



MEMORANDUM

TO: CITY COUNCIL

FROM: TERESA MCCLISH, ^{TMC} COMMUNITY DEVELOPMENT DIRECTOR
DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES
GEOFF ENGLISH, DIRECTOR OF PUBLIC WORKS

SUBJECT: CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS

DATE: OCTOBER 27, 2015

RECOMMENDATION:

It is recommended that the City Council consider alternatives to address drought conditions and provide direction to staff.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Outlined alternatives explained below will have various financial implications as noted.

BACKGROUND:

The City's long-term water supply was identified as a significant issue during development of the City's 2001 General Plan Update and over the years the City has completed several major studies for water supply alternatives. At the August 12, 2008 meeting, the City Council approved a Resolution declaring a "severely restricted water supply condition." Mandatory conservation measures were enacted. These measures were later made permanent in 2010. Meanwhile, the City's water conservation program and tiered rate structure were expanded.

In 2009, low groundwater levels and high chloride concentrations from water quality tests of one of the sentry wells located along the coast gave indications of incipient seawater intrusion. At the November 10, 2009 meeting, the City Council adopted an Interim Urgency Ordinance establishing a development moratorium. The moratorium was extended at the December 8, 2009 and April 13, 2010 meetings and later expired in 2010. The State of California also enacted the Water Conservation Act in 2009, which required a reduction of 20% in per capita water use by the year 2020.

On January 17, 2014, Governor Brown issued a proclamation declaring a Drought State of Emergency for the State of California. Local urban water suppliers and municipalities were called upon to implement their local water shortage contingency plans immediately in order to avoid or forestall outright restrictions that could become necessary later in the drought season. The City had previously implemented its contingency plan and permanent mandatory conservation measures in 2010. Local water agencies were also

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 2**

required to update their legally required urban and agricultural water management plans to help plan for extended drought conditions. The City's plan continues to be up to date, however; staff is preparing for the next required update in 2016.

At the June 10, 2014 and August 26, 2014 meetings, the Council approved comprehensive strategies to address the City's long-term water supply needs. The primary objectives of the recommendations were to address long-term projected water demand through increased water conservation measures, to protect existing water supply by pursuing initial studies to pursue a project that will use recycled water to prevent seawater intrusion, and to coordinate with neighboring jurisdictions to manage the overall water supply in the most effective manner possible.

Comprehensive policies emphasized that the water supply recommendations were designed to address future projected demand under normal weather and supply conditions and any project aimed at preventing seawater intrusion could take up to 10 years to implement. Therefore, an extended drought would likely cause problems for the City. As a result, staff was directed to establish a Water Shortage Emergency Plan.

On February 24, 2015, the Council adopted an ordinance putting in place additional water conservation measures and emergency shortage restrictions and regulations dependent on the City's water supply condition. On May 26, 2015, the City Council adopted a Resolution declaring a Stage 1 Water Shortage Emergency and implementing the Ordinance.

ANALYSIS OF ISSUES:

The City's water supply consists of Lake Lopez and groundwater.

Water Supply and Demand

Table 1 below shows the current and projected water supply through 2030.

Table - 1. Current and Projected Water Supply – Acre-Feet per Year (AFY)					
Water Supply Sources	2010	2015	2020	2025	2030
Groundwater – Santa Maria Groundwater Basin	1,323	1,323	1,323	1,323	1,323
Groundwater – Pismo Formation ¹	80	160	200	200	200
County of San Luis Obispo Lopez Reservoir Project	2,290	2,290	2,290	2,290	2,290
Oceano Community Services District ²	100				
TOTAL	3,793	3,773	3,813	3,813	3,813

¹ Assumes 80 AFY of groundwater from Well No. 9, 80 AFY from Well No. 10, and 40 AFY from Well No. 11 will be available as a reliable source of supply from 2016 through 2030.

² Final three years of a five year contract of 100 AFY with OCSD utilized in 2012, 2013 and 2014.

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 3**

In fiscal year 2014/2015, the City used 2,571 acre feet of water which represents 68% of current supply. The City's per capita consumption during this period was 134 gallons per day. The City's target identified in the 2011 Urban Water Management Plan is 149 gallons per day and thus the City is 15 gallons below the 2020 goal. The City's build out demand is projected to be 78% of supply as outlined in the Urban Water Management Plan. Additionally, the City is meeting our 28% reduction goal from 2013 per the State and actually exceeding the State mandate.

A snapshot of the City's water portfolio is provided as a separate monthly agenda item. The extended drought is resulting in a reduction in deliveries of Lopez Lake water. In anticipation of the Lopez Lake level reaching the 15,000 Acre Foot (AF) level, which would trigger a 10 percent delivery reduction, the City, including all of the other Zone 3 members, previously and pro-actively reduced Lake Lopez deliveries. At this time, lake levels are at 15,567 AF, which corresponds to 31.6% capacity.

In addition, the ongoing severe drought has significantly reduced ground water recharge, and even with reduced pumping, water elevations throughout the area declined by several feet, with some areas in the ground water basin showing elevations below sea level. Additional impacts may occur due to reduced subsurface inflow recharge from the east (Nipomo Mesa). These conditions, when combined with the ongoing impacts of groundwater pumping activities on groundwater levels, create conditions favorable for seawater intrusion. The Northern Cities Management Area (NCMA) Technical Group has developed an index level to be used as an indicator of the vulnerability of the groundwater basin to seawater intrusion based on trends in groundwater elevations. Recent monitoring has shown that while some wells are showing persistent low levels, there are no seawater indicators at this time. As a prudent measure, the City currently only pumps groundwater for well maintenance purposes.

The City currently utilizes approximately two-thirds of its water supply, and long term projections for water demand and supply remain balanced based on build out projections. Any increase in land use intensity beyond what was envisioned in the City's General Plan Land Use Element is required to identify additional water supply. Requirements for new development include water conservation fixtures and irrigation control and drought tolerant landscape that has been shown to decrease the typical demand in addition to paying water neutralization fees that are used for meeting continued supply needs. Requirements for water neutral development are also facilitated by the State's requirement for water efficient landscape, the City's proposed implementation of which is scheduled to be considered by the City Council next month.

Forty-six (46%) percent of the State of California is in a stage of exceptional drought (www.drought.gov) and it is not anticipated that the projected effects of an El Nino winter will substantially alleviate drought conditions, although it is unknown at this time. As concerns about impacts to both surface water and groundwater supply remain

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 4**

significant, it is prudent to continue to evaluate all available tools to ensure required reductions are met and supplies remain sustainable. Although the City's conservation program has proven successful to date, additional alternatives are included below that may be developed should conditions worsen due to realized impacts to supply or other imposed reductions. Regardless, it is imperative that the community's conservation efforts remain rigorous and ultimately evolve into the status quo as a means to balance water resources for a cyclical drought-certain future.

Stage 2 Water Shortage Emergency

Currently, Ordinance No. 669 provides water severity levels and corresponding requirements. By adoption of Resolution No. 670, the City implemented the Stage 1 water shortage emergency and put in place required conservation limits and penalty provisions. As provided in Ordinance 669, the Council could consider a Stage 2 water shortage emergency when it is imminent that the water supply is or will be equal to or less than amounts determined necessary to meet basic minimum household health and safety requirements requiring the City to import water to meet health and safety needs. Although Stage 1 was implemented as a prudent measure in order to address potential threats to projected supply, there is not an identified need for the importation of water to meet health and safety needs and therefore the declaration of Stage 2 is not recommended as warranted at this time.

Building Restrictions

In May 2015, the City Council considered one of the tools used to reduce water demand, which is a moratorium for any new development that would increase water demand. As previously noted, this tool was implemented in 2009 on development applications requiring new water meters due to the serious water supply condition precipitated to a large extent by water quality samples that indicated constituents consistent with incipient of seawater intrusion.

Moratoriums related to water shortages may be implemented in a variety of ways. Restrictions could be placed on the acceptance of new planning applications, new building permit applications, and/or water connections (that entail the installation or upgrade of a water meter). The purpose of a moratorium would be to preserve the status quo by preventing changes to land uses while the City studied whether to adopt permanent changes to its laws regarding those uses within a reasonable amount of time.

For a building permit or water connection moratorium, State Law requires that the City make legislative findings that there is a current and immediate threat to the public health, safety, or welfare, and that the approval of additional subdivisions, use permits, variances, building permits, or any other applicable entitlement for use which is required in order to comply with a zoning ordinance would result in that threat to public health, safety, or welfare. Additional particularly onerous findings would have to be made for a moratorium on projects that include multi-family housing. For a moratorium on water connections, findings would be made under Water Code Section 350 to "conserve the

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 5**

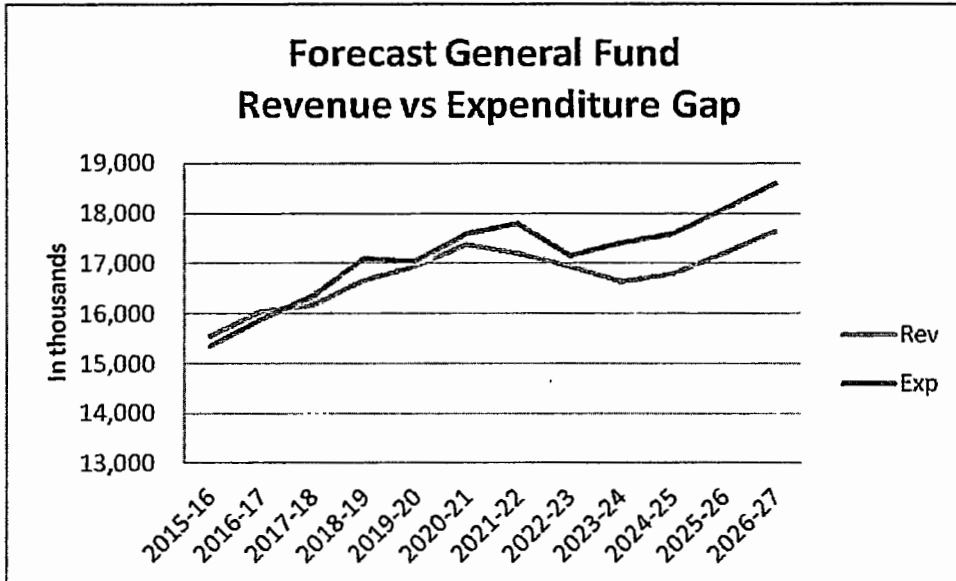
water supply for the greatest public benefit with particular regard to domestic use, sanitation, and fire protection”.

The process for adopting a building permit moratorium is dictated by Government Code Section 65858, which provides that the City may, by a 4/5^{ths} vote, adopt an emergency ordinance establishing a moratorium, which would be immediately effective and last 45 days. It could then be extended in accordance with the Government Code, after noticed public hearings, for up to a total of 2 years.

As previously reported, recent updates to the General Plan Housing and Economic Development Elements prioritize continued modest infill development to meet housing needs and achieve economic sustainability. Both priorities would be seriously jeopardized by the implementation of a moratorium as impacts would include a housing shortfall and a further risk to the City’s image as a reliable place to invest and do business. Halting improvements to buildings and properties within the City also diminishes the community’s ability to economically develop and re-purpose existing vacant tenant spaces.

The Council received a 10-year General Fund forecast as part of the budget process in March 2014. The chart below has been updated for the 2015-17 Biennial Budget, but essentially demonstrates that the City’s fiscal circumstances have not fundamentally changed. Without further economic development and the generation of additional revenues, the City’s expenditures will exceed revenues each year for the next 10 years. This is unsustainable.

In order to continue providing current service levels to the community, the City must find ways to generate investment in revenue-generating businesses, whether through commercial enterprises that generate sales tax, lodging establishments that generate transient occupancy tax (TOT) or other means. Although it is difficult to quantify, and includes many variables depending upon how a moratorium is enacted, it could seriously jeopardize the economic development opportunities within the City.



Currently, the City is processing 15 planning applications that may impact water demand and 17 residential building permits that require a new or upgraded water meter. All applications are for infill development that is accounted for in the City's long-term build out projections. It is important to note that a moratorium could freeze revenues from planning applications, building permit activity and impact fees, which are used to pay a development's fair share of facility improvements for things like the Brisco Interchange Project, traffic signals, drainage improvements, parks, recreational facilities, and water supply. The City's estimated revenue for FY 2015-16 from impact fees is approximately \$550,000.

There are additional efforts underway designed to address water concerns. The City is currently undergoing a fee study that will help inform the Council of long-term costs to maintain and develop water supply. This tool continues to provide an avenue to collect funds to support water conservation programs and/or for new water resources. While a building moratorium is a tool used as a short-term response to drought, a comprehensive look at in-lieu fees provide investment opportunities for reliable water supply and the promotion of highly water efficient development.

Contract negotiations to update contract provisions for the Lopez pipeline are underway and include provisions for the use of stored water. Use of stored water at Lopez has recently served the City well during this drought. The potential to allow for stored water opportunities for surplus water generated in wet years routinely may provide the City with additionally storage flexibility.

A Zone 3 Technical Advisory Committee extended drought preparedness subcommittee is examining extended drought emergency water supply options. The Public Works Director is a member of the task force and recommendations from that Subcommittee have been reviewed by the Zone 3 Advisory Board and forwarded to the County Board

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 7**

of Supervisors with a recommendation requesting that the County Public Works Department take the lead role in consideration of regional emergency water supply options. The subcommittee evaluated potential regional options to address extended drought conditions. This matter will be brought before the City Council in November for review, including consideration for a potential arrangement between the Zone 3 member agencies and the County for use of water from the PG&E desalination plant. A study to evaluate a water exchange project associated with the PG&E desalination plant has recently been approved by the San Luis Obispo County Board of Supervisors.

Additionally, for the long term, potential recycled water and water reuse projects have been identified as key water supply strategies to provide long-term water supply reliability for the region, diversifying water supply portfolios, reducing reliance on surface water imports, eliminating the discharge of treated wastewater to the ocean, and reducing conflicts associated with limited regional water sources. Regional projects that are currently being evaluated include the Pismo Beach Recycled Water Project, and the scalping plant project with the South San Luis Obispo County Sanitation District (SSLOCSD). Each project will require institutional, legal, outreach, and financial planning to be feasible. Staff will continue to provide updates on these projects.

Staff will have information related to these additional considerations early next year including having preliminary information from the fee study, the drought preparedness subcommittee, and recycled water projects. It may be beneficial for the Council to receive input on the above initiatives in March 2016 as well as having the benefit of any changed conditions due to weather after the winter months. Should conditions worsen due to realized impacts to supply or other imposed reductions, a Stage 2 declaration and/or building restriction options will be brought forward immediately for Council consideration.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Receive and file and direct staff to return in March to consider water supply conditions;
2. Direct staff to return to the City Council with options to implement water restriction moratorium for new development tied to stages of water availability;
3. Direct staff to prepare an urgency ordinance;
4. Provide direction to staff.

ADVANTAGES:

Discussions of drought impacts help inform the community regarding potential water supply impacts.

DISADVANTAGES:

Discussion of potential moratorium may detract potential applicants from investing in the community.

**CITY COUNCIL
OCTOBER 27, 2015
CONSIDERATION OF ALTERNATIVES TO ADDRESS DROUGHT CONDITIONS
PAGE 8**

ENVIRONMENTAL REVIEW:

None required.

PUBLIC NOTIFICATION:

The Agenda was posted in front of City Hall on Thursday, October 22, 2015. The Agenda and report were posted on the City's website on Friday, October 23, 2015. Several members of the public have commented during recent City Council meetings regarding concerns about the drought, City water supply and continuing new construction. No written public comments have been received.