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## CITY OF SANTA BARBARA

### COUNCIL AGENDA REPORT

**AGENDA DATE:** June 2, 2020

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Water Supply Update

**RECOMMENDATION:** That Council:

- A. Receive an update on the City's water supply condition; and
- B. Authorize the Water Resources Manager to execute a one-time water purchase agreement with La Cumbre Mutual Water Company.

#### **EXECUTIVE SUMMARY:**

As a result of the unprecedented drought, Council declared Stage One and Stage Two Drought Conditions on February 11, 2014, and May 20, 2014, respectively. On May 5, 2015, in response to the driest consecutive four-year period on record, Council declared a Stage Three Drought Emergency, which was amended with appropriate conservation targets and water-use regulations in response to current and forecasted supply conditions. On April 19, 2019, with above-average rainfall and improved storage in Gibraltar Reservoir and Lake Cachuma, Council rescinded the Stage Three Drought Emergency, and declared a Stage One Water Supply Condition to preserve water supplies for future dry years and to help the City's water supplies recover from the cumulative impacts of eight years of drought.

Lake Cachuma last spilled in 2011. Since then, the City has experienced historic drought conditions, receiving significantly below-average rainfall, except for in 2017 and 2019, which had above-average rainfall. 2020 commenced with the driest January and February on record; however, March and April rains put 2020 back on track to receive average annual rainfall amounts. At the time of writing this report, Gibraltar Reservoir is full and spilling, and Lake Cachuma's storage is at 80 percent. The City's water supply forecasts show there is sufficient supply to meet demands through the end of water year 2022 (fall 2022), while still allowing groundwater basins to rest and recover. However, the cumulative effect of the eight-year drought has been extreme, and several additional years are needed to allow the groundwater basins to completely recover. In addition, the City has 2,000 AF of water debt to repay as a result of supplemental water exchanges that were necessary during the drought. For this reason, staff is recommending continuation of the City's current Stage One Water Supply Condition.

La Cumbre Mutual Water Company (LCMWC) provides water to customers in Hope Ranch and the area between Hope Ranch and Hollister Avenue. LCMWC has requested to purchase up to 200 acre-feet of water from the City because of concerns regarding its limited water supplies, which includes pumping groundwater from the Foothill Basin. The City has sufficient surface water supplies for this one-time water sales request; plus, the water purchase will reduce LCMWC's demands for pumping from the Foothill Groundwater Basin, which is still recovering from the drought. The price of the one-time water sales represents \$480,000 revenue to the Water Fund.

**DISCUSSION:**

The City's 2011 Long Term Water Supply Plan (LTWSP) outlines the City's adopted water supply planning policies for managing drought situations. The LTWSP anticipated a 10-15 percent demand reduction during drought conditions. However, the recent unprecedented drought resulted in drier conditions for a longer duration than previous drought periods on record. This gave Council cause to declare a Stage Three Drought Emergency, and temporarily increase the required demand reductions by up to 40 percent. In accordance with the LTWSP, depleted surface water supplies were replaced with increased groundwater production, supplemental imported water purchases, reactivation of the Charles E. Meyer Desalination Plant (Desal Plant), and extraordinary water conservation from the community.

On April 19, 2020, in response to two years of above-average rainfall and improved surface water storage, Council repealed the Stage Three Drought Emergency, and adopted a Stage One Water Supply Condition with voluntary extraordinary conservation of 15 percent. The goal of this action was to preserve water supplies for future dry years, to allow the City to pay back its water debt, which resulted from supplemental water exchanges that were necessary during the drought, and to allow the City's groundwater supplies to continue recovering.

While it started out dry, the winter of 2019/2020 resulted in average rainfall, with rainfall at Gibraltar Reservoir and Lake Cachuma currently at 93 percent and 106 percent of normal, respectively. Gibraltar Reservoir is currently full and spilling, and storage in Lake Cachuma is at 80 percent. The City's storage in Cachuma is currently over 20,000 acre-feet.

The most recent U.S. Drought Monitor shows southern California, including Santa Barbara County, is currently not experiencing drought conditions. However, northern California is experiencing abnormally dry to extreme drought conditions, leading the California Department of Water Resources to issue a 15 percent allocation on the State Water Project. As a result, the City will receive only 495 AF of its 3,300 Table A allotment. With three recent average or above-average rainy seasons, the City's local water supplies are on the way to recovery. Full recovery includes replenishing the City's groundwater basins and repaying the City's water debt (from prior State Water exchanges). The availability of water from Gibraltar Reservoir in the past two years, the operation of the Desal Plant, and continued conservation from the community has enabled the City to accumulate a significant amount of stored water in Lake Cachuma. The results of good water supply planning have positioned

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the City to be able to continue resting its groundwater basins through the fall of 2022. This will allow groundwater basins to naturally recharge, even under dry conditions. It is anticipated that full basin recovery will take several years. The City has 2,000 AF of remaining water debt, which it plans to repay in the future when its State Water Project allocation is greater than 15 percent. Therefore, staff is recommending continuing the City's current Stage One Water Supply Condition.

The City's water supply planning considers whether there are sufficient water supplies to meet demands for the next three years (through the end of water year 2022), assuming future dry conditions. The following is a brief status update of each of the City's water supplies, at the time of writing this report.

<b>Status of Water Supply Sources</b>	
<b>Gibraltar Reservoir</b>	On March 20, 2020 Gibraltar filled and began spilling. Gibraltar is expected to provide approximately 3,000 acre-feet of supply in 2020, nearly a third of the City's needs. Water quality following the rains in late March and early April brought heavy sediment loading a debris from the Thomas Fire. Stream inflows that lingered on into middle and late April have left the reservoir water quality in good condition.
<b>Groundwater</b>	The City relies on groundwater more heavily during droughts, when surface water supplies are limited. In 2016, the City's groundwater basins reached historically low levels, similar to 1992 (after the last major drought). The City has been "resting" its groundwater basins to let them recover. It could take 5-10 years before the basins are completely replenished, based on previous observations of water level and chloride data (caused by seawater intrusion) following the last major drought. Currently, water levels in the Foothill Groundwater Basin are roughly 65% to 80% of what they were in the early 2000's after recovering from the previous major drought and prior to any pumping related to the current drought. Chloride levels in the Storage Unit No. 1 groundwater basin show a downward trend, but have not yet returned to pre-drought levels.
<b>Cachuma Project</b>	Lake Cachuma serves as a key indicator for water supply conditions in the region. It is currently 80% full, but is a shared resource with stored water belonging to other agencies, including downstream water rights. The City's current storage in Lake Cachuma is over 20,000 acre-feet, roughly two times the City's total annual supply needs.
<b>State Water</b>	The 2020 annual water allocation from the state is 15%, or 495 AF. The City's current water debt is 2,000 acre-feet, resulting from supplemental water exchanges that were necessary during the drought.
<b>Desal Plant</b>	The City's Desal Plant has been operating since the summer of 2017, providing nearly one-third of the City's current water demands.
<b>Recycled Water</b>	The City's upgraded tertiary recycled water plant has been meeting customer demands without the need for significant augmentation from other sources (i.e. non-potable groundwater or potable water).

Water conservation in the community continues to be strong with the City's current 12-month running average conservation being 29 percent of pre-drought (2013) demands. Future projections assume 20 percent conservation through 2022. The current COVID-19 pandemic has forced the closure of many commercial businesses, drastically reducing water use in the commercial sector. Additionally, many changes made by customers to conserve during the drought were permanent, such as replacing high water-using landscape with drought-tolerant landscape. As a result, City's water demands are not expected to fully "rebound" to pre-drought conditions. As a reminder, Staff are working on updating the City's long range water supply plan, known as the Enhanced Urban Water Management plan, and will be bringing forward more details about our water supply projections over the next year.

#### Water Purchase Agreement with La Cumbre Mutual Water Company

The La Cumbre Mutual Water Company (LCMWC) provides water to over 1,400 customers in Hope Ranch and the area between Hope Ranch and Hollister Avenue. The main sources of supply for the small mutual water company are the Foothill Groundwater Basin, shared with the City and a few other smaller pumpers, and the State Water Project. LCMWC has requested a one-time purchase of up to 200 acre-feet of water from the City because of concerns regarding the availability of its limited water supplies.

Current forecasting indicates the City has surplus water above and beyond the amount of water necessary to meet current retail demands through the fall of 2022. This is a result of the City's surplus Lake Cachuma supplies and sound management of the City's other available supplies. Selling surplus water to LCMWC supports the City's goals of recovering the groundwater basins, since selling water to LCMWC will allow them to pump less water from the shared Foothill Groundwater Basin.

LCMWC has agreed to purchase up to 200 acre-foot of water for \$2,400 per acre-foot. The City and LCMWC are parties to an existing agreement titled "Water Conveyance Agreement (State Water Project) / City of Santa Barbara – La Cumbre Mutual Water Company," dated February 11, 1993 (Agreement No. 16,838), pursuant to which the City treats and conveys LCMWC's State Water Project water to LCMWC. The surplus water delivery point will be the same as specified in Agreement No. 16,838. Staff is recommending Council approve the Water Purchase Agreement (Attachment) between the City and LCMWC.

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

LCMWC will purchase up to 200 acre-feet of water at a cost of \$2,400, for a potential total amount of a \$480,000 payment to the Water Fund.

#### **ENVIRONMENTAL REVIEW:**

Receiving a water supply condition report and authorizing a one-time water purchase agreement does not require California Environmental Quality Act (CEQA) review.

#### **WATER COMMISSION RECOMMENDATION:**

This item was presented to the Water Commission at its meeting on May 21, 2020, and the Commission voted **X-X** in support of staff's recommendations.

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**ATTACHMENT:** Water Purchase Agreement  
**PREPARED BY:** Joshua Haggmark, Water Resources Manager/DC/rb  
**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director  
**APPROVED BY:** City Administrator's Office

**Contract for the Purchase, Sale, and Delivery of 200  
Acre Feet of Surplus Water between City of Santa  
Barbara and La Cumbre Mutual Water Company**

1. The City of Santa Barbara (Seller) and the La Cumbre Mutual Water Company (Buyer) agree to the following terms for sale and delivery by Seller and the purchase by Buyer of 200 acre-feet of potable water that Seller has determined is surplus to the amount of water necessary for Seller to meet current retail demands within Seller's service territory due to the operation of the Charles E. Meyer Desalination Plant and management of Seller's other available supplies (Surplus Water). Seller may provide the Surplus Water from any source available to it. The Surplus Water delivered to Buyer will be potable water of the same quality as Seller generally makes available to its retail water customers.

2. Seller and Buyer are parties to an existing agreement titled "Water Conveyance Agreement (State Water Project) / City of Santa Barbara – La Cumbre Mutual Water Company," dated Feb. 11, 1993 (Agreement No. 16,838), pursuant to which Seller treats and conveys Buyer's State Water Project water to Buyer. The delivery point for the Surplus Water will be the same delivery point specified in Agreement No. 16,838 and referred to in that agreement as the Modoc Meter. Sections 4, 8, 9, and 10 of Agreement No. 16,838 will apply to delivery of Surplus Water and are incorporated into this contract by reference.

3. Buyer may order water in monthly quantities of not less than 42 acre-feet or more than 120 acre-feet. Monthly water orders will be communicated to Seller in the same manner as orders under Agreement No. 16,838. Orders may be made for a duration of 12 months beginning on the first day of the month immediately following the effective date of this contract.

4. Buyer will pay a purchase price of \$2,400 for each acre-foot of water ordered. Buyer will pay for a monthly water order concurrently with the placement of the order. An order will not be effective until payment is made.

5. In consideration of payment of the purchase price, Seller will deliver Surplus Water according to each monthly order to the delivery point. Deliveries will be subject to the capacity limitations specified in Section 4 of Agreement No. 16,838 and conveyance loss specified in Section 10 of Agreement No. 16,838.

6. Seller will not be liable or obligated in any manner for any special, incidental, consequential, punitive or similar damages based upon claims arising

out of or in connection with the performance or non-performance of its obligations under this Contract whether such claims are based upon contract, tort, negligence, warranty or other legal theory.

7. Seller may suspend deliveries or terminate this contract if it determines, at its sole discretion, that the Surplus Water is required to meet retail demands within Seller's service territory.

8. This contract contains the entire understanding of the parties relating to the purchase, sale, and delivery of the Surplus Water. This contract may not be amended except by a writing executed by an authorized representative of each party.

9. This contract, and any contract amendment, may be executed in counterparts. Each party may execute a counterpart and deliver an electronic copy of the executed counterpart to the other party. The contract is effective as of the date when both parties have executed the same document or counterparts.

Seller:

Buyer:

By: \_\_\_\_\_

Joshua Haggmark  
Water Resources Manager  
City of Santa Barbara

By: Mike Alvarado

Mike Alvarado  
General Manager  
La Cumbre Mutual Water Company

Date: \_\_\_\_\_

Date: 3/19/20