

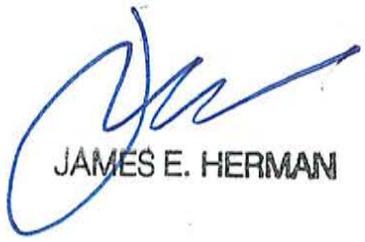
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BY: \_\_\_\_\_

August 15, 2017

  
JAMES E. HERMAN

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

SUBJECT: Response to Santa Barbara Civil Grand Jury report titled, "*Managing Regional Water Supplies*" (Published June 13, 2017, Grand Jury Website: <http://www.sbcgj.org/2017/>)

Dear Judge Herman,

Please find attached the City of Santa Barbara's 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. In addition, corrections to the main body of the Grand Jury report are provided as an appendix.

Sincerely,



Helene Schneider, Mayor  
City of Santa Barbara

KD/cmw

cc: City of Santa Barbara Councilmembers  
Maria Millsaps, Foreperson, 2015-16 Santa Barbara Civil Grand Jury

## Response to the Santa Barbara County Grand Jury 2016-2017 Report “Managing Regional Water Supplies”

### **FINDING 1**

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

The City of Santa Barbara partially disagrees with the finding. The Central Coast Water Authority (CCWA) is a lead agency responsible for regional planning of the State Water Project supplies. The CCWA has successfully implemented efforts to secure supplemental water purchases, groundwater banking opportunities, as well as management and operations of regional water treatment and conveyance facilities on behalf of its member agencies. The CCWA is a joint powers agency made up of 12 member agencies, which are local water agencies with decision and enforcement power in accordance with State law.

### **Recommendation 1**

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 response is organized into two parts: 1) enforcement power over Santa Barbara County water supplies, and 2) permanent lead agency of the Santa Barbara County Cooperating Partners.

#### *Enforcement power over Santa Barbara County water supplies*

The City does not support the designation of Santa Barbara County Water Agency (SBCWA) to have enforcement power of water supplies. Local water agency governance with enforcement and decision-making authority is established through State law. The State recognizes that decision-making at the local level is important for accountability to the water rate payers, and because “one size fits all” solutions are not appropriate given the complexity of water management. If several local agencies share a regional water source, the most effective governance structure is to form a joint powers authority to represent the collective interests of those local water agencies, with mutually agreed upon operating terms and a weighted voting structure that is fair and equitable. The County governance structure lacks such voting structure and has no fiduciary responsibility for water supplies. Furthermore, it is important to recognize that all water agencies are subject to the decision and enforcement power of various State and Federal agencies which have broad regulatory power. This includes regulation to ensure that all interests such as public health, water rights, environmental, and public trust interests are protected. Of particular relevance are the regulatory authorities of the State Water Resources Control Board, which do not appear to have been considered by the Santa Barbara County Grand Jury (Grand Jury) report.

An example of water management at various agency levels is provided with the State Water Project. The water supply management agencies include the State Department of Water Resources (DWR), the regional Central Coast Water Authority (CCWA), and local water agency members of CCWA. While the County is the formal contract holder with DWR for water service from the State Water Project, the County does not have an active role in the water supply management nor any responsibility for providing the water service. A governance structure that includes the County could be considered a redundant regional governmental layer, since local water supply interests are already represented by CCWA as the lead regional water supply agency, and all water supply service is subject to broad State and Federal regulatory processes. As such, it is unclear how adding another layer of governmental control would improve water management, particularly given the lack of fiduciary responsibility at the County level for any water supply.

With regard to Cachuma Project supplies, the Bureau of Reclamation is the agency that owns and operates Bradbury Dam; and therefore, is the agency that is ultimately responsible for management of the Cachuma

Project. The Cachuma Member Units, which are the water supply agencies receiving Cachuma Project water and, in turn, have paid for the costs of the Cachuma Project, have established joint agreements and worked closely with the Bureau of Reclamation regarding water supply issues for decades. The Cachuma Member Units have taken substantial efforts to support the Bureau of Reclamation in the State water rights and federal Biological Opinion processes.

Finally, the Grand Jury report states that “there must be an independent, impartial, and forward-thinking agency” with the authority to manage Lake Cachuma water supplies, and the Grand Jury advocates that the Santa Barbara County Water Agency (SBCWA) should be that agency. The City respectfully disagrees with the Grand Jury and would like to clarify that the SBCWA is not an impartial agency. The Grand Jury failed to report that the County holds a contract with the Bureau of Reclamation for recreation services at Lake Cachuma. In 2004, the County is on the record at the State Water Resources Control Board “Phase 2 Public Hearing for U.S. Bureau of Reclamation’s Cachuma Project Water Rights Permits” stating that there are conflicting policy goals between water supply, protecting endangered species, and public trust recreational resources. At the time, the County was representing recreation interests and continues to do so. ([http://www.waterboards.ca.gov/waterrights/water\\_issues/programs/hearings/cachuma/phase2/closing\\_briefs/countyofsantabarbaraclosingbrief.pdf](http://www.waterboards.ca.gov/waterrights/water_issues/programs/hearings/cachuma/phase2/closing_briefs/countyofsantabarbaraclosingbrief.pdf)).

*Permanent lead agency of the Santa Barbara County Cooperating Partners*

The City supports the County as the lead agency for the Santa Barbara Cooperating Partners, specifically in its role in pursuing State and Federal grant funding. However, the City would like to make it clear that regional grant coordination is not the same as water supply management. The County does not have experience managing water supplies because the agency does not have any water customers; nor does the County provide service to convey, treat, or distribute water supply. The County has established its role in some grant funding opportunities, particularly as the lead in the State Integrated Regional Water Management (IRWM) program as well as other federal grant funding. In the IRWM process, the County has established a mechanism for local water agencies to communicate regarding priority water projects, and coordinate where there are projects with multiple or shared benefits. This communication has been beneficial for effective pursuit of grant funding, but ultimately the decision to implement a project is made by local agencies subject to financial feasibility.

The City would also like to recognize the efforts of the Cachuma Resource Conservation District in serving as the lead agency for the IRWM grant applications when the County has previously declined. In 2013, the County decided not to participate and the Cachuma Resource Conservation District stepped up as the lead agency working with several water agencies to submit an IRWM grant application for Round 2 Proposition 84 funding.

The City appreciates the extensive work of the County of Santa Barbara in many areas, but respectfully disagrees with the County of Santa Barbara Grand Jury that the County should be granted enforcement power over water supplies, given that the County governmental structure does not reflect fair representation of local water agencies through a weighted voting structure, and because the SBCWA does not have direct accountability to water rate payers and financial management of water supply services. Any overarching agency managing water supplies must consider the district’s fiduciary responsibility to its rate payers through an appropriate voting structure.

#### **FINDING 4**

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

The City agrees with the finding.

#### **Recommendation 4**

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

The Upper Reach Reliability Project is an identified project included in the Five Year Infrastructure Improvement Plan (IIP) for the Cachuma Operation and Maintenance Board (COMB). The IIP identifies improvements and sets forth criteria to enable the prioritization of projects for budgeting and scheduling purposes. Funding must be identified prior to implementation. A decision to implement the project is ultimately decided by the COMB Board.

The Grand Jury has arrived at a solution without consideration of financial impacts and without performing an evaluation of alternatives. While it is true that a failure of the Tecolote Tunnel or South Coast Conduit (SCC) would shut down water supplies from Lake Cachuma and the State Water Project, it is important to recognize that Lake Cachuma is not the only water source available to the South Coast. The City has a very diverse water supply portfolio that would maintain water service in the event of a short-term interruption in water service from the Tecolote Tunnel or SCC. For example, the City’s other water supply includes surface water from Gibraltar Reservoir, Mission Tunnel, groundwater, desalination, and recycled water. In the event that these water sources did not have capacity to meet projected system demands, the City would mandate water use restrictions as necessary in accordance with the City’s Water Shortage Contingency Plan, which is a component of the City’s adopted Urban Water Management Plan. There are also a number of interconnects that allow the South Coast water agencies to move water across distribution systems in an emergency.

The City has taken prudent steps to ensure the interruption of flow through the Tecolote Tunnel or the SCC would not interrupt the delivery of water for basic health and safety needs within the City’s service area. The City firmly believes the key to water supply resiliency is the development of a diverse water supply portfolio. This is supported by the City’s supplies noted above and adopted Long-Term Water Supply Plan.

#### **FINDING 5**

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

The City disagrees with this finding. The City has developed pipeline infrastructure and redundant water supplies to provide water service to its customers. While it is true that a failure of the Tecolote Tunnel or South Coast Conduit (SCC) would shut down water supplies from Lake Cachuma and the State Water Project, it is important to recognize that Lake Cachuma is not the only water source available to the South Coast. The City has a very diverse water supply portfolio that would maintain water service in the event of a short-term interruption in water service from the Tecolote Tunnel or SCC. For example, the City’s other water supply includes surface water from Gibraltar Reservoir, Mission Tunnel, groundwater, desalination, and recycled water. In the event that these water sources did not have capacity to meet projected system demands, the City would mandate water use restrictions as necessary in accordance with the City’s Water

Shortage Contingency Plan, which is a component of the City’s adopted Urban Water Management Plan. There are also a number of interconnects that allow the South Coast water agencies to move water across distribution systems in an emergency.

### **Recommendation 5**

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

This recommendation has already been implemented by the City of Santa Barbara, and maintenance and repair of infrastructure is an ongoing part of the City’s management of the water system. The City has developed pipeline infrastructure and redundant water supplies to provide water service to its customers. While it is true that a failure of the Tecolote Tunnel or South Coast Conduit would shut down water supply from Lake Cachuma and State Water, it is important to recognize that Lake Cachuma is not the only water source available to the South Coast. The City has a very diverse water supply portfolio that would maintain water service in the event of a short-term Tecolote Tunnel or SCC failure. For example, the City’s other water supply includes surface water from Gibraltar Reservoir, Mission Tunnel, groundwater, desalination, recycled water. In the event that these water sources did not have capacity to meet projected system demands, the City would mandate strict water use restrictions as necessary. There are also a number of interconnects that allow the South Coast water agencies to move water across distribution systems in an emergency.

If there is a need to develop infrastructure, including redundancy, to serve other areas of southern Santa Barbara County, the City encourages opportunities for partnerships among the water agencies. The City also encourages all agencies including the County of Santa Barbara to protect the existing South Coast Conduit easement from encroachments through their land use review and permitting processes.

### **FINDING 9**

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

The City disagrees with this finding.

### **Recommendation 9**

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

The City has already implemented this recommendation. In 1996, the City Council established policies for three unrestricted reserve funds, which include:

- Disaster Fund: Equal to at least 15 percent of the Water annual operating budget for the following fiscal year; set aside for the purpose of responding to natural disasters and emergencies.
- Contingency Reserve: Equal to at least 10 percent of the Water annual operating budget for the following fiscal year; set aside for the purpose of funding unique one-time costs and to permit budget adjustments during periods of reductions.
- Capital Reserve Fund: to be used to fund ongoing capital expenses. For the capital reserve fund, the City has established a fund target equal to the minimum of either the prior 3-year average Capital

Improvement Program, the prior 5-year average Capital Improvement Program, or 5 percent of the City’s water net asset values, whichever is least.

The City reports its status in meeting these reserve policies on a quarterly basis.

In addition the City Council has goals for infrastructure replacement and a strong record of achieving these goals. Since 1987 the City has funded and completed annual pipeline replacement for both water and wastewater assets, in addition to completing numerous other capital renewal projects. The manner of funding for capital projects should be considered on a case-by-case basis. Projects with a long life are sometimes appropriately funded through debt as this spreads costs to the users of the assets over the life of the projects. Cash funding of annual capital programs such as pipeline renewal is generally the most fiscally sustainable.

## Response Appendices to the Santa Barbara County Grand Jury 2016-2017 Report “Managing Regional Water Supplies”

The following are additional comments and corrections to information provided in the Grand Jury report.

### SUMMARY

- Page 1, Paragraph 2 “The State Water Project was intended initially to provide a supplemental supply of water.”  
City comment: This should be clarified that the State Water Project (SWP) was intended as a supplemental drought supply in Santa Barbara County. In other areas of the State, the SWP may serve a different purpose.
- Page 1, Paragraph 2 “Lake Cachuma,... the heart of the system”  
City comment: Lake Cachuma may be the heart of surface water storage for the Santa Ynez River, but it is not part of the State Water Project (SWP), nor is it considered the heart of the SWP.

### HISTORICAL BACKGROUND

- Page 2, Paragraphs 1 and 2: “Santa Barbara built a tunnel” and “Santa Barbara built Gibraltar Dam”  
City comment: It should be clarified that this was City of Santa Barbara.
- Page 2, “This time, unlike past worst droughts ever, Goleta and Santa Barbara began issuing thousands of new water meters allowing large building projects during the worst drought ever.”  
City comment:  
During a normal year, the City’s water demand is 14,600 acre feet per year (AFY). Currently, the City is in a Stage Three Drought Condition with projected annual demands of approximately 9,800 AFY. On average, development represents approximately 0.35% of the City’s drought water demand projection, or 28-40 AFY. This estimate is based on information provided in the General Plan Update Final Environmental Impact Report (FEIR) and City data on development over the last ten years. This information is also consistent with data from the City’s 2011 Long-Term Water Supply Plan (LTWSP). While it may seem surprising that development represents such a small portion of the City’s water demand, the LTWSP anticipates declining potable water demand due to continuing water conservation measures (including long-term efficiency improvements resulting from measures such as updated plumbing codes and appliance standards) offsetting the effects of development. During the last prolonged drought event (approximately 1986-1992), significant time and effort was spent to determine, on a case by case basis, if a proposed project could be provided sufficient water supplies without significantly impacting the City’s ability to provide adequate supplies to existing users. Two major differences today, in comparison to the last significant drought, are that new projects have substantially lower water use due to required water efficient plumbing fixtures and landscaping, and there are significantly fewer projects in the pipeline. An important consideration in determining the effectiveness of a moratorium is the amount of potential water savings. Since projected annual demand from new development currently represents 0.35% of the City’s drought water demand, a moratorium was not determined to have significant water savings.

### OBSERVATIONS

- Page 4, Figure 1  
City comment: appears to show Mission Tunnel connecting to South Coast Conduit, which is not accurate. Consider adding Lauro Reservoir to the figure.

- Page 5, Paragraph 4  
City comment: Revise the paragraph to clarify that the City of Santa Barbara owns and operates its desalination facility, and the regional water authority would only apply to other proposed plants.
- Page 6, Paragraph 1: “Recycled water as a source for Santa Barbara Desalination Plant”  
City comment: This concept was evaluated in the City of Santa Barbara’s Potable Reuse Feasibility Study completed in March 2017 by Carollo Engineers. The conceptual design involved using advanced treated recycled water for diluting intake water at the Charles E Meyer desalination facility. The Potable Reuse Feasibility Study discounted this concept from further consideration because dilution was determined to be inadequate to significantly affect the desalination process or change the recovery rate. Too much advanced treated recycled water would be lost (e.g. wasted) to the desalination process brine.
- Page 6: “Improved Flow and Storage Management”  
City comment: The Grand Jury failed to acknowledge the 1989 Upper Santa Ynez River Operations Agreement (USYROA, also known as the “Pass Through Agreement”) in addressing the City’s goals of protecting Gibraltar yield (for which the City has water rights), given loss of capacity due to siltation. The USYROA enacted a regional compromise among the parties by which the City would defer enlargement of Gibraltar Reservoir and instead “pass through” some of its Gibraltar Reservoir water to available storage and conveyance capacity in the Cachuma Project facilities.
- Page 6, Paragraph 4: “Well and Aquifer Recharging”  
City comment: Suggest changing the subtitle from “Well and Aquifer Recharging” to “Aquifer Storage and Recovery (ASR)”, to better reflect common industry terms. Also, the use of the term “well water” instead of the “groundwater” is confusing, as is the lack of a distinction between “injection” and “re injection”. If the water being artificially recharged is surface water, then it is injected, not reinjected. The technical issues involved in using existing production wells for pressurized injection are not adequately discussed.