

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

(1) DEPARTMENT Public Works	(2) MEETING DATE 6/17/2014	(3) CONTACT/PHONE Carolyn K. Berg, Water Resources Staff Engineer (805) 781-5536	
(4) SUBJECT Request to: (1) receive Integrated Regional Water Management (IRWM) Plan and eligibility update; (2) approve the attached resolution designating the Director of Public Works or Interim Director of Public Works, or designee, as the authorized representative to file a grant application and execute a grant agreement for the 2014 IRWM Program Drought Implementation Grant; (3) approve a budget adjustment, in the amount of \$88,226, from unanticipated revenues to Fund Center (FC) 201 – Public Works Special Services professional services account; and (4) carry forward unspent appropriation to the subsequent fiscal year. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the San Luis Obispo County Flood Control and Water Conservation District (District): 1. Receive grant eligibility and IRWM Plan update; 2. Approve the attached resolution designating the Director of Public Works or Interim Director of Public Works, or designee, as the authorized representative to file a grant application and execute a grant agreement for the 2014 Integrated Regional Water Management Program Drought Implementation Grant; 3. Approve a budget adjustment in the amount of \$88,226 from FY 2013-14 unanticipated revenues to FC 201 – Public Works Special Services professional services account by 4/5 vote; and 4. Authorize the Auditor-Controller’s Office to carry forward any unspent appropriation to the subsequent fiscal year.			
(6) FUNDING SOURCE(S) Unanticipated Revenues	(7) CURRENT YEAR FINANCIAL IMPACT \$88,226.00	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? No
(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. <u>60 min.</u>)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1314153 <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: 4/22/14, #20	
(17) ADMINISTRATIVE OFFICE REVIEW Nikki J. Schmidt			
(18) SUPERVISOR DISTRICT(S) All Districts			

Reference: 14JUN17-BB-1

County of San Luis Obispo



TO: Board of Supervisors
FROM: Public Works
Carolyn K. Berg, Water Resources Staff Engineer
VIA: Paavo Ogren, Director of Public Works
DATE: 6/17/2014

SUBJECT: Request to: (1) receive Integrated Regional Water Management (IRWM) Plan and eligibility update; (2) approve the attached resolution designating the Director of Public Works or Interim Director of Public Works, or designee, as the authorized representative to file a grant application and execute a grant agreement for the 2014 IRWM Program Drought Implementation Grant; (3) approve a budget adjustment, in the amount of \$88,226, from unanticipated revenues to Fund Center (FC) 201 – Public Works Special Services professional services account; and (4) carry forward unspent appropriation to the subsequent fiscal year. All Districts.

RECOMMENDATION

It is recommended that the Board, acting as the San Luis Obispo County Flood Control and Water Conservation District (District):

1. Receive grant eligibility and IRWM Plan update;
2. Approve the attached resolution designating the Director of Public Works or Interim Director of Public Works, or designee, as the authorized representative to file a grant application and execute a grant agreement for the 2014 Integrated Regional Water Management Program Drought Implementation Grant;
3. Approve a budget adjustment in the amount of \$88,226 from FY 2013-14 unanticipated revenues to FC 201 – Public Works Special Services professional services account by 4/5 vote; and
4. Authorize the Auditor-Controller's Office to carry forward any unspent appropriation to the subsequent fiscal year.

DISCUSSION

On January 17, 2014, Governor Edmund G. Brown Jr. proclaimed a State of Emergency as a result of the multi-year drought that is currently having significant impacts throughout California. On March 11, 2014, your Board also declared a State of Emergency for the County of San Luis Obispo. Since that time, monthly updates on drought efforts have been provided to your Board. The purpose of the recommended actions at this time are to take necessary steps to seek drought related grant funding that was approved through the passage of Senate Bill 104 and signed by the Governor on

March 1, 2014. As a result of SB 104, the Department of Water Resources (DWR) is administering \$200 million in drought funding as part of its Integrated Regional Water Management (IRWM) program.

Senate Bill 1672 previously established the IRWM Act in 2002 to promote a new model for water resource management in California. The overall strategy, which is incorporated into the State Water Plan, is to promote regional collaborative efforts where needs, information and reporting are identified by local governments and transmitted to DWR. In addition, the integration of water management strategies was established in SB 1672 to ensure that local and regional governments evaluate projects and programs with due consideration to multiple water resource needs, which include water supply, water quality, groundwater management, flood protection, and ecosystem restoration. In turn, DWR has established a grant program benefitting local and regional governments for those projects and programs within regions that have adopted IRWM plans in accordance with DWR guidelines. The grant program is a highly competitive process, which has been funded by State-wide bond measures approved by voters.

The initial San Luis Obispo County (SLOCo) IRWM Plan was approved by your Board in 2005. In 2012, your Board approved funding to update the IRWM plan in accordance with updated DWR guidelines. The draft plan is complete, work continues to be coordinated with the other local agencies, and the public comment period on the draft plan will run through mid-July. The updated plan is currently anticipated to be submitted to your Board for adoption in August 2014. The following is a table of the grants that have been awarded to the SLOCo Region since the adoption of the initial plan in 2005.

Grant Funding Source	Funded Projects	Grant Funding Allocation	Year Awarded
Prop 50 Planning	Four (4) Planning Studies	\$500,000	2005
Prop 84 Implementation	Los Osos Wastewater Project Flood Control Zone 1/1A Nipomo Supplemental Water Project	\$10,401,000	2011
Prop 1E Implementation	Flood Control Zone 1/1A – Waterway Management Program	\$2,800,000	2011
Prop 84 Planning	IRWMP Update Five (5) Planning Studies	\$1,000,000	2012
Total IRWM Grant Successes in SLO County IRWM Region		<u>\$14,701,000</u>	

As a regional collaboration, the IRWM efforts are conducted under the auspices of a Memorandum of Understanding (MOU) with 23 local agencies, including the Flood Control District, the Cities, the Community Services Districts, the Resource Conservation Districts, and Non-Governmental Organizations (NGO's) who support multiple water resource efforts. The Flood Control District is the lead agency under the MOU, and collectively, the agencies are referred to as the Regional Water Management Group (RWMG). The MOU for the RWMG is attached to the resolution since the recommended grant applications need to demonstrate the governance under which the SLOCo regional efforts are conducted.

Competition for the DWR drought program of \$200 million is state-wide. The six IRWM regions on the Central Coast, which DWR had defined as the Central Coast Funding Area, are limited in total to grants that cannot exceed \$19.7 million.

Department of Water Resources 2014 IRWM Drought Grant Solicitation and Eligibility Criteria

The eligibility requirements to seek the IRWM grants are established in DWR's Grant Solicitation Guidelines. DWR published their draft solicitation requirements on April 3, 2014. Final guidelines were published on June 2, 2014 and grant applications are due on July 21, 2014. Your Board's consideration of the recommended action at this time is therefore necessary to comply with the expedited process that has been established by DWR to help address the drought.

The following is an overview of eligibility requirements:

- Provide immediate regional drought preparedness;
- Increase local water supply reliability and delivery of safe drinking water;
- Assist water suppliers and regions to implement conservation programs and measures that are not locally cost-effective; and/or
- Reduce water quality conflicts or ecosystem conflicts created by the drought.

Local Project Solicitation, Review and Selection

On April 22, 2014, your Board approved a consultant contract to develop the grant applications.

Staff had initiated correspondence with local agencies in the County in the previous week to solicit applications for review by the RWMG. The local drought project solicitation closed on April 25, 2014 with 18 projects and programs submitted and posted on the IRWM website:

<http://www.slocountywater.org/site/Frequent%20Downloads/Integrated%20Regional%20Water%20Management%20Plan/Grant%20Applications/PROP%2084%20Drought%20Grant/>

The following is a list of the primary criteria and associated points used to rank the local drought project submissions (see Attachment "3" for ranked list):

- Drought impacts in affected community (3 points available)
- Immediate drought relief impact of proposed project (3 points available)
- Readiness to proceed (3 points available)
- Human Right to Water (1 point available)

On May 7, 2014, the RWMG approved the five projects that are identified in Attachment "1" with a 14 (yes) & 2 (no) vote, and with 7 members absent or abstaining. The RWMG approval include the general condition that if project proponents are unable to provide necessary documents for the grant writing team to develop the grant application, then those project(s) may be removed from the application. The intent is to only submit a highly competitive regional application. Also on May 7, 2014, the Water Resources Advisory Committee (WRAC) supported the RWMG's approved list and is recommending that your Board approve the projects for inclusion in the SLOCo IRWM regional grant application.

Based upon these results, and the expedited timing of the grant process, the grant application documents for selected projects are under development. In the event that your Board chooses to not approve any of the projects identified in the following table, then those preliminary efforts will immediately cease. Each of the projects identified in the following table is discussed in greater detail in Attachment "2."

Project	Total Project Cost	Grant Funding Allocation in Application	Required Funding Match
CSA 23-Atascadero-Garden Farms Emergency Intertie	\$1,973,000	\$1,479,750	\$493,250
Heritage Ranch CSD Emergency Turnout	\$150,000	\$112,500	\$37,500
Cambria CSD Emergency Water Supply	\$5,000,000	\$3,750,000	\$1,250,000
San Simeon Small Scale Recycled Water	\$1,728,120	\$1,296,090	\$432,030
Salinas / Nacimiento / CMC Emergency Intertie	\$4,077,710	\$3,058,282	\$1,019,428
TOTAL GRANT FUNDING for SLO Co IRWM Region Drought Grant Application	\$12,928,830	\$9,696,622	\$3,232,208

As part of your Board action on April 22, 2014, which formally initiated the grant efforts, the \$191,373 consultant contract included \$81,614 for assisting project proponents in preparing their project specific information for inclusion in the regional application. To help fund those efforts, your Board also authorized the Public Works Director to execute reimbursement agreements with those agencies so that the proponents pay for those costs. The overall costs of regional application, including the costs of the local process and compiling the information from the project sponsors into the regional application, are costs that you Board approved be paid by the Flood Control District.

Attached is a letter from San Simeon Community Services District (SSCSD) indicating that they are a disadvantaged community and can only pay \$5,000 towards their project specific grant efforts. Staff believes that the project specific efforts with SSCSD could easily exceed that amount. Nevertheless, the grant-writing team is continuing to develop the grant information with SSCSD but expects that the revenue realized from SSCSD will not fully reimburse the Flood Control District. Discussion on this SSCSD issue and further direction from your Board to staff may be to seek full reimbursement if the grant is awarded since SSCSD will still require significant matching funds to implement their proposed project.

County / Flood Control District Projects; Matching Fund Requirements

Two of the projects will be implemented by the County and partially funded by the Flood Control District. Both projects include benefits to County operated facilities and constituents. Each project also includes benefits to other agencies and appropriate cost sharing for the local match should be established. The details of the matching funds, and final Board determinations on those details are

not required at this time. "Subsequent actions" by your Board will therefore be necessary. It should be well understood, at this time, that the recommendations to proceed with the grant applications includes a commitment to DWR that your Board will ensure that matching funds will be made available. Since DWR also requires a designated representative to execute grant agreements, it is also important to recognize that the designated representative will not execute grant agreements unless and until your Board has approved the "subsequent actions" needed to fully address the matching fund details.

CSA 23-Atascadero-Garden Farms Emergency Intertie

Public Works staff has been working on drought contingency plans for County Service Area No. 23 (Santa Margarita) since the prior significant drought of 1988-93. Your Board has taken numerous actions. The Community has voted on emergency efforts. In summary, options have been explored, new wells have been drilled, but the community has also voted "no" on some of the prior efforts. The CSA 23 Advisory Group's previous letter of support is included in Attachment "4." It should be noted that the prior project included an emergency connection to the State Water Project (i.e. in addition to the currently proposed project) but the State Water intertie is not included in the IRWM grant application since it would not benefit the IRWM application.

The proposed intertie project will also provide benefit to Garden Farms Community Water District, and in general, will continue regional efforts with community interties. A letter of support from AMWC was obtained for prior efforts and included in Attachment "4". Staff also attended their most recent Board of Directors meeting on June 4, 2014 to provide an update, and AMWC is scheduling approval of an updated letter of support for their July 16, 2014 meeting, which can then be included in the grant application. Similarly, a letter of support was received from Garden Farms and is also included in Attachment "4". Likewise, an updated letter is also anticipated based on recent discussions. Lastly, as a result of prior work efforts, this project has an Environmental Impact Report, which was certified on June 18, 2013.

The estimated local match is \$493,250. Attachment "5" provides a summary of estimated costs. The United States Department of Agriculture (USDA) has approved a drought funding program that may be able to provide the local match. Additional work in adopting a National Environmental Policy Act (NEPA) document will also be required if the USDA funding is approved. If not, then the details of the local match will need to be developed. Staff anticipates preparing future recommendations to provide cost sharing from CSA 23 for 70% of the local match based on the ratio of water consumption in Santa Margarita as compared to the combined consumption of Garden Farms and Santa Margarita. The financial impact on CSA 23 could require a rate increase of \$4 - \$7 per month per customer. The other 30% of the match requirement is based on the ratio of water consumption in Garden Farms as compared to the combined consumption of Garden Farms and Santa Margarita. Staff is uncertain as to whether Garden Farms will provide cost sharing in a manner similar to CSA 23 or only if and when emergency water is delivered. Since the need to develop the emergency intertie for CSA 23 exists independent of future funding details with Garden Farms, staff believes that funding from the Flood Control District would be appropriate to cover the 30% factor so that CSA 23 is only paying their proportional share.

Salinas / Nacimiento / CMC Emergency Intertie

The emergency intertie will utilize existing facilities to the greatest extent possible and will provide multiple options for water exchanges that can meet the needs of the governmental institutions on Highway 1 north of San Luis Obispo. Those institutions include state agencies (CalFire, California Men's Colony (CMC) and the California National Guard) and local agencies (County Office of Emergency Services, County Operations Center, County Jails, Cuesta Community College, County Office of Education).

Except for CMC, which has an allocation of water from Whalerock Reservoir, and the National Guard, the other governmental facilities are solely reliant on State Water. The need for emergency water in 2015 is critical. Despite the historically low 5% delivery commitment from DWR for State Water participants in 2014, the Flood Control District is able to meet 100% of the needs in 2014 based on prior year carry-over water in storage in the State Water system. In 2015, if the drought continues, those institutions connected to the CMC system will run out of their carry-over State Water currently in storage.

In addition, the proposed intertie will also provide emergency exchanged options for larger regional benefits. The scenarios under which water would be exchange for the governmental institutions or for other regional needs will depend on emergency scenarios that may develop in the future. At this time, the focus continues to be for the governmental institutions' short-term horizon. Since the emergency benefits would be for both County operations, and other potential regional emergency needs, staff anticipates providing subsequent recommendations that would split the local match of slightly more than \$1.0 million between the County and the Flood Control District.

Budget Adjustment

Public Works Fund Center 201 has incurred unanticipated expenditures this fiscal year due to the drought. These expenditures involve preliminary costs and grant application efforts for State Water replacement options at the County Operations Center. These unanticipated expenditures exceed budget levels.

This fiscal year, Public Works FC 201 received \$88,226 of unanticipated revenue related to a prior year development agreement. Public Works requests a budget adjustment authorization to utilize the \$88,226 of unanticipated revenues to offset unanticipated drought related expenditures.

OTHER AGENCY INVOLVEMENT/IMPACT

The RWMG is the decision making body for the San Luis Obispo County IRWM Region, with the District acting as its Lead Agency. The membership of the RWMG is included as Attachment "7". DWR and the Regional Water Quality Control Board are notified of all IRWM efforts. The State agency responsible for reviewing the Region's IRWM Plan and grant applications is DWR.

The CSA 23 Advisory Group, AMWC and Garden Farms Community Water District have provided prior support on the intertie with AMWC.

The governmental institutions on Highway 1 are processing the joint letter of commitment for the Salinas/Nacimiento/CMC intertie.

The Nacimiento Project currently has over 6,000 acre feet per year of unsubscribed water, which is currently being financially supported by County-wide taxpayers. Any actual emergency use of Nacimiento Water will need to be considered by the Nacimiento Commission and your Board.

County Counsel has reviewed the Resolution as to legal form and effect.

Drought related items are coordinated with the Administrative Office, which provides updates to the Board on a regular basis.

FINANCIAL CONSIDERATIONS

In order to utilize the \$88,226 of unanticipated revenue towards unanticipated drought related expenditures in excess of budgetary levels for the current fiscal year, a budget adjustment of \$88,226 needs approval by 4/5th vote. Any unspent appropriation will be carried forward to the subsequent fiscal year to fund further unanticipated drought related expenditures.

The possibility of this request was mentioned in FC 201's Third Quarter Report. This action has no impact on the General Fund.

RESULTS

Approval of the recommended action will allow staff to submit a highly competitive and expedited grant application for multiple projects, seeking funding for high priority drought response water resources implementation efforts identified by the RWMG. Therefore, approving the resolution and recommendations will contribute to a safe, healthy, livable, prosperous and well-governed community.

File: CF 900.46.01

Reference: 14JUN17-BB-1

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ATTACHMENTS

1. Vicinity Map
2. Attachment 1. Summary of RWMG Approved Suite of Projects
3. Attachment 2. RWMG Approved Grant Application Suite of Projects Summary Statements
4. Attachment 3. Local Agency Submittals Considering RWMG
5. Attachment 4. Letters of Support (County Projects)
6. Attachment 5. Project Cost Estimates (County Projects)
7. Attachment 6. Upcoming IRWM Program Milestones and Schedule
8. Attachment 7. IRWM Regional Water Management Group (RWMG) Representatives
9. Resolution Designating the Director of Public Works or Interim Director of Public Works, or Designee, as the Authorized Representative to File a Grant Application and Execute a Grant Agreement for an Integrated Regional Water Management Program Drought Implementation Grant