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## CITY OF SANTA BARBARA

### COUNCIL AGENDA REPORT

Agenda Item No. \_\_\_\_\_

File Code No. \_\_\_\_\_

**AGENDA DATE:** November 1, 2016

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Stage Three Drought Update And Continuation Of Discussion On Additional Water Use Regulations

**RECOMMENDATION:** That Council

- A. Receive an update on the status of the current drought, projected supply shortages, and continue the discussion on additional water use regulations.
- B. Authorize the Public Works Director to amend Professional Services contract 21700032 with Katz and Associates, Inc., increasing the original contract by \$47,540 for a total not exceed amount of \$85,389, which includes \$4,754 in extra services of Katz and Associates, Inc., that may result from necessary changes in the scope of work.

#### **EXECUTIVE SUMMARY:**

This report provides an update for Council on the current drought situation in relation to the water supply outlook and work efforts related to drought response, community-wide conservation and water use regulations. In an effort to address a projected shortage in the ability of the City to meet peak demand during the summer of 2017, additional water use regulations are recommended. A turfgrass (lawn) watering moratorium, commencing January 2017, is identified as the next available measure with sufficient savings to offset the projected supply shortage.

#### **BACKGROUND:**

Council declared Stage One and Stage Two Drought Conditions on February 11, 2014, and May 20, 2014, respectively, as a result of unprecedented drought conditions. On May 5, 2015, in response to the driest consecutive four-year period on record, Council declared a Stage Three Drought Emergency, increasing the community's water conservation target to 25 percent, and adopting a resolution for additional water use regulations on May 12, 2015. This was followed by a fifth consecutive year of minimal rainfall, with virtually no runoff to local reservoirs, which caused Council to increase the community's water conservation target to 35 percent on April 26, 2016.

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**DISCUSSION:**

Water Supply Outlook

The last five years have now officially become the driest five year period on record by a significant margin. Rainfall for the last five years has averaged less than half of the long-term average. In accordance with the City's Long Term Water Supply Plan, depleted surface water supplies have been replaced with increased groundwater production, supplemental water purchases, and reactivation of the City's Desalination Plant.

The National Oceanic and Atmospheric Administration (NOAA) forecasts neutral conditions in relation to the El Niño/La Niña cycle during winter 2016-2017. NOAA's forecast for January - March 2017 continues to show equal chances of above average, average, and below-average precipitation during our key rainfall window. Given the unpredictable nature of El Niño and La Niña events, and the unprecedented nature of the current drought situation, the City is planning for continued drought conditions.

In an effort to continue to maximize the use of the State Water delivery system, the City secured 7,265 AF (Acre Feet) of additional imported water in 2016. This is sufficient water to keep the City's portion of the conveyance system running full through 2018. Due to the conveyance capacity limitations and the continued decline in the availability of our local surface water supplies, staff is projecting a shortage of approximately 300 AF from August through October 2017, assuming no additional delays in desalination deliveries or interruptions in groundwater production. It is important to recognize there is no longer any contingency water supply for the City. Given the duration and severity of the current drought, the City will be using all backup water sources in 2017. Should any of the planned water sources become unavailable, the City would be in a catastrophic shortage requiring more extreme measures to cut water usage. Accordingly, staff is recommending that Council consider additional actions to further reduce demand now, as discussed below. Staff continues to plan for worsened supply conditions, and will return to Council with recommended additional actions should they become necessary.

Community Conservation

The City's water conservation numbers through September 2016 show a cumulative citywide average reduction of 36 percent since the Stage Three Drought declaration in May 2015. Conservation for the month of September reflects a reduction of 41 percent, compared to 2013 water demands.

The City's water customers continue to meet and exceed both the City's and the state's conservation targets with extraordinary conservation measures. The state-mandated water use reduction for the City is 12 percent below 2013 water usage. In May 2016, the state adopted new regulations that allow agencies to reduce conservation requirements by demonstrating they have sufficient supplies to meet full customer demands through

2019. Since the City remains in a severe drought condition, the City has not elected to seek a modification of its state requirement.

### Water Use Regulations

For each successive year of continuing dry weather, Council has considered appropriate responses in the form of water use regulations and development restrictions, coupled with drought water rates and enhanced public outreach. These steps have been guided by the City's Water Shortage Contingency Plan. With Cachuma at record low levels, groundwater basins nearing record lows, the potential for construction delays in desalination production, and a projected inability to meet peak customer demand during the coming water year, staff has been working to develop recommendations regarding changes in the City's current water use regulations. Staff evaluated measures that would generate savings sufficient to offset the projected short-term supply deficit of approximately 300 AF, with an additional 500 AF of contingency, for a total of 800 AF of additional savings over the coming water year. This would require an increase in our annual conservation target from 35 percent to 40 percent, relative to 2013 water usage. We are currently at 36 percent. In development of the regulatory options, staff was focused on protection of the community's investment in trees and shrubs, and identifying measures that are easily understood and would result in a decrease in demand sufficient to offset the shortage in the near term.

With regard to new water use regulations, last month staff presented Water Commission and Council with a recommendation that a general ban on turfgrass watering with potable water (with limited exceptions) is the best tool for addressing the current situation. Staff projected a savings of 800 AFY (Acre Feet per Year) from this action, based on a range of assumptions yielding 500 AFY as a worst case and 1,200 AFY as the best case scenario. Coupled with likely additional demand reductions from updated community outreach and recent changes in water rates, this step will put the City in the best position to continue to meet system-wide demand with an acceptable supply buffer, barring significant added setbacks.

In the residential sector, the only exemptions proposed were watering of certified water wise turfgrasses. In the institutional sector, staff proposed exemptions for open spaces and parks on publicly owned and operated lands; certified water wise turfgrasses; and areas of active recreation at schools and State licensed child care facilities. In the commercial sector, staff proposed exemptions for golf course greens and tees, and lawn areas that are directly related to business activity, such as ceremonial event spaces, subject to an application for exemption and demonstrated ongoing compliance with the City's water conservation targets.

Council voiced concerns about enforcing such a ban. Staff have revisited the issue and carefully considered alternatives, but still believes a turfgrass ban is the best way to reduce demand by the required amount, while still providing customers some flexibility in how they manage their water use. At this time, the turfgrass watering ban would allow for prioritization of outdoor watering so higher value landscaping such as trees and shrubs

can be saved. In response to concerns about patrolling for enforcement, staff proposes that Council consider continuing the policy of complaint-driven enforcement for the lawn watering ban. Current complaint-driven enforcement has been successful in educating violators and has avoided the need to assess financial penalties thus far. The Santa Barbara community has been extremely compliant and supportive of the City's drought-related policies and goals.

### Development Restrictions

Council previously discussed the potential for development restrictions in December 2014, April 2015, and April 2016, and most recently on September 20, 2016. On these occasions, Council weighed the small amount of water savings gained by implementing development restrictions against the potentially negative impact on the local economy and decided to forego instituting development restrictions. Further restricting development currently in the pipeline would not provide a reduction in demand during the timeframe needed to meet the projected summer 2017 shortfall.

### Schedule

Implementation of the turfgrass watering restrictions would take effect as early as January 1, 2017, upon adoption by Council in December, in order to begin achieving savings as soon as possible. Furthermore, moving forward in the winter months also allows for a smoother transition for the community when the need for outdoor lawn watering should be unnecessary with rainfall similar to the past few years. Following Council adoption, staff would increase community outreach to raise public awareness. It will be critical, if drought conditions continue, to have regulations in place that will allow the City to fully achieve the required conservation at the start of the 2017 irrigation season. Should water supply conditions improve this winter, staff would revisit these restrictions; however, if there is no improvement, the City will be well positioned to address the sixth year of a record drought.

### Rationing

At the Council meeting on September 20, the concept of rationing was revisited and briefly discussed. Staff continues work to develop a rationing plan, recognizing that this would be the option of last resort to reduce water usage. Rationing would require that all 27,000 potable service connections be put on a monthly water budget. Water used in excess of that budget would be deemed illegal, with fines that could lead to water service being terminated. The preliminary estimates for residential water budgets under rationing is not likely to be sufficient for the average property to continue any outdoor watering. Staff has also discussed with Council a potential "Drought Impact Fee," which is different from rationing in that it would be applied on customer water bills (in compliance with Prop 218 requirements) as a means of maintaining adequate system revenue as increasing conservation becomes necessary.

### Public Outreach

Staff engaged the services of Katz and Associates, Inc., (Katz) for assistance with public outreach, in an amount of \$33,095, to assist staff resources that are spread thin as a result of drought workload. Based on the worsening condition of our water supplies, staff would like to increase the contract with Katz by \$52,294 to include assistance with strategic public outreach planning, development of public informational materials, and general media support. Katz was selected through a competitive Request For Proposal process, and was chosen for their expertise with difficult water-related messaging for many California water agencies. Staff recommends amending the existing Professional Services Agreement with Katz and Associates, Inc., increasing the original contract by \$52,284 for a total not to exceed amount of \$85,389, which includes \$4,754 in extra services of Katz and Associates, Inc., that may result from necessary changes in the scope of work.

### Tree Health

As the City moves into the sixth year of this drought, there remains a strong concern for protecting both private and public trees. The Parks and Recreation (P&R) Department developed a drought response plan in 2014 that prioritized how public trees would be managed during the drought. P&R is revisiting this plan with a focus on additional actions that could be taken as the drought continues to intensify. As we contemplate a ban on turfgrass watering, one of the main objectives is to ensure there is adequate water for trees and shrubs, which represent a substantial long-term community investment. To help the community, P&R has been working closely with Water Conservation to develop information for homeowners and landscapers on how best to effectively and efficiently water trees. In some cases, trees may be receiving a minimal benefit from watering of lawns and other groundcover. However, trees benefit from watering that is applied over time and allowed to infiltrate deeper into the soil.

### **BUDGET/FINANCIAL INFORMATION:**

Increasing the conservation goal from 35 percent to 40 percent is estimated to decrease revenues by \$1.6 million for the remainder of Fiscal Year 2017. Current rates reflect the use of \$7 million in reserves for this fiscal year. Staff has explored the use of a drought impact fee to offset the projected loss but given the amount of resources and time it would take to get the fee in place it is recommended that the additional projected losses be absorbed by reserves and the losses be addressed in Fiscal Year 2018 rate development. Staff will be coming to Council in November with a contract to initiate Fiscal Year 2018 water rate development.

### **SUSTAINABILITY IMPACT:**

The recommended additional drought regulations are appropriate at this time, given the need to further stretch remaining water supplies. It is estimated that additional regulations will increase cumulative water savings to 40 percent on an annual basis, with monthly

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savings ranging from 32 percent to 50 percent. Staff will monitor the cumulative water savings from January 2017 through May 2017, and will use the information as a basis for determining whether or not to recommend additional action for Council consideration in the spring of 2017.

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**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office