



**COUNTY OF SAN LUIS OBISPO  
BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works		(2) MEETING DATE 3/7/2017		(3) CONTACT/PHONE Carolyn K. Berg, Senior. Water Resources Engineer (805) 781-5536	
(4) SUBJECT Receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board, acting as both the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District and for the County of San Luis Obispo, receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy adopted by the County and the San Luis Obispo County Flood Control and Water Conservation District (Flood Control District).					
(6) FUNDING SOURCE(S) Flood Control Water Conservation District (Fund 1300000000)		(7) CURRENT YEAR FINANCIAL IMPACT N/A		(8) ANNUAL FINANCIAL IMPACT N/A	
(9) BUDGETED? N/A					
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 130 min)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 11/1/2016, #21	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim					
(18) SUPERVISOR DISTRICT(S) All Districts					

Reference: 17MAR07-BB-1



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Public Works

Carolyn K. Berg, Senior Water Resources Engineer

Courtney Howard, Water Resources Division Manager

VIA: Mark Hutchinson, Deputy Director of Public Works

Wade Horton, Director of Public Works

DATE: 3/7/2017

SUBJECT: Receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy. All Districts.

### **RECOMMENDATION**

It is recommended that the Board, acting as both the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District and for the County of San Luis Obispo, receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy adopted by the County and the San Luis Obispo County Flood Control and Water Conservation District (Flood Control District).

### **DISCUSSION**

The Sustainable Groundwater Management Act (SGMA) took effect on January 1, 2015 and substantially changed California groundwater management. SGMA includes new financial and enforcement tools to carry out effective local sustainable groundwater management through formation of Groundwater Sustainability Agencies (GSAs), and development and implementation of Groundwater Sustainability Plans (GSPs) in high and medium priority basins.

The California Department of Water Resources (DWR) has identified six high and medium priority basins/subbasins located in whole or in part within the County:

<b>Basin Name</b>	<b>State Designated Priorities and Conditions</b>
San Luis Obispo Valley (Edna Valley)	Medium
Santa Maria Valley	High
Cuyama Valley	Medium, Condition of Critical Overdraft
Los Osos Valley	High, Condition of Critical Overdraft
Paso Robles	High, Condition of Critical Overdraft
Atascadero	Under assessment by DWR <sup>1</sup>

GSAs must be established in each basin no later than the deadline, June 30, 2017, or else any uncovered areas will be subject to mandatory extraction reporting (including payment of the accompanying fees) to the State and the whole basin will be at risk for additional forms of State intervention, in addition to the local SGMA efforts and costs represented in this update.

Staff and partner entities in each basin continue to work diligently to define governance and financial strategies, and to finalize GSA Agreements for consideration by each entity's decision making body by June 30, 2017. One key challenge in each basin is how to fund GSA operational/institutional elements and GSP development over the next three to five years.

The intent of this report is to provide a focused update on financial planning for SGMA implementation in response to the work efforts of the various GSA working groups. Partner entities in each basin are seeking to fully understand the County's approach to the financial aspects of SGMA implementation. In addition, today's discussion will assist staff to adequately address SGMA in the Fiscal Year 2017-2018 budget.

### *Implementation of the County/District SGMA Strategy*

Eligible local agencies (e.g. counties, cities, special districts) may form a GSA or GSAs under a joint powers agreement, a memorandum of agreement, or other legal agreement. Mutual water companies and water corporations regulated by the Public Utilities Commission are also eligible to participate on GSA(s). Once formed, each GSA may exercise the authorities set forth in SGMA. Of course, this is contingent on GSAs having funding to conduct necessary efforts to comply with SGMA and operate the newly formed groundwater management program.

On November 1, 2016, the County Board revised the SGMA Strategy to provide staff with policy direction regarding the County's preferences for participation in and collaborative development of GSA Agreements with partner agencies (attached). The adopted policy supports funding by the affected landowners and/or groundwater extractors and provides that if a long-term funding mechanism for

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<sup>1</sup> In October 2016, DWR approved a modified basin boundary to create a new subbasin of the Salinas Valley Groundwater Basin, referred as Bulletin 118 Basin No. 3-004.11 Atascadero Area Subbasin. Consistent with Water Code Section 10722.4(c), DWR will reassess statewide basin prioritization in early 2017. Pending the re-prioritization, the number of basins subject to SGMA in San Luis Obispo County could change.

County SGMA costs is not approved by the affected landowners and/or groundwater extractors, the County would no longer be a GSA or GSA member. In addition, on November 1, 2016, the Flood Control District Budget Policy set forth that the Flood Control District may contribute funding (contingent on availability of funds) toward the County's contributions to GSA startup funding (to be reimbursed), initial funding proceedings (e.g. Prop 218 proceeding), and/or specific technical studies.

There is no "one size fits all" for GSAs, given the variety of eligible entities in each basin and complexities specific to each basin. While the GSA formation agreement type varies basin-to-basin, there are two general categories of basins as it relates to financial strategies: multi-agency and sole-agency participation in SGMA compliance. The Cuyama, San Luis Obispo (Edna), Paso Robles, and Atascadero Basins/Subbasins are all multi-agency efforts. In contrast, the County is the sole agency eligible to act as the GSA in the Los Osos Valley Basin "fringe areas" (areas outside of the exempt adjudicated area), and to-date is the sole agency active in the San Luis Obispo County portion of the Santa Maria "fringe areas" (areas outside of the exempt adjudicated area). Staff and partner entities have been developing financial strategies to cover both GSA startup operation and initial funding proceedings, and ongoing GSA operation and GSP development costs.

The attached tables summarize each of the six basins' current draft budgets<sup>2</sup>, anticipated contributions by the Flood Control District, and cost sharing under two scenarios over the next six years. The first scenario illustrates the estimated cost sharing if there is cost sharing between partners in the unincorporated areas. For comparative purposes, the second scenario depicts estimated cost sharing if there is no partner cost sharing in the unincorporated area.

Staff anticipates returning to the Board to conduct public hearings for individual basin GSA formation processes on April 4 and May 2, 2017. This will allow GSAs to be established in each basin no later than the deadline, June 30, 2017.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

Implementation of SGMA will involve all local public agencies, various water companies, and landowners concerned with the management of groundwater in San Luis Obispo County. Although SGMA specifies that local public agencies, mutual water companies and water corporations regulated by the Public Utilities Commission are the eligible GSA participants, stakeholder outreach requirements, coordination requirements, and the practical realities of preparing a GSP, require the involvement of the entire community. The attachment shows the current governance structures being developed and entities currently working together in each basin/subbasin.

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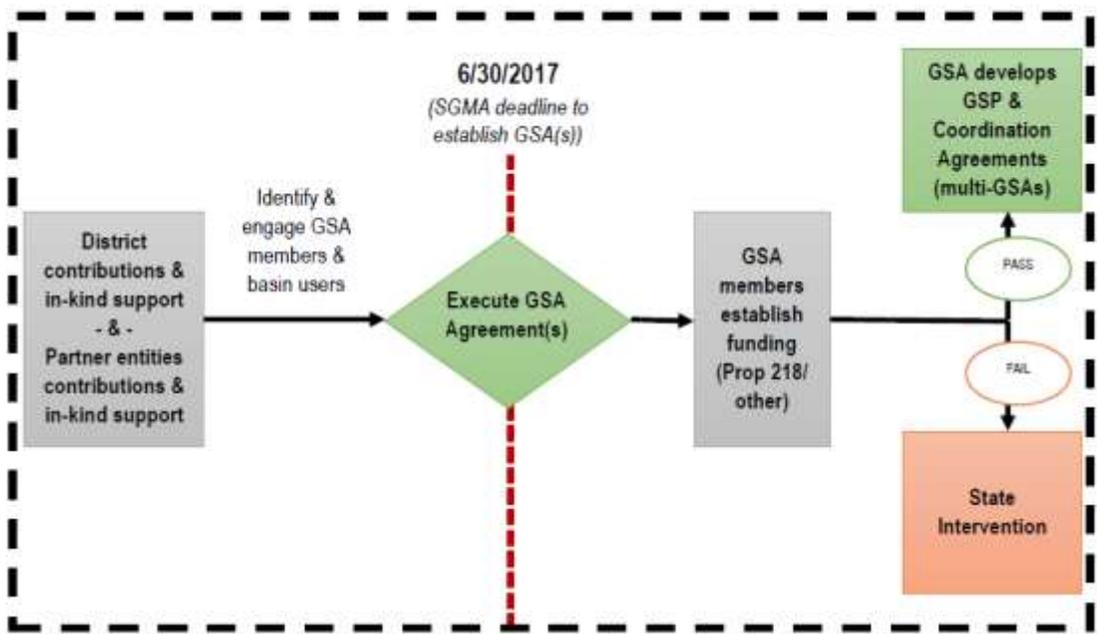
<sup>2</sup> The budgets are subject to change as partner entities refine basin budgets.

In addition to local efforts, DWR acts as the agency in charge of developing regulations, reviewing GSAs and GSPs, and providing technical assistance to local agencies. The State Water Resources Control Board acts as the agency in charge of enforcement, in situations of non-compliance specified in SGMA.

**FINANCIAL CONSIDERATIONS**

The support costs associated with GSA formation efforts in the six priority basins are included in the District’s Flood Control General FY 2016-2017 budget. Efforts may include the following: develop an outreach plan and engage basin users; develop governance structure, funding plan and GSA agreement(s); and conduct process for eligible entities to consider executing GSA agreement(s)/establish GSA(s).

Based on the Board’s adopted strategy, the following depicts the strategy’s near-term approach and anticipated sources of funding and resources:



The attached tables summarize each of the six basins’ current draft budgets<sup>3</sup>, anticipated contributions by the Flood Control District, and cost sharing under two scenarios over the next six years. The first scenario illustrates the estimated cost shares if there is cost sharing between partners in the unincorporated areas. In this scenario, the cost share for the areas not otherwise covered by another partner is estimated to be \$6,116,757. For comparative purposes, the second scenario depicts estimated costs if there is no partner cost sharing in the unincorporated area. In this scenario, the cost share for all unincorporated areas is estimated to be \$8,603,118.

<sup>3</sup> The budgets are subject to change as partner entities refine basin budgets.

It is important to note that the attached cost estimates are rough estimates. Each basin's actual costs will vary depending on the "gap" between the current basin condition and sustainability as defined in SGMA, the number of partner agencies and/or GSAs involved, the complexity of the basin's GSP, the number of projects identified in the GSP, etc.

It is also important to recognize the indirect benefit of various Flood Control District work programs in support of successful SGMA implementation by the GSAs over time; including grant eligibility coverage through the Integrated Regional Water Management program; availability of long-term hydrologic data; technical groundwater and watershed planning support and staffing to serve as a liaison between GSA efforts and County efforts to facilitate coordination with land use and well permitting activities as required by SGMA.

Should a basin be subject to State intervention, the County would be subject to State intervention fees only in those areas that the County pumps groundwater (e.g. CSA 16 Shandon, CSA 23 Santa Margarita). The costs of State intervention are unknown at this time, and will be established under a State fee structure.

## **RESULTS**

The SGMA Strategy provides a foundation for all actions and activities necessary to comply with SGMA, provides other agencies and the public with a clear statement regarding the Board's intentions for its level of involvement, coordination and financial support of SGMA, and provides direction to County staff, thereby contributing to a well governed community.

## **ATTACHMENTS**

1. Vicinity Maps
2. Attachment A: SGMA Financial Considerations
3. Attachment B: SGMA Strategy
4. Attachment C: SGMA Draft Governance Model by Basin

File: CF 340.300.01 SGMA

Reference: 17MAR07-BB-1

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