

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

(1) DEPARTMENT Public Works	(2) MEETING DATE 12/2/2014	(3) CONTACT/PHONE Dean Benedix, Utilities Division Manager (805) 781-5267	
(4) SUBJECT Request to: 1) authorize the Director of Public Works to execute sub-grant agreements for State of California Department of Water Resources (DWR) Integrated Regional Water Management (IRWM) Program Grants and execute reimbursement agreements and amendments with participating agencies; 2) authorize associated budget adjustments to distribute \$6,323,610 in grant funds and commit \$715,070 in matching funds; 3) approve the Santa Margarita (CSA 23)-Atascadero Mutual Water Company-Garden Farms Emergency Intertie Project and 4) adopt an Addendum to the Final Nacimiento Water Project Environmental Impact Report (Clerk's File pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA). All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District): <ol style="list-style-type: none"> <li>1. Authorize the Director of Public Works to:             <ol style="list-style-type: none"> <li>a. proceed with developing an IRWM Grant Agreement with DWR in accordance with DWR's Conditional Grant Commitment Letter (Attachment "1") and grant allocation recommendation shown in Table 1 below or options included in Attachment "2" or as the Board deems appropriate; and</li> <li>b. execute sub-grant agreements, which are to be modeled after the DWR Integrated Regional Water Management Implementation Grant Agreement (Attachment "4") and amendments, for Integrated Regional Water Management Program Grants with agencies leading grant-funded efforts, subject to final approval as to legal form and effect by County Counsel.</li> </ol> </li> <li>2. Approve the Santa Margarita (CSA 23)-Atascadero Mutual Water Company-Garden Farms Emergency Intertie Project (300536) and adopt an Addendum to the Final Nacimiento Water Project Environmental Impact Report pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA) (Attachment "5");</li> <li>3. Authorize budget adjustments, by a 4/5 vote:             <ol style="list-style-type: none"> <li>a. in the amount of \$6,323,610 to Flood Control and Water Conservation District General Fund 1300000000 to receive and "pass through" \$4,674,325 of the implementation grant funds in accordance with DWR requirements and the sub-grant agreements;</li> <li>b. in the amount of \$2,004,323 to Flood Control and Water District Capital Outlay Infra-Structure and the corresponding appropriation for the Santa Margarita (CSA 23) Atascadero-Garden Farms Emergency Intertie Project;</li> <li>c. in the amount of \$715,070 from Flood Control and Water Conservation District designated reserves in Fund 1300000000 to fund the Santa Margarita (CSA 23) Atascadero-Garden Farms Emergency Intertie Project and Grant Administration; and</li> <li>d. in the amount of \$360,032 to Flood Control and Water Conservation District Capital Outlay – Infra-Structure for the corresponding appropriation for the Grant Administration efforts.</li> </ol> </li> </ol>			
(6) FUNDING SOURCE(S) Flood Control and Water Conservation District, Fund 1300000000	(7) CURRENT YEAR FINANCIAL IMPACT \$2,348,032	(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>30 min.</u> )			
(11) EXECUTED DOCUMENTS { } Resolutions    { } Contracts    { } Ordinances <b>{X}</b> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1415053 <b>{X}</b> 4/5 Vote Required    { } N/A	

(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: <u>6/17/14</u> , #46
(17) ADMINISTRATIVE OFFICE REVIEW  Emily Jackson		
(18) SUPERVISOR DISTRICT(S) All Districts		

Reference: 14DEC02-BB-1

# County of San Luis Obispo



TO: Board of Supervisors  
FROM: Public Works  
Dean Benedix, Utilities Division Manager  
VIA: Mark Hutchinson, Deputy Director of Public Works  
DATE: 12/2/2014

SUBJECT: Request to: 1) authorize the Director of Public Works to execute sub-grant agreements for State of California Department of Water Resources (DWR) Integrated Regional Water Management (IRWM) Program Grants and execute reimbursement agreements and amendments with participating agencies; 2) authorize associated budget adjustments to distribute \$6,323,610 in grant funds and commit \$715,070 in matching funds; 3) approve the Santa Margarita (CSA 23)-Atascadero Mutual Water Company-Garden Farms Emergency Intertie Project; and 4) adopt an Addendum to the Final Nacimiento Water Project Environmental Impact Report (Clerk's File) pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA). All Districts.

## **RECOMMENDATION**

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

1. Authorize the Director of Public Works to:
  - a. proceed with developing an IRWM Grant Agreement with DWR in accordance with DWR's Conditional Grant Commitment Letter (Attachment "1") and grant allocation recommendation shown in Table 1 below or options included in Attachment "2" or as the Board deems appropriate;
  - b. execute sub-grant agreements, which are to be modeled after the DWR Integrated Regional Water Management Implementation Grant Agreement (Attachment "4") and amendments, for Integrated Regional Water Management Program Grants with agencies leading grant-funded efforts, subject to final approval as to legal form and effect by County Counsel; and
2. Approve the Santa Margarita (CSA 23)-Atascadero Mutual Water Company-Garden Farms Emergency Intertie Project (300536) and adopt an Addendum to the Final Nacimiento Water Project Environmental Impact Report pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA) (Attachment "5");

3. Authorize budget adjustments, by a 4/5 vote:

- a. in the amount of \$6,323,610 to Flood Control and Water Conservation District General Fund 1300000000 to receive and “pass through” \$4,674,325 of the implementation grant funds in accordance with DWR requirements and the sub-grant agreements;
- b. in the amount of \$2,004,323 to Flood Control and Water District Capital Outlay Infra-Structure and the corresponding appropriation for the Santa Margarita (CSA 23) Atascadero–Garden Farms Emergency Intertie Project; and
- c. in the amount of \$715,070 from Flood Control and Water Conservation District designated reserves in Fund 1300000000 to fund the Santa Margarita (CSA 23) Atascadero-Garden Farms Emergency Intertie Project and Grant Administration; and
- d. in the amount of \$360,032 to Flood Control and Water Conservation District Capital Outlay – Infra-Structure for the corresponding appropriation for the Grant Administration efforts.

**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, the Board of Supervisors proclaimed a State of Emergency for the County of San Luis Obispo. Since that time, monthly updates on drought efforts have been provided to the Board. Drought related grant funding 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. On June 17, 2014, the Board approved Resolution 2014-156 authorizing the Director of Public Works or Interim Director of Public Works, or designee (Director), to file an IRWM grant application under this program to fund the following drought emergency projects:

RWMG Score	Individual Projects	Original Grant Request	Original Match Funding <sup>1</sup>	Original Total Project Cost
10	Project 1: CSA 23-AMWC-Garden Farms Emergency Intertie	\$ 1,479,750	\$ 508,250	\$ 1,988,000
10	Project 2: Heritage Ranch CSD Emergency Turnout	\$ 112,500	\$ 37,500	\$ 150,000
9	Project 3: Cambria CSD Emergency Water Supply	\$ 3,750,000	\$ 5,082,946	\$ 8,832,946
9	Project 4: San Simeon Small Scale Recycled Water	\$ 3,515,765	\$ -	\$ 3,515,765
8	Project 5: Nacimiento-Salinas- California Men’s Colony (CMC) Emergency Intertie	\$ 3,058,282	\$ 1,019,428	\$ 4,077,710
	Overall Grant Administration	\$ 270,024	\$ 90,008	\$ 360,032
	Proposal Total	\$ 12,186,321	\$ 6,725,265	\$ 18,924,453

On November 4, 2014, DWR announced that the District’s application was selected to receive 52% of the grant funding requested (\$6,323,610). The purpose of the recommended actions at this time is to take the steps necessary to accept the grant and move the projects forward. The recommendations are illustrated in flow-chart form in Attachment “3” and described below.

<sup>1</sup> San Simeon is considered a Disadvantaged Community and applied for a match funding from the State. Pending approval by State.

## **IRWM Grant Allocation Options and Recommendations**

In response to the reduced grant funding awarded (52% of original grant request) per DWR's Conditional Grant Commitment Letter (Attachment "1") and in accordance with the Regional Water Management Group (RWMG) score, staff worked with project proponents to revise the amount of grant funding recommended for each project as shown in Table 1 below.

Table 1. Recommended Grant Funding Allocation

Individual Projects	Recommended Grant Allocation	Match Funding <sup>1</sup>	Total Project Cost	Notes
Project 1: CSA 23-AMWC-Garden Farms Emergency Intertie	\$ 1,479,750	\$ 508,250	\$ 1,988,000	Original grant request retained by reallocating funding from Project 5
Project 2: Heritage Ranch CSD Emergency Turnout	\$ 112,500	\$ 37,500	\$ 150,000	Original grant request retained by reallocating funding from Project 5
Project 3: Cambria CSD Emergency Water Supply	\$ 2,354,445	\$ 6,478,501	\$ 8,832,946	Reduced grant funding to 62% of original request by reallocating funding from Project 5
Project 4: San Simeon Small Scale Recycled Water	\$ 2,207,380	\$ -	\$ 2,207,380	Reduced project scope and grant funding to 62% of original request by reallocating funding from Project 5
Project 5: Nacimiento-Salinas-CMC Emergency Intertie	\$ -	\$ -	\$ -	Re-allocated grant funding request to Projects 1- 4
Overall Grant Administration	\$ 169,535	\$ 190,497	\$ 360,032	
<b>Proposal Total</b>	<b>\$ 6,323,610</b>	<b>\$ 7,214,748</b>	<b>\$ 13,538,358</b>	

<sup>1</sup> Funding match must be at least 25% of total project cost (San Simeon as a Disadvantaged Community is waived)

In certain cases, project scopes must be reduced in order to complete a project within the financial capabilities of the agency. Reduced-scope projects are subject to DWR approval during the grant agreement development phase. Therefore, Attachment "2" includes other options for grant allocations should project proponents be unable to meet the requirements contained in the Conditional Grant Commitment Letter with a reduced project scope. It is recommended that the Board authorize the Public Works Director, or designee, to proceed with developing an IRWM Grant Agreement with DWR in accordance with the grant allocation recommended in the table above or options as illustrated in Attachment "2" or as the Board otherwise deems appropriate. Should project proponents be unable to meet the requirements contained in the Conditional Grant Commitment Letter, the respective project(s) will not be included in the IRWM Grant Agreement and the grant allocation for the project will be redistributed to the remaining projects in accordance with the options. Some of the options are contingent upon future Board actions associated with the two District-sponsored projects, as discussed in subsequent sections below.

### IRWM Sub-Grant Agreements

As required by the DWR IRWM grant program, Resolution 2014-156 also authorized the Director to execute the grant agreement with DWR, the form of which is included in Attachment "4". Developing

the Implementation Grant Agreement with the State is expected to take several months. Sub-grant agreements with the participating agencies (Heritage Ranch CSD, Cambria CSD and San Simeon CSD) need to be executed in order to transfer funding and the responsibility for complying with applicable provisions in the State Grant Agreement to these participating agencies. Consequently, the sub-grant agreements are to be modeled after and include the applicable provisions of the State Grant Agreement once it is finalized. Authorizing the Director to execute sub-grant agreements is important for efficient administration of the IRWM Program pursuant to DWR guidelines. The final sub-grant agreements are to be approved as to legal form and effect by County Counsel prior to execution.

### ***Nacimiento-Salinas-CMC Emergency Intertie Project***

Under the reduced grant funding scenario, and because it has the lowest-ranked RWMG score, it is recommended that the project not receive grant funding through the current grant round. It is staff's recommendation to reallocate the grant funding to the other projects and pursue full project funding through future grants, loans or funding agreements with the Chorro Valley users (CalFire, California Men's Colony (CMC), California National Guard, County Office of Emergency Services, County Operations Center, County Jails, Cuesta Community College, County Office of Education).

To address the current drought needs of the Chorro Valley users in 2015, the District will use its prior year carry-over water in storage in the State Water system (assuming the State Water Project operates in 2015). In 2016, if the drought continues, it is anticipated that the District's Nacimiento Water can be exchanged with the City of San Luis Obispo for Whale Rock Reservoir Water to supply the Chorro Valley users in 2016, possibly longer, while the District pursues funding for the project.

Option #2 (Attachment "2") of the Recommended Grant Funding does however, include funding a reduced scope of work that would provide just the physical inter-tie between the Nacimiento and Salinas pipelines. This would allow for Nacimiento water, in extreme emergency conditions, to flow through the existing Salinas pipeline (condition unknown at this time) into Chorro Creek then to Chorro Reservoir where it could then be treated at the CMC Water Treatment Plant and delivered to the Chorro Valley users. This would be predicated on addressing environmental concerns associated with the creek and reservoir and operational concerns associated with the water treatment plant. A reduced project scope may not deliver significant drought benefits and would require future phases of work that would also need to be funded before the full benefits of the project could be realized. In addition, DWR has indicated that it is unlikely that future phases of the project would be eligible for IRWM grant funds.

### ***CSA 23-Atascadero Mutual Water Company-Garden Farms Emergency Intertie***

To accept the grant and complete the project, the following actions are necessary:

#### CEQA

An Addendum to the Final Nacimiento Water Project Environmental Impact Report pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA) (Attachment "6") was issued by the Environmental Coordinator on 6/12/2014. The addendum concluded that no new significant impacts would occur as a result of these minor modifications to the original project. Adoption of the

addendum is necessary to satisfy CEQA Requirements for the project.

### District Budget Adjustment

The IRWM grant monies are provided on a reimbursement basis. Therefore, it is necessary to approve, by a 4/5 vote, a budget adjustment to the District General Fund for the full project cost \$2,004,323.

The estimated local match is \$508,250 with an additional \$16,323 of prior costs. Staff is pursuing two potential revenue opportunities to reimburse the District for the majority of the local match cost – a United States Department of Agriculture (USDA) grant or a CSA 23 rate increase. A USDA Grant application was submitted in July 2014 under the Emergency and Imminent Community Water Assistant Grant (ECWAG) program. While preliminary feedback has been encouraging, staff is working with USDA staff to respond to information questions in advance of full grant consideration. If successfully funded, the Grant would provide up to \$500,000 which can be used to reimburse the District the majority of the required local match.

If the USDA Grant is not awarded, a rate increase to repay the match over time would be sought as well as reimbursement from agencies that benefit from the project.

The use of Grant funding on the project would require preparation of a National Environmental Policy Act (NEPA) document. Preliminary field investigations have been completed and will be compiled into the NEPA document in compliance with any USDA funding requirements.

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

Local agencies that have been awarded grant funds through the DWR IRWM Program include the Flood Control District, the Cambria Community Services District, the San Simeon Community Services District, and the Heritage Ranch Community Services District.

The State agency responsible for executing IRWM Grant Agreements is DWR.

An Addendum to the Final Nacimiento Water Project Environmental Impact Report pursuant to Section 21000 et seq. of the California Public Resources Code (CEQA) (Attachment “6”) was issued by the Environmental Coordinator on 6/12/2014 for the CSA 23 – Atascadero Mutual Water Company-Garden Farms inter-tie project.

County Counsel will review the State grant agreement, sub-grant agreements and reimbursement agreement as to legal form and effect, and will provide approval prior to execution.

An operations agreement with Atascadero Mutual Water Company will be pursued in the coming months to provide drought relief water supply to CSA 23.

The San Luis Obispo County Region’s (SLOCo Region’s) Regional Water Management Group (RWMG) via a Memorandum of Understanding (MOU) and the Water Resources Advisory Committee (WRAC) coordinate with the District to develop and implement the SLOCo Region’s IRWM Plan (Plan) and maintain eligibility for IRWM grant opportunities.

### **FINANCIAL CONSIDERATIONS**

The Drought Grant or Proposition 84 Integrated Regional Water Management (IRWM) funding awarded is \$6,323,610. The recommended grant funding allocation supports one County Project in the total amount of \$1,988,000 and prior cost of \$16,323 for a total of \$2,004,323, three other participating agency projects that amount to \$11,190,326, and \$360,032 in grant administration. A budget adjustment is necessary at this time to appropriate the revenue, expenditures and reimbursements to the other agencies.

All funding will be managed in the San Luis Obispo County Flood Control and Water Conservation Fund budget, Fund 1300000000. Once reimbursement agreements are in place, any further necessary funding will be budgeted through the budget process or brought back to your board at a later date.

## **RESULTS**

Authorizing the Public Works Director of San Luis Obispo County to execute sub-grant agreements with participating agencies will facilitate grant administration efforts, and provide grant funding for high priority drought emergency projects identified in the SLOCo Region's IRWM Plan. Therefore, approving the recommendations will contribute to a safe, healthy, livable, prosperous and well-governed community.

File: 900.47.01

Reference: 14DEC02-BB-1

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## **ATTACHMENTS**

1. Conditional Grant Commitment Letter
2. Grant Allocation Options
3. Recommendations Chart
4. Form of IRWM Grant Agreement
5. Addendum to the Final Nacimiento Water Project Environmental Impact Report