



Notice of Meeting

STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Friday, September 2, 2022 – 10:00 to 11:30 AM

County Government Center, Rm. D361

1055 Monterey Street, San Luis Obispo, CA 93408

Virtual Option (Audio Only): Phone: +1 831-296-4487; Conference ID: 372 152 515#

For agenda packet attachments and more information: <https://www.slocounty.ca.gov/Departments/Public-Works/Committees-Programs/State-Water-Project-and-Subcontractors-Advisory-Co.aspx>

Chair: Ben Fine (Pismo Beach)

Vice Chair: Brad Hagemann (Avila Beach CSD)

AGENDA

1. **Call to Order** – Roll Call & Quorum Count
2. **Public Comment** (*For matters within the Committee's jurisdiction. May be limited to three minutes each.*)
3. **Review of Last Meeting's Minutes** – Approve minutes from March, May, and July 2022.
4. **Reports from the District** – for Information Only
 - A. Water Supply & Operations Report
 - B. Emergency Water Concept – Update on Proposed Transfer with CCWA
 - C. Continued Discussion on Subcontracts & District's Unsubscribed Allocation
 - D. Update on Contract Extension
 - E. Update on Delta Conveyance Project
 - F. Update on Committee Membership
5. **Committee Action Items** – None
6. **Future Agenda Items**
7. **Date of Next Meeting:** SWSAC Regular Meeting -- Nov 4, 2022, at 10:00 AM.
8. **Adjournment**

Attachments

1. Agenda Item 3 – Draft Minutes – March, May, and July 2022
2. Agenda Item 4.A – Staff Report
3. Agenda Item 4.D – Staff Report
4. Agenda Item 4.F – Staff Report

CONTACT: Please contact SWSAC Secretary, Wes Thomson, with any questions: wthomson@co.slo.ca.us or (805) 781-5252.

All Americans with Disabilities Act (ADA) accommodations shall be promptly reviewed and resolved. Persons who require accommodations for any audio, visual or other disability to review an agenda, or to participate in the meeting per the ADA, are encouraged to request such accommodation 48 hours in advance of the meeting.

The purpose of the Committee is, "to monitor all aspects of this agreement and related agreements and to advise the governing bodies of District and Contractor on the functioning of this agreement and related agreements, and to recommend to the governing bodies of District and Contractor any modifications to said agreements that may, from time to time, be appropriate."
(Art. 31, Water Supply Agreement, 1992)

County Gov't Center, Rm. D361 w/Hybrid Web-conference Option
Friday, March 4, 2022

MINUTES (DRAFT)
STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

Chairperson: Ben Fine
Vice Chairperson: Brad Hagemann (absent)
Secretary: Wes Thomson

The following action minutes are listed as they were acted upon by the State Water Subcontractors Advisory Committee (SWSAC) and as listed on the Regular Meeting agenda for **March 4, 2022**, together with staff reports and related documents attached thereto and incorporated therein by reference.

I. Call to Order & Roll Call (Quorum Count)

Call to order at approx. 10:00 AM; a quorum was established. B. Fine serving as chair.

II. Public Comment

B. Fine announced that The City of Pismo Beach Council approved the MOA for Central Coast Blue, and WSC is contracted for the project's program management and design.

III. Review of Last Meeting's Minutes

Committee approved January 7th meeting minutes with minor update to correctly identify member Michael Fitzpatrick on agenda items IV.F and VI.A.

IV. Reports from the District

A. Water Operations Report

W. Thomson reported that the current 2022 SWP allocations are still at 15%, equating to 3,750 AF of Table A, or about 85% of what is scheduled for delivery for the subcontractors. The balance will be made up with stored carryover from San Luis Reservoir. The State Climatologist mentioned that it has been the driest January/February to date since 2013, although there is still a possibility for more rain in Northern California.

B. Emergency Water Concept – Proposed Transfer with CCWA

Kate Ballantyne presented an "emergency water concept" that District staff will to the County Board during the upcoming drought update on March 15th. The transfer opportunity would consist of a water transfer to CCWA, providing them with 1,000 AF of the District's unsubscribed water, currently stored at SLR. In exchange, CCWA would treat and deliver an additional 1,000 AF of water for the District. This transfer is being pursued as a drought mitigation strategy that will bring water into the County from other sources. There would be no financial exchange required to make the transaction, and the idea is that the water could be made available to the subcontractors or others within the County. M. Fitzpatrick asked for clarification on the benefits to CMC from this exchange. K. Ballantyne clarified that this is an opportunity for the District's unallocated supply to be put to good use within the County in addition to fulfilling its regular delivery commitments to the subcontractors. This strategy

would allow the District to be better positioned to respond in an emergency. W. Clemens expressed his support in that this opportunity allows for more water to be taken out of SLR and used to address local needs or help agencies reduce demand on local sources. M. Fitzpatrick clarified that the water would be treated and not able to be sent to Lopez. K. Ballantyne added clarification to note that the agency that receives the water would be responsible for costs of treatment and delivery. Jeff Edwards from the public commented that there should be more than just an emergency or short-term agreement negotiated transfer since there is additional capacity that could be used to support increased deliveries to the County.

C. Review of Drought Buffer Options

W. Thomson gave an update on drought buffer options. Drought buffer is used to secure availability of supply for local delivery contracts. Current costs are about \$175/AF, which is basically covers the cost that the District pays for the unsubscribed allocation. Drought buffer contracts can be amended (increased or decreased), and they serve to secure additional supply for a subcontractor which in turn helps to address the inherent uncertainty of the SWP's annual new water supply allocation that varies year to year. Pismo Beach mentioned their possible interest in requesting an increase in drought buffer for a term. It was clarified that a change in drought buffer requires a contract amendment and that those can be requested at any time. The cost of the drought buffer is included in the annual billings to the subcontractors, and any Delta Conveyance Project capital costs would impact the drought buffer cost. M. Fitzpatrick mentioned the concern of over committing water. W. Thomson expressed the ability to discuss this topic further offline, or at the next SWSAC meeting. As a public comment, J. Edwards supported the request of additional drought buffer by subcontractors rather than using other more costly options. K. Ballantyne confirmed that the subcontractors have the first right of refusal for the District's unallocated water.

D. Water Management Tools Study (WMT) Study –Next Steps

W. Thomson gave a brief update, noting that the District is continuing discussions with CCWA and the consultant team that supported the WMT Study to explore opportunity for a “phase two” of the WMT study.

E. Delta conveyance Project (DCP) Update

W. Thomson reported that the draft EIR is on track to be released to the public by mid-June. Currently the project is in year 2 of 4 of the planning/design/environmental review.

F. Committee Membership Updates

Please contact W. Thomson if your agency would like to make any updates to committee membership; updates require about 7-8 weeks minimum to get to the Board.

V. Committee Action Items – None

VI. Future Agenda Items - None

VII. Date of Next Meeting

SWAC Regular Meeting – May 6, 2022, at 10:00 AM.

Meeting adjourned at approximately 11:02 AM.

County Gov't Center, Rm. D361
Friday, May 6, 2022

MINUTES (DRAFT)
STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

Chairperson: Ben Fine
Vice Chairperson: Brad Hagemann (absent)
Secretary: Wes Thomson

The following action minutes are listed as they were acted upon by the State Water Subcontractors Advisory Committee (SWSAC) and as listed on the Regular Meeting agenda for **May 6, 2022**, together with staff reports and related documents attached thereto and incorporated therein by reference.

- I. Call to Order & Roll Call (Quorum Count)
Call to order at approx. 10:06 AM; a quorum was not established. W. Thomson serving as interim chair as B. Fine was absent and B. Hagemann arrived late.
- II. Public Comment – None.
- III. Review of Last Meeting's Minutes
Committee tabled March 4th meeting minutes approval for the July 2022 meeting.
- IV. Reports from the District – for Information Only
 - A. Water Supply & Operations Report**
W. Thomson gave an update on the current water supply. DWR has a 5% Table A allocation which is down from 15% as of late March. This allocation is subject to change but is likely to hold for the rest of the year. The stored carryover water supply held at San Luis Reservoir will serve to supplement the low Table A allocation. It was noted that most subcontractors are close to exhausting their storage by the end of the year.

Discussion –

Mike Ritter questioned the viability of long-term storage in San Luis Reservoir (SLR) given extended drought conditions. Kate Ballantyne called attention to the diversity of water supply portfolios among the subcontractors, and that each agency will need to determine the appropriate level of conservation in response to the SWP supply conditions with respect to how it fits in to the overall supply for the particular agency.

Jerry Reaugh asked about the SLR “spill” events and if that could play a factor, and W. Thomson explained that during a wet year, the District’s stored water in SLR is at risk of “spilling,” which could certainly impact District’s carryover supply conditions, but that historically, we have come out from a “spill event” in decent shape (from an overall supply standpoint) – relative to our demand/delivery capability.

Geoff English asked how the District would charge for supplemental water provided to subcontractors, if needed. W. Thomson said the District would deliver water as available to fulfill the water service amount under contract, as requested, and reimbursement for those costs would simply be per contract; there is even the potential for the district to deliver water above the water service amount, and the contract has existing provisions to address cost reimbursement for that additional supply as well.

Shirley Gibson and Michael Fitzpatrick both had loose recall of an event in the past relating to the possibility of a past DWR-coordinated SWP water transfer action with Westlands that was in conflict with SWP agreements. W. Thomson said he wasn't familiar, but that if he was provided more details, he'd be happy to investigate it.

M. Fitzpatrick mentioned groundwater substitution transfers originating in northern California, noting the potential impact on storage at SLR and the related "spill" events. W. Thomson described the transfer process and timing and assured that DWR would not allow for the transfer if it were to limit DWR's ability to deliver water to those who have SWP contract priorities; these transfers would not drive any spill of water held at San Luis Reservoir.

M. Fitzpatrick asked about the cost of purchasing drought buffer or increasing the amount of the base water supply contract. W. Thomson explained that currently, drought buffer contracts (about \$175/AF) are the only readily available option from the District for addressing supply needs – primarily due to the limiting factors of conveyance and treatment capacity in the coastal branch system. However, it's possible that future arrangements could become available and allow for other options.

B. Emergency Water Concept – Proposed Transfer with CCWA

Kate Ballantyne gave an update on the emergency water concept based on an short-term transfer with CCWA. The Board has authorized staff to develop the terms of the transfer with CCWA and Santa Barbara County, which would involve the transfer of 1,000 AF of District stored water in exchange for the District receiving the ability to take delivery of up to 1,000 AF of additional treated water (above the annual 4,830 AF contracted). CCWA is currently drafting a contract and the County is working on a process for agencies to request this water.

C. Discussion on Subcontracts and District's Unsubscribed Allocation

W. Thomson gave an update on the drought buffer option which is currently priced at \$175 per AF. There was discussion on different avenues available to increase water supply within the County and maximize the use of the unsubscribed allocation available to the District.

D. Update on Contract Extension & Water Management Tools

K. Ballantyne gave an update on State Water contract extension amendment. The District is on track to bring the vote to the Board in July to extend the contract to 2085. W. Thomson and K. Ballantyne commented briefly on the water management tools, including the decision to not to move forward yet on a collaborative effort with CCWA due to different priorities.

E. Update on Delta Conveyance Project

W. Thomson gave an update on the DCP goals and objectives. The draft EIR is close to being released. The state is currently on budget and on schedule. The cost to the County for the 2nd 2-years would be less than was estimated back in 2020, and the staff recommendation is to continue with the project, but a formal vote by the District will be held later this year.

F. Committee Membership Updates

An effort is underway to get the committee memberships updated.

- V. Committee Action Items – None
- VI. Future Agenda Items – None
- VII. Date of Next Meeting
SWAC Regular Meeting – Jul 1, 2022, at 10:00 AM.
Meeting adjourned at approximately 11:10 AM.

County Gov't Center, Rm. D361
Friday, July 1, 2022

MINUTES (DRAFT)
STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

Chair: Ben Fine
Vice Chair: Brad Hagemann (absent)
Secretary: Wes Thomson

The following action minutes are listed as they were acted upon by the State Water Subcontractors Advisory Committee (SWSAC) and as listed on the Regular Meeting agenda for **July 1, 2022**, together with staff reports and related documents attached thereto and incorporated therein by reference.

1. Call to Order & Roll Call (Quorum Count)

Call to order at approx. 10:07 AM; a quorum was not established. B. Fine serving as chair, but since there were several agency staff and members from the public in attendance (10 total), the Committee conducted a meeting informally (no committee actions, just receiving informational reports).

2. Public Comment – None.

3. Review of Last Meeting's Minutes

Given there was not a quorum, the approval of minutes was postponed until the September 2022 meeting.

4. Reports from the District – for Information Only

A. Water Supply & Operations Report

W. Thomson gave an update on the current water supply. No changes from what was reported in May; report highlighted “stored water” status showing that most subcontractors have exhausted or will have used up most of their storage by the end of the year.

B. Emergency Water Concept – Update on Proposed Transfer with CCWA

W. Thomson reported that the District is continuing to move ahead in developing the transfer agreement with CCWA, to transfer 1,000 AF of water to CCWA in return for SLO County's use of CCWA's capacity that would allow the District to bring in 1,000 AF of additional water (no time limit for SLO County on the use of the capacity).

C. Continued Discussion on Subcontracts & District's Unsubscribed Allocation

W. Thomson reiterated what was discussed at the last meeting and provided opportunity for continued discussion on the topic. Reiterated that the District's SWP delivery contract with Subcontractors requires the contracts be substantially similar (i.e., the “like contract” clause). Avila Beach MWC is increasing their drought buffer contract – that request will be on the District Board agenda for approval on July 12. K. Ballantyne reiterated that this is a relatively easy process, for Subcontractors considering the option – and the Board has considered both increases and decreases in the drought buffer contract amounts (brief discussion

outlining the process requirements). Question raised on CCWA treatment plant capacity, and if there is opportunity to expand – W. Thomson said he'd follow up with John Brady at CCWA. Question and discussion on the on size of contracts, based on the observation that there is quite a range among Subcontractor in the size of the water service amounts (e.g., Morro Bay at 1,313 AF vs. San Luis Coastal USD at 7 AF).

D. Update on Contract Extension

W. Thomson provided an update on State Water contract extension amendment, reporting that the District Board is scheduled to consider this at the July 12 meeting, and if approved, would extend the contract to 2085. Benefits of contract extension to the District and Subcontractors are increased financial stability going forward (less volatility in project costs) and lower costs going forward due to the extended financing horizon and an updated/standardized methodology for determining DWR charges for reimbursement by SWP Contractors. The amendment also has new provisions that allow for Contractors to have more input on financial policy and priorities, including a greater role in financial management oversight. In a nutshell, the amendment objective is long term SWP cost stabilization, and it secures the long-term supply for the District.

E. Update on Delta Conveyance Project

W. Thomson reported that the draft EIR is still on track for release in July 2022, and the overall effort is still on budget and on schedule. The staff are preparing to take a recommendation to the District Board this fall – recommending that it continue with the preliminary planning (i.e., commit to years 3 & 4 of the 4-year planning effort) – to keep the door open to enable consideration on long-term participation in 2024/25, once a the EIR has been completed, the project is defined, and a preferred alternative identified. There haven't been any updated cost projections since 2020 – but an updated cost/benefit analysis will be completed after CEQA has been completed and a preferred alternative has been identified.

F. Update on Committee Membership

W. Thomson reported that Committee membership updates are going to the Board for consideration on July 12 – impacting Morro Bay, Cuesta, San Miguelito, and Oceano.

5. Committee Action Items – None

6. Future Agenda Items – None

7. Date of Next Meeting – SWAC Regular Meeting – Sept. 2, 2022, at 10:00 AM.

B. Fine adjourned the meeting at approximately 10:51 AM.



TO: State Water Subcontractors Advisory Committee
FROM: Wes Thomson, Utilities Division Engineer
DATE: September 2, 2022
SUBJECT: SWP Water Supply Report

SWP DELIVERY REPORT

Attachment 1 is the monthly summary of State Water Project (SWP) deliveries through July 2022 for the 2022 SWP "Water Year" (Jan 1, 2022 – Dec 31, 2022).

2022 SCHEDULED DELIVERIES VS. STORED WATER SUMMARY

Attachment 2 summarizes the current 2022 delivery schedule for District Subcontractors and reports the new supply for 2022 based on DWR's 5% "Table A" water allocation and shows the (updated) estimated stored carryover water needed by the Subcontractors to meet requested deliveries for August through December 2022. This delivery schedule and storage analysis assumes the 5% allocation will hold for the remainder of the year.

As noted in the July 1 report, this is the third year of drought conditions, and most of the Subcontractors have exhausted their stored water (**numbers in red**). **Numbers highlighted in yellow** indicate Subcontractors who are on track to use their remaining their stored water by the end of the year.

ATTACHMENTS

1. SWP Delivery Report, July 2022 (DRAFT)
2. 2022 Deliveries vs. Stored Water

2022 STATE WATER DELIVERIES (DRAFT)

-- For deliveries thru July 2022 --

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<i>SHANDON TO</i>	CSA 16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0.0
<i>CHORRO V. TO</i>	CMC	27.6	29.7	33.5	30.5	34.1	28.2	32.9	0	0	0	0	0	216.5
	County Ops	29.3	31.5	35.6	32.4	36.1	29.9	34.9	0	0	0	0	0	229.6
	Cuesta	13.9	15.0	16.9	15.4	17.2	14.2	16.6	0	0	0	0	0	109.4
	City of Morro Bay	87.2	86.8	102.0	100.7	99.6	102.7	112.6	0	0	0	0	0	691.5
<i>LOPEZ TO</i>	City of Pismo Beach	103.9	110.0	85.0	120.0	140.0	140.0	125.0	0	0	0	0	0	823.9
	Oceano CSD	33.1	32.2	34.6	35.7	36.7	41.7	49.1	0	0	0	0	0	263.3
	San Miguelito MWC	7.8	9.5	11.3	2.8	9.3	7.8	4.5	0	0	0	0	0	52.9
	Avila Beach CSD	4.8	5.0	6.0	6.0	6.0	6.0	6.0	0	0	0	0	0	39.8
	Avila Valley MWC	1.0	1.0	1.0	2.0	2.0	2.0	2.0	0	0	0	0	0	11.0
	San Luis Coastal USD	0.10	0.4	0.5	0.5	0.5	0.5	0.5	0	0	0	0	0	2.99
	TOTAL	308.7	321.1	326.5	346.0	381.5	373.0	384.1	0	0	0	0	0	2441.0

- Note:** 1. Deliveries based on CCWA monthly delivery reporting and subcontractor request.
 2. All delivery values reported are in volumetric units of acre-feet (AF).

2022 STATE WATER REQUESTS

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	Aug-Dec
<i>SHANDON TO</i>	CSA 16	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>CHORRO V. TO</i>	CMC	33	33	33	33	33	33	33	33	33	33	33	33	396	165
	County Ops	35	35	35	35	35	35	35	35	35	35	35	35	420	175
	Cuesta	17	17	17	17	17	17	17	17	17	17	17	17	200	83
	City of Morro Bay	100	100	100	100	100	100	100	100	100	100	100	100	1200	500
<i>LOPEZ TO</i>	City of Pismo Beach	105	110	85	120	140	140	125	130	55	100	70	60	1240	415
	Oceano CSD	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	62.5	750	313
	San Miguelito MWC	7	7	10	12	13	13	13	12	9	9	7	8	120	45
	Avila Beach CSD	5	5	6	6	6	6	6	7	6	6	6	5	70	30
	Avila Valley MWC	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	20	9
	San Luis Coastal USD	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	6	2.5
	TOTAL	366	371	350	388	409	409	394	399	320	365	332	323	4422	1737

Note: Assumes District can supply 100% of requested delivery, to meet requests that exceed current DWR allocation*.

*Current DWR "Table A" allocation = 5%

2022 SWP Delivery vs. Estimated Stored Water

SLO COUNTY FC&WCD

JULY / AUG 2022

SUMMARY OF PROJECTED 2022 DELIVERY	
District's Stored Water at SLR ³ , 1/1/2022	12,402
Scheduled Delivery for 2022	4,422
2022 SWP "Table A" Allocation at 5%	1,250
Estimated Stored Water Needed	3,172

Proposed Emergency Transfer w- CCWA	1,000
Projected Stored Water at SLR, 12/31/22	8,230

CONTRACTS SUMMARY

2022 DELIVERY SCHEDULE SUMMARY¹

SUBCONTRACTOR	Water Service Amount (WSA)	Drought Buffer (DB)	WSA + DB	STORED CARRYOVER ² WATER (1/1/2022)	"2022" WATER ALLOCATED AT 5%	WATER DELIVERED ¹ (THRU JULY 2022)	ESTIMATED STORED CARRYOVER ² REMAINING (8/1/2022)	SCHEDULED DELIVERY REMAINING (AUG-DEC 2022)
CSA 16 (Shandon)	100	0	100	74	5	0	74	0
<i>Subtotal</i>	<i>100</i>	<i>0</i>	<i>100</i>	<i>74</i>	<i>5</i>	<i>0</i>	<i>74</i>	<i>0</i>
CMC	400	400	800	0	40	216.5	0	165
County Ops Center	425	425	850	0	42.5	229.6	0	175
Cuesta College	200	200	400	0	20	109.4	0	83
City of Morro Bay	1,313	2,290	3,603	534	180.2	691.5	22.6	500
<i>Subtotal</i>	<i>2,338</i>	<i>3,315</i>	<i>5,653</i>	<i>534</i>	<i>283</i>	<i>1,247</i>	<i>23</i>	<i>923</i>
City of Pismo Beach	1,240	1,240	2,480	0	124	823.9	0	415
Oceano CSD	750	750	1,500	595	75	263.3	406.8	313
San Miguelito MWC	275	275	550	165	27.5	52.9	139.4	45
Avila Beach CSD	100	100	200	51	10	39.8	21.2	30
Avila Valley MWC	20	20	40	0	2	11.0	0	9
San Luis Coastal USD	7	7	14	1.3	0.7	2.99	0	2.5
<i>Subtotal</i>	<i>2,392</i>	<i>2,392</i>	<i>4,784</i>	<i>812</i>	<i>239</i>	<i>1,194</i>	<i>567</i>	<i>814</i>
Total Subcontracted	4,830	5,707	10,537	1,420	527	2,441	664	1,737
District's "Table A" Allocation (AFY)			25,000					
Total "Table A" Subcontracted (AFY)			10,537	42%				
"Unsubscribed" Allocation (AFY)			14,463	58%				

NOTES

1. Water volumes reported in units of acre-feet; delivered water based on latest DRAFT report.
2. Stored carryover water is District water from previous years, stored at SLR, set aside informally for Subcontractors.
3. SLR = San Luis Reservoir, a SWP storage facility.



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Public Works
Wes Thomson, Utilities Division Engineer

VIA: Katie Franco, Finance Division Manager
Kate Ballantyne, Deputy Director of Public Works

DATE: 7/12/2022

SUBJECT: Request to consider the California Department of Water Resources' certified Final Environmental Impact Report (Clerk's File) for the State Water Project Contract Extension Amendment No. 17 (Contract Extension Amendment); and submittal of a resolution making responsible agency findings pursuant to the California Environmental Quality Act (CEQA) to use the FEIR and approving and authorizing the Chairperson to execute the Contract Extension Amendment. 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. Consider the Final Environmental Impact Report (FEIR) (Clerk's File) for the Contract Extension Amendment prepared by the California Department of Water Resources (DWR), and
2. Adopt a resolution making Responsible Agency findings pursuant to the California Environmental Quality Act (CEQA) to use the FEIR and approving and authorizing the Chairperson to execute the Contract Extension Amendment between DWR and the District.

DISCUSSION

Summary

The initial term of the District's State Water Project (SWP) Water Supply Contract with DWR expires on December 31, 2035. The proposed SWP Water Supply Contract Extension Amendment (Amendment No. 17 or Contract Extension Amendment) would extend the District's SWP contract term 50 years out to 2085 and provide for more cost-effective financial management.

The District's 1963 SWP contract with DWR secured a long-term water supply and defined repayment provisions based on an initial capital cost-recovery period out to 2035. The contract period afforded DWR the financing flexibility needed to spread the SWP repayment costs over 30 years (or more) so that the significant capital facility costs associated with the construction or acquisition of new facilities – or repairs or improvements to existing facilities – would be more manageable. However, under the contract terms, DWR is unable to finance capital projects beyond 2035, so it issues debt payable over a shorter period than the typical 30-year term, resulting in less favorable financing.

As 2035 approaches, the financing period shortens, and this “financial compression” translates into an exponentially increasing cost burden for the District and its Subcontractors¹. Depending on the Subcontractor, the increased annual cost to support the SWP could potentially cause a delinquency. For the District, this financial compression could also lead to a significant increase in the countywide ad valorem tax that funds the District's share of the contract.

The proposed amendment – which is entirely financial – seeks to preserve the financial integrity and improve the financial management of the SWP. To accomplish this goal, Amendment No. 17 extends the SWP contract term 50 years to 2085 to restore DWR's ability to finance projects under more favorable terms and lower the District's annual SWP debt service between now and 2035. Financial provisions in the amendment simplify the methodology DWR uses to calculate SWP service charges (pay-as-you-go) and will result in a lower annual debt service for the District. Additional provisions establish an improved financial structure with financial reporting requirements for DWR to facilitate SWP Contractor oversight, as well as SWP Contractor participation in the development of SWP financial policy. Ultimately, these contract changes will help the SWP achieve a smoother trend in costs and maintain a more affordable water supply over the long term.

Most of the SWP Contractors (24 of the 29, including Santa Barbara County) have signed the Contract Extension Amendment, which represents 98% of the contracted SWP water supply. Since the District Subcontractors currently rely on and have not developed an alternative to the SWP supply option it makes financial sense for the District to extend the contract.

OTHER AGENCY INVOLVEMENT/IMPACT

As the CEQA Lead Agency, DWR prepared the FEIR for the Contract Extension Amendment, found no significant impacts, and certified its FEIR on November 13, 2018 (Attachment 1). The District, as a CEQA Responsible Agency, must consider the environmental impacts of the Contract Extension Amendment as analyzed in the FEIR, which concluded that the Contract Extension Amendment would not result in any physical environmental impacts. District staff has determined that DWR's FEIR is adequate for District's use.

The District has discussed the contract extension and related financial concerns with the Subcontractors at the State Water Subcontractors Advisory Committee.

The final execution version of the Contract Extension Amendment is included as Attachment 2, which County Counsel has reviewed and approved as to legal form and effect. Attachment 3 is a resolution

¹ Subcontractor List: CSA 16 (Shandon), City of Morro Bay, California Men's Colony, County Ops Center, Cuesta College, City of Pismo Beach, Oceano CSD, San Miguelito MWC, Avila Beach CSD, Avila Valley MWC, San Luis Coastal USD

for the Board's adoption to make the finding that DWR's FEIR is adequate for the District's use to approve the Contract Extension Amendment.

FINANCIAL CONSIDERATIONS

The State Water Subcontractors reimburse the full annual cost of their proportional share of the District's contract, and the ad valorem property tax secures the additional revenue needed for the District to cover its share of the contract. The annual cost for this contract for the 2022 Statement of Charges was \$7.4 Million in fixed costs from the Department of Water Resources. It is difficult to quantify the specific financial impact if the contract extension is further delayed, but the escalation of debt payments leading up to calendar year 2035 will become financially unfeasible for both the District and the Subcontractors. This extension will not cause any additional financial impact.

RESULTS

Approval of the recommended action will extend SWP service and establish updated cost recovery provisions for the District's SWP water supply contract to keep costs affordable, contributing to a more livable and well-governed community.

ATTACHMENTS

- 1 Final Environmental Impact Report (FEIR) (Clerk's File)
- 2 Amendment No. 17 (the Contract Extension Amendment)
- 3 Resolution Making Responsible Agency Findings Pursuant to the California Environmental Quality Act ("CEQA") for the Water Supply Contract Extension Amendment Project and Approving and Authorizing the Chairperson to Execute Amendment No. 17 (Contract Extension Amendment) to the Water Supply Contract Between the Department of Water Resources and the San Luis Obispo County Flood Control and Water Conservation District

File: CF 950.60.02

Reference: 22.093

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COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Public Works
Wes Thomson, Utilities Division Engineer

VIA: Kate Ballantyne, Deputy Director of Public Works

DATE: 7/12/2022

SUBJECT: Request to approve six committee appointments to the State Water Subcontractors Advisory Committee of the San Luis Obispo County Flood Control and Water Conservation District. 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), approve the following appointments to the State Water Subcontractors Advisory Committee (Committee): Greg Kwolek, replacing Rob Livick, as the Member, and Damaris Hanson as the Alternate, for the City of Morro Bay; Brian McAlister, replacing Bob Joslin, as the Member for Cuesta College; Allene Villa, replacing Shirley Gibson, as the Member, and Shirley Gibson, replacing Allene Villa, as the Alternate, for Oceano CSD; and Geoff English, replacing Rick Koon, as the Member for San Miguelito Mutual Water Company.

DISCUSSION

In the early 1990s, local agencies (Subcontractors) entered into agreements (Subcontracts) with the District for State Water Project¹ (Project) water deliveries. The Subcontracts are “like contracts” – substantially similar in their terms and conditions and specify how the District’s costs for the water² will be reimbursed by the Subcontractors. Article 31 of the Subcontracts established the Committee with a mandate to monitor and advise relevant governing bodies on all aspects of the District’s Subcontracts and related³ agreements.

¹ The District is one of 29 public water agencies that has a long-term Project water supply contract with the California Department of Water Resources (DWR); these agencies are collectively referred to as the SWP Contractors.

² DWR establishes a new Project supply allocation each year, based primarily on hydrologic conditions and legal requirements. <https://water.ca.gov/Programs/State-Water-Project>

³ The Subcontracts are also subject to the terms and conditions in the District’s Project contract with DWR.

The District has received the following Committee appointment nominations, which are recommended for confirmation by the Board.

APPOINTEE	POSITION	REPRESENTING	REPLACING
Greg Kwolek	Member	City of Morro Bay	Rob Livick
Damaris Hanson	Alternate	City of Morro Bay	Vacancy
Brian McAlister	Member	Cuesta College	Bob Joslin
Allene Villa	Member	Oceano Community Services District	Shirley Gibson
Shirley Gibson	Alternate	Oceano Community Services District	Allene Villa
Geoff English	Member	San Miguelito Mutual Water Company	Rick Koon

The list of the entire Committee membership with the appointments to be confirmed indicated in blue text is attached (Attachment 1). Committee members serve at the pleasure of the governing board of the respective Subcontractor and may be removed at any time by either the District Board of Supervisors or the Subcontractor’s governing body.

OTHER AGENCY INVOLVEMENT/IMPACT

Governing authorities for the Subcontractors which submitted appointment nominations include the San Miguelito Mutual Water Company, Cuesta College, Oceano CSD, and the City of Morro Bay (Attachment 2).

The Clerk of the Board properly noticed the vacancies in compliance with the Maddy Act.

FINANCIAL CONSIDERATIONS

There are no financial impacts relating to the recommended action. Sufficient funding is available in the current year’s Project budget to continue scheduled meetings with the State Water Subcontractors. Any additional staff efforts relating to the Committee will be reimbursed by the State Water Subcontractors under the existing agreements.

RESULTS

Approval of the recommended action will maintain full representation for the Committee, which empowers the Committee to fulfill its role related to the District’s Project water supply and contribute to a more livable, well-governed community.

ATTACHMENTS

- 1 Subcontractors Advisory Committee Membership List with Recommended Action
- 2 Agency Membership Nominations

File: CF 920.30.01 State Water Subcontractors Advisory Committee

Reference: 22.081

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SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
2022 STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE
With Recommended Action

STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE MEMBERSHIP	
Flood Control and Water Conservation District Member	Courtney Howard
Alternate	Wes Thomson
County Services Area 16 (Shandon) Member	Nola Engelskirger
Alternate	David Spiegel
City of Morro Bay Member	Greg Kwolek
Alternate	Damaris Hanson
California Men's Colony Member	Michael Fitzpatrick
Alternate	Scott Buffaloe
County Operations Center Member	Cindy Treichler
Alternate	Annie Secrest
Cuesta College Member	Brian McAlister
Alternate	Scott DeMello
City of Pismo Beach Member	Ben Fine
Alternate	<i>Vacant</i>
Oceano CSD Member	Allene Villa
Alternate	Shirley Gibson
San Miguelito MWC Member	Geoff English
Alternate	Michael Nordstrom
Avila Beach CSD Member	Brad Hagemann
Alternate	<i>Vacant</i>
Avila Valley MWC Member	Mike Ritter
Alternate	Bob Owen
San Luis Coastal Unified School District Member	<i>Vacant</i>
Alternate	Rick Stimson