

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

(1) DEPARTMENT Public Works	(2) MEETING DATE 5/24/2016	(3) CONTACT/PHONE Courtney Howard, Water Resources Division Manager (805) 781-1016	
(4) SUBJECT Receive an update and provide direction 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 County of San Luis Obispo (County) and for the San Luis Obispo County Flood Control and Water Conservation District (District): <ol style="list-style-type: none"> <li>1. Receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy adopted by the County and District;</li> <li>2. Provide direction on amending the SGMA Strategy to align the approach for the Paso Basin with the approach adopted for the other high and medium priority basins; and</li> <li>3. Support the Paso Robles Area Subbasin boundary modification request proposed by the Monterey County Water Resources Agency (MCWRA) and direct the Public Works Director to prepare and provide a letter of support to the MCWRA.</li> </ol>			
(6) FUNDING SOURCE(S) Flood Control General Fund (1300000000)	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(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. 180 minutes)			
(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"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A    Date: 1/13/2015, #22	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) All Districts			

Reference: 16MAY24-BB-1

## County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works  
Courtney Howard, Water Resources Division Manager  
Carolyn K. Berg, Senior Water Resources Engineer

VIA: Wade Horton, Director of Public Works  
Mark Hutchinson, Deputy Director of Public Works

DATE: 5/24/2016

SUBJECT: Receive an update and provide direction 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 County of San Luis Obispo (County) and for the San Luis Obispo County Flood Control and Water Conservation District (District):

1. Receive an update on the implementation of the Sustainable Groundwater Management Act (SGMA) Strategy adopted by the County and District;
2. Provide direction on amending the SGMA Strategy to align the approach for the Paso Basin with the approach adopted for the other high and medium priority basins; and
3. Support the Paso Robles Area Subbasin boundary modification request proposed by the Monterey County Water Resources Agency (MCWRA) and direct the Public Works Director to prepare and provide a letter of support to the MCWRA.

### **DISCUSSION**

With the exception of areas within certain special act districts or subject to county ordinances or court orders resulting from the adjudication process, groundwater management in California prior to 2015 was primarily limited to voluntary management. Agencies and other basin users could come together to define basin management objectives and strategies, but often had limited authorities to require that all basin users adhere to such goals and actions. For example, implementing limitations on groundwater extractions under the AB 3030 management approach was prohibited unless alternatives proved insufficient or infeasible.<sup>1</sup> Locally, the question of appropriate basin management representation was in the early stages of discussion at the community level, particularly in unincorporated basin areas where no water supply or management organization existed. The Sustainable Groundwater Management Act (SGMA), passed in 2014 and effective on

<sup>1</sup> Water Code Section 10750.1 prohibits the adoption of a new or renewal of an existing AB 3030 Plan, instead requiring that a new Groundwater Sustainability Plan be prepared and adopted pursuant to SGMA.

January 1, 2015, substantially changed California groundwater management. Stressing the importance of protection and integrated management of surface and underground water resources, SGMA states:

*“When properly managed, groundwater resources will help protect communities, farms, and the environment against prolonged dry periods and climate change, preserving water supplies for existing and potential beneficial use. [...] [But] groundwater management will not be effective unless local actions to sustainably manage groundwater basins and subbasins are taken.”*<sup>2</sup>

SGMA provides new statutory authority related to groundwater use and the creation of new groundwater management agencies. More specifically, SGMA includes new financial and enforcement tools to carry out effective local sustainable groundwater management through formation of one or more Groundwater Sustainability Agencies (GSAs) and the development and implementation of one or more Groundwater Sustainability Plans (GSPs). GSAs and their respective GSPs are required to ensure basins are managed sustainably within 20 years of GSP adoption and mitigate or avoid undesirable results.<sup>3</sup>

If GSAs are not formed, SGMA provides that counties can opt to serve as the GSA. This decision must be made prior to June 30, 2017, the deadline for GSA formation. Moreover, SGMA provides the State with authorities to intervene if GSA(s) are not established over the entire basin and/or if GSA(s) fail to develop and/or implement GSP(s) that comply with SGMA and related regulations.

The following highlights key dates for SGMA implementation:

When	Who	What
6/1/2016	DWR	Adopt GSP regulations
Early 2017	DWR	Update Bulletin 118 boundaries/ re-prioritize basins
6/30/2017	Local	Establish GSA(s)
1/31/2020 or 1/31/2022	GSA(s)	Adopt GSPs and initiate GSP implementation
1/31/2040 or 1/31/2042	GSA(s)	Achieve groundwater sustainability goals

In February 2016, the Department of Water Resources (DWR) published *Draft Emergency Regulations for Groundwater Sustainability Plans and Alternatives*,<sup>4</sup> which provide detailed requirements for GSP development and implementation. These draft regulations improve local understanding of what it means to “comply with SGMA.” These regulations must be adopted by June 1, 2016.

### **Areas Subject to SGMA**

Recognizing the infeasibility of achieving sustainable groundwater management in all of California’s 515 basins and subbasins at the same time, SGMA requirements currently only apply to high and medium priority basins (as determined by DWR). DWR prioritized basins based on the

<sup>2</sup> Section 1(a)(4) and (7) of the uncodified findings and declarations of SGMA.

<sup>3</sup> Water Code 10721(x) defines “undesirable result” as one or more of the following effects caused by groundwater conditions occurring throughout the basin: (1) chronic lowering of groundwater levels, (2) significant and unreasonable reduction of groundwater storage, (3) significant and unreasonable seawater intrusion, (4) significant and unreasonable degraded water quality, (5) significant and unreasonable land subsidence, and (6) depletions of interconnected surface water that has significant and unreasonable adverse impacts on beneficial uses of the surface water.

<sup>4</sup> Pursuant to Water Code 10733.2, by June 1, 2016, DWR shall adopt regulations that identify necessary GSP components, and define requirements for implementation of GSPs, coordination agreements, and evaluation of GSPs. To access the draft regulations and/or DWR’s related guidebook intended for the public and decision makers, visit: <http://www.water.ca.gov/groundwater/sgm/gsp.cfm>.

importance of groundwater as a source to help meet urban and agricultural demands. Pursuant to Water Code Section 10933, DWR's prioritization is based on various factors including: overlying population, projected growth of overlying population, number of public supply wells, total wells in a basin, overlying irrigated acreage, reliance on groundwater as a primary source, impacts on groundwater, and any other information DWR deems relevant. Based on DWR's 2014 Final Basin Prioritization, there are 127 high and medium priority groundwater basins in California. The 127 priority basins account for 96% of California's annual groundwater pumping and supply 88% of the population residing over groundwater basins. Five high and medium basins are located in whole or in part in San Luis Obispo County: San Luis Obispo (Edna) Valley (medium), Cuyama Valley (medium), Santa Maria (high), Los Osos (high), and Paso Robles (high).

Furthermore, SGMA recognizes that existing conditions (e.g. chronic lowering of groundwater levels, seawater intrusion) warrant faster action to mitigate impacts of unsustainable basin uses and requires DWR to assess groundwater basins statewide to determine which are subject to critical conditions of overdraft.<sup>5</sup> In 2016, DWR deemed 21 basins in conditions of critical overdraft, including three basins located in whole or in part in San Luis Obispo County: Cuyama Valley, Los Osos, and Paso Robles.

SGMA requires high and medium priority basins subject to critical conditions of overdraft to be managed under a GSP or coordinated GSPs by January 31, 2020 (Water Code § 10720.7(a)(1)), and requires all other groundwater basins designated as high or medium priority basins to be managed under a GSP or coordinated GSPs by January 31, 2022 (Water Code § 10720.7(a)(2)). SGMA does not require specifically identified adjudicated areas of basins to develop GSPs, but such areas are required to report their aggregate water use.<sup>6</sup> It is important to note that the other 17 basins in San Luis Obispo County designated as low or very low priority are not required to implement SGMA at this time, but are encouraged to work towards sustainable management.

### **Local SGMA Strategy and Phases of Implementation**

SGMA seeks local groundwater management through newly established GSA(s), made up of eligible local agencies (e.g. counties, cities, community services districts), mutual water companies and water corporations regulated by the Public Utilities Commission. On January 13, 2015, the Board, as both the County and District, adopted a SGMA Strategy<sup>7</sup> aimed at helping local basins move towards SGMA compliance, and directed staff to implement the policy as written. The overarching strategy seeks to:

***Establish community focused GSAs based on cooperative interagency and stakeholder relationships in order to comply with SGMA requirements.***

The strategy focuses first and foremost on building GSAs with willing and eligible partner agencies. GSAs should be organized with the understanding that all other actions required under SGMA will be accomplished by the GSA and implementation of its GSP. The following depicts the strategy's near-term approach and anticipated sources of funding and resources:

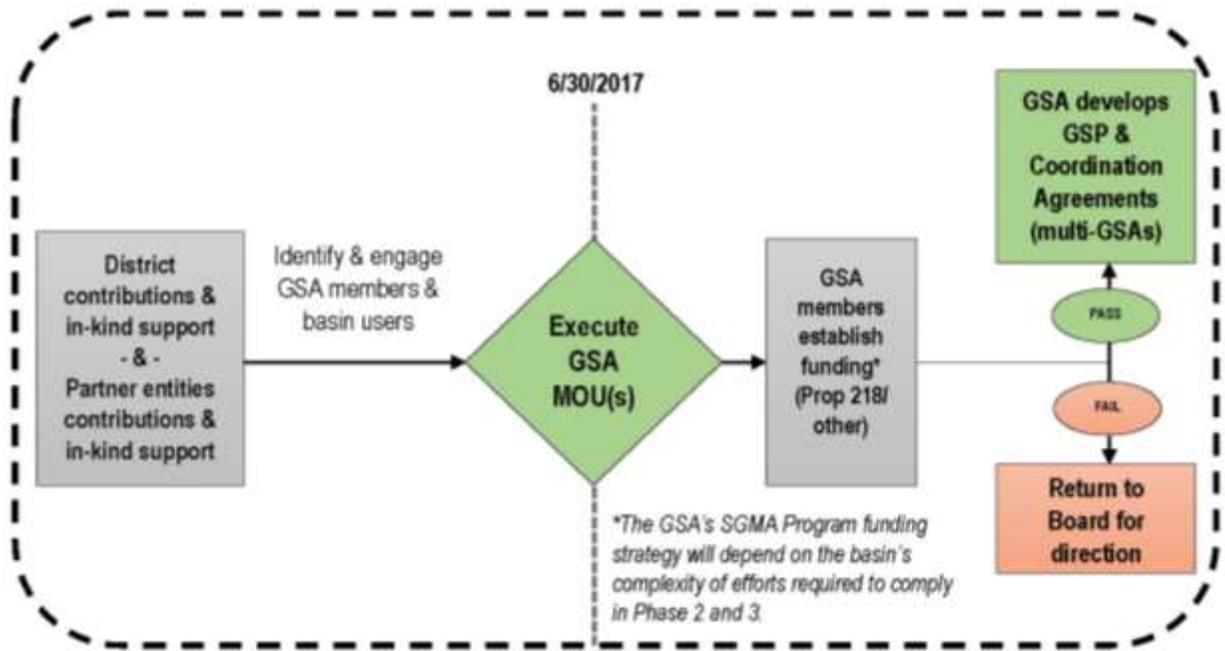
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<sup>5</sup> Bulletin 118 (2003) provides that "[a] basin is subject to critical conditions of overdraft when continuation of present water management practices would probably result in significant adverse overdraft-related environmental, social, or economic impacts."

<sup>6</sup> Pursuant to Water Code 10720.8(a)(18), SGMA does not apply to the adjudicated areas of Santa Maria Valley Basin subject to certain requirements but requires annual reporting to DWR. Similarly, pursuant to Water Code 10720.8(d), SGMA does not apply to the areas of Los Osos Groundwater Basin at issue in *Los Osos Community Services District v. Southern California Water Company [Golden State Water Company] et al.* subject to certain requirements (Court adopted order approving Stipulated Judgment on October 14, 2015).

<sup>7</sup> Adopted SGMA Strategy is available at

<http://agenda.slocounty.ca.gov/agenda/sanluisobispo/Proposal.html;jsessionid=C9A88870EF76B0C7209C2DE907F0A7CD?select=4221>.



The strategy acknowledges that each GSA may have a unique structure, defined by the needs and interests of each participating entity and the community served and/or represented by each entity. Likewise, the GSP will be defined by conditions present in each basin, along with the benefits provided by that groundwater supply. Therefore, the strategy acknowledges that there is no “one size fits all” for GSAs or GSPs. While the approaches in each basin may differ, each basin and its GSA(s) must conduct significant efforts in the following three key areas, and establish related funding and management on an ongoing basis:

1. Governance, Administration and Coordination
2. Monitoring, Data Improvements and Reporting
3. Technical Studies, GSP Development, and Refinements

The following outlines these efforts in the context of major phases of SGMA compliance:

<b>Phase 1 – Partners Negotiate Governance/ Funding Agreement(s); Form GSA:</b>	
<b>1/13/2015 – 6/30/2017</b>	
<b>Governance, Administration and Coordination</b>	
<ul style="list-style-type: none"> <li>• Understand SGMA regulations</li> <li>• Submit basin boundary revision request, if justified</li> <li>• Understand stakeholders/ representation</li> <li>• Coordinate amongst agencies eligible to form GSA on governance, representation and approach to SGMA compliance</li> <li>• Develop and execute initial agreement amongst any partnering agencies planning to form a GSA(s)</li> <li>• GSA notice submittal by eligible agencies (separate notice for each GSA, if multiple GSAs)</li> </ul>	
<b>Monitoring, Data Improvements and Reporting</b>	
<ul style="list-style-type: none"> <li>• Existing local and county-wide monitoring and reporting programs</li> </ul>	
<b>Technical Studies, GSP Development and Refinements</b>	
<ul style="list-style-type: none"> <li>• Current and grant-funded technical studies</li> </ul>	

<p><b>Phase 2 – GSA Develops Basin Sustainability Goals and Actions/ GSP:</b> 7/1/2017 – 1/31/2020(22)</p>
<p><b>Governance, Administration and Coordination</b></p> <ul style="list-style-type: none"> <li>• Establish ongoing revenue source (e.g. Prop 218 process, cost sharing by partners)</li> <li>• Engage stakeholders through advisory committee(s) and public process</li> <li>• Formally establish single GSA (unless already completed in Phase 1)* or establish more formal Coordination Agreement in the case of multiple GSAs/GSPs (to ensure same assumptions/ data, and showing DWR how GSPs/ GSAs work together to achieve sustainability)</li> </ul> <p><i>*Anticipates that before GSP completion (that establishes implementation strategies, funding needs and authorities), the GSA would be formally established under a joint powers agreement (JPA).</i></p>
<p><b>Monitoring, Data Improvements and Reporting</b></p> <ul style="list-style-type: none"> <li>• Existing local and county-wide monitoring and reporting program</li> <li>• Establish monitoring sites and programs that will fulfill the required GSP content</li> <li>• Identify data gaps and plan to fulfill these in Phase 3 (GSP implementation)</li> </ul>
<p><b>Technical Studies, GSP Development and Refinements</b></p> <ul style="list-style-type: none"> <li>• Conduct studies and models that will fulfill the required GSP content</li> <li>• Negotiate to determine the actions necessary to ensure sustainability by 2040/42</li> <li>• Write the GSP, describing basin conditions, sustainability goals, implementation strategies, etc.</li> </ul>
<p><b>Phase 3 – GSA Funds Actions, Monitors, Reports and Adapts:</b> 2/1/2020(22) – 1/31/2040(42)</p>
<p><b>Governance, Administration and Coordination</b></p> <ul style="list-style-type: none"> <li>• Funding of actions identified in the GSP to achieve sustainability</li> <li>• Ongoing administrative activities</li> <li>• Ongoing engagement of stakeholders through advisory committee(s) and public process</li> </ul>
<p><b>Monitoring, Data Improvements and Reporting</b></p> <ul style="list-style-type: none"> <li>• Ongoing data collection and management, monitoring improvements</li> <li>• Annual reporting of basin conditions and progress towards achieving goals to DWR</li> <li>• GSP updates at least every five years</li> </ul>
<p><b>Technical Studies, GSP Development and Refinements</b></p> <ul style="list-style-type: none"> <li>• Respond to DWR’s evaluation of GSPs for substantial compliance and assessment of GSP(s)’s potential to achieve sustainability during the first two years of implementation</li> <li>• Implementation of actions identified in the GSP to achieve sustainability</li> </ul>

**SGMA Strategy Implementation in Priority Basins**

The summary of efforts required above is generally applicable to each basin. However, since there is no “one size fits all” for GSAs or GSPs, the following provides an overview of the efforts underway in each basin in the County subject to SGMA, as well as notes on complexities specific to that basin.

***San Luis Obispo Valley Groundwater Basin (Basin No. 3-9):  
Designation by DWR: Medium Priority***

Staff of known, eligible agencies/ participants, including the County, City of San Luis Obispo, Golden State Mutual Water Company, Edna Valley Mutual Water Company, Varian Ranch Mutual Water Company and Edna Valley Growers Mutual Water Company, have held several meetings to discuss GSA formation and SGMA implementation. The representatives are currently developing an outreach

plan for engaging basin users throughout 2016/2017, and a concept for an initial GSA formation agreement. At this point, it is anticipated that this basin would form a single GSA, with supporting advisory groups to ensure basin users are represented.

Challenges in this basin include constraints on groundwater availability such as: physical limitations, water quality issues, and environmental demands. This basin also has the challenge of limited data and few detailed technical studies. Fortunately, the County was recently awarded \$154,300 to develop a basin characterization and install up to two dedicated monitoring wells, which will provide foundational resources for GSP development. To-date, a groundwater management plan has not been developed.

Tasks remaining to establish GSA (conducted by in-kind services of partner agencies) include:

- Develop an outreach plan, seek State-facilitation services and engage basin users
- Develop governance structure, funding plan and GSA agreement(s)
- Eligible GSA agencies consider executing GSA agreement(s); Establish GSA

***Cuyama Valley Groundwater Basin (Basin No. 3-13):  
Designation by DWR: Medium Priority, Condition of Critical Overdraft***

Santa Barbara County Water Agency (SBCWA) staff are leading the effort to engage known, eligible agencies/ participants, including the Cuyama Community Services District, Counties of San Luis Obispo, Santa Barbara, Kern, and Ventura, and representatives of a potential California Water District. Discussions to-date focused on GSA formation, proposed boundary modifications and plans for engaging basin users throughout 2016/2017. At this point, it is anticipated that this basin would form a single GSA, although details of representation have not been discussed.

DWR designated Cuyama Basin as being in a condition of critical overdraft due to chronic lowering of groundwater levels (previously identified in DWR's 1980 Bulletin 118 Report) – thus, the GSP will be due by January 31, 2020. The SBCWA and the United States Geologic Survey conducted a comprehensive study of the water resources in the Cuyama Valley and developed an integrated hydrologic model. The study and model were ultimately completed by 2015. SBCWA used this data as the basis for a scientific boundary modification request to DWR, for which the Board provided resolutions of support at the February 9, 2016 meeting. The areas of study and model may need to be expanded if the basin boundary revision request is not approved. To-date, a groundwater management plan has not been developed.

Tasks remaining to establish GSA (led by SBCWA, support by in-kind services of partner agencies) include:

- Verify updated Bulletin 118 basin boundary to understand required area for compliance
- Develop an outreach plan and engage basin users
- Develop governance structure, funding plan and GSA agreement(s)
- Eligible GSA agencies consider executing GSA agreement(s); Establish GSA

***Santa Maria Valley Groundwater Basin (Basin No. 3-12):  
Designation by DWR: High Priority***

SGMA does not apply to the portion of the Santa Maria basin that is at issue in the litigation (“adjudicated area”) provided that certain requirements are met. The adjudicated areas cover a majority of the basin, and are managed by the Northern Cities Management Area, Nipomo Mesa

Management Area, and the Santa Maria Valley Management Area. However, there are multiple “fringe areas” within San Luis Obispo County located outside of the adjudicated areas, which are required to comply with SGMA. These include Pismo Creek Valley (east of Highway 101), the upper Arroyo Grande Creek Valley (east of Highway 101), the Nipomo Valley (East of Highway 101), the Southern Bluffs (south of Highway 166 overlooking the Santa Maria River), and the Cuyama River Valley below Twitchell Dam. Each area presents its own unique set of stakeholders, land uses, challenges and opportunities, and each is geographically separate from the other fringe areas. In addition, “fringe areas” exist in the Santa Barbara County portion of the basin. Given this complexity, County staff is working with the State Water Resources Control Board to set up State-funded facilitation services to help with engagement in the fringe areas and development of a community-supported GSA.

In addition to the challenge of managing five distinct fringe areas, the upper Arroyo Grande Creek Valley must eventually develop a GSP that integrates the operation of Lopez Dam, compliance with water rights associated with the dam, and the upcoming Habitat Conservation Plan. To-date, a groundwater management plan has not been developed.

Tasks remaining to establish GSA(s) (conducted largely by County, as primary jurisdiction over “fringe areas” in San Luis Obispo County) include:

- Develop an outreach plan, seek State-facilitation services and engage basin users
- Develop governance structure, funding plan and GSA agreement(s)
- Eligible GSA agencies consider executing GSA agreement(s); Establish GSA

### ***Los Osos Valley Groundwater Basin (Basin No. 3-8):***

#### ***Designation by DWR: High Priority, Condition of Critical Overdraft***

SGMA does not apply to the portion of the Los Osos basin that is at issue in the litigation (“adjudicated area”) provided that certain requirements are met. On October 14, 2015, the Court signed an order approving the Stipulated Judgment and the Basin Management Plan for the Los Osos Groundwater Basin (Basin Plan). The County and three local water purveyors (Golden State Water Company, Los Osos Community Services District, and S&T Mutual Water Company) participate on a Basin Management Committee (BMC). The BMC is tasked with implementing the Stipulated Judgment and the Basin Plan. The County, on behalf of the BMC, submitted a scientific boundary modification request to DWR that also aligns with the boundaries of the adjudicated area. It is anticipated that the BMC will lead basin management pursuant to the Basin Plan.

DWR designated the Los Osos Basin as being in a condition of critical overdraft due to significant and unreasonable seawater intrusion. While SGMA does not apply to the basin’s adjudicated area, the BMC is required to submit annual reporting of its basin management efforts. The local agencies/purveyors developed a related integrated hydrologic model and as noted above, produced a Basin Plan. If DWR adopts the proposed boundary change, it is unlikely that a GSP would be required for this basin. Instead, basin users would focus on implementing the existing, court-approved Basin Plan. However, if the boundary change is not approved, portions of the basin would require both a GSA and a GSP.

Tasks remaining to understand whether a GSA must be established (conducted largely by County, as primary jurisdiction over areas outside of adjudicated area) include:

- Verify updated Bulletin 118 basin boundary to understand required area for compliance.

**Salinas Valley Groundwater Basin – Paso Robles Area (“Paso Basin,” Basin No. 3-4.06):  
Designation by DWR: High Priority, Condition of Critical Overdraft**

Consistent with past Board direction, staff developed an Assembly Bill (AB) 2453 Paso Robles Basin Water District formation application, conducted SGMA/ AB 2453 education efforts to over 1,700 individuals throughout the basin, and conducted both the formation and special tax funding (for SGMA compliance) mail ballot elections in March 2016. As both the AB 2453 formation and special tax elections failed, the water district was not formed and a funding source for SGMA compliance was not established. As with other local basins, this leaves some question as to how basin users and landowners in the unincorporated area want to be represented in the SGMA process moving forward.

Staff understands that other eligible agencies/ participants, including the City of Paso Robles, Monterey County, Templeton Community Services District, San Miguel Community Services District, Atascadero Mutual Water Company, and others have had preliminary discussions on possible GSA formation and basin boundary modifications. Monterey County Water Resources Agency recently submitted a jurisdictional basin boundary modification request to DWR, to create a subbasin at the county line. This modification request is intended to improve basin management and flexibility amongst partners, hence staff's recommendation to support the request. At this point, it is unknown whether one or more GSAs will be formed and what the details of representation for basin users will be.

From a technical perspective, DWR designated Paso Basin as being in a condition of critical overdraft due to chronic lowering of groundwater levels – thus, the GSP will be due by January 31, 2020. Various studies have been conducted that will provide a foundation for GSP development such as the groundwater basin model, supply options study, and a salt and nutrient management plan (water quality). The County was recently awarded \$34,950 to develop a recharge siting feasibility study for Huer Huerdo Creek, which will help to fill a data gap for the GSP development. It is important to note that certain agencies overlying the Paso Basin adopted a groundwater management plan in 2011, in accordance with AB 3030 (under which action was voluntary, and content requirements were minimal). While it may serve as a starting point for basin users, the GSP Regulations will require substantial work to develop a compliant GSP, approved by GSA(s) and basin users. It is anticipated that during the initial GSA formation process, agencies' /participants' representatives would produce a draft outline of what will be required to develop a GSP.

Unless amended, the SGMA Strategy currently directs staff to focus on the AB 2453 formation process and ongoing technical studies. Staff seeks Board direction on amending the SGMA Strategy to align the Paso Basin approach with the approach adopted for the other high and medium priority basins.

Tasks remaining to establish GSA (conducted by in-kind services of partner agencies, including County if SGMA Strategy is amended and staff is directed to participate) include:

- Develop an outreach plan, seek State-facilitation services and engage basin users
- Develop governance structure, funding plan and GSA agreement(s)
- Eligible GSA agencies consider executing GSA agreement(s); Establish GSA

## **Future Updates on SGMA Strategy Implementation**

In each of the basins discussed above, agencies and other potential participants, including the County and District, will have to decide if and how they want to participate, execute a memorandum of agreement (or other legal agreement), and declare themselves as the GSA. Concurrently, stakeholders may decide to organize themselves, and would need to engage in the GSA formation discussions. Staff anticipates having more clarity on the direction each basin is headed after: (1) DWR publishes its recommended Bulletin 118 Basin Boundary Modification, thus defining where SGMA compliance will be required, and (2) further discussions occur between eligible agencies/participants, and interested basin users, on the preferred approach in each basin. Staff intends to return to the Board in October 2016, following DWR's publication of its recommended revised basin boundaries, to provide a refined discussion of GSA formation.

## **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 key members of a GSA, stakeholder outreach requirements, coordination requirements, and the practical realities of preparing a GSP, require the involvement of the entire community.

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**

Staff developed initial annual cost estimates for basin-wide compliance in the five high and medium priority basins during Phases 1 and 2 (Attachment 1). These initial estimates do not reflect potential cost sharing amongst future GSA(s) in a basin, and include certain assumptions for each basin's governance and coordination needs that would be refined in coordination with partners in each basin.

### **Phase 1: Partners Negotiate Governance/Funding Agreement; Form GSA (2015 – 2017)**

District costs associated with initiating implementation of the District and County SGMA Strategy Phase I efforts described above are funded in the approved FY 2015/16 budget (approximately \$562,000). The proposed FY 2016/17 Special District Budget, which includes the Flood Control General (FCG) fund, was introduced to the Board on May 17, 2016, and includes a similar budget allocation for continuing these initial efforts (approximately \$639,000). The other agencies eligible to become, or participate in, a GSA will also likely utilize funding available within their budgets. It is anticipated that these in-kind efforts, with the support of grants and/or facilitation services available from State agencies, will cover costs associated with Phase I efforts to develop governance and funding agreements to form GSAs (as further described in the table and status updates for each basin above, and Attachment 1).

Each GSA's SGMA funding strategy (e.g. new funding source or joint funding amongst partners) will depend on the basin's complexity of efforts required to comply in Phases 2 and 3. Each GSA's funding strategy will be necessary, as it is anticipated that Phases 2 and 3 governance, planning and implementation efforts will exceed any one partner agency's existing budgeted resources.

Incidentally, the District does not have existing budget to fund all of the required efforts in priority basins.

Staff anticipates returning to the Board with the negotiated GSA Agreement(s) that identify each GSAs' proposed governance structure and approach to funding.

### **Phase 2: GSA Develops Basin Sustainability Goals & Actions/ GSP (2018 – 2020/22)**

Depending on the conditions in the basin and complexity of achieving sustainability, initial Phase 2 estimates range from \$920,000 to \$2.1 million per basin per year (or \$4.7 million to \$7.4 million per basin for total Phase 2 costs). Because the GSAs' funding strategies will not be known until the end of Phase 1, cost estimates assume each GSA would conduct Prop 218 processes to cover ongoing basin management, as one of its first Phase 2 actions. During the Prop 218 process, GSA members (including the County, if it chooses to join GSA(s) in Phase 1) will need to consider equity and the principle that the benefit of a service should be paid for by the beneficiaries.

It is important to note that SGMA does not supersede Article XIII A, C or D of the California Constitution (Propositions 13, 218 and 26) which together create a classification system for revenue-generating measures promulgated by local government entities and impose various classification-specific approval requirements. Therefore, pursuit of funding by GSAs would need to be conducted consistent with all such constitutional requirements.

### **Phase 3 - GSA Funds Actions, Monitors, Reports & Adapts (2020/22 – 2040/42)**

Phase 3 begins upon GSA(s) adoption (and DWR's approval) of GSP(s) by 2020 or 2022. Each GSA's SGMA Program Phase 3 funding strategy will vary depending on the complexity and number of projects and strategies identified in its respective GSP(s).

Attachment 2 presents a conceptual budget and description of how the FCG fund (derived from the FY 2016/17 Special District Budget request) and associated work programs support 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. Since many water resource related needs exist, staff intends to return to the Board in Fall 2016 with recommended policies on use of the FCG operating budget. Issues to be addressed include sustainable funding for operating at desired service levels, potential future conditions and considerations for reserve levels.

## **RESULTS**

The SGMA Strategy, and any potential amendments, will continue to provide a foundation for all actions and activities necessary to comply with SGMA, provide other agencies and the public a clear statement regarding the Board's intentions for its level of involvement, coordination and financial support of SGMA implementation in high and medium priority basins, and provides direction to County staff, thereby contributing to a well governed community.

## **ATTACHMENTS**

1. Initial Cost Estimates for SGMA Compliance & Implementation
2. Conceptual Flood Control District Annual Operating Budget and Its Support of SGMA Implementation by GSAs

File: CF 340.300.01 SGMA

Reference: 16MAY24-BB-1

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