



MEMORANDUM

TO: CITY COUNCIL

FROM: WHITNEY MCDONALD, CITY MANAGER
TIMOTHY CARMEL, CITY ATTORNEY

BY: DROUGHT TEAM:
BILL ROBESON, ASSISTANT CITY MANAGER/PUBLIC WORKS DIRECTOR
NICOLE VALENTINE, ADMINISTRATIVE SERVICES DIRECTOR
JESSICA MATSON, LEGISLATIVE & INFORMATION SERVICES DIRECTOR/CITY CLERK
DAVID HIRSCH, ASSISTANT CITY ATTORNEY
SHANE TAYLOR, UTILITIES MANAGER
PATRICK HOLUB, ASSISTANT PLANNER
TIM SCHMIDT, PUBLIC WORKS LEADPERSON
TUCKER SCHMIDT, WATER SERVICES WORKER III
CAMELA SCHAAF, SENIOR ACCOUNTING CLERK

SUBJECT: CONSIDERATION OF APPROVAL OF A RESOLUTION DECLARING A STAGE 1 WATER SHORTAGE EMERGENCY

DATE: SEPTEMBER 28, 2021

SUMMARY OF ACTION:

Conduct a public hearing in accordance with Water Code Section 350, et seq., adopt a Resolution declaring a Stage 1 Water Shortage Emergency, and implement reductions in water usage as provided in Arroyo Grande Municipal Code Section 13.07.030(A).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The exact costs of implementing Stage 1 Emergency Shortage Restrictions are dependent upon several variables, including the length of time that the City experiences a water shortage. Impacts to City staff resources include the need to analyze and to determine water use baselines based on historical use. In addition, the following impacts are anticipated:

- Responding to inquiries from residents to answer customer/property specific questions.
- Conducting site visits with property owners about water conservation options and to conduct water audits.
- Responding to requests for water meter “re-reads.”

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- Responding to requests for modifications to the established water use baselines.
- Increase in the time necessary for the Utility Billing Adjustment Committee (UBAC) acting as the Water Shortage Appeal Board (WSAB) to review appeals.

Continued water use reductions will decrease revenues to the Water Fund and may require consideration of a future water rate adjustment.

The cost to mail out baseline letters will be approximately \$4,000 which includes \$2,800 to be allocated from the Water Fund unallocated fund balance and \$1,200 from the Sewer Fund unallocated fund balance.

For FY 2021-22, it is anticipated that utility billing revenue loss from implementing a Stage 1 Water Emergency will be approximately \$413,800 to the Water Fund and approximately \$56,000 to the Sewer Fund. A drought rate will be included for consideration in the Water and Sewer Rate Study coming before Council this fall.

RECOMMENDATION:

It is recommended the City Council: 1) Conduct a Public Hearing in accordance with Water Code Section 350, et seq.; 2) Adopt a Resolution declaring a Stage 1 Water Shortage Emergency and implementing Emergency Water Shortage Restrictions and Regulations in accordance with California Water Code Section 350, et seq., and Arroyo Grande Municipal Code Section 13.07.030(A); and 3) Appropriate \$2,800 from water fund balance and \$1,200 from sewer fund balance for the cost to mail out baseline letters.

BACKGROUND:

The City of Arroyo Grande, along with much of the State of California, is experiencing historic drought conditions. The drought conditions have negatively impacted the City's water supply and have necessitated conservation requirements and precipitated the City's need to implement the Water Shortage Contingency Plan and to establish mechanisms for the application of mandatory water use reductions. During the previous drought that occurred in 2015, the State of California mandated a 28% reduction of water usage.

AGMC and Declaration of Stage 1 Water Shortage Emergency

Chapter 13.07 of the Arroyo Grande Municipal Code (AGMC), Emergency Water Shortage Restrictions and Regulations, provides for stages of action that will be undertaken in response to water supply shortages and related triggering conditions. Chapter 13.07 was added to the AGMC in February 2015. On May 26, 2015, the City Council declared a Stage 1 Water Shortage Emergency in accordance with Water Code Section 350, et seq., and AGMC Section 13.07.030, implementing reductions in water usage based upon historical use, and mandatory penalties for failing to meet water use requirements. On April 25, 2017, the City Council, by Resolution, rescinded the Stage 1

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Water Shortage Emergency and related emergency water conservation measures and restrictions.

In February 2017, AGMC Chapter 13.07 was amended to provide for stages of action consistent with the City's revised Urban Water Management Plan. The stages of action were created in recognition of the fact that the City's water supply consists of a combination of water from the Lopez Reservoir and groundwater sources, and that a variety of specific factors can result in the need to implement a stage of action, such as unanticipated interruptions of local water deliveries or the imposition of additional State mandated reductions in water use.

AGMC Section 13.07.030(A) provides that after holding a noticed public hearing in accordance with the requirements of Water Code Section 350, et seq., the City Council may declare a Stage 1 Water Shortage Emergency and institute reductions in water usage based upon historical use. Water Code Section 350, et seq., authorizes the governing body of a public water supply distributor to declare that water shortage emergency conditions prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there would be insufficient water for human consumption, sanitation, and fire protection. Water Code Section 353 provides that when such a water shortage emergency is declared, the governing body shall adopt necessary regulations and restrictions on the delivery and consumption of water.

Under AGMC Section 13.07.030(A), triggering conditions for a Stage 1 Water Shortage Emergency may include, but are not limited to, a determination that the water level at the Lopez Reservoir is at or below fifteen thousand (15,000) acre feet. As discussed below, Lopez Reservoir is anticipated to fall below the triggering threshold of 15,000 acre-feet by approximately October 14, 2021.

Reductions in Use, Review Procedures and Appeals when a Stage 1 Water Shortage Emergency is Declared

As noted, AGMC Chapter 13.07 provides procedures for the City Council to declare a Stage 1 Water Shortage Emergency. When that occurs, reductions in water usage are then imposed based upon historical use. AGMC Section 13.07.010 defines "historical use" as "a baseline amount of water that is equal to the amount of water used in the same billing period for a specifically identified previous year." AGMC Section 13.07.030(A)(2) explains the procedures for establishing water use reductions for customers as follows:

- Assign each customer a baseline amount of water, based upon the amount of water used during 2020.
- All residential customers will be required to reduce water usage by a percentage amount set forth in the Resolution, and percentages may

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- be modified or amended by the City Council as deemed necessary and appropriate.
- The percentage of required conservation will increase depending on the billing tier of the residential customer's water use as provided in the City's tiered water rate structure.
 - The Resolution will include provisions for imposing mandatory financial penalties if the amount of water in each tier is exceeded, and penalties may be modified or amended by the City Council as deemed necessary and appropriate based upon a determination of the severity of the water shortage emergency.

Pursuant to AGMC Section 13.07.050, commercial customers are not subject to mandatory penalties during a Stage 1 Water Shortage Emergency, except for commercial customers with irrigation meter accounts, which are required to reduce water use by a percentage set forth in the resolution declaring the water shortage emergency.

AGMC Section 13.07.070 contains procedures for adjustments to the water allocation or water reduction requirements if a customer can provide evidence of unique circumstances. If the criteria are met, the Public Works Director has the authority to grant the adjustment. In addition, AGMC Section 13.07.080 provides that the City's Utility Billing Adjustment Committee (UBAC) is empowered to act as the Water Shortage Appeals Board (WSAB), and can consider appeals of actions taken by the Public Works Director, including adjustments to water consumption reduction amounts, decisions on applications for exceptions, and decisions to assess administrative penalties. Appeals of the WSAB decision can also be made to the City Manager and City Council.

ANALYSIS OF ISSUES:

Current Water Supply and Demand Conditions

The City of Arroyo Grande has a limited water supply that consists of two primary sources: Lake Lopez and groundwater. The San Luis Obispo County Flood Control and Water Conservation District Zone 3 has developed the Lake Lopez Low Reservoir Response Plan (LRRP), which provides for a series of management procedures that are to be followed when the reservoir level drops below 20,000 acre feet. The LRRP includes reduced municipal water deliveries as one such management procedure.

The United States Drought Monitor, as of September 15, 2021, shows San Luis Obispo County in an extreme drought. Rainfall to date for the period July 1, 2021, through September 15, 2021, is 0.0 inches at the City's Corporation Yard rain gauge. The new water year began on April 1, 2021, and the City's annual Lopez contract supply was 2,290 acre-feet at that time. On July 8, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency, pursuant to the California Emergency Services Act, due to drought in several counties in the State, including San Luis Obispo County. On July 13, 2021, the San Luis Obispo County Board of Supervisors (Board) declared a local drought

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emergency; and, on August 24, 2021, the Board enacted the LRRP for Lopez Lake. On September 8, 2021, the Zone 3 Technical Advisory Committee endorsed the action of reducing contract deliveries by 10% even though, as of September 22, 2021, Lopez Lake is at 15,426 acre-feet of storage. Water levels at Lopez Lake have been dropping at the rate of approximately 150 acre-feet per week and is, therefore, expected to fall below the triggering threshold of 15,000 acre-feet by approximately October 14, 2021. The City began reducing the flow of its deliveries from Lopez on September 15, 2021, to 1.9 million gallons per day, compared to the normal flow of 2.2 million gallons per day.

In addition to deliveries from Lopez Lake, the City has 1,323 acre-feet of ground water entitlement from the Santa Maria Basin, and 160 acre-feet from the Pismo Formation. The third quarter monitoring for the sentry wells was completed in July. The deep well index was 7.25 feet above sea level, which is 0.25 feet lower than the deep well index threshold value of 7.5 feet and 1.75 feet lower than the index value one year ago (9.0 feet). One trigger for a Stage 1 Water Emergency occurs when the deep well index falls below 7.5 feet for 6 consecutive quarters. While the 6 consecutive quarters have not yet occurred, the well level trends are concerning and the Technical Advisory Committee for the Northern Cities Management Area (NCMA) may recommend pumping reductions to protect against the potential for seawater intrusion.

When the City Council rescinded the previously declared Stage 1 Water Shortage Emergency on April 25, 2017, Council requested that staff continue preparing monthly water supply and demand updates. As noted in the September 28, 2021 Monthly Water Supply Report and Demand Update, in August 2021, the City's water use was 217.5 acre-feet with a per capita use of 130 gallons per day/per person. No rainfall occurred in August 2021. The water use for the current "rolling" water year from September 2020 to August 2021 was 2,392.9 acre-feet, which equates to a per capita use of 121 gallons per day per person. The projected water use for the City of Arroyo Grande for water year 2021/22 is 2,450 acre-feet based on current rainfall.

Based upon the foregoing, staff recommends that the City Council adopt the attached Resolution declaring a Stage 1 Water Shortage Emergency.

Recommendation regarding Water Usage Reductions and Penalties

The proposed Resolution uses a historical methodology of reducing customer water accounts based on 2020 usage. This concept requires every household to conserve a specified percentage of their historical water use. Those not meeting their conservation target would be subject to a financial penalty on their next bill.

Each account will be assigned a baseline amount of water, which will be equal to the water used in the same billing period in 2020. Customers will then be requested to reduce consumption by a certain percentage below their baseline amount. The percentage reduction applicable to each customer will depend on the customer's water usage tier.

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Usage in the higher tiers will require a higher amount of reduction. This approach is consistent with AGMC Section 13.07.030(A)(2), which states that “[t]he percentage of required conservation shall increase depending on the billing tier of the residential customer's water use as provided in the City's tiered water rate structure.” In addition, this approach helps to address concerns that reduction requirements may penalize customers that have already instituted conservation measures.

Staff has analyzed the overall customer usage for 2020 and evaluated the total amount of reductions that would be necessary to achieve a 10% reduction for all customers, correlating to the 10% cutback in Lopez deliveries required under the LRRP. Approximately one third or 33% of the water customers fall into usage of 0-9 units of water, one third or 33% of the water customers fall into usage of 10-18 units of water, and the remaining 34% of water customers use more than 19 units of water. These percentages were used to calculate a reduction allocation for each group of water users so that a water use reduction of 10% overall can be achieved. For users of 0-9 units, the reduction allocation is 0%; for users of 10-18 units, the reduction allocation is 10%; and for users of 19 or more units, the reduction allocation is 20%. This information is also shown in the table below.

Single Family Residential Water Customers

2020 Customers by Tier	Total Customers	Percentage	Total Units	% Reduction	usage after Reduction
0-9 units	1,998	33%	65,005	0%	65,005
10-18 units	1,998	33%	163,649	10%	147,284
19 + units	2,120	34%	412,567	20%	330,054
Total	6,115	100%	641,221	10%	542,343

Multi-family residential customers would be required to reduce consumption by 10%. Commercial customers with irrigation meters would be required to reduce irrigation use by 25%. Staff met with local landscaping firms that manage commercial customers within the City to review what would be acceptable cut backs and a 25% reduction will add stress to these areas but would be a manageable reduction. This is the same percentage reduction required to commercial customers during the previous drought. Partial units will be rounded down.

As noted, under the provisions in AGMC Chapter 13.07, commercial customers will be exempt from the overall water restrictions unless they have an irrigation meter. The reasons for this exemption include recognition that many commercial businesses are unable to institute conservation measures without impacting public health and safety and the economic vitality of the City. In addition, commercial customers account for a relatively small percentage of the City’s water use, 10% of total consumption.

AGMC Section 13.07.090 provides for penalties and enforcement, which are to be set forth in the Resolution declaring the Water Shortage Emergency. During the previous

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Stage 1 Water Shortage Emergency, the following penalties were imposed, and staff recommends the same penalties be used for water users who fail to reduce consumption in the percentages required:

- First Violation: Written notice of violation
- Second Violation: \$50
- Third Violation: \$100
- Subsequent \$200

Repeated violations may also be subject to criminal prosecution as a misdemeanor pursuant to AGMC Section 13.07.090(B), as well as possible discontinuance of service or installation of a flow restriction device.

Next Steps

If the proposed Resolution is adopted, letters identifying each customer's baseline water amount will be mailed out on or before December 1, 2021, and warning letters will begin being sent in February 2022. The February 2022 billing would include the estimated service dates of November 20th - January 20th, which would provide customers time to make adjustments to their water usage.

Drought rates will be evaluated and included as an option in the Water & Sewer Rate Study. Any such drought rates would only be used during Stage 1 or higher Water Shortage Emergency. Once the Water Shortage Emergency is rescinded the water rates will return to regular rates.

ALTERNATIVES:

The following alternatives are provided for Council's consideration:

1. Adopt the Resolution declaring a Stage 1 Water Shortage Emergency and implement Emergency Water Shortage Restrictions and Regulations in accordance with California Water Code Section 350, et seq., and Arroyo Grande Municipal Code Section 13.07.030;
2. Modify and adopt the Resolution;
3. Do not adopt the Resolution; or
4. Provide other direction to staff.

ADVANTAGES:

Declaration of a Stage 1 Water Shortage Emergency and the required reductions in water use will help preserve the limited water supply resources available to the City. Because the rainy season is yet to come, it is unclear how long the current severe drought will continue and how long the available water supplies will last. Also, adoption of the Resolution will provide enforcement tools to provide for compliance with the Stage 1 restrictions.

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DISADVANTAGES:

Water customers will be required to reduce water usage, which may create hardships on members of the community and have negative impacts on available staff resources. Declaration of the recommended Stage 1 Water Shortage Emergency will have a significant impact on staff resource and time, including but not limited to:

- Responding to inquiries from residents to answer customer/ property specific questions.
- Conducting site visits with property owners about water conservation options and to conduct water audits.
- Responding to requests for water meter “re-reads.”
- Preparation of historical water use baseline amounts for each customer.
- Responding to requests for modifications to the established water use targets.
- Increase in time necessary for the UBAC acting as the WSAB to review appeals.

In addition, continued water use reductions will decrease revenues to the Water and Sewer Funds and may require consideration of a future water rate adjustment.

ENVIRONMENTAL REVIEW:

The adoption of this Resolution declaring a Stage 1 Water Shortage Emergency is categorically exempt from the California Environmental Quality Act (“CEQA”) pursuant to 15307 of the State CEQA Guidelines (Actions by Regulatory Agencies for Protection of Natural Resources.)

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. Proposed Resolution

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE DECLARING A STAGE 1 WATER SHORTAGE EMERGENCY IN ACCORDANCE WITH CALIFORNIA WATER CODE SECTION 350 AND ARROYO GRANDE MUNICIPAL CODE SECTION 13.07.030

WHEREAS, Chapter 13.07 of the Arroyo Grande Municipal Code (AGMC), Emergency Water Shortage Restrictions and Regulations, provides for stages of action that will be undertaken in response to water supply shortages and related triggering conditions, consistent with the City of Arroyo Grande's Urban Water Management Plan and for the imposition of regulations and restrictions, including, but not limited to, requirements to reduce consumption of water, that are necessary in order to protect the health, safety and welfare of the community; and

WHEREAS, the stages of action have been created in recognition of the fact that the City's water supply consists of a combination of water from Lake Lopez and groundwater sources, and that a variety of specific factors can result in the need to implement a stage of action, as well as the potential for unanticipated interruptions of local water deliveries or the imposition of additional State mandated reductions in water use; and

WHEREAS, AGMC Section 13.07.030(A) provides that after holding a noticed public hearing in accordance with the requirements of Water Code Section 350 et seq., the City Council may declare a Stage 1 Water Shortage Emergency and institute reductions in water usage, based upon a determination that triggering conditions exist or there have been impacts to the City's water supply, and/or it has been determined that it is imminent that the City's water supply has or will become so limited that an emergency water shortage condition exists regarding the available water supply being less than projected demand, necessitating the institution of reductions in water usage; and

WHEREAS, triggering conditions for a Stage 1 Water Shortage Emergency under AGMC Section 13.07.030(A) may include, but are not limited to, a determination that the water level at Lake Lopez is at or below fifteen thousand (15,000) acre feet; there have been six quarterly continuous events of sentry well level readings below the deep well index trigger level of seven and one-half feet; and/or the imposition of mandatory reductions in water use by the City by the state water resources control board. ; and

WHEREAS, The City of Arroyo Grande has a limited water supply that consists of two sources: Lake Lopez and groundwater. The San Luis Obispo County Flood Control and Water Conservation District has developed the Lake Lopez Low Reservoir Response Plan (LRRP), which provides for a series of management procedures that are to be followed when the reservoir level drops below 20,000 acre feet, which includes reduced municipal water deliveries. In

addition, significant concerns exist regarding groundwater pumping and the potential for seawater intrusion; and

WHEREAS, on July 8, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency, pursuant to the California Emergency Services Act, due to extreme drought in additional counties in the State, including San Luis Obispo County; on July 13, 2021, the San Luis Obispo County Board of Supervisors declared a local drought emergency; and on August 24, 2021, the Board of Supervisors initiated the LRRP for Lake Lopez. Under the LRRP, the City will now be subject to a 10% reduction in Lopez deliveries, which equates to 216,000 gallons per day; and

WHEREAS, as of July 14, 2021, the United States Drought Monitor shows San Luis Obispo County in an extreme drought and rainfall to date for the period from July 1, 2020 through June 30, 2021 was 9.11 inches at the City's Corporation Yard rain gauge and based on the severity of the drought, the upcoming rainy season may not be sufficient to replenish the City's normal available water supply; and

WHEREAS, as of September 22, 2021, Lopez Lake is at 15,426 acre-feet of storage, and has been dropping at the rate of approximately 150 acre-feet per week and is therefore expected to fall below the triggering threshold of 15,000 acre-feet by approximately October 14, 2021; and

WHEREAS, California Water Code Section 350 et seq. authorize the governing body of a public water supply distributor to declare that water shortage emergency conditions prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there would be insufficient water for human consumption, sanitation, and fire protection, and Water Code Section 353 provides that when such a water shortage emergency is declared the governing body shall adopt necessary regulations and restrictions on the delivery and consumption of water; and

WHEREAS, the City of Arroyo Grande is granted authority by Water Code Section 350 et seq. and AGMC Chapter 13.07 to declare a Stage 1 Water Shortage Emergency and adopt by resolution regulations and restrictions on the delivery and consumption of water; and

WHEREAS, pursuant to AGMC Chapter 13.07, based upon the foregoing determinations, City staff has recommended that the City Council declare a Stage 1 Water Shortage Emergency and implement reductions in water usage based upon Historical Use, as defined in Section 13.07.010 and as further set forth in Exhibit A to this Resolution; and

WHEREAS, in accordance with the requirements of AGMC Section 13.07.030 and Water Code Sections 351 and 352, a public hearing regarding this declaration was duly noticed and held on September 28, 2021.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Arroyo Grande does

hereby declare, determine, and order as follows:

SECTION 1. The foregoing Recitals are true, correct and are incorporated herein.

SECTION 2. Pursuant to AGMC Section 13.07.030 and Water Code Section 350, et seq., and for the reasons set forth herein, the City Council of the City of Arroyo Grande hereby declares that a Stage 1 Water Shortage Emergency now exists throughout the area served by the City of Arroyo Grande and that as a result of the historic severe drought, the implementation of the LRRP and the 10 % reduction in water deliveries from Lopez Reservoir, and the imminent falling of Lopez Reservoir to below 15,000 acre-feet of storage, that there has or will be impacts on the City's water supply such that the available water supply is less than projected demand and that the demands and requirements of the City's water consumers cannot be satisfied without depleting the water supply of the City to the extent that there would be insufficient water for human consumption, sanitation and fire protection. Based on this condition and on concerns regarding the anticipated prolonged drought conditions, and pursuant to the Arroyo Grande Municipal Code and the authority in Water Code Section 353, the City Council hereby implements reductions in water usage based upon Historical Use, as further set forth in Exhibit "A," which exhibit is attached hereto and incorporated herein by this reference, which the City Council finds are necessary and appropriate to protect the health, safety and welfare of the public.

SECTION 3. In accordance with the provisions of AGMC Section 13.07.030(A), and as further set forth in Exhibit A, all residential water customers shall be assigned a baseline amount of water based upon the amount of water used during the same billing period of the year prior to the adoption of this Resolution. All residential customers shall reduce water usage by the percentage amount set forth in Exhibit A. Such percentages may be modified or amended by the City Council as deemed necessary and appropriate. Commercial customers with irrigation meter accounts shall also reduce water use as set forth in Exhibit A. Residential and Commercial customers shall be subject to mandatory penalties for failing to meet required water use reductions, as provided in Exhibit A.

SECTION 4. All other water conservation rules, regulations, restrictions, definitions, enforcement procedures, violation provisions and appeal procedures, including, but not limited to, those contained in AGMC Section 13.05.030, shall remain in full force and effect.

SECTION 5. The adoption of this Resolution declaring a Stage 1 Water Shortage Emergency is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to 15307 of the State CEQA Guidelines (Actions by Regulatory Agencies for Protection of Natural Resources.)

SECTION 6. If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held to be invalid, such determination shall not affect the validity of the remaining portions of this Resolution. The City Council hereby declares that it would have passed this Resolution and each and every section, subsection, sentence, clause, or phrase not declared invalid without regard to whether any portion of the Resolution would be subsequently declared invalid or unconstitutional.

SECTION 7. The restrictions and regulations adopted herein shall remain in effect for the duration of the Stage 1 Water Shortage Emergency declared through this Resolution, and until it is rescinded or modified by the City Council. This Resolution shall be effective immediately upon its adoption.

On motion of Council Member _____, seconded by Council Member _____, and by the following roll call vote, to wit:

AYES:
NOES:
ABSENT:

the foregoing Resolution was passed and adopted this 28th day of September, 2021.

CAREN RAY RUSSOM, MAYOR

ATTEST:

JESSICA MATSON, CITY CLERK

APPROVED AS TO CONTENT:

WHITNEY MCDONALD, CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

EXHIBIT "A"

**CITY OF ARROYO GRANDE RESOLUTION _____
DECLARATION OF A STAGE 1 WATER SHORTAGE EMERGENCY**

A. ASSIGNMENT OF BASELINE WATER AMOUNT BASED UPON HISTORICAL USE

All residential customers and commercial customers with irrigation meters will be assigned a Baseline Water Amount based upon their Historical Use, as further set forth herein. Except when adjusted in accordance with the provisions contained in Arroyo Grande Municipal Code Section 13.07.070 A or B, the Baseline Water Amount shall be based upon the amount of water used during the same billing period of the year prior to the adoption of this Resolution.

B. COMMERCIAL CUSTOMERS

All commercial customers with irrigation meter accounts shall reduce water use by 25% from the amount of usage of the assigned Baseline Water Amount. Failure to reduce water use by this required percentage shall result in the imposition of the mandatory financial penalties contained in Subsection D, herein.

C. REQUIRED RESIDENTIAL CUSTOMER WATER REDUCTIONS

1. Except for customers whose bi-monthly Baseline Water Amount is 9 units or less, residential customers with bi-monthly usage of 10 to 18 units shall be required to reduce consumption by 10% from the amount of usage of the assigned Baseline Water Amount. Customers whose bi-monthly usage is 9 units or less shall not increase their usage above the amount of their assigned Baseline Water Amount.

2. All residential customers with bi-monthly usage of 19 units or more shall be required to reduce consumption by 20% from the amount of usage of the assigned Baseline Water Amount.

Failure to reduce water use by the required percentage shall result in the imposition of the mandatory financial penalties contained in Subsection D, herein.

In accordance with Arroyo Grande Municipal Code Section 13.07.030(A), the City Council may, by resolution, increase the required percentage of reduction if it deems it necessary in order to achieve the projected amount of water savings established as necessary.

D. MANDATORY FINANCIAL PENALTIES

The purpose of the mandatory penalties assessed pursuant to this Resolution is to assure compliance by the customer through the imposition of increasing penalties so as to create a meaningful incentive to reduce water use. In acknowledgment of the fact that the City's water is scarce and irreplaceable commodity, the intent is to equitably distribute that commodity among Water Department customers and to assure that, to the extent feasible, City water is conserved and used only for purposes deemed necessary for public

health and safety. Accordingly, the mandatory penalties contained herein are not to be construed as creating a “water pricing” structure pursuant to which customers may elect to pay for additional water at significantly higher rates.

The following mandatory financial penalties will be levied on all water users who fail to reduce consumption in the percentages required in Subsections B and C herein, and customers whose bi-monthly use is 9 units or less and whose use increases above the amount of their assigned Baseline Water Amount:

- First Violation: Written notice of violation and opportunity to correct violation.
- Second Violation: The City shall impose a penalty of \$50. Written notice shall be given to the owner by certified mail. The penalty will be billed to the customer on the regular water bill.
- Third Violation: A penalty of \$100. Written notice shall be given to the owner by certified mail. The fine will be billed to the customer on the regular water bill.
- Subsequent Violations: In addition to a penalty of \$200, continued violations may be subject to referral to the City Attorney for appropriate action, including but not limited to prosecution under the Arroyo Grande Municipal Code, as well as possible discontinuance of service.
- Failure to pay: The City may discontinue water service to any customer who fails to pay penalties billed on the regular water bill. Service will be restored upon full payment of all outstanding balances and reconnection charges. A delinquent bill shall also be increased by penalty of ten (10) percent of the amount of delinquency.

The foregoing penalties may also be modified or amended by the City Council as deemed necessary and appropriate based upon a determination of the severity of the Water Shortage Emergency.