

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

(1) DEPARTMENT Public Works	(2) MEETING DATE 7/24/2012	(3) CONTACT/PHONE Jill Ogren, Utilities Division Project Manager (805) 781-5263	
(4) SUBJECT Consideration of options pertaining to 1) Prop 84 round 1 grant funding; 2) Prop 50 grant funding for CSA 16 (Shandon) and CSA 23 (Santa Margarita); and 3) submittal of a resolution authorizing the Director of Public Works to make application for Prop 50 grant funding. All Districts			
(5) RECOMMENDED ACTION It is our recommendation that your Honorable Board: <ol style="list-style-type: none"> <li>1. Direct staff to work with the San Luis Obispo County Integrated Regional Water Management (IRWM) Plan Regional Water Management Group (RWMG) to identify an alternative water supply project or projects to replace the Nipomo Supplemental Water Project in the Proposition 84 Round 1 Implementation Grant Award if the Nipomo Supplemental Water Project does not proceed.</li> <li>2. Submit the Shandon (CSA 16) State Water Turnout Project to the IRWM Plan RWMG for consideration as a Prop 84 replacement water supply project.</li> <li>3. Submit the Santa Margarita (CSA 23) State Water Turnout Project to the IRWM Plan RWMG for consideration as a Prop 84 replacement water supply project.</li> <li>4. Approve the attached resolution authorizing the Director of Public Works to apply for grant funding through the State Department of Public Health Prop 50 Water Security Program for the CSA 16 and CSA 23 State Water Project Turnouts.</li> </ol>			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? No
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. _____) <b>{X}</b> Board Business (Time Est. <u>40 mins.</u> )			
(11) EXECUTED DOCUMENTS <b>{X}</b> Resolutions { } Contracts { } Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A { } 4/5th's Vote Required <b>{X}</b> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <b>{X}</b> N/A Date	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) All Districts -			

Reference: 12JUL24-BB-1

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

Jill Ogren, Utilities Division Project Manager  
Courtney Howard, Water Resource Program Manager

VIA: Dean Benedix, Utilities Division Manager

DATE: 7/24/2012

SUBJECT: Consideration of options pertaining to 1) Prop 84 round 1 grant funding; 2) Prop 50 grant funding for CSA 16 (Shandon) and CSA 23 (Santa Margarita); and 3) submittal of a resolution authorizing the Director of Public Works to make application for Prop 50 grant funding. All Districts

## **RECOMMENDATION**

It is our recommendation that your Honorable Board:

1. Direct staff to work with the San Luis Obispo County Integrated Regional Water Management (IRWM) Plan Regional Water Management Group (RWMG) to identify an alternative water supply project or projects to replace the Nipomo Supplemental Water Project in the Proposition 84 Round 1 Implementation Grant Award if the Nipomo Supplemental Water Project does not proceed.
2. Submit the Shandon (CSA 16) State Water Turnout Project to the IRWM Plan RWMG for consideration as a Prop 84 replacement water supply project.
3. Submit the Santa Margarita (CSA 23) State Water Turnout Project to the IRWM Plan RWMG for consideration as a Prop 84 replacement water supply project.
4. Approve the attached resolution authorizing the Director of Public Works to apply for grant funding through the State Department of Public Health Prop 50 Water Security Program for the CSA 16 and CSA 23 State Water Project Turnouts.

## **DISCUSSION**

In August 2011, the Department of Water Resources (DWR) awarded the District \$10.4 million in Proposition 84 Round 1 IRWM Grant funding to advance the San Luis Obispo County Region's top

three projects. The grant process was competitive and based on criteria including readiness to proceed, and regional and multiple benefits associated with water quality, supply and flood control. The following indicates the grant funding requested per project and the grant funding awarded.

<u>Project</u>	<u>Grant Funding Requested</u>
Los Osos Community Wastewater Project	\$ 7,000,000
Flood Control Zone 1/1A Waterway Management	\$2,200,000
Nipomo Supplemental Water Project	\$2,300,000
IRWM Implementation Grant Administration	\$55,556
TOTAL REQUESTED	\$11,555,556
TOTAL GRANT FUNDING AWARDED	\$10,401,000
AMOUNT OF REQUEST NOT FUNDED	(\$1,154,556)

Upon notification that the grant would be less than originally requested, staff coordinated meetings of the project proponents to discuss how to account for the reduction. Considering the financial needs of Zone 1/1A, lack of other grants or low interest funding for the Nipomo Supplemental Water Project, and the grants and low interest loans secured for the Los Osos Wastewater Project, staff, along with project proponents have supported moving forward on developing a grant agreement with DWR that reduced the allocation for the Los Osos Wastewater Project by the amount of the request not funded.

At this time, however, there is some uncertainty regarding whether the Nipomo Supplemental Water Project will proceed due to the recent Proposition 218 property assessment vote that did not pass. The Nipomo Community Services District (NCSD) intended to secure funding for the project through formation of an assessment district. If the NCSD project does not move forward, then it is staff's position that the grant requests of the Los Osos Wastewater Project and the Zone 1/1A Waterway Management Program be fully funded and that a Plan "B" is developed for the remaining unallocated grant of \$1,145,444 as shown on Exhibit "A".

#### NCSD Supplemental Water Project

NCSD has recently initiated a feasibility study to determine if there is a viable scaled down project. The results from the study should be available after July 23rd, at which time the NCSD Board is anticipated to make a decision on whether or not to move forward with a scaled down project. A letter dated June 13, 2012 has been received from NCSD, which is attached, that your Board may wish to discuss regarding your Board's participation in this effort.

Based on discussions with DWR, they have indicated that if the original scope of the Nipomo Supplemental Water Project does not proceed, their preference is, upon review and approval, to award all of the funding in one of the two following ways:

- A. By including a scaled-down Nipomo Supplemental Water Project that has funding and results in water being delivered; or,
- B. If the NCSD Board determines that it will not move forward with a scaled-down project, by including a water supply project or projects to replace the Nipomo Supplemental Water Project.

#### Recommendation of the Water Resource Advisory Committee (WRAC)

On July 9<sup>th</sup>, WRAC supported a recommendation to develop a Plan "B". In essence, staff will work with other RWMG members (see Exhibit "B") to identify a water supply project or projects for the purpose of replacing the Nipomo Supplemental Water Project. Staff is also proposing, if the Nipomo Supplemental Water Project does not proceed, a revised grant award allocation as indicated in Exhibit "A". The revised grant award allocation would return the Los Osos Community Wastewater Project (LOWWP) grant allocation to the original grant funding request and result in \$1.14M being available for a replacement water supply project(s). Although it was not part of the WRAC action on July 9<sup>th</sup> since the agenda item was solely focused on the process to establish a Plan "B", a comment was received that the LOWWP should compete against other new projects for the funding that would become available if the NCSD Project does not proceed. Staff strongly believes that the LOWWP should be fully funded at the original \$7.0 million amount.

The RWMG will solicit and evaluate proposals for replacement water supply projects via the process established in the IRWM Plan and RWMG Memorandum of Understanding. In preparation for proceeding with the process, all member agencies of the Water Resources Advisory Committee (WRAC) were notified of the opportunity to submit water supply projects for consideration. Agencies that are not RWMG members can become members by adopting the IRWM Plan and Memorandum of Understanding. The selection of a replacement water supply project is scheduled to occur at the September 5, 2012 WRAC meeting. Subsequently, staff will return to your board for approval of the recommended replacement water supply project and submittal to DWR for their approval if the NCSD Supplemental Water Project does not proceed.

#### County Water Supply Projects

The County has two water supply projects that are recommended for submittal to the RWMG for consideration.

- Shandon (CSA 16) State Water Turnout
- Santa Margarita (CSA 23) State Water Turnout

Both projects could be fully funded but would still need to compete against other water supply projects that could be proposed by other agencies.

#### Shandon State Water Turnout Project

The community of Shandon (CSA 16) secured a state water allocation of 100 AFY in 1992. In 2010 after several meetings, the Shandon Advisory Committee voted to proceed to the next steps of constructing a turnout to connect to the State Water Project thereby allowing them to access the 100 AFY allocation. On January 25, 2011, your Board gave direction to staff to proceed with

implementation of the project and authorized the use of CSA 16 reserves.

The project meets the goals of the IRWM Plan for water supply projects by improving the regional water supply reliability and security and increasing protection for the community from drought through an interagency connection. Submittal of this project to the IRWM RWMG for consideration as a replacement project for the Nipomo Intertie project in the IRWM Prop 84 suite of projects will result in a significant cost savings for Shandon since no other state or federal grants have been awarded to offset project costs.

### Santa Margarita State Water Turnout Project

Over the past several years, staff has been addressing alternatives to address water supply during a drought or other emergency with the community of Santa Margarita due to the fact that they rely entirely on ground water. In 2008, a USDA loan and grant package was obtained of which a portion could be used to fund construction of a physical connection to the State Water Project. The CSA 23 advisory group recommended proceeding with a community Prop 218 vote for a State Water connection. The Proposition 218 property assessment vote was needed to establish funding to repay the USDA loan. The Prop 218 vote did not pass.

Submittal of this project to the IRWM RWMG for consideration as a replacement water supply project could allow the construction of an emergency intertie/turnout at no cost to the community. Should the community need the water in a drought, CSA 23 could purchase a portion of the excess state water allocation from the County or from another state water contractor. The quantity and cost would be determined at the time of the emergency. The project is a good candidate as a replacement water supply project because it meets the goals of the IRWM Plan and is ready to proceed. Environmental documents have been completed and only design and right of way needs to be completed prior to commencing construction.

### Potential Proposition 50 Funding Option for CSA 16 and CSA 23

The State Department of Public Health (DPH) has also recently invited the County to re-apply for Proposition 50 grant funding through the Water Security Program. In 2006, a much larger project was proposed that included multiple inter-agency connections in north County. In discussion with staff of other agencies, some interest still exists and the DPH funding might be available for CSA 16 and CSA 23 as well. Therefore, staff is recommending submitting an application for funding in collaboration with other north County agencies.

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

On July 9, 2012, the WRAC supported the staff recommendations related to the process for identifying a replacement water supply project that your Board is considering for this item. Additionally, the CSA 23 Advisory Group held a special meeting on July 12, 2012 to hear and discuss the possible options for the funding of a state water connection for CSA 23 through Prop 84, as well as application for State Department of Public Health grant funding. The Advisory Group unanimously endorsed the recommended action to submit grant applications, and has provided the attached letter of support.

County Counsel has approved the attached resolution as to legal form and effect.

## **FINANCIAL CONSIDERATIONS**

Approval of today's recommended actions will have the following financial impacts:

1. Should the Nipomo Supplemental Water Project not proceed and DWR approves the grant allocations as presented in Exhibit "A", re-allocation of grant monies to the Los Osos Community Wastewater Project will provide an additional \$1,154,566, bringing grant funding up to \$7,000,000 for that project while also providing funding for replacement water supply project(s) in the amount of \$1,145,444.
2. Obtaining grant funds for the CSA 16 State Water turnout project will result in significant cost savings for CSA 16 depending on the amount of grant approvals.
3. Obtaining grant funds for the CSA 23 State Water turnout project will result in no net cost to the CSA 23 budget and significantly enhance its feasibility.
4. In order to utilize the State Department of Public Health Prop 50 funding, the required matching money would need to come from the existing USDA grant. Tentatively, USDA has indicated support for this approach.

## **RESULTS**

Approval of today's recommended actions will ensure that the grant opportunities are considered on a regional basis and promotes well governed communities. The recommended actions also provide the opportunity for the communities of Los Osos, Shandon and Santa Margarita to apply and receive grant funding. This will provide for needed community infrastructure for the enhancement of health, safety, and quality of life.

File: CF 900.36.01  
CF 320.580.01  
CF 320.520.06

Reference: 12JUL24-BB-1

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## **ATTACHMENTS**

1. Vicinity Maps
2. Exhibit A - Proposed 84 Round 1 Grant Award Allocation
3. Exhibit B - Regional Water Management Group (RWMG) Member Agencies
4. NCSD Letter to Board of Supervisors
5. Resolution Authorizing the Public Works Director to Apply for State Department of Public Health Prop 50 Grants for CSA 16 and CSA 23
6. CSA 23 Advisory Group Letter to Board of Supervisors