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RECEIVED

August 8, 2017

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Honorable Judge James Herman  
Presiding Judge  
Santa Barbara Superior Court  
County Courthouse  
1100 Anacapa Street  
Santa Barbara CA 93101

BY: \_\_\_\_\_

Reference: Response to Santa Barbara Civil Grand Jury 2016-17 report titled, *Managing Regional Water Supplies: Are There Better Solutions?*

Dear Judge Herman:

Please find attached the Goleta Water District response to the above-referenced Civil Grand Jury Report. As directed by the Grand Jury, all responses are provided in accordance with Section 933.05 of the California Penal Code.

Sincerely,

Richard M. Merrifield, President  
Board of Directors

cc: Robert May, Foreman Pro Tem, 2016-17 Santa Barbara County Grand Jury ✓

Goleta Water District  
Response to the Santa Barbara County Grand Jury 2016-2017 Report  
*Managing Regional Water Supplies: Are There Better Solutions?*

**Finding 1**

No single entity has decision or enforcement power within Santa Barbara County to lead regional planning.

The Goleta Water District agrees with the finding. There is no single entity that has the authority or jurisdiction to lead regional planning of water supplies. Rather, management of regional water supplies occurs via an interconnected series of special purpose agencies, the City of Santa Barbara, the County of Santa Barbara, and joint powers authorities including the Cachuma Operation and Maintenance Board, the Central Coast Water Authority, and the Cachuma Conservation Release Board. Each of these agencies has unique, statutorily-defined functions and mandates for aspects of regional planning related to water resources. Each of the agencies in turn independently interact with the federal government, the California Department of Water Resources, as well as the State Water Resources Control Board, which is responsible for permitting and enforcing water rights, and also includes the Regional Water Quality Control Boards and Department of Drinking Water, which regulate and enforce water quality regimes.

**Recommendation 1**

That the Santa Barbara County Water Agency be designated as the permanent lead agency of the Santa Barbara County Cooperating Partners and granted enforcement power to ensure reliability of Santa Barbara County water supplies.

This recommendation will not be implemented because it is not warranted or is not reasonable. The Santa Barbara County Water Agency has neither the authority, experience, nor expertise necessary to serve in this role.

There are hundreds of special districts created for water service in California, each with its own unique governance structure, mission, scope of service responsibilities and inter-related financing mechanisms. Most were formed to serve a specific purpose and have continued to evolve over time to best address the unique challenges of providing a critical lifeline service to their customers. Locally, the story is no different, as each of the Santa Barbara County south coast water purveyors is a separate legal entity governed by its own elected board or council. Each independent agency develops and implements goals and policies that may not be the same as those of other member units. Accordingly, each water purveyor has its own unique water supply portfolio, demand demographics, water system assets, budgetary considerations, rate structure, planning approach, and policy framework. These differences are what lead to the differing conservation policies and operational approaches necessary to fulfill their mission. It is essential that each water purveyor ensure that it can meet its obligation to provide for the public health and safety needs of its service area, and the individual purveyors are the entities tasked



with and best suited to accomplish these goals, working in tandem with other regional water supply agencies.

The Goleta Water District is a special district formed under the County Water Districts Act, Water Code sections 30000 et seq. The Goleta Water District was formed as a state entity to serve water to the people of the Goleta Valley, and has full authority to take such acts as are necessary to accomplish this purpose. The elected Board members of the Goleta Water District are directly accountable to the voters and ratepayers of the District.

The recommendation that the County be “granted enforcement power to ensure reliability of Santa Barbara County water supplies” is not well founded given the context by which local water agencies are described and empowered in state law. There is no current legal mechanism for the County of Santa Barbara to take over the duties and responsibilities granted to state-created independent governments such as the Goleta Water District. In fact, the State recognizes the unique role that local water agencies play in managing complex water systems that have been built and evolved over time to address the localized needs of their customers. The independence that comes with that specialized role is counterbalanced by strong State and Federal regulatory oversight, direct elections of the decision-makers, and local rate-payer accountability.

The County does not have experience with operating or sustainably managing the water supply portfolio to ensure the reliable delivery of potable water for future generations.

Although the County of Santa Barbara holds the Master Contract for the Cachuma Project and the contract with the Department of Water Resources for the State Water Project, it has no regulatory or practical authority over how the water purveyors manage and use their supplies. The County has no permitted water rights for those projects, which are held by the United States Bureau of Reclamation and the Department of Water Resources, respectively. The County was simply designated the contract holder as a financial guarantor, but the member units have remained responsible for all ongoing costs associated with those contracts. As such, some of the local water purveyors may even call the specific need for the County’s ongoing involvement into question.

The Goleta Water District is unique amongst regional water purveyors in that it also manages an adjudicated groundwater basin, after undergoing a nearly 20-year legal struggle to determine rights to groundwater and groundwater storage in the Goleta Basin. The District was awarded a senior appropriative right in the Basin and the sole right to store water in the Basin, along with La Cumbre Mutual Water Company. The District operates the Basin in a court-directed manner, and the County of Santa Barbara has no such authority in the Basin.

Historical developments affect how each water purveyor operates under different constraints and restrictions, and the County of Santa Barbara or any other third-party agency is ill-equipped to manage supplies against that backdrop. For example, the Grand Jury seems to critically imply that the District continued to issue water meters during the worst drought in history without any constraints, when in reality, the District enacted a moratorium on new water service connections starting October 1, 2014, and only issued new meters to properties that already had secured pre-existing entitlements through a highly complex system of well exchanges, dedication of



groundwater rights, purchases of capacity in the system, and other rights. Any third party “lead agency” would be ill-prepared to understand the complexities of these issues that impact how water supply is managed by a special district.

Finally, in referencing “Cooperating Partners,” the Grand Jury seems to misinterpret the purpose and governance mechanics of the Integrated Regional Water Management process in Santa Barbara County. Integrated Regional Water Management (IRWM) is a collaborative effort to identify capital projects on a regional scale that can augment the billions of dollars of existing investments made by its cooperating partners. While the Santa Barbara County Water Agency is designated as the “lead agency” for administrative purposes, the foundational IRWM structure is not designed to remove authority from individual water agencies and place “enforcement power” in the hands of the lead agency of the IRWMP process. The Steering Committee is the main decision making body within the IRWM structure, and membership standing within the Steering Committee is at the sole discretion of a simple majority of the Cooperating Partners. The Steering Committee, not the County, has the authority to recommend or propose actions to the Cooperating Partners, inclusive of determining IRWM Plan goals and the criteria for ranking and selecting projects.

#### **Finding 4**

The Upper Reach Reliability Project portion of the South Coast Conduit pipeline was not completed as originally planned.

The Goleta Water District agrees with the finding.

#### **Recommendation 4**

That the Upper Reach Reliability Project portion of the South Coast Conduit be completed.

The recommendation has not yet been implemented, but could be implemented in the future, pending approval from the Cachuma Operation and Maintenance Board of COMB’s Five-Year Infrastructure Improvement Plan (IIP) and authorization of the project second phase. The COMB IIP is structured to identify and prioritize rehabilitation projects for COMB Board and Member Agency deliberation to enable budgetary decisions. The plan will facilitate the decision-making process for the allocation of resources to rehabilitate, improve and restore the Cachuma Project infrastructure to ensure the delivery of safe, reliable water to our Member Agencies. The IIP spans a five-year planning horizon and is updated each year to reflect necessary changes. Preliminary estimates are that construction could be completed by 2022.

#### **Finding 5**

Critical pipeline infrastructure, including redundancy, has not been developed throughout southern Santa Barbara County.

The Goleta Water District partially disagrees with this finding.



**Recommendation 5**

That critical pipeline infrastructure, including redundancy, be developed throughout southern Santa Barbara County.

This recommendation requires further analysis and will be considered in the future, during consideration of COMB's five-year capital improvement plan. As with any capital investment decision, a decision to pursue any specific project will have to be balanced within the context of competing priorities as well as the financial constraints of the organization.

While a lifeline supply source, Lake Cachuma is not the only source of water in the South Coast. Beyond COMB, each agency is required by state law to plan for how to deal with unanticipated short and long-term losses of supply. The District maintains an active set of contingency plans, which make use of our other water supply sources under a number of operational scenarios. The District also maintains a close working relationship with the City of Santa Barbara to share water supplies during planned outages and acute emergencies through a series of system interconnects. Both of these real-world operational frameworks help to mitigate the impacts of unanticipated outages in COMB's infrastructure.

**Finding 9**

None of the Santa Barbara County south coast water purveyors has established capital replacement accounts.

The Goleta Water District partially disagrees with this finding. The Goleta Water District maintains a prudent financial reserve to ensure adequate cash flow for operational needs and capital emergencies. From time to time these funds are employed for infrastructure requirements. The District maintains a five-year financial plan, which estimated a net \$1.9M designation from reserves over the first two years of the 2015-2020 financial planning cycle (\$1.0M designation in FY 15-16 and a \$0.9M designation in FY 16-17). The District's annual budget couples advanced revenue forecasting and effective expenditure management with the infrastructure investment needed to deliver safe, cost-effective and sustainable water supplies to the community. Over the last two years, the District has made significant investments in replacement and repairs of vital groundwater production and distribution system infrastructure, and plans were developed to meet future infrastructure needs. While not restricted to capital replacement, the reserve is adequate to meet ongoing critical replacement needs.

**Recommendation 9**

That each Santa Barbara County south coast water purveyor establish and fund a restricted capital replacement account.

This recommendation will not be implemented because it is not warranted. As explained in response to Finding 9, the Goleta Water District already maintains a strategic reserve for capital replacement within the current rate structure. Under state law, rate setting is the prerogative of the elected Board members of the Goleta Water District, who are directly accountable to the voters and ratepayers of the District.