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CITY OF SANTA BARBARA COUNCIL AGENDA REPORT

AGENDA DATE: June 20, 2017
TO: Mayor and Councilmembers
FROM: Water Resources Division, Public Works Department
SUBJECT: Stage Three Drought Update

RECOMMENDATION: That Council:

- A. Receive an update on the status of the current drought, drought-response capital projects, and continuing conservation efforts; and
- B. Approve the Public Works Director to execute a water purchase agreement with the City of Santa Maria, subject to approval as to form by the City Attorney's Office.

DISCUSSION:

Drought Update

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. Since then, the Stage Three Drought condition has been amended with appropriate conservation targets and water use regulations in response to current and forecasted supply conditions.

On December 6, 2016, the Stage Three Drought condition was amended to increase the City's water conservation target to a 40 percent reduction, based on local water supply conditions. Most recently, on March 21, 2017, the Stage Three Drought condition was amended to decrease the City's water conservation target to a 30 percent reduction in response to recent rains, which filled Gibraltar Reservoir and increased storage in Lake Cachuma.

This drought update will cover the following items:

- Water Supply Outlook/Weather Forecast;
- Drought Response Capital Projects; and
- Conservation Efforts.

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Water Supply Outlook/Weather Forecast

Despite above-average rainfall in January and February of this year, the average rainfall for the last six years still remains one of the driest six years on record. Consistent with the City's Long Term Water Supply Plan, depleted surface water supplies were replaced with increased groundwater production and purchases of supplemental water. As a result of increased pumping during the drought, groundwater levels are at historic lows.

While a three-year supply planning outlook indicates the City is still in a drought and must continue to conserve, the City's water supply plan has shifted in response to this winter's rains. Above-average rainfall in the month of February filled Gibraltar Reservoir and increased storage in Lake Cachuma to 50 percent. The City and other Cachuma Member Units have been given a 40 percent allocation of Lake Cachuma water through September 2017. Above-average snowpack in northern California has resulted in an 85 percent allocation of State Water (increased in April from 60 percent). The City's water conservation target has been reduced from 40 percent to 30 percent, and the mandatory turfgrass watering ban has been modified to reflect a voluntary turfgrass water ban, since the City can now meet peak summer 2017 water demands. In addition, groundwater wells have been turned off to rest the groundwater basins, while water from Gibraltar Reservoir and Lake Cachuma are used to supply City customers. This strategy will enable water demands to be met through 2019, assuming there is a continued 30 percent reduction in customer water use and the City's Charles E. Meyer Desalination Plant (Desal Plant) is in production before summer 2017.

Recent National Oceanic and Atmospheric Administration weather forecasts suggest above-average temperatures and average rainfall for southern California over the next three months. April is typically considered the end of the rainy season in southern California. The City continues to plan for persistent drought conditions.

Drought Response Capital Projects

The Desal Plant is operational and has begun sending desalinated water into the City's water distribution system. Initially, desal water production will be intermittent until the start-up and testing phase is completed. The reactivated plant will produce 3,125 acre feet annually for City water customers, which is approximately one-third of the City's annual demands.

Conservation Efforts

The City's 12-month running average water conservation reduction at the end of April 2017 was 38 percent compared to 2013 water demands. With the Stage Three Drought declaration in effect and the need for a 30 percent reduction, the Water Conservation Program has continued its enhanced public information campaign of targeted outreach to specific user types, including:

- increased weekly messaging through social media, online news outlets, and industry contacts;
- presentations to community and industry groups;
- additional printed materials with drought messaging;
- targeted utility bill messaging;
- drought signage throughout the City; and
- additional training and workshops.

Water Purchase Agreement

Staff was contacted by Shad Springer, Director of Utilities for the City of Santa Maria regarding a potential one-time water purchase opportunity. The City of Santa Maria has 4,000 AF of State Water available this year in excess of their current water demand. Staff recommends a one-time purchase of 2,000 AF at a negotiated price of \$225/AF, for a total purchase price of \$450K. Montecito Water District is interested in purchasing the remaining 2,000 AF.

During drought, the City relies on supplemental water purchases in order to meet demands when State Water allocations were not sufficient. Some of these water purchase agreements included a water return obligation, whereby the City must return a portion of the water within 10 years of the executed supplemental water purchase agreements. The City of Santa Barbara's current water return obligations or "water debt" currently owed to Antelope Valley East Kern Water Agency (AVEK) is approximately 6,200 AF. Ray Stokes, Executive Director of Central Coast Water Authority, has confirmed with AVEK that AVEK is able to take receipt of the return water between July and December 2017. Staff proposes to purchase 2,000 AF the water from the City of Santa Maria in order to pay down a portion of the City's water debt owed to AVEK. The estimated conveyance cost to transport water to AVEK is approximately \$250/AF, for a total estimated conveyance cost of \$500K.

The total cost to purchase 2,000 AF water from Santa Maria and deliver for repayment to AVEK is estimated to be \$950,000 (\$450K for purchase and estimated \$500K for delivery). There are sufficient funds budgeted in the Drought Fund to cover this cost.

Staff recommends authorizing the Public Works Director to enter into an agreement with the City of Santa Maria to purchase 2,000 AF of water for repaying water debt owed to AVEK. The City of Santa Maria and City of Santa Barbara are member agencies and participants in the Central Coast Water Authority ("CCWA"). Each agency holds separate contracts with the CCWA to receive State Water. These contracts provide for the sale of water among the CCWA participants. Because this sale will occur between participating agencies within the Central Coast Water Authority, there is no water return obligation.

The City of Santa Maria City Council is tentatively scheduled to discuss approval of the water sale on June 20, 2017.

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SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office