

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: OCTOBER 17, 2014

**AGENDA ITEM
E-3
OCTOBER 22, 2014**

**CONSIDER LETTER FROM CITIES OF
ARROYO GRANDE, GROVER BEACH, AND PISMO BEACH
RE: SANTA MARIA GROUND WATER BASIN**

ITEM

Consider October 1, 2014 letter sent to District from neighboring cities [RECOMMEND CONSIDER LETTER AND DIRECT STAFF]

BACKGROUND

The Cities of Arroyo Grande, Grover Beach and Pismo Beach rely on the Santa Maria Groundwater basin for a portion of their potable water supply. The Cities are concerned that groundwater pumping across the Nipomo Mesa is negatively impacting their groundwater supply.

Collectively, the Cities sent a letter to the District (Attachment A) suggesting the District take immediate action to address their concerns.

Staff provided an initial response to the City Managers via email (Attachment B).

FISCAL IMPACT

The District recently completed a \$13M rebuild of its Southland Wastewater Treatment Facility resulting in significantly improved effluent quality. The District returns 100% of its treated wastewater to the Santa Maria Groundwater Basin. The District is leading and providing 100% of the upfront financing for a \$17.5M inter-county pipeline project that will ultimately import 3,000AFY of developed water to the Nipomo Mesa. The District has aggressively ramped up conservation outreach efforts. District groundwater production in each of the past two months is down more than 20% over last year. This significant reduction has also resulted in a drop in income from water sales of more than 6% during July and August.

STRATEGIC PLAN

Goal 1. WATER SUPPLIES. Actively plan to provide reliable water supply of sufficient quality and quantity to serve both current customers and those in the long-term future.

- 1.1 Complete Phase 1 of Supplemental Supply Projects.
- 1.4 Seek to have the County implement sustainable water supply policies that match the level of development they approve, including all the features described in the Water Resources Policy Statement.
- 1.6 Continue to monitor and participate in water supply issues and programs with other local and regional organizations

Goal 7. COMMUNICATION. Use public outreach to communicate effectively with the public to obtain their input and build understanding and support for the District.

7.2 Maintain productive communication and relationships with key stakeholders, such as city, County, State and Federal legislators, service clubs, etc. As appropriate, plan and assign for this role.

RECOMMENDATION

Consider letter and direct staff.

ATTACHMENTS

- A. October 1, 2014 Letter from Cities
- B. October 13, 2014 email response

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ATTACHMENT A

RECEIVED

OCT 10 2014

NIPOMO COMMUNITY
SERVICES DISTRICT

October 1, 2014

Michael LeBrun
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444-0326

RE: Santa Maria Ground Water Basin

Mr. LeBrun:

The Cities of Arroyo Grande, Grover Beach and Pismo Beach, member cities of the Northern Cities Management Area (NCMA), appreciate the steps the Nipomo Community Services District (NCSD) has taken to bring supplemental water into the NCSD/Nipomo Mesa Management Area (NMMA). However the current state of overdraft in the NMMA created by the NCSD and your water purveyor partners, as outlined in the 2013 NMMA Annual Report, is causing us grave concern. As you are aware there has been a historic northwesterly groundwater flow from the NMMA to the NCMA and the coast, thereby helping to maintain an offshore gradient. As reported in the 2013 NMMA Annual Report, this historic groundwater flow pattern is now reversed by the expanded pumping depression in the central NMMA, resulting in groundwater flow from the NCMA and ocean area toward the inland NMMA. This reversal of groundwater gradients creates conditions favorable for seawater intrusion. In April of 2013, the Mayors of Arroyo Grande, Pismo Beach and Grover Beach sent similar letters to you endorsing your supplemental water project on behalf of their respective City Councils. Those letters expressed concern of your potential overdraft of the SMGB and asked that the NCSD stop issuing will serve letters until such time as the terms of the 2008 Settlement have been met. To quote from the letters:

"The NCMA agencies are gravely concerned about the NCSD's Board of Director's recent action to suspend Ordinance 2012-117 and to begin processing new applications for water service. While the NCMA agencies support the currently proposed plans to construct a phased Supplemental Water Project that will deliver approximately 650-900 AFY, they oppose the development of any additional connections to the NCSD distribution system and any other increasing demands on the Nipomo Mesa groundwater supply until such time as groundwater pumping in the NMMA no longer exceeds the supply and the NCSD delivers the full 2,500 acre-feet per year required by the judgment."

To date, the NCSD is still issuing will serve letters, and NCSD/purveyor partners have not fulfilled the terms of the 2008 settlement and have now created overdraft conditions in the SMGB. The cities of Arroyo Grande, Grover Beach and Pismo Beach are requesting at this time that the NCSD/purveyor partners comply with the following to limit pumping from the SMGB where appropriate:

- Stop issuing "will serve" letters until such time as the terms of the 2008 settlement have been met.
- Fulfill your obligation under the terms of the basin adjudication to deliver at least 2,500 AFY of supplemental water to the Nipomo Mesa.
- Collaborate with the NCMA agencies to develop a detailed groundwater flow model of the NCMA and NMMA to better understand groundwater conditions and actions required for long-term, sustainable basin management.

- Initiate a more aggressive water conservation program, including restrictions on outdoor water use and landscape irrigation, and consider mandatory rationing and water use penalties.
- Become more accessible to community members through regularly scheduled outreach events.
- Provide better public education programs and improved media outreach to help the public understand this crisis and how they can help.
- Expand membership on the NCSW Water Conservation Committee.

It is our hope that you will take immediate action as outlined above to protect the Santa Maria Groundwater Basin. However, if the NCSW and your water purveyor partners are unwilling to take more aggressive steps to protect this critical regional resource, the Cities of Arroyo Grande, Grover Beach and Pismo Beach will pursue all other avenues to protect our adjudicated interests in the basin.

If you have any questions about our position feel free to call any of the member agency's City Managers or Public Works Directors to discuss this matter.

Sincerely,



Steven Adams
City Manager,
City of Arroyo Grande



Bob Perrault
City Manager,
City of Grover Beach



James R. Lewis
City Manager,
City of Pismo Beach

Cc: Dan Buckshi, County of San Luis Obispo Administrator
Paavo Ogren, General Manager Oceano Community Service District
Phillips 66 (Member of the NMMA)
Golden State Water Company (Member of the NMMA)
Woodlands Mutual Water Company (Member of the NMMA)

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ATTACHMENT B

Michael LeBrun

From: Michael LeBrun
Sent: Monday, October 13, 2014 5:11 PM
To: 'sadams@arroyogrande.org'; 'bperrault@grover.org'; 'jlewis@PismoBeach.org'
Cc: 'tmclish@arroyogrande.org'; 'bfine@PismoBeach.org'; Greg Ray (gray@grover.org); Paavo Ogren; 'dbuckshi@co.slo.ca.us'
Subject: Your Letter RE: Santa Maria Ground Water Basin
Attachments: 141001 AG GB PB LETTER ON WATER USE.pdf

Mr. Adams, Perrault, and Lewis,

Thank you for your recent letter (attached).

I appreciate the concerns expressed and will share this letter with my elected Board at our October 22 regular meeting. As the only public agency in the NMMA, NCS D is by default the leader and entity the community looks to.

Our Phase 1 Supplemental Water Project is progressing on schedule and we expect to be delivering water by July 2015. We currently have a 218 Rate Notice out to adopt a supplemental water rate to pay for the initial 650-800 AFY of water. The proposed rate represents an initial ~37% increase to our average customer beginning when water deliveries begin. As you are all aware, this is a big bump in rates. We have some organized effort to defeat the proposed increase, however I am confident in my Board and feel we will be successful in getting these rates adopted. Our hearing is scheduled for 2PM on Friday 11/21/14. Perhaps you would consider attending and testifying in support?

In support of the proposed rates, the District has held no fewer than 15 public meetings and workshops this summer wherein we focused on our current water supply challenges and the effort the District is making on behalf of all NMMA residents to address to issue. We were out at the Nipomo Octoberfest this past weekend where we spoke to over 150 area residents on the topic.

This past spring my Board authorized additional outreach expenditures and challenged staff and our customers to reach a 30% reduction goal in our District wide groundwater pumping. In August and September of this year, the District achieved pumping reductions of 22% and 21%, respectively, relative to prior year's same month. I personally am very proud of my customers efforts as well as my outreach staff person who just in August went from a 20 hour/week part time position to a full-time introductory employee.

You all understand the balance sheet likely better than I; We need \$ to build pipelines and purchase imported water. This first phase project is costing over \$17.5M – all fronted by NCS D with no reimbursement from other NMMA members until water sales are finalized.

One of our largest sources of capital is new connections. We are building a project that will ultimately import 3,000 AFY. NCS D is the only NMMA entity paying for the 500AFY in excess of the court ordered 2,500. The conditional will serve and will serve letters that we have issued since January 2008 are all allocated against that 500AFY of capacity. We have issued less than 100 AFY of water reservations (conditioned will serve) and 20 AFY of will serve commitment since January 2008.

Far and away the largest residential based pumping on the NMMA are the three county approved golf courses (there were no will serves issued by my Board for any of the courses or homes that surround them. Blacklake homes were annexed by the District back in 1994 following the last serious drought). Combined, these courses represent nearly 100 holes of golf at build out (Trilogy still underdevelopment). Golf course water demand is high and worse, is some of the most consumptive of all uses on this ancient sand dune we call 'The Mesa'. These courses likely account for 1,200-2000 AFY of pumping annually. All use reclaimed water from their adjacent developments, but that only accounts for ~150AFY at all three combined.

NCSD just 'cut the ribbon' on a \$13M waste water treatment plant upgrade. NCSD percolates 100% of its highly treated wastewater back in to the SM GW Basin. We sincerely hope your Cities will consider a similarly responsible management of waste water in the near future. Perhaps consider making the some 2-3,000 AFY of reclaimed water you could produce available to the three private Mesa golf courses.

Water resources management is full of challenge. Working together, I am certain our agencies can meet the challenges and continue to provide this most precious resource to our communities for generations to come.

Relative to your Cities, we are a small agency. I hope this brief summary of our efforts helps you understand, we are up to this challenge and we are making every effort to meet our commitments to the adjudication and our community.

Please let me know if you have any questions.

Respectfully,

Michael S. LeBrun, P.E.
General Manager

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