



MEMORANDUM

TO: CITY COUNCIL

FROM: TERESA MCCLISH, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: CONSIDERATION OF A LETTER OF INTENT TO PARTICIPATE WITH THE CITIES OF PISMO BEACH AND GROVER BEACH AND THE OCEANO COMMUNITY SERVICES DISTRICT IN THE REGIONAL GROUNDWATER SUSTAINABILITY PROJECT

DATE: JANUARY 10, 2017

RECOMMENDATION:

It is recommended that the City Council authorize the Mayor to sign the Letter of Intent (LOI) for the Regional Groundwater Sustainability Project (RGSP).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There is no direct cost associated with signing the Letter of Intent; however, if funding associated with the groundwater model, which is a component of the RGSP and described in the LOI, is ultimately not reimbursable as currently anticipated, then the City will need to fund its respective portion of the groundwater model development which is estimated to be approximately \$68,000. In such case, a separate agreement will be brought forward to the City Council. Additionally, staff resources will continue to be required for participation in ongoing regional collaboration associated with the project, including participation in the review of the Environmental Impact Report, modeling efforts, development of a basin level response plan and drafting of future agreements for future consideration by the City Council. Addressing water supply and increasing water security remains a top priority of the City as identified in the Critical Needs Action Plan and reiterated in the City Council's 2016 Goals.

BACKGROUND:

In 2014, the Council directed staff to pursue the following goals:

- Meet the City's future projected water demand of its buildout population by:
 - Meeting the reduction in per capita use as prescribed in the Water Conservation Act of 2009;
 - Proceeding with work necessary to develop a recycled water project that can be used to prevent seawater intrusion in order to provide long-range protection of the City's groundwater supply; and
- Ensure water use efficiency and drought protection through regional conjunctive use, storage and management of surface and groundwater supplies.

Additionally, in 2014, the Council supported the NCMA Technical Group's Strategic Plan that provides a framework for identifying common water resource planning goals and

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objectives and to establish a 10-year work plan for implementation of those efforts, including pursuing recycled water options.

In November 2014, the Regional Recycled Water Strategic Plan (RRWSP) was completed that was one component of an update to the SLO Integrated Regional Water Management Plan (IRWMP), and was funded by a Round 2 IRWM Regional Planning Grant from the California Department of Water Resources (DWR). According to the study, the South San Luis Obispo County Sanitation District (SSLOCSD) has the largest volume of effluent considered in the RRWSP and the largest opportunities for large-scale reuse.

In May of 2015, an IRWMP planning grant funded a groundwater basin characterization study of the Santa Maria Groundwater Basin. The objectives of the overall study were to compile previous studies and data, develop a lithologic database and prepare geologic cross-sections, perform and analyze pumping tests, and evaluate several key hydrogeologic issues for the study area. It provided a basis for future studies related to a Salt and Nutrient Management Plan and the development of a numerical groundwater model.

Also in 2015 and 2016, two specific recycled water studies specified potential regional projects. The first was the City of Pismo Beach's Recycled Water Facilities Planning Study. The second was the SSLOCSD/City of Arroyo Grande grant funded Recycled Water Facilities Planning Study. These efforts have now merged into the RRGSP.

ANALYSIS OF ISSUES:

The LOI was drafted in collaboration with the Cities of Pismo Beach, Grover Beach and the Oceano Community Services District in order to recognize joint interests and collaborative opportunities for ground water management and conjunctive use. Each agency recognizes the value of a sustainable, supplemental water supply as an additional measure to assure water supply reliability. Steps required for the RGSP include the preparation of an Environmental Impact Report and groundwater model, being led by the City of Pismo Beach, the establishment of a basin level response plan, and eventual governance structure. The LOI is a first step to advance the RGSP and secure a commitment to continue to collaborate toward establishing a new, local, drought resistant, sustainable and highly purified water resource.

ALTERNATIVES:

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

1. Authorize the Mayor to sign the LOI;
2. Provide direction to staff.

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ADVANTAGES:

The LOI provides a more formal means to continue collaboration on the RGSP.

DISADVANTAGES:

No disadvantages have been identified.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachment:

1. DRAFT Letter of Intent

Draft Letter of Intent – For Water Agencies

Mr. Jim Lewis
City of Pismo Beach
760 Mattie Rd.
Pismo Beach, CA 93449

SUBJECT: REGIONAL GROUNDWATER SUSTAINABILITY PROJECT – LETTER OF INTENT

Dear Mr. Lewis:

The City of Arroyo Grande submits this letter of intent to participate in the Regional Groundwater Sustainability Project (RGSP). The Cities of Pismo Beach, Arroyo Grande, Grover Beach and the Oceano Community Services District (OCSD) have collaborated for decades to cooperatively manage water resources through both voluntary and formal mechanisms. Management of Groundwater resources in the Northern Cities Management Area (NCMA) of the Santa Maria Groundwater Basin (Basin) has been guided by several agreements and legal decisions, including the 1983 Gentlemen’s Agreement, the 2002 Management Agreement, the 2005 Stipulation, and most recently the 2008 Judgement. Today, the four agencies collaborate on the management of the Basin through the NCMA Technical Group.

In 2009, the NCMA agencies detected early indications of seawater intrusion in the sentry wells that are used to monitor groundwater levels and quality. The agencies responded by voluntarily reducing groundwater pumping through significant water conservation measures and utilization of surface water supplies. Through these efforts and above average rainfall in 2010, groundwater levels recovered to historical levels and the seawater/freshwater interface retreated offshore. However, with the continued drought, groundwater levels today are similar to the levels measured when early indicators of seawater intrusion were detected and are below the trigger levels that have been established to indicate a potential for seawater intrusion. Additionally, Lopez Lake, a critical water supply source for the NCMA agencies, is at historic low levels. The City of Arroyo Grande recognizes the value of a sustainable, supplemental water supply as an additional measure to assure water supply reliability during periods of drought.

The RGSP will provide a new, drought resistant, sustainable water supply for the region. The RGSP is a regional recycled water project that will provide advanced treatment of wastewater to produce highly purified water for recharge to the Basin for potable use. Phase 1 of the RGSP is envisioned to include advanced treatment and recharge of flows from Pismo Beach’s wastewater treatment plant (WWTP), and Phase 2 would add treatment capacity to accommodate flows from the South San Luis Obispo County Sanitation District’s (SSLOCSD) facility. The RGSP will recover a resource that is currently disposed to the ocean, and create a new and highly reliable water supply for the region.

The RGSP will provide multiple benefits to the communities served by the NCMA agencies, including:

- A new, local, drought resistant, sustainable and highly purified water resource
- Improved groundwater basin quality
- Protection from seawater intrusion
- Offset drought impacts on groundwater, State and Lopez fresh water supplies
- Reduced ocean discharge of treated wastewater effluent

➤ Streamlined timeline with a phased approach

The key project components include: (1) an advanced treatment plant; (2) recycled water distribution infrastructure; and (3) injection wells and monitoring wells. The project will also include new extraction wells, and the possibility to deliver recycled water for agricultural customers.

The City of Arroyo Grande commits our support to the RGSP, and acknowledges our shared interest in the multi-phase recycled water project. We agree to work together with the key project stakeholders to develop the project, including the Cities of Pismo Beach, Grover Beach, the OCSD and the SSLOCSD. The City of Arroyo Grande acknowledges that the multi-phase approach provides an expedited timeline for implementing groundwater recharge and agrees to actively participate in workshops and efforts to define cost and benefits, and develop future project agreements as the project develops.

The City of Pismo Beach has initiated the environmental review process for Phase 1 of the RGSP to meet the requirements under the California Environmental Quality Act (CEQA). Arroyo Grande supports expansion of the Environmental Impact Report (EIR) currently being prepared by the City of Pismo Beach to include evaluation of Phase 2 of the RGSP, as well as evaluation of the SSLOCSD site as a potential preferred advanced treatment location. The EIR will be expanded to include distribution and injection infrastructure for Phase 2 (SSLOCSD) flows, in addition to Pismo Beach flows. With the expanded EIR, a total of three sites for the advanced treatment plant will be evaluated: (1) Pismo Beach WWTP; (2) SSLOCSD WWTP; and (3) an offsite location to be identified. It is Arroyo Grande's understanding that the SSLOCSD will cover the incremental costs to include the SSLOCSD WWTP site in the EIR, as well as the associated infrastructure to recharge Phase 2 flows. The City of Pismo Beach will continue to serve as the lead agency for the EIR, with the other NCMA Agencies serving as responsible agencies.

Arroyo Grande supports expansion of the groundwater model that the City of Pismo Beach is currently developing for the RGSP. The groundwater model expansion will include extending the groundwater model boundaries to include the entire NCMA and Nipomo Mesa Management Area (NMMA) areas and evaluation of recharge and extraction scenarios that include flows from both the City of Pismo Beach and the SSLOCSD. Arroyo Grande supports utilizing funding from SSLOCSD settlement funds (reimbursed) and County funds (if made available). We acknowledge the expediency of this approach to develop a long-awaited groundwater model for the NCMA. As a means of commitment, Arroyo Grande will reimburse the City of Pismo Beach for our respective portion of the groundwater model development if the costs are not reimbursed by the SSLOCSD settlement funds.

Arroyo Grande agrees to participate in the development of an NCMA Basin Level Response Plan that is intended to establish groundwater basin pumping management guidelines tied to basin levels, similar to the Lopez Reservoir Low Level Response Plan (LRRP). This Plan would set a framework for establishing supplemental supplies and recharge projects, like recycled water.

Arroyo Grande acknowledges that the City of Pismo Beach will lead Phase 1 of the project, which will provide advanced treatment and recharge of flows from Pismo Beach, with input and participation from the other NCMA Agencies. It is our understanding that the governance structure will be evaluated during this initial project phase with a goal of developing a regional governance structure as the project evolves. Arroyo Grande agrees that non-reimbursed project costs will be shared among project participants apportioned based on benefits. The parties will coordinate on a written cost-sharing agreement, to be approved in conjunction with the Phase 1 activities.

The RGSP will provide a new, local, drought resistant, sustainable and highly purified water resource to our community. Arroyo Grande acknowledges this important benefit, along with the many other project benefits described in this letter. Arroyo Grande is committed to advancing the RGSP, realizing its benefits, and actively engaging in the development of the project.

Sincerely,

Mayor Jim Hill
City of Arroyo Grande