

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

(1) DEPARTMENT Public Works	(2) MEETING DATE 4/19/2016	(3) CONTACT/PHONE Wade Horton, Director of Public Works (805) 781-5291	
(4) SUBJECT Request to approve, on behalf of County Service Area 10 Zone A (Cayucos), the Second Amendment to the Nacimiento Project Water Delivery Entitlement Contract between the County of San Luis Obispo and the San Luis Obispo County Flood Control and Water Conservation District and adopt California Environmental Quality Act (CEQA) Findings pursuant to Section 21000 et seq., of the California Public Resources Code. District 2.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Approve and authorize the Chairperson to execute the attached Second Amendment (Full Allocation) to the Nacimiento Project Water Delivery Entitlement Contract between the San Luis Obispo County Flood Control and Water Conservation District (District) and the County of San Luis Obispo, acting on behalf of County Service Area 10, Zone A (CSA 10A) (Cayucos); and</li> <li>2. Acting as a Responsible Agency as defined by CEQA, adopt associated CEQA Findings pursuant to Section 21000 et seq., of the California Public Resources Code; and</li> <li>3. Adopt new Water Management Policies for County Service Area 10, Zone A.</li> </ol>			
(6) FUNDING SOURCE(S) San Luis Obispo Flood Control and Water Conservation District, Fund 130	(7) CURRENT YEAR FINANCIAL IMPACT \$4,700.00	(8) ANNUAL FINANCIAL IMPACT \$4,700.00	(9) BUDGETED? Yes
(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. 20 min)			
(11) EXECUTED DOCUMENTS <input 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: N/A <input type="checkbox"/> 4/5 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: 12/8/15, #20	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) District 2			

Reference: 16APR19-BB-2

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works  
Wade Horton, Director of Public Works

VIA: Mark Hutchinson, Deputy Director of Public Works

DATE: 4/19/2016

SUBJECT: Request to approve, on behalf of County Service Area 10 Zone A (Cayucos), the Second Amendment to the Nacimiento Project Water Delivery Entitlement Contract between the County of San Luis Obispo and the San Luis Obispo County Flood Control and Water Conservation District and adopt California Environmental Quality Act (CEQA) Findings pursuant to Section 21000 et seq., of the California Public Resources Code. District 2.

## **RECOMMENDATION**

It is recommended that the Board:

1. Approve and authorize the Chairperson to execute the attached Second Amendment (Full Allocation) to the Nacimiento Project Water Delivery Entitlement Contract between the San Luis Obispo County Flood Control and Water Conservation District (District) and the County of San Luis Obispo, acting on behalf of County Service Area 10, Zone A (CSA 10A) (Cayucos); and
2. Acting as a Responsible Agency as defined by CEQA, adopt associated CEQA Findings pursuant to Section 21000 et seq., of the California Public Resources Code; and
3. Adopt new Water Management Policies for County Service Area 10, Zone A.

## **DISCUSSION**

### *Background*

In 1959, the San Luis Obispo County Flood Control and Water Conservation District (District) entered into an agreement with the Monterey County Flood Control and Water Conservation District (now the Monterey County Water Resources Agency) to secure rights to 17,500 acre feet<sup>1</sup> of water per year from the Nacimiento Reservoir. The Nacimiento Reservoir has a storage capacity of 377,900 acre feet and, in addition to providing water to the District, serves various other purposes such as flood protection, recreational opportunities and groundwater recharge for the Salinas Valley.

---

<sup>1</sup> One acre foot of water contains 325,851 gallons

The Cities of San Luis Obispo and Paso Robles, the Templeton Community Services District, the Atascadero Mutual Water Company, and the County on behalf of County Service Area 10 Zone A (CSA 10A) (map attached) are the current Nacimiento Project participants. Of the 15,750 acre feet per year of Nacimiento Reservoir water available to the five existing Nacimiento Project participants, (1,750 acre feet is reserved for lakeside users), 9,655 acre feet is subscribed, leaving 6,095 acre feet of unallocated water (termed "Reserve Water" in the Water Delivery Entitlement Contracts).

In 2004, the District certified the Nacimiento Project Final Environmental Impact Report for the Nacimiento Project (FEIR) and entered into like Nacimiento Water Project Delivery Entitlement Contracts with the initial participants (Cities of San Luis Obispo and Paso Robles, Templeton Community Services District and Atascadero Mutual Water Company). In 2006, the District subsequently entered into a Water Delivery Entitlement Contract with CSA 10A.

*Current Proposal*

Article 29, subdivision (B) of the Water Delivery Entitlement Contracts provides for the permanent purchase of Reserve Water by the existing participants. On October 6, 2015, the City of Paso Robles, City of San Luis Obispo, Atascadero Mutual Water Company, and Templeton Community Services District jointly notified the District that they were exercising their rights under Article 6, subdivision (D) of the Water Delivery Entitlement Contracts to apply to the District and acquire additional delivery entitlement (jointly the total 6,095 acre feet of Reserve Water) as provided in Article 29 (letter attached).

After receiving the initial participants' October 6, 2015 letter, the District formally notified all of the other participants (CSA 10A) (in accordance with Article 29) as well as the other entities that were considered for a water entitlement in the 2004 FEIR (EIR Entities) of the application. On December 8, 2015 the Board of Supervisors initiated the process to acquire an additional allocation of Nacimiento Project Water on behalf of County Service Area 10A. Two of the EIR Entities (or their successors in interest), namely the SMR Mutual Water Company (Santa Margarita Ranch) and Bella Vista MHP LLC (successor in interest to the Lewis C. Pollard Family Trust, Cayucos), notified the District of their desire to participate in the purchase of Reserve Water. The initial participants have revised their original request so as to accommodate both the CSA 10A and the EIR Entities participation. Table A below shows the proposed distribution of the 6,095 acre feet of Reserve Water.

<b>TABLE A - Nacimiento Reserve Water Project Participant's Share in Acre Feet of Water Per Year</b>					
<b>Participant</b>	<b>Current Entitlement</b>	<b>Change</b>	<b>New Entitlement</b>	<b>Buy-in-Fee</b>	<b>Distribution of Buy-in-Fee</b>
City of Paso Robles	4,000	2,488	6,488	Existing Participant	\$450,830 credit
City of San Luis Obispo	3,380	2,102	5,482	Existing Participant	\$792,812 credit
Atascadero MWC	2,000	1,244	3,244	Existing Participant	\$377,010 credit
Templeton CSD	250	156	406	Existing Participant	\$30,575 credit
SMR Mutual Water Co.	0	80	80	\$1,458,099	New Participant
CSA 10A	25	15	40	Existing Participant	\$16,739 credit
Bella Vista MHP	0	10	10	\$209,867	New Participant
<b>Total</b>	<b>9,655</b>	<b>6,095</b>	<b>15,750</b>	<b>\$1,667,966</b>	<b>(\$1,667,966)</b>

### *Amendments to Existing Contracts (Full Allocation)*

In accordance with the terms and conditions of Article 29 of the Nacimiento Project Water Delivery Entitlement Contracts, the existing participants have the right to purchase their proportionate share of the Nacimiento Project's unsubscribed Reserve Water (currently a total of 6,095 acre-feet). As indicated above, the other existing participants have elected to exercise this right while at the same time permitting SMR Mutual Water Company and Bella Vista MHP LLC to obtain an entitlement to Nacimiento Project Water in the amounts set forth above. With the completion of these Amendments and the new Nacimiento Project Water Delivery Entitlement Contracts, no Reserve Water will remain.

#### *CSA 10A*

On December 8, 2015, your Board directed the Director of Public Works to:

1. Initiate the process to acquire an additional allocation of Nacimiento Project Water on behalf of County Service Area 10A;
2. Conduct the required analysis and prepare the necessary environmental document(s) pursuant to California Public Resources Code Section 21000 et seq. (CEQA);
3. Coordinate the process with the other Nacimiento Participant agencies and potential new project participants;
4. Prepare water management policies designed to match available water with existing General Plan/Local Coastal Plan policies;
5. Prepare the necessary Water Delivery Entitlement Contract Amendment(s); and
6. Return to the Board at the earliest available and appropriate date for consideration of the CEQA document(s), water management policies, and water entitlement contract changes.

Since that time the following actions have taken place:

1. The process to acquire the additional allocation of water has been initiated and is nearing completion (pending today's requested actions); and
2. The required CEQA analysis and document have been completed (attached); and
3. Public Works staff have been in discussions with the other Nacimiento Participants and the potential new project participants and all parties are prepared to proceed with the necessary contracts and contract amendments; and
4. On February 2, 2016 the Cayucos Citizens Advisory Committee endorsed revised Water Management Policies (attached) for the use of the additional 15 acre feet of water; and
5. The necessary Water Delivery Entitlement Contract Amendment for CSA 10A has been prepared and is attached.

## *Water Management Policies*

CSA 10A joined the Nacimiento Water project in 2006. At that time an analysis of long term water needs for CSA 10A indicated that the addition of 25 acre feet of Nacimiento water to the existing Whale Rock allocation of 190 acre feet would serve the buildout needs of the water service area. Therefore, your Board's direction on December 8 2015 was in response to the understanding that the additional 15 acre feet of Nacimiento water, for a total of 40 acre feet, is above and beyond the community's existing or planned water needs. The recommended Water Management Policies reflect this condition and focus on a desire to build a "drought reserve," and/or the opportunity to sell all or a part of CSA 10A's Nacimiento allocation on a temporary or permanent basis. The policies also reflect the need to be in conformance with existing General Plan and Local Coastal Plan policies and buildout projections.

## *CEQA Requirements*

The attached Addendum to the 2004 Nacimiento Water Project FEIR addresses the potential environmental impacts associated with the addition to two new project participants (SMR Mutual Water Company (Santa Margarita Ranch) and Bella Vista MHP LLC in Cayucos) and the environmental effects that could result from County Service Area 10A in Cayucos increasing its allocation by 15 acre feet.

The Addendum to the FEIR was prepared and noticed to the public in January, 2016 (CEQA does not require an Addendum to a FEIR to be circulated for public comment; this action was optional on the part of the District). The Addendum, comments and responses to comments, and the associated CEQA Findings are attached.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

The existing participants include the Cities of Paso Robles and San Luis Obispo, the Atascadero Mutual Water Company, the Templeton Community Services District and the County on behalf of CSA 10A. Each of the existing participants is aware of the totality of the requested actions, concurs with them, and has executed their agency's Amendment. The SMR Mutual Water Company and Bella Vista MHP LLC also concur with the requested actions and have each executed a Nacimiento Project Water Delivery Entitlement Contract.

The Nacimiento Project Commission, created to provide management oversight of the project and to advise the Board of Supervisors on matters pertaining to the Project, has received regular reports and updates on the full allocation process.

County Counsel has reviewed the Amendment for legal form and effect.

The Cayucos Citizens Advisory Committee has reviewed and endorsed new Water Management Policies.

## **FINANCIAL CONSIDERATIONS**

CSA 10A's annual cost of increasing its Nacimiento Allocation by 15 acre feet is approximately \$4,700; about \$6/year per existing connection. This annual cost can be met by a reduction in the rate of annual contributions to CSA 10A's reserve fund and/or new water customers as buildout occurs, and will therefore not result in a rate increase to customers.

## **RESULTS**

CSA 10A's participation in the full allocation of Nacimiento Reserve Water will provide the community with a more secure water future by providing additional water management options, thereby contributing to a healthy and well governed community.

## **ATTACHMENTS**

1. Vicinity Maps
2. Addendum No. 3 to the Final Environmental Impact Report for the Nacimiento Water Project
3. CEQA Findings for the Nacimiento Project Water Delivery Entitlement Contract between the District and the County of San Luis Obispo, acting on behalf of County Service Area 10, Zone A
4. Second Amendment (Full Allocation) to the Nacimiento Project Water Delivery Entitlement Contract between the District and the County of San Luis Obispo, acting on behalf of County Service Area 10, Zone A
5. County Service Area Number 10, Zone A Nacimiento Water Policies

File: CF 23.190

Reference: 16APR19-BB-2

L:\Management\2016\April\BOS\NWP Amend CSA 10A\2016.04.19 CSA 10A NWP Amend 2 brd ltr.docx MH,jm:jb