation (e.g., receipts) must be submitted with each Reimbursement Request. The amount requested for Recipient's administration costs must include a calculation formula (i.e., hours or days worked times the hourly or daily rate = total amount claimed). Reimbursement of Project Funds will be made only after receipt of a complete, adequately supported, properly documented, and accurately addressed Reimbursement Request. Upon request by the Division, supporting documents for professional and administrative services must include the employees' names, classifications, labor rates, hours worked, and descriptions of the tasks performed. Reimbursement Requests submitted without supporting documents may be wholly or partially withheld at the discretion of the Division.

6. The Recipient must spend Project Funds within 30 days of receipt. If the Recipient earns interest earned on Project Funds, it must report that interest immediately to the State Water Board. The State Water Board may deduct earned interest from future reimbursements.

7. The Recipient must not request a reimbursement unless that Project Cost is allowable, reasonable, and allocable.

8. Notwithstanding any other provision of this Agreement, no reimbursement shall be required at any time or in any manner which is in violation of or in conflict with federal or state laws, policies, or regulations.

Notwithstanding any other provision of this Agreement, the Recipient agrees that the State Water Board may retain an amount equal to ten percent (10%) of the Project Funding Amount until Project Completion.

Any retained amounts due to the Recipient will be promptly disbursed to the Recipient, without interest, upon Project Completion.

No Project construction shall proceed until after the Division has provided approval for construction to proceed. Construction costs incurred prior to the date that the Division provides approval to proceed are not eligible for reimbursement. No disbursement for construction costs shall be provided until after the Division has provided a Final Budget Approval including the applicable costs.

B.7 REVERTING FUNDS AND DISENCUMBRANCE.

In the event the Recipient does not submit Reimbursement Requests for all funds encumbered under this Agreement timely, any remaining funds revert to the State. The State Water Board may notify the Recipient that the project file is closed, and any remaining balance will be disencumbered and unavailable for further use under the Agreement.