

NIPOMO COMMUNITY SERVICES DISTRICT

Wednesday February 5, 2014

9:00 A.M.

SPECIAL MEETING NOTICE & AGENDA WATER RESOURCES COMMITTEE

COMMITTEE MEMBERS

LARRY VIERHEILIG, CHAIRMAN
CRAIG ARMSTRONG, MEMBER

PRINCIPAL STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER
LISA BOGNUDA, FINANCE DIRECTOR
PETER SEVCIK, DIRECTOR OF ENG AND OPS

**MEETING LOCATION - District Board Room
148 S. Wilson Street, Nipomo, California**

- 1. CALL TO ORDER, FLAG SALUTE AND ROLL CALL**
- 2. REVIEW DROUGHT TRIGGERS AND RESPONSE CRITERIA**
ACTION RECOMMENDED: Discuss criteria, receive public comment, direct staff.
- 3. REVIEW AND DISCUSS DRAFT DISTRICT WATER RESOURCE POLICY**
ACTION RECOMMENDED: Provide direction to Staff
- 4. ADJOURN**

TO: WATER RESOURCES
COMMITTEE

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: FEBRUARY 4, 2014

AGENDA ITEM

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FEBRUARY 5, 2014

REVIEW DROUGHT TRIGGERS AND RESPONSE

ITEM

Review draft drought triggers and response [RECOMMEND DIRECT STAFF].

BACKGROUND

Staff is working with members of the Nipomo Mesa Management Area (NMMA) Technical Group to develop a set of drought stage triggers and response actions that will be universally adopted by all purveyor members of the NMMA.

Development of shortage criterion and response plans is a requirement of 2005 Stipulation agreed to by all members of the NMMA. In its 2008 Final Judgment, the court ordered the Stipulation to be implemented.

The 2005 Stipulation specifically requires water purveyors to reduce groundwater production during water shortages while overlying users of the basin are assured 110% of their historical production.

According to NMMA data, the area's three major purveyors account for 39% of the estimated 11,000 acre-feet of annual groundwater production across the Mesa. While no other members of the NMMA or private well owners across the Mesa are required by the court to make reductions in groundwater pumping during basin shortages. It is hoped that all groundwater users, upon hearing of the severity of the groundwater condition as measured and reported by the NMMA and seeing the actions taken by the three largest urban purveyors, will take action to reduce their demand on the basin as well.

It is proposed that five drought stages are defined based on the Technical Group's established water shortage criterion (see Attached A). Beginning with proposed Stage III, mandatory reductions in groundwater production are specified. Again, the reductions would apply only to the purveyor members of the NMMA.

The three major NMMA purveyors are unique to each other in their organization and business model; Nipomo CSD is a public water district, Golden State is a private water company, and Woodlands is a mutual water company. For this reason, each entity will be taking independent action to reach the mandated reductions. None of the purveyors has authority to penalize the other for non-compliance. Ultimately, it is the court that is overseeing the implementation of the stipulation and basin management measures which holds authority over each of the purveyors.

While the proposed triggers and responses have been developed in concert with both Woodlands Mutual Water Company and Golden State Water Company, each entity is working to develop its own specific drought response program.

In addition to reducing groundwater production, staff is looking for guidance on how and when processing requests for new water service would be impacted during advanced stages of drought. Capacity charges collected from new water customers provide a major funding source for supplement water development – both planning and construction. However developing water resources projects

can take decades and allowing new customers to join the existing water system during drought may be confusing and/or controversial to existing customers who are being asked to reduce water use.

New connections to the District's water system follow a process that requires:

- Application for service
- Conditional agreement (Intent to Serve)
- Commitment to serve (Will Serve); and
- Physical connection (water meter is set and account is activated).

Your Committee may consider cessation of accepting applications for new service when reduction in groundwater pumping become mandatory (Stage III), followed by a cessation of processing existing applications at Stage IV, and cessation of allowing any new water meters to be set in Stage V.

The District supplies water to a fraction of the area overlying the local groundwater source and has no authority to halt development outside its services boundary. For this reason, your Board may consider coordinating with the County to adopt area-wide policies that address new water demands, both during drought and non-drought times, in order to comprehensively manage the local groundwater resource.

Once the Board defines drought triggers and actions, the response plan will be provided to the District's rate consultant who will draft a set of drought rates intended to solicit reduction in water sales and in turn result in the desired reduction in groundwater pumping. The proposed rate structure will be brought before the District's Finance and Audit Committee and then to the full Board. Once a drought rate structure is agreed to by the Board, a rate hearing will be scheduled. The process will include a 45-day public notice, mail protest ballot, and public hearing ("Proposition 218 Hearing").

FISCAL IMPACT

Reducing groundwater production during drought equates to reducing water sales and income to the water fund. Additionally, the cost of providing water service during drought typically increases due to the administrative burden of implementing new rate structures. When active enforcement of detailed policy is required, cost can increase drastically. A point of rate volatility can be reached where high rates drive usage lower than expected, which in turn requires further increase in rates to maintain solvency.

STRATEGIC PLAN

Strategic Plan Goal 1.1 – Protect, Enhance, and Assess available Water Supplies
Strategic Plan Goal 6.1 – Operate all enterprise funds to be financially sound

RECOMMENDATION

Review draft Triggers and Response, consider timing for suspension of new water connections, develop a recommendation for your Board, provide staff direction

ATTACHMENT

- A. Draft NCSD Water Shortage Response Stages

DRAFT NCSD WATER SHORTAGE RESPONSE

STAGE	TRIGGER	RESPONSE*	DE-TRIGGER
I	All times	Voluntary conservation measures and outreach	Not Applicable.
II	Potentially Severe Water Shortage exist	More aggressive voluntary conservation and outreach – goal is 20% reduction in production.	Potentially Severe Water Shortage does not exist.
III	Severe Water Shortage exists	Mandatory 30% reduction in production.	Severe Water Shortage does not exist for >2 years.**
IV	Severe Water Shortage exists for >1YEAR or is triggered by both the Key Wells Index and the Coastal Criterion.	Mandatory 50% reduction in production.	Severe Water Shortage does not exist.
V	Severe Criterion for >2 years with BOTH triggers (Key Wells Index and Coastal Criterion).	Mandatory 60% reduction in production	Severe Water Shortage does not exist.

* This is a general descriptor. Detailed response to meeting the goal will be defined in subsequent work efforts.

**The Nipomo Mesa Management Area (NMMA) Technical Group may determine Severe Water Shortage Conditions no longer exists when groundwater quality criteria threshold are no longer exceeded in a single measurement.

General Notes

1. Potential Severe conditions, Severe Conditions, Key Wells Index, and Coastal Criterion are as defined in the NMMA Technical Group, Water Shortage Conditions Response Plan, April 2009, and summarized as follows:

Potentially Severe Water Shortage Conditions	Severe Water Shortage Conditions
<ul style="list-style-type: none"> • Key Wells Index less than 31.5 ft msl 	<ul style="list-style-type: none"> • Key Wells Index is less than 16.5 ft. msl
<ul style="list-style-type: none"> • Greater than 250 mg/l chloride in any NMMA coastal monitoring well 	<ul style="list-style-type: none"> • Greater than 500 mg/l chloride in any NMMA coastal monitoring well

2. Reduction goals are applicable to production from the Paso Robles formation. They do not apply to production from the perched aquifer zones.
3. Reduction will be based on monthly production volumes compared against annual production for the five years prior to declaration of Stage III.
4. All NMMA water purveyors are working on meeting similar goals and will implement programs to meet the reduction levels.
5. When drought Stage III or higher is in effect, Managers of NMMA water agencies will meet monthly to report previous months production and coordinate efforts.

TO: WATER RESOURCES
COMMITTEE

FROM: MICHAEL S. LEBRUN *MGL*
GENERAL MANAGER

DATE: FEBRUARY 4, 2014

AGENDA ITEM

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FEBRUARY 5, 2014

REVIEW DRAFT DISTRICT WATER RESOURCE POLICY

ITEM

Review draft District water resource policy [DIRECT STAFF].

BACKGROUND

With the Nipomo Supplemental Water project underway, the District is turning attention to establishing a water resources policy that will provide a road map for long-term sustainable management of the basin. The District recognizes that to be successful, any such policy will need to be recognized and implemented by all planning agencies and water purveyors who play a role in current and future area groundwater use.

Your Committee and Board have reviewed previous drafts of this policy on November 19, 2013 and December 11, 2013 respectively. Members of the Nipomo Mesa Management Area have provided comments and minor revisions to the document have been made.

Staff will be overviewing the draft policy statement with SLO County Water Resources Advisory Committee in March.

FISCAL IMPACT

None

STRATEGIC PLAN

Strategic Plan Goal 1.1 – Protect, Enhance, and Assess available Water Supplies.

RECOMMENDATION

Review draft Policy, provide staff direction

ATTACHMENT

A. Draft Water Resources Policy

Nipomo Community Service District

DRAFT – Water Resources Policy Statement

February 4, 2014 Version

BACKGROUND

Demand

The entire Nipomo Mesa and greater Nipomo area relies on groundwater to meet 100% of area resident's and business' water needs. The District and two other large water companies supply about half of the areas residential homes and commercial businesses. The remainder of users including agriculture, residential and commercial, are supplied by private wells.

Annual groundwater production across the Nipomo Mesa is reported (both metered and estimated values) in the Nipomo Mesa Management Area (NMMA) Technical Group's annual report (The NMMA Technical Group is a court appointed body whose boundaries encompass the Nipomo Mesa). The Group estimates the area's total annual production of groundwater for agricultural and urban uses back in 1975 was just over 4,000 acre-feet. In 1989, total production exceeded 8,000 acre-feet and in 2008, total pumping was estimated to be 12,600 acre-feet (4.1 Billion Gallons). In the ensuing years demand dropped somewhat and most recently began trending up again. The estimate for total production across the NMMA in 2012 is 11,260 acre-feet.

San Luis Obispo County has authority over all discretionary building and land use approvals within the District service area and throughout the Nipomo Mesa area. A main driver of future water demand is development approval. The District has limited ability to deny water service to County approved development within its service area and no authority to control development or the associated increase groundwater demand outside its service boundary.

There are significant under-developed and un-developed lands in the District and throughout the Nipomo Mesa. The area's mild climate and relatively pristine environment will likely continue to attract new residents to the area. Therefore, increased water demand from new development must be considered.

Supply

District concerns for the health of the groundwater basin and long-term supply reliability date back to the mid 1980's. In the early 1990's, the customers of the District declined participation in the coastal branch of the State Water Project.

In June 2013, the District awarded construction contracts for Nipomo Supplemental Water Project, Phase 1. The Project has a 650 acre-foot per year (AFY) capacity and is scheduled to be completed by May 2015. Phases 2 and 3 of the project will bring total capacity to 3,000 AFY and are not yet scheduled for construction.

Nipomo Community Service District

DRAFT – Water Resources Policy Statement

Basis for Policy Statement

San Luis Obispo County Actions

In 2004, the County completed a Resource Capacity Study of the groundwater underlying the Nipomo Mesa concluded the area groundwater basin was being excessively over pumped. Based on the study, the County Board of Supervisors certified a Level of Severity III (most severe level) for the area's groundwater resources. According to the County's Resource Management program: *"Level III occurs when the demand for the resource equals or exceeds its supply and is the most critical level of concern. The County should take a series of actions to address resource deficiencies before Level III is reached."*

In May 2006, the County adopted Ordinance 3090 (Attached hereto) establishing the Nipomo Mesa Water Conservation Area (NMWCA) boundaries. The Ordinance requires all land divisions within the NMWCA that lead to increased non-agricultural water demand pay a supplemental water fee. Further, Ordinance 3090 requires that amendments to the General Plan which increase non-agricultural water demand within the NMWCA be watered by imported or supplemental water. (The County defined NMWCA covers essentially the same area as the court defined NMMA.)

In December 2006, the District objected to a County development approval and environmental findings which directly contradicted Ordinance 3090. The County went ahead with approving a general plan amendment with a mitigated negative declaration and the District subsequently filed a lawsuit. On March 17, 2008, the Superior Court of the State of California issued its final judgment in the case (attached hereto). The settlement held in favor of the District's position and required the payment of a supplemental water fee deposit by the project proponent prior to recordation of a final development map.

In October 2008, the County, based on a finding of "overdraft" within the NMWCA caused by recent climatic conditions, adopted Ord. 3160 requiring that water conservation measures be implemented in new construction throughout the NMWCA.

Groundwater Lawsuit

In 1997, the Santa Maria Groundwater Basin, including the entire NMWCA defined by the County, became subject to groundwater litigation. On January 25, 2008 the court issued a Final Judgment in the case and ordered a 2005 Stipulation that had been entered into by most litigants be implemented. The ruling was appealed. In 2012, the Appellate court sent three minor aspects of the Final Judgment and Stipulation back to the trial court. The appellant's requests for further case review by both the California and United States Supreme Courts were denied. The trial court has taken no action to date on the appellate court direction.

Nipomo Community Service District

DRAFT – Water Resources Policy Statement

The 2005 Stipulation defines three management areas across the basin (Northern Cities, Nipomo Mesa, and Santa Maria Valley) and establishes membership and reporting requirements for each. The Stipulation requires that the District lead a project (the Nipomo Supplemental Water Project) to import 2,500 AFY of water to the NMMA from the City of Santa Maria (June 30, 2005 Stipulation, Section VI Physical Solution). With certain stated exceptions, the Stipulation additionally requires that all new urban water uses shall provide a source of supplemental water or a supplemental water development fee to offset the new water uses associated with that development (June 30, 2005 Stipulation Section VI.E. New Urban Uses). Developed water for new use is above and beyond the 2,500 AFY required by the Stipulation for the purpose of offsetting the existing pumping imbalance.

The Stipulation requires the NMMA Technical Group to develop a monitoring program that includes trigger points, based on well levels and water quality, for potentially severe and severe water shortage conditions (June 30, 2005 Stipulation Section VI.D). Response to water shortage conditions includes voluntary and mandatory conservation measures. Mandatory measures are to be proposed to, and approved by, the Court.

The County and all major water purveyors operating in the Nipomo Mesa area signed the Stipulation and did not appeal the Final Judgment. The District is implementing the Court's Final Judgment as it pertains to basin monitoring and supplemental water acquisition.

In spring 2006, the NMMA Technical Group's Key Well Index reached a Potentially Severe Water Shortage criterion and remains in that condition today. In the spring of 2013, following a very dry winter, the index dropped over 25% and came within a fraction of a foot from a Severe Water Shortage criterion.

WATER RESOURCES POLICY STATEMENT

The above summarized court rulings and County ordinances form the basis of the following District water resources policy:

1. In the context of the court's Final Judgment, "new" use of the groundwater basin is use associated with development approved after the Judgment was filed on January 25, 2008 and is subject to the terms of the June 30, 2005 Stipulation (P66).
2. The District added 500 AFY of capacity to the Court ordered 2,500 AFY Nipomo Supplemental Water Project. The District added the capacity in order to water new development within its services boundary. All District approved applications for new water service after January 2008 will be tentatively counted against the added 500 AF of supplemental water capacity. When a 'new' project is issued a Will Serve letter (final non-revocable commitment to serve), the

Nipomo Community Service District

DRAFT – Water Resources Policy Statement

allocation of water for the project will be permanently counted against the 500AF of added supplemental water project capacity.

3. Once the District has allocated 500AF of supplemental water capacity from the current supplemental water project to 'new' urban uses, no further applications for new water service will be accepted and no commitments for new water service will be made by the District unless and until additional supplemental/developed water sources are under contract.
4. Subject to the terms of the 2005 Stipulation the District will strive to insure that outside the District services boundary and within the NMWCA/NMMA, and excepting only development within the Woodlands Specific Plan (for which 416 AFY of capacity in the Nipomo Supplemental Water Project has been specifically reserved), all new urban uses are met by a future source (in addition to the court defined Nipomo Supplemental Water Project) of supplemental water or pay a supplemental water fee as follows:
 - Within the service boundary of Golden State Water Company (GSWC) and Rural Water Company (RWC), all new uses for water must be met by supplemental water (2005 Stipulation).
 - In areas not served by GSWC, NCSD, or RWC, subject to stated exceptions in the 2005 Stipulation all new urban uses resulting from land divisions must pay a supplemental water fee (SLO CO Ordinance 3090). The fee must be applied to a new supply of supplemental water. All new urban uses resulting from general plan amendment must utilize new sources of supplemental/developed water (SLO CO Ordinance 3090).
5. The District will work with San Luis Obispo County to reconcile County Ordinance 3090 with the 2005 Stipulation by expanding the County Ordinance to require that all new water uses (not just that new water use resulting from property division and/or general plan amendment) pay a supplemental water fee toward new sources of supplemental water, subject to the terms of the June 30, 2005 Stipulation.
6. Supplemental water charges collected from inside the District boundary will be utilized to build out the current supplemental water project to full (3,000 AFY) capacity.
7. The District will work with the County and other area purveyors and development interests to define and acquire new sources of supplemental/developed water.
8. The District will continue to work with the County and NMMA groundwater producers to define and implement management measures that will protect area groundwater resources.

Nipomo Supplemental Water Project Allocation

Annual Acre-feet per Purveyor

