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## CITY OF SANTA BARBARA

### COUNCIL AGENDA REPORT

**AGENDA DATE:** June 9, 2020

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Cachuma Conservation Release Board Fiscal Year 2020/2021 Budget Ratification

#### **RECOMMENDATION:**

That Council ratify the Cachuma Conservation Release Board's Fiscal Year 2020/2021 Budget, with the City's proportional share not to exceed \$499,554.

#### **DISCUSSION:**

The Cachuma Conservation Release Board (CCRB) is a joint powers authority agency consisting of three of the four South Coast members of the Cachuma Project: the City of Santa Barbara (City), the Goleta Water District, and the Montecito Water District. The Carpinteria Valley Water District withdrew from the CCRB on January 1, 2011. Councilmember Kristen Sneddon represents the City on the CCRB.

The CCRB represents the interests of its members in matters relating to Cachuma Project water rights as well as the Project's operational impacts on the endangered steelhead and its designated critical habitat in accordance with the federal Endangered Species Act. Major efforts over the years have focused on preparing technical information to support a new Cachuma Project Federal Biological Opinion and the Cachuma Project State Water Rights Order. A brief update for each is provided below.

- *Cachuma Project Federal Biological Opinion:* Steelhead in the Santa Ynez River were listed as endangered in 1997. The National Marine Fisheries Service (NMFS) issued the first Biological Opinion (BO) for the Cachuma Project and related steelhead impacts in 2000. With only minor adjustments until recently, the 2000 BO has dictated the flow regime by which the reservoir and Bradbury dam are operated by the US Bureau of Reclamation (Reclamation). Because Reclamation did not meet timelines for certain mitigation actions identified in the 2000 BO, the agency reinitiated consultation with NMFS in 2005. This consultation eventually resulted in a draft 2016 BO from NMFS that, if enacted, would have created considerable water supply impacts on the City and other CCRB members, potentially without benefit to steelhead. With CCRB's assistance and support, Reclamation terminated that consultation and reinitiated consultation with NMFS on the basis of a new proposed regime that would be more frugal with water

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supply, while providing better benefit to steelhead. CCRB and its technical consultants helped develop this new approach, which is based on steelhead biology and life history and reflects the essential underlying hydrology of the Santa Ynez River. The new proposal and an associated biological assessment are currently under review between Reclamation and NMFS. It is important for CCRB to continue providing technical support to Reclamation in this consultation so as to protect the City's water supply from onerous impacts that would likely result from a process that doesn't thoughtfully balance the water needs of both humans and fish.

- *Cachuma Project State Water Rights Order*: After nearly two decades of work, including hearings, testimony, legal proceedings, and detailed environmental review, the California State Water Resources Control Board adopted a new Water Rights Order for the Cachuma Project on September 17, 2019. The new Order directs Reclamation to increase flows in the Santa Ynez River below Bradbury Dam under certain water conditions to provide additional habitat for steelhead. To minimize supply impacts to local water users, these higher flows will be required only during wetter years. However, this will reduce available storage in Cachuma Reservoir going into dry and critically dry years, which will reduce water supply available for use by the Cachuma Member Units. The new Order also requires Reclamation to perform multiple studies to assess the effects of the Order on steelhead and its habitat. The studies identified by the Order require implementation plans that specify how and when the studies will be carried out. To ensure that local water supply interests are well represented, City staff are working with CCRB to support Reclamation in creating many of these implementation plans required by the new Water Rights Order.

On April 17, 2020, the CCRB approved the Fiscal Year 2020/2021 Budget (see Attachment). For it to become effective, the budget must be ratified by each member agency. The total CCRB budget to be assessed is \$1,222,000, an overall reduction of 20%, or \$306,000, from the current year. The City's has a 40.88 percent share, which equates to \$499,554.

Of CCRB's budget changes from last year, 99% are in the areas of Legal and Consultant Activities. The combined Legal and Consultant Activities budgets are \$960,000, which is \$302,000, or 24%, lower than last year. In large measure, the reduction is a result of decreased legal workload as a result of the State Board's adoption of the Cachuma Project Water Rights Order. Legal activities will continue for ongoing legal proceedings related to the Santa Ynez River, and general counsel activities. Consultant activities include providing biological, hydrological, and regulatory advisory services to CCRB in support of Reclamation's efforts to comply with the Water Rights Order as well as Reclamation's ongoing consultation with NMFS under the Endangered Species Act. Costs for legal and consultant services are included generally herein as they represent work that is protected from disclosure under the attorney work product privilege and related statutory and common law privileges.

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**BUDGET/FINANCIAL INFORMATION:**

CCRB's total budget for Fiscal Year 2020/2021 is \$1,222,000, which is a reduction of \$306,000 from last year's budget of \$1,528,000. Based on the City's cost share of 40.88 percent, the City's portion is \$499,554, which is \$125,094 less than the previous year. The Recommended Water Operating Fund Budget for Fiscal Year 2021 includes sufficient funds to cover the City's share of the CCRB budget.

**WATER COMMISSION RECOMMENDATION:**

At its meeting on May 21, 2020, the Water Commission voted **X-X** to approve this item.

**ATTACHMENT:** CCRB Fiscal Year 2020/2021 Approved Budget

**PREPARED BY:** Catherine Taylor, Acting Water Supply Manager/rb

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

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



**CACHUMA  
CONSERVATION  
RELEASE BOARD**

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City of Santa Barbara

Goleta Water District

Montecito Water District

April 21, 2020

*(Letter sent by Email)*

Ryan Drake, Water Supply and Conservation Manager  
Goleta Water District  
4699 Hollister Avenue  
Goleta, CA 93110

Cathy Taylor, Water System Manager  
City of Santa Barbara  
630 Garden Street  
Santa Barbara, CA 93101

Nick Turner, General Manager  
Montecito Water District  
583 San Ysidro Road  
Montecito, CA 93108

**RE: CCRB FISCAL YEAR 2020/2021 BUDGET FOR APPROVAL**

Dear Mr. Drake, Ms. Taylor and Mr. Turner:

The Cachuma Conservation Release Board (CCRB) approved its proposed fiscal year 2020/2021 (FY21) operating budget on Friday, April 17 in a noticed, public meeting. The complete budget, including line item accounts and Member Agencies' quarterly and annual contributions, is found in Attachment 1. Pursuant to the Joint Powers Authority (JPA) agreement under which CCRB is formed, the approved budget is to be submitted to and approved by each Member Agency's governing body. This letter conveys the approved budget to you for presentation to your decision-makers for consideration and approval. Upon Member Agencies' approval, the CCRB budget becomes final for the new fiscal year.

As you know, while many of CCRB's costs are easily estimated, there are also critically important state and federal regulatory processes relating to the Cachuma Project that require considerable professional expertise and support from legal, regulatory advisory and technical consultants. There is significant risk that some or all of these state and federal regulatory processes will eventually wind up in litigation in state or federal courts. The importance to CCRB's Member Agencies of achieving acceptable outcomes in these state and federal processes, and the unpredictable but significant consulting workload that is associated with achieving such outcomes, makes budgeting these categories a "best estimate" effort.

Because of this unpredictability, the consulting costs in Table 1 are necessarily based on several assumptions. The assumptions derive from discussions with CCRB's legal and technical representatives, federal and state agency personnel, and

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the considered input of CCRB's Board of Directors, regarding likely workload that could result from actions taken by the state and federal agencies that ultimately control the regulatory processes in which CCRB is involved.

### **Fiscal Analysis**

The approved CCRB operating budget for FY21 is \$1,222,000.00 (Table 1), which reflects a \$306,000 reduction from CCRB's current-year budget. The cost allocation to CCRB Member Agencies (Table 2) is based on allocation percentages established by the JPA. The account code amounts that make up the proposed budget and the assumptions on which they are based are discussed below.

**Code 5050 – Storage Space.** Currently, CCRB pays Patterson Avenue Storage for space that accommodates multiple four-drawer file cabinets and banker's boxes of hard-copy files that range in date from 1980's to 2019. The \$5000 budgeted cost is based on \$416/month x 12 months.

**Code 5100 – Audit.** The audit firm of Bartlett, Pringle & Wolf is now up to date with audits of past fiscal years. The FY21 budgeted amount of \$10,000 assumes a single one-year audit (FY20) will be performed.

**Code 5200 – Insurance.** CCRB's board members and certain liabilities are insured through the Special Districts Risk Management Association (SDRMA). To access coverage through SDRMA, CCRB must be a member of and pay dues to the California Special Districts Association (CSDA). As in FY20, \$7000 is proposed to cover CSDA dues and SDRMA insurance premiums for FY21.

**Code 5301 – Executive Director Compensation.** As the Executive Director position became a direct CCRB employee as of July 1, 2019, the proposed FY21 amount of \$179,000 addresses both compensation as well as administrative costs associated with this employee status (e.g., various state and federal payroll taxes). The budgeted amount also accommodates a potential increase in the Executive Director's compensation, subject to Board of Directors approval, as allowed by the terms of the contract between the Executive Director and CCRB.

**Code 5304 – Accounting and Payroll Support.** Accountability Plus and its franchisee Payroll Vault provide bookkeeping, invoicing, accounting and payroll services to CCRB through this code. The proposed budget amount of \$16,000 anticipates an average of \$1350/month for FY21 services.

**Code 5312 – Miscellaneous Administrative Expenses.** This code serves as a contingency for any unanticipated overages in administrative service codes. The budgeted amount (\$4000) is unchanged from the previous fiscal year.

**Code 5313 – Communications/Computer.** This code provides funds for CCRB email and website hosting, cell phone, computer, internet and related information technology costs. The proposed budget amount of \$8000 accounts for these costs.

**Code 5316 – Admin Fixed Assets.** This code provides for job-related hardware and material purchases, should such be necessary. The proposed budget amount of \$4000 is unchanged from FY20.

**Code 5330 – Admin Travel.** This code covers Executive Director travel-related costs to allow attendance at professional conferences and symposia representing CCRB. The proposed budget amount of \$8000 is unchanged from the previous fiscal year.

**Code 5331 – Travel Expenses Federal and State Meetings.** This code covers travel-related costs for attending anticipated meetings in Fresno, Long Beach, Sacramento, Washington DC and possibly elsewhere regarding the state and federal regulatory processes that are underway. While travel may be curtailed in the coming year due to ongoing COVID-19 concerns, in the event that travel to such meetings can be accomplished, the proposed amount of \$20,000 is carried over from the FY20 budget.

**Code 5332 – Transportation.** This code covers minor transportation travel costs that may be incurred during the year. The budget amount (\$1000) is unchanged from the previous fiscal year.

**Code 7000 – General Legal Activities.** This code provides for general counsel services through the year, including attendance at board meetings, review of board agenda materials, preparation of resolutions, employment matters and contract review. This code also includes certain estimated expert consultant costs, representing work that is: (a) being undertaken in anticipation of litigation; and (b) protected from disclosure under the attorney work product privilege and related statutory and common law privileges.

**Code 7001 – BO Reconsultation Support Activities.** This code includes estimated legal costs related to the Consultation and Biological Opinion (BO) process underway with the U.S. Bureau of Reclamation (USBR) and the National Marine Fisheries Service (NMFS) pursuant to Sec. 7 of the federal Endangered Species Act. Additionally, the code includes certain estimated biological and hydrological consultant costs representing work that is: (a) being undertaken in anticipation of litigation; and (b) protected from disclosure under the attorney work product privilege and related statutory and common law privileges.

**Code 7002 – SWRCB Water Rights Activities.** This code includes estimated legal costs associated with the State Water Resources Control Board’s (SWRCB) ongoing water rights proceeding relating to the Santa Ynez River. The estimate incorporates consideration of requirements imposed by Order 2019-0148, issued September 17, 2019 and the anticipated legal support that will be required in FY21.

**Code 7200 – SWRCB Biological Technical Support Activities.** The SWRCB’s September 17, 2019 Order requires that USBR develop and submit for SWRCB review and approval a host of plans that address the effects of the new Order’s water flow regime on the Lower Santa Ynez River. Prior to submittal, each plan must be reviewed by NMFS and California Dept. of Fish and Wildlife, and USBR must address each agencies’ comments as part of each plan that is submitted for SWRCB consideration. USBR has requested CCRB’s assistance in developing several of these plans, and the CCRB Board has approved this assistance. This Account Code covers the CCRB biological consultant’s (ICF’s) estimated costs for draft plan development, responding to agency review, and coordination with USBR and SWRCB in helping to produce the multiple plans required by the Order.

**Code 7500 – SWRCB Hydrologic Technical Support.** Similar to the previous code addressing costs associated with CCRB’s biological support to USBR for the SWRCB Order, Account Code 7500 covers estimated costs for CCRB’s hydrologic technical consultant, Woodard & Curran, for their assistance in developing, responding to agency review, and coordination with USBR and SWRCB in producing Order-required plans in the coming fiscal year.

**Code 6500 – Contingency.** The contingency budgeted herein is a calculated buffer representing 12% of the sum of Codes 7000, 7001, 7002, 7200 and 7500. The contingency is intended to address unanticipated

yet necessary expenditures (as recommended by the Executive Director and/or legal counsel and approved by the Board) that may arise during the fiscal year.

**FY21 Quarterly Billings to Member Units**

In recognition of COVID-19-related financial uncertainties that CCRB’s Member Agencies are experiencing, the FY21 quarterly billing process to Members has been examined in the interest of easing the billing impact. Current practice is that each Member receives a quarterly billing based on 25% of the Member’s total annual contribution (Table 2). However, for FY21 billings, CCRB’s legal and technical consultants will implement a process of projecting “best estimated costs” for each upcoming quarter in the fiscal year. Using these projections, CCRB’s Executive Director will work with CCRB’s bookkeeping services vendor to issue quarterly billings to Members that are based on anticipated work, rather than a straight, calculated percentage of the total budget. The intent of this process will be to bill appropriately to cover anticipated workload, while not unnecessarily holding excess Member Agency contributions in CCRB’s account.

If you will let me know the timing, I will be pleased to participate in any committee and/or Board or Council meetings at which this approved budget is to be presented for consideration. Please let me know if such participation would be helpful or if there is anything else I can provide to assist you in carrying the CCRB FY21 budget forward for approval by your respective agencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Cantle", written over a light blue rectangular background.

Peter Cantle, Executive Director  
Cachuma Conservation Release Board

Attachment 1. Cachuma Conservation Release Board Approved FY21 Budget

**ATTACHMENT 1**

**CACHUMA CONSERVATION RELEASE BOARD  
APPROVED FY21 BUDGET**

# TABLE 1

## Cachuma Conservation Release Board Approved FY21 Budget

Account Code	Account Name	Approved FY20 *	Modified FY20 *	Proposed FY21
<b>ADMINISTRATIVE</b>				
<b>5050</b>	Storage Space	5,000	5,000	5,000
<b>5100</b>	Audit	10,000	10,000	10,000
<b>5200</b>	Liability Insurance	7,000	7,000	7,000
<b>5301</b>	Executive Director Compensation	175,000	175,000	179,000
<b>5304</b>	Accounting & Payroll Support	18,000	18,000	16,000
<b>5312</b>	Misc. Admin. Expenses	4,000	4,000	4,000
<b>5313</b>	Communications/Computer	8,000	14,000	8,000
<b>5316</b>	Admin. Fixed Assets	4,000	4,000	4,000
<b>5330</b>	Admin. Travel	8,000	8,000	8,000
<b>5331</b>	Travel Exp. Federal & State Meetings	20,000	20,000	20,000
<b>5332</b>	Transportation	1,000	1,000	1,000
	<b>Subtotal</b>	<b>\$260,000</b>	<b>\$266,000</b>	<b>\$262,000</b>
<b>LEGAL</b>				
<b>7000</b>	General Legal & Regulatory Activities	185,000	185,000	146,000
<b>7001</b>	BO Reconsultation Support Activities	672,000	672,000	406,000
<b>7002</b>	SWRCB Water Rights Activities	295,000	357,000	80,000
	<b>Subtotal</b>	<b>\$1,152,000</b>	<b>\$1,214,000</b>	<b>\$632,000</b>
<b>CCRB CONSULTANT ACTIVITIES</b>				
<b>6001</b>	BO Reconsultation Activities	**	**	**
<b>7200</b>	SWRCB Biological Technical Support	**	**	185,000
<b>7400</b>	Legislative & Regulatory Analyst	**	**	**
<b>7500</b>	SWRCB Hydrologic Technical Support	**	**	40,000
<b>6500</b>	Contingency	116,000	48,000	103,000
	<b>Subtotal</b>	<b>116,000</b>	<b>48,000</b>	<b>328,000</b>
	<b>TOTAL BUDGET</b>	<b>\$1,528,000</b>	<b>\$1,528,000</b>	<b>\$1,222,000</b>

**Table Footnotes:**

\* As approved May 2, 2019 by CCRB Board & modified Dec 5, 2019 and Mar 5, 2020 (no change to total budget)

\*\* Costs for biological, hydrological, and legislative/regulatory support are included under LEGAL account codes. These support services are being provided pursuant to separate agreements between CCRB's legal counsel and the subject firms. This work is being undertaken in anticipation of litigation and is protected from disclosure under the attorney work product privilege and related statutory and common law privileges.

## **TABLE 2**

### **Cachuma Conservation Release Board**

#### **FY21 Member Unit Straight-line Cost Allocation**

<b>MEMBER UNIT</b>		<b>Pro Rata</b>	<b>FY21 Proposed Budget</b>	<b>Annual</b>
Goleta Water District		0.4603	1,222,000	562,487
City of Santa Barbara		0.4088	1,222,000	499,554
Montecito Water District		0.1309	1,222,000	159,960
<b>TOTAL ANNUAL</b>		100.00%		<b>\$1,222,000</b>
<b>Quarterly Assessment *</b>				<b>Amount</b>
Goleta Water District				140,622
City of Santa Barbara				124,888
Montecito Water District				39,990
<b>TOTAL QUARTERLY</b>				<b>\$305,500</b>

Footnotes:

\* Note that Quarterly Assessment amounts may vary based on Board direction.