

## LOS OSOS GROUNDWATER BASIN, BASIN MANAGEMENT COMMITTEE

### NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN** that the Los Osos Groundwater Basin, Basin Management Committee Board of Directors will hold a **Board Meeting** at **1:30 P.M. on Wednesday, September 21, 2016** at the South Bay Community Center, 2180 Palisades Ave, Los Osos, CA, 93402.

*Directors: Agenda items are numbered for identification purposes only and may not necessarily be considered in numerical order.*

*NOTE: The Basin Management Committee reserves the right to limit each speaker to three (3) minutes per subject or topic. In compliance with the Americans with Disabilities Act, all possible accommodations will be made for individuals with disabilities so they may attend and participate in meetings.*

### BASIN MANAGEMENT COMMITTEE BOARD OF DIRECTORS AGENDA

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **BOARD MEMBER COMMENTS.** Board members may make brief comments, provide project status updates, or communicate with other directors, staff, or the public regarding non-agenda topics.
5. **CONSENT AGENDA**

The following routine items listed below are scheduled for consideration as a group. Each item is recommended for approval unless noted and may be approved in their entirety by one motion. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Consent items generally require no discussion. However, any Director may request that any item be withdrawn from the Consent Agenda and moved to the "Action Items" portion of the Agenda to permit discussion or to change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

- a. **Approval of Minutes from July 27, 2016 Meeting.**
- b. **Approval of Warrants, Budget Update and Invoice Register through August, 2016.**

### 6. **EXECUTIVE DIRECTOR'S REPORT**

### 7. **ACTION ITEMS**

- a. **Review Alternatives for BMC Input for the Los Osos Community Plan**

Recommendation: Receive presentation and provide input to staff for future action.

- b. **Presentation Overviewing the Salt and Nutrient Management Plan Elements**

Recommendation: Receive a brief presentation summarizing elements required in a Salt and Nutrient Management Plan (SNMP) related to the Los Osos Wastewater Project and Recycled Water Permit.

- c. **Water Conservation Program Update**

Recommendation: Receive a brief presentation summarizing the status of the Water Conservation Program, and direct the Executive Director to prepare a draft of an adapted Water Conservation Implementation Plan for County review and submission to Coastal Commission staff for approval.

#### **8. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

The Basin Management Committee will consider public comments on items not appearing on the agenda and within the subject matter jurisdiction of the Basin Management Committee. The Basin Management Committee cannot enter into a detailed discussion or take any action on any items presented during public comments at this time. Such items may only be referred to the Executive Director or other staff for administrative action or scheduled on a subsequent agenda for discussion. Persons wishing to speak on specific agenda items should do so at the time specified for those items. The presiding Chair shall limit public comments to three minutes.

#### **9. ADJOURNMENT**

**BASIN MANAGEMENT COMMITTEE BOARD OF DIRECTORS**

**Item 5a: Minutes of the Meeting of July 27<sup>th</sup>, 2016**

Agenda Item	Discussion or Action
<p align="center"><b>1. CALL TO ORDER</b></p> <p align="center"><b>2. PLEDGE OF ALLIGANCE</b></p> <p align="center"><b>3. ROLL CALL</b></p>	<p>Director Ochylski serving as chair called the meeting to order at 1:30pm and led the Pledge of Allegiance.</p> <p>Mr. Miller, acting Clerk, called roll to begin the meeting. Director Gibson, Director Ochylski, Director Garfinkel, and Director Zimmer were present.</p>
<p align="center"><b>4. Board Member Comments</b></p>	<p>Director Garfinkel introduced the new alternate for S and T Mutual Water Company, Charlie Cotek.</p>
<p align="center"><b>5a. Approval of Meeting Minutes from June 15<sup>th</sup> and June 30<sup>th</sup> meetings</b></p> <p align="center"><b>5b. Approval of Warrants, Budget Update and Invoice register through June, 2016</b></p>	<p><u>Questions from the Board</u> No questions from the Board</p> <p><u>Public Comment</u> No public comment</p> <p><b>A motion was made by Director Gibson to accept items 5a and 5b. Seconded by Director Garfinkel and carried with the following vote:</b></p> <p><b>Ayes: Directors Zimmer, Gibson, Ochylski and Garfinkel</b>  <b>Nays: None</b>  <b>Abstain: None</b>  <b>Absent: None</b></p>
<p align="center"><b>6. Executive Director's Report</b></p>	<p>Executive Director, Rob Miller, discussed BMC's grant consultant, Water Systems Consulting's (WSC) work on the pre application process with the State for Proposition 1 funding. Although the formal application for the first implementation grant is due in the Fall, a pre application may be submitted to the State for their pre-review of the projects that the BMC will request for funding. The BMC pre application included a broad list of water quality related projects. The State communicated that they do not have much information on sea water intrusion related projects.</p> <p>Mr. Miller also discussed basin boundary modifications. The County of San Luis Obispo presented a basin boundary modification request to the Department of Water Resources (DWR). DWR's initial decision was to deny that request and keep the basin boundary as is. Several agencies are supporting the County's request for the basin modification; therefore DWR is re-evaluating and will be finalizing the basin boundary modification decision in September. Chair Ochylski submitted a letter to DWR on behalf of the BMC and the Los Osos Community Services District (LOCSO).</p> <p>Last meeting, there was a question regarding creek discharge. Mr. Miller noted a technical report was submitted to the Division of Drinking Water. The BMC received indication that one key reviewer gave positive feedback on the report. The reviewer will forward the report for further review and comments are expected back in a couple of weeks.</p>

Mr. Miller noted that the Annual Report is still approximately 2 weeks from being completed.

Questions from the Board

Q: Director Garfenkil: How will the annual report be distributed?

A: Mr. Miller: The draft and final will be posted to the website, but can also be distributed by mail.

Public Comment

Mr. Edwards: In regards to the grant pursuit, the BMC should not go after projects simply because they are grant eligible. The BMC should pursue good projects that will benefit the community over a long period of time. In regards to the creek discharge, is it eligible to be considered under Round 2 of the Proposition 1 funding? Mr. Edwards noted that the boundary adjustment issue should be dropped if it is going to take a long time to cooperate with DWR.

Mr. Margetson: Suggested that the Annual Report can be available on the LOCSD website. He also suggested the meeting agenda package be more accessible and easier to find online.

Mr. Tornatzky: Noted that this is the time of year that the federal government and the foundations open up their programs for the rest of the year. Starting in July and into August all of the federal funding agencies are going to open up their new programs and decide what the State funding opportunities are going to be.

Ms. Berg of County of San Luis Obispo Public Works: Ms. Berg attended the California Water Commission meeting in Sacramento in order to present the basin boundary modification request. It appears the Commission is standing with DWR's interpretation of the boundary. The State isn't finalizing its boundaries until September.

Ms. Acos representing Golden State Water Company: Noted that if the boundary modifications are not approved then there is an area outside of the current BMC basin boundary that will be subject to the Sustainable Groundwater Management Act (SGMA) that doesn't fall within the exemption. The County will need to address how it will cover this area. If there are wells outside the BMC's interpretation of the basin boundary, then they will be considered unmanaged areas. The State could either do nothing with this area, which could create problems for the BMC grant funding pursuits, or it could step in and designate the entire basin as a Probationary Basin.

Mr. Edwards: Restated that if the boundary modification isn't accepted in September then the BMC should drop the modification process.

Ms. O'Dell: Said she is part of the fringe that does not want to be included in the basin boundary.

Response from the BMC

Director Gibson told Ms. O'Dell that the BMC is going to start outreach to the people that will be affected by the part of the Basin boundary that the BMC and DWR are debating over.

	<p>Mr. Miller advises that the creek discharge issue could be up for discussion for Round 2 of Proposition 1 funding.</p>
<p><b>7a. Review Alternatives for BMC Input for the Los Osos Community Plan</b></p>	<p>Mr. Miller gave a PowerPoint presentation on this item. See slides attached.</p> <p><u>Questions from the Board</u></p> <p>Q: Director Ochylski: When talking about an implementation of a fee program, what we are really talking about is an assessment on the undeveloped parcels?</p> <p>A: Mr. Miller: That is correct and that is one example of the fee program.</p> <p>Q: Director Garfenkil: What is the meaning of the term “allowable development” and if that refers to opening a flood gate to have development? Does the County parcel out only so many parcels to be developed over a period of time?</p> <p>A: Ms. Brown of the County of San Luis Obispo: The County does have a growth management ordinance and an existing growth allocation list for Los Osos so it is possible to slowly meter out building permits for new development.</p> <p>Director Zimmer: Commented that a hybrid can be developed in order to take portions from different alternatives.</p> <p><u>Public Comment</u></p> <p>Mr. Edwards: Said the scale of the supply and demand of the community has changed. He encouraged a hybrid of the alternatives Mr. Miller presented. Mr. Edwards talked about the retrofits that could be made to homes and the acre-feet of water that can be saved by doing this. He noted that Title 19 should be retained.</p> <p>Mr. McGibney: Disagreed with Mr. Edwards and indicated that Title 19 is not sustainable. He explained that in regards to having Title 19 or not the community ought to make sure it is ready to show that it has conclusive evidence that Los Osos is ready for development once again. He encouraged the BMC to adopt the most restrictive alternative at this point, which he believes is Alternative 1.</p> <p>Ms. Owen: Believes Los Osos needs the most restrictive alternative. She said Alternative 1 seems to be the only alternative that shows how the community is going to get through drought conditions. She asked about Alternative 3 and how the new development would automatically implement Program B. She also asked if this affected both inside and outside the Prohibition Zone.</p> <p>Ms. Odell: Said Alternatives 3 and 4 give the impression of development occurring until the upper aquifer shows declining water supply. She asked if this was true.</p> <p>Mr. Margetson: Said Alternative 4 is confusing. He asked if there is going to be follow up for what the approved list of projects are going to be. The language presented in this alternative sounds the most restrictive to him. He said there needs to be clarification on how many homes would need to participate in these funding sources.</p>

<p><b>7b. Presentation and discussion of Phase 1 Finance Plan Report for the Los Osos Groundwater Basin</b></p>	<p>Ms. Sterner: Asked if Los Osos, as a community, has to continue to take shorter showers, let the landscape die, and use other water conservation methods in order to build more houses.</p>
	<p>Mr. Ceseña: Said Alternative 1 is the only feasible option. He noted there are specific metrics to go by in this alternative. He indicated that Title 19 isn't providing enough, and there is a need to put more money into repurposing septic tanks or implement other measures into conserving water.</p>
	<p>Ms. Uher: Said that there are people who want to develop commercially along with residentially in Los Osos.</p>
	<p><u>Response from the BMC</u> Mr. Miller addressed how Program B could be achievable on a small scale. Could be a phasing in of certain facilities and have a scalable nitrate removal system. Mr. Miller's intent for Alternative 3 was that there needs to be approximately a 20 percent buffer to make sure the water level in the lower aquifer does not reach the current level once again.</p>
	<p>Ms. Brown said the Planning Department has been talking to the Coastal Commission about basin metrics to present in the alternatives.</p>
	<p>Director Zimmer explained that an approach to consider is to list the goals and requirements to develop a matrix of feasibility to present to the Coastal Commission.</p>
	<p>Director Garfenkil said he was not sure that all the conservation measures that were used have been accurately represented to date in regards to the amount of water the community has saved. He would like to go towards Alternative 2 because the chlorine metric may take a long time to be reversed.</p>
	<p>Director Gibson said the County is going to have to identify a sustainable supply for the Community Plan.</p>
	<p>Presentation given by Carolyn Berg and Nate Perez with the County of San Luis Obispo Public Works Department. See slides attached.</p>
	<p><u>Questions from the Board</u> Q: Director Gibson: Has there been tracking of any legislative fixes on expanding the scope of funding within a CFD?  A: Mr. Perez: Not sure if expansion would happen before the next legislative cycle.</p>
<p><u>Public Comment</u> Mr. Tornatzky: Expressed disappointment in the report. He said it was about getting the money needed from the community and pretty much no one else. It is possible to get grant money from the federal government.</p>	
<p>Mr. Edwards: Said that a special tax is not a good fit for the Los Osos community. He said the intention is to immediately fund the administration of the BMC. He said to go to the Flood Control District and ask for a loan of \$1</p>	

million, which can fund the BMC for three years. He restated what he said in the previous meetings that with \$15 million the BMC can do everything it needs to do. He asked if Los Osos is still a disadvantaged community.

Ms. Tornatzky: Noted that the report was excellent. She expressed that the BMC needs to do a lot of outreach as the BMC is still not well known. She said the BMC could inform the public that they are trying everything they can in order for the community to not have to fund future programs.

Ms. Owen: Asked three questions. First, is the \$50 for the Flood Control District tax covering all water users in the Basin? Second, is the millions of dollars' worth of water upgrades coming from the water purveyors? Third, is \$300,000 for administration or is it for all of the studies that allow each purveyor to begin improvements to save the Basin?

Mr. McGibney: Expressed confusion on the Proposition 218 vote. He asked if it is an approval or disapproval vote. He agreed with Ms. Tornatzky that the BMC needs to show the community it is doing whatever possible in order for funding to not come from community members.

Mr. Margetson: Said he would like to have more information on Table 2a, which is about Land Use Assumptions. Mr. Margetson asked three questions. First, do single family units include mobile homes? Second, he asked for explanation on developed non-residential areas? Third, has there been any discussion on dividing the future costs and having those costs added to rates and charges?

Response from Carolyn Berg and Nate Perez

Ms. Berg said Mr. Perez's team wanted to look into more grants in addition to the BMC grant pursuit. She does not believe that Los Osos is a disadvantaged community. In a Phase 2 study all specified parcels are looked at in more detail. There were no vacant properties included in this study. She will research if mobile homes are included in this study.

Mr. Perez said the Proposition 218 would be a 2/3 approval vote. He said single family units do not included mobile homes or any undeveloped property.

Director Gibson said he would like to have offline meetings with Taussig and Associates. The cost analysis did not include agricultural land. In terms of spreading benefit, there are issues under SGMA that need to be figured out along with how to pay for them. If these issues are not figured out, then either the State Court or the State Water Board is going to come in and charge the BMC to figure them out. Director Gibson addressed the topic of the BMC forming as a Joint Powers Authority (JPA) and what the implications for that are in terms of the BMC's ability to finance.

Director Garfenkil said he would like to see a combination of Scenario 2 and 3.

Director Zimmer asked what is the next step today in moving these scenarios forward?

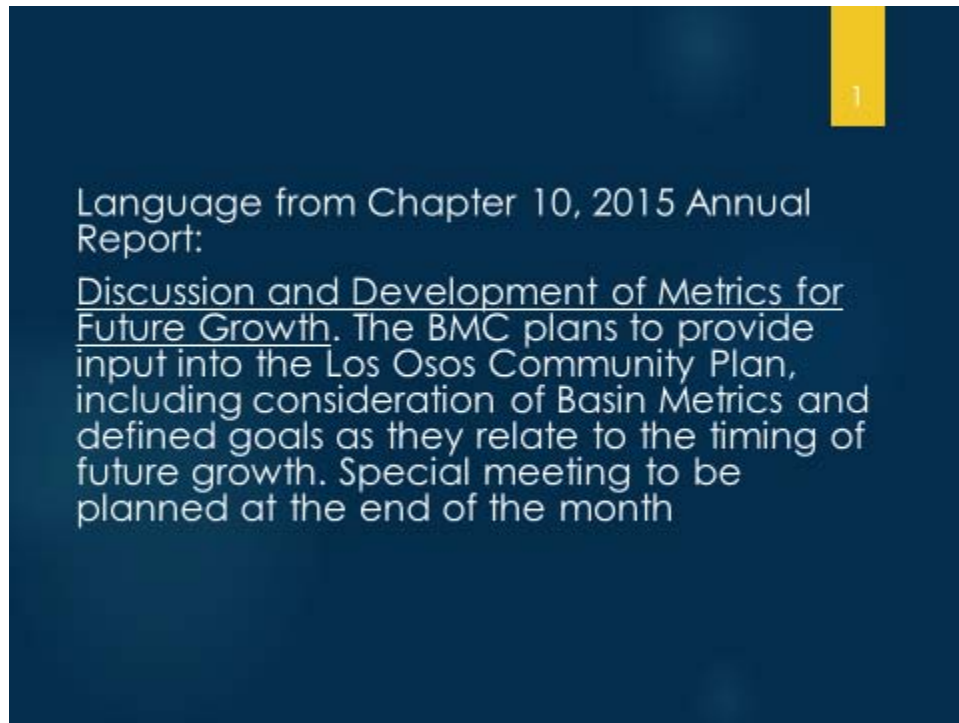
Director Ochylski expressed that the BMC has limited funds and should pursue outside sources.

<p><b>7c. Water Conservation Program Update</b></p>	<p>Mr. Miller said that Phase 2 implementation is more detailed with more dollars attached.</p> <p>Mr. Miller said that it is very difficult to bring timely funding to facilitate the rebate programs that were discussed in draft form back in April.</p> <p>Director Gibson said that the appropriate leaders in a community are the Water Purveyors. The BMC received confirmation from appropriate Coastal Commission staff that money can be utilized from the budget of the wastewater treatment project to do outdoor conservation. The rebates should be addressed in areas that are inside the Prohibition Zone.</p> <p>Mr. Miller said that the input from the Coastal Commission allows the BMC to move forward.</p> <p><u>Public Comment</u></p> <p>Mr. Edwards: Said that the Executive Directors report from April 20<sup>th</sup> regarding the Water Conservation Program has a table that shows 250 to 300 acre-feet of water is possible to save. The community can achieve the savings by changing the existing Title 19 program and convert it into a next generation private program.</p> <p>Ms. Owen: Talked about having recycled water delivered in order to repurpose septic tanks. The community paid money so water can be recycled. She said technically the water belongs to the community that's inside the prohibition zone. Ms. Owen believes recycled water could be delivered to homes for under \$1 million.</p> <p>Mr. Margetson: Mentioned a contractor from Bakersfield on the Congalton Show who has done over 50 lateral connections. He said the contactor had no idea what people were doing with their septic tanks in Los Osos. Expressed distributing memos out to contractors through email. He asked why it takes so long in this community to move forward with decisions when it makes common sense.</p> <p>Mr. Ceseña: Said that the home owners don't have a clue that it's their responsibility to re-purpose their septic tanks, not the contractors.</p> <p>Mr. McGibney: Said the BMC has not been successful in educating the public about septic tank re-purposing. He asked how the BMC is going to educate the community on special taxes. Re-stated Ms. Owen's idea of using the recycled water to fill re-purposed septic tanks.</p>
<p><b>8. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA</b></p>	<p>Mr. Edwards: Spoke of two options for loans. There is a USDA loan for \$90 million for a rate of 3.25% over 40 years. There is a second loan with the State Revolving Fund that is 2% for \$69 million for a 30-year amortization. He asked the BMC to encourage the State Water Board to reconsider the reduction in interest rate request.</p> <p>Mr. Ceseña: Asked for an updated percentage of the septic tanks that are being re-purposed.</p>



	Ms. Owen would like an analysis on the upper aquifer water on how long that water could be available if it were to be pumped to use for re-purposing septic tanks.
<b>9. ADJOURNMENT</b>	Meeting was adjourned at 4:25 pm. The next meeting will be on September 21 <sup>st</sup> at 1:30pm.

Powerpoint Presentation for item 7a. given by Mr. Miller



## Language from Coastal Development Permit (Wastewater Project)

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### **Condition 6: Wastewater Service to Undeveloped**

**Properties:** Wastewater service to undeveloped properties within the service area shall be prohibited unless and until the Estero Area Plan is amended to identify appropriate and sustainable buildout limits, and any appropriate mechanisms to stay within such limits, based on conclusive evidence indicating that adequate water is available to support development of such properties without adverse impacts to ground and surface waters, including wetlands and all related habitats.

## Language from SGMA

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“Undesirable result” means 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, including the migration of contaminant plumes that impair water supplies

## Language from SGMA

4

“Undesirable result” means one or more of the following effects caused by groundwater conditions occurring throughout the basin:

- (5) Significant and unreasonable land subsidence that substantially interferes with surface land uses
- (6) Depletions of interconnected surface water that have significant and unreasonable adverse impacts on beneficial uses of the surface water

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**Alternative 1:** Allow further development only after the Chloride Metric and Water Level Metric have met Basin Plan goals for a period of two consecutive years, and then restrict the growth rate to a value recommended by the BMC at the time.

**Alternative 2:** Allow development subject to Title 19 water conservation retrofit requirements, but only after the following conditions are met:

- The Water Level Metric meets the Basin Plan goal for a period of two full years,
- The Chloride Metric displays a clear improvement trend over the same two year period in the discretion of the BMC.

Also, restrict the growth rate to a value to be recommended by the BMC.

**Alternative 3:** Allow development subject to Title 19 water conservation retrofit requirements, but require new development to incrementally implement Program B such that all new water supply requirements are met from the upper aquifer. Also, restrict the growth rate to a value to be recommended by the BMC, and link allowable growth with new upper aquifer metrics designed to protect Zone C from sea water intrusion.

**Alternative 4:** Allow development subject to Title 19 water conservation requirements, but only after the successful implementation of a fee program that would provide funds sufficient for the implementation of a Program B or Program C project adequate to supply the needs of approved development. Restrict the issuance of building permits until such improvements are complete, and limit the growth rate to a value to be recommended by the BMC.

# LOS OSOS GROUNDWATER BASIN

## PHASE 1 FINANCE PLAN

**DTA** DAVID TAUSSIG  
& ASSOCIATES



### DAVID TAUSSIG & ASSOCIATES, INC.



- Incorporated in 1985
  - Newport Beach, San Francisco, San Jose, Riverside, Dallas, Houston
- Public Finance and Urban Economics Consulting
  - Specializing in infrastructure and public services finance
- Consulting services provided to virtually **every urban county** and **major city** in California
- Implemented **over 1,500 public financing programs** (Impact Fees, CFDs, ADs, etc.)
- DTA has provided public finance consulting services to over 2,500 public and private sector clients.
- Bond authorizations exceeding \$60 billion.
- **Numerous Central Coast engagements – SLO County, SLO City, Paso Robles, Atascadero, Templeton, etc.**

## STIPULATED JUDGEMENT

- BMC Genesis: Responsibilities; Legal Capabilities vs. Funding
  - *Chicken or the Egg...*
- BMC requires approximately **\$300,000** in annual revenues to fund General Implementation costs associated with the Stipulated Judgement
- Once the General Implementation is financed, the BMC can evaluate and implement the identified remediation programs outlined in the Basin Plan
- Potential cost for the mid-horizon Basin Plan: **\$33,815,000**

<b>Program</b>	<b>Cost (\$1000)</b>
Groundwater Monitoring Program	650
Urban Water Use Efficiency Program	5,500
Urban Water Reinvestment Program	18,290
Basin Infrastructure Program A	2,835
Basin Infrastructure Program C	6,540
Wellhead Protection Program	0
<b>Total</b>	<b>33,815</b>

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## POTENTIAL USES OF FUNDS AND PROCEEDS

- **Scenario 1**
  - \$300,000 in annual revenues
  - Funds General Implementation
- **Scenario 2**
  - \$6,500,000 in capital facilities, \$300,000 in annual revenues
  - Funds General Implementation + Basic Infrastructure Program C (see Table, prior page)
- **Scenario 3**
  - \$25,000,000 in capital facilities, \$600,000 in annual revenues
  - Funds General Implementation + Basic Infrastructure Program C + Urban Water Reinvestment program (see Table, prior page)

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## FEASIBILITY RANKINGS AND ASSOCIATED MECHANISMS

### • Scenario 1

1. FCD Special Tax  
(\$50 annually per Parcel if Uniform)
2. CFD Special Tax

### • Scenarios 2 & 3

1. CFD Special Tax  
(\$100+ annually per Unit)
2. FCD Special Tax
3. Special Assessment

Funding Sources	Scenario 1	Scenario 2	Scenario 3
Use of Funds	General Implementation	Basin Infrastructure Program C + General Implementation	Basin Infrastructure Program C + Urban Water Reinvestment Program + General Implementation
Proceeds	\$300,000 (Annually)	\$6,540,000 + \$300,000 (Annually)	\$24,830,000 + \$600,000 (Annually)
Prop 1 (Round 2) Proceeds	TBD	TBD	TBD
Recommended Mechanism	FCD Special Tax	Community Facilities District ("CFD") Special Tax	CFD Special Tax
Recommended Entity	FCD	County/FCD, BMC JPA, or CSD	County/FCD, BMC JPA, or CSD
JPA Required	Most Likely	TBD	TBD

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## ENTITY... THAT COULD LEVY THE REVENUE(S)

### • San Luis Obispo County Flood Control and Water Conservation District

- **Pros:** Broad statutory authorities, jurisdiction over entire Basin Plan Area, most efficient, lowest preliminary costs, expedited
- **Cons:** Heavy burden on staff time

### • Los Osos Community Services District ("CSD")

- **Pros:** Strong focus within Los Osos
- **Cons:** Resources, limited jurisdiction, special tax must be uniform with limited exception

### • BMC JPA

- **Pros:** Security (risk management), special purpose
- **Cons:** Only possesses powers common to the members or powers otherwise set forth in the Stipulated Judgment (special tax would likely need to be levied and transferred) (Government Code §6502), time and costs associated with finalizing JPA

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## SEVERAL CHALLENGES: AUTHORIZATION/ENTITY

- ❖ The unique responsibilities and obligations of the BMC make fitting the General Implementation component within a statutory authorization (other than a Special Tax levied transferred to the JPA) a significant challenge
- ❖ It is difficult to define the General Implementation services in such a way that they would fall within the services under the CFD Act

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## ADDITIONAL CHALLENGES: PUBLIC PERCEPTION/VOTING

- Voters are hesitant to approve "administrative" components.
  - In DTA's experience, public agencies will even break-out administrative costs from a larger sales tax measure or property related tax or fee so as to not jeopardize the larger goals.
  - Any vote, whether a 50% or 66% threshold, will burden staff and elected officials.
  - Subsequent votes are even more demanding. A financing strategy that requires multiple votes should be adopted carefully.
- **CFD Special Tax:** Approval of two-thirds (66%) of registered voters
  - **FCD Tax:** Approval of two-thirds (66%) of registered voters
  - **Special Assessment:** Approval of one-half (50%) of property owners

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## OPTIONS

- Community Facilities District (CFD) Special Tax
- Flood Control District (FCD) Special Tax
- Special Assessments
- Benefit Area Fee Program
- Grants

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## OPTION: CFD SPECIAL TAX

- A Community Facilities District ("CFD") can finance certain types of services as well as public facilities (may issue tax-exempt municipal bonds) through the imposition of a Special Tax (explicitly not ad valorem) solely on those properties within the CFD
- **Pros:** Revenue potential (perhaps up to approximately \$24,831,484, shown in Table below), ability to reflect Allocation Principles
- **Cons:** Difficulty of funding General Implementation services, approval of two-thirds (2/3) of registered voters

	Scenario 2	Scenario 3
<b>Annual Special Taxes (per Unit or Acre)</b>		
Single Family (per Unit)	\$100	\$300
Multi-Family (per Unit)	\$75	\$225
Non-Residential (per Acre)	\$364	\$1,190
<b>Bond Conclusions</b>		
Total Bonded Indebtedness	\$8,120,000	\$30,820,000
Total Construction Proceeds	\$6,542,234	\$24,831,484

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## OPTION: FCD SPECIAL TAX

- Pursuant to Section 13.3 of the FCD Act, the Flood Control District can levy a special tax within a zone of the Flood Control District
- The Flood Control District can also transfer the revenue from such tax to any governmental body with whom the Flood Control District has a contract
- Each Parcel would be subject to an approximately **\$50 annual** special Tax levy (under Scenario 1)
  
- **Pros:** Statutory Flexibility
- **Cons:** Approval of two-thirds (2/3) of registered voters, bond market reception (vs. CFD)

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## OPTION: SPECIAL ASSESSMENTS

- The philosophy behind special assessments is to link the cost of public improvements to those landowners who *specifically benefit* from those improvements
- Assessment vs. Tax - An agency must separate the general benefits from the special benefits conferred on a parcel
  
- **Pros:** 50% vote threshold (landowner ballots weighted according to proportional financial obligation)
- **Cons:** Statutory Authorization, difficulty of funding General Implementation Services Proposition 218, General vs. Special Benefit

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## OPTION: BENEFIT AREA FEE PROGRAM

- This financing alternative would guarantee that **new development** pays its fair share of the costs of facilities from which it benefits, including sewer facilities
- **Impact fees** ("Fees") would be assigned to Assessor's Parcels based on the relative benefit received by each acre of property within the area benefiting from the facilities ("Benefit Area") according to their potential land uses, if available. The Fees could be paid at building permit issuance (consistent with the allocation principles), or at final map recordation if the County wanted to accelerate the funding
- **Pros:** Focused only on Future Development (equity)
- **Cons:** Focused only on Future Development (less revenue, timing)

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## OPTION: GRANTS

- Another potential source of funding for public facilities could be federal and State grants and loans that are available to finance many types of public improvements
- Prop 1, as approved by the voters in November 2014, provides for the sale of State bonds to **finance water-related planning, facilities, and programs** intended to mitigate the impacts of climate change and the current drought, and ensure resilient and sustainable water resources
- This program offers potential funding for up to **50%** of the cost of the project, or a **higher percentage** if the project funded is selected under the disadvantaged community program (at present, several large are classified as Disadvantaged Community Block Groups by the State)

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## RECOMMENDATIONS

- A **FCD Special Tax** measure is the best option if BMC is **immediately** interested in financing General Implementation (\$300,000)
- Should **considerable infrastructure** be the ultimate focus of the vote, DTA recommends first evaluating a **CFD Special Tax** with **Bond and Legal Counsel**, particularly any and all ways to include the General Implementation services within the CFD Special Tax
- If **new development** resumes, DTA recommends the development **Benefit Area Fee Program** (AB 1600) to ensure that new development pays its "fair share" of the prioritized capital facilities, under a methodology to be developed and approved at that time

**TO: Los Osos Basin Management Committee**

**FROM: Rob Miller, Interim Executive Director**

**DATE: September 14, 2016**

**SUBJECT: Item 5b – Approval of Budget Update and Invoice Register through August 31, 2016**

### **Recommendations**

Staff recommends that the Committee review and approve the report.

### **Discussion**

Staff has prepared a summary of costs incurred as compared to the adopted budget through August 31, 2016 (see Attachment 1). A running invoice register is also provided as Attachment 2.

Staff recommends that the Committee approve the current invoices, outlined in Attachment 3.

Several items should be noted as the attachments are reviewed:

- With the exception of the approved basin boundary work, costs incurred in 2015 are not included.
- Work efforts authorized prior to the formation of the BMC are not included, such as the creek discharge study or legal expenses related to the final judgment.
- Invoices for some services have not yet been received from SBCC and AGP.

Payment of invoices will continue to be processed through Brownstein Hyatt as noted in previous meetings.

**Attachment 1: Cost Summary (Year to Date) for Calendar Year 2016 (updated through August 2016)**

Item	Description	Budget Amount	Costs Incurred Through August 31	Percent Incurred	Remaining Budget
1	Monthly meeting administration, including preparation, staff notes, and attendance	\$50,000	\$33,016.30	66.0%	\$16,984
2	Meeting expenses - facility rent	\$4,000	\$240.00	6.0%	\$3,760
3	Meeting expenses - audio services	\$4,000	\$3,150.00	78.8%	\$850
4	Legal counsel (special counsel for funding measure)	\$10,000	\$0.00		\$10,000
5	Semi annual seawater intrusion monitoring	\$12,000	\$14,508.44	55.8%	\$11,492
6	Annual report - not including Year 1 start up costs	\$30,000	\$31,992.50	106.6%	-\$1,993
7	Annual report - Year 1 costs	\$14,000	Combined with Item 5		
8	Grant writing (outside consultant)	\$12,000	\$2,095.00		\$9,905
9	Basin boundary definition (CHG only)	\$20,000	\$19,602.50	98.0%	\$398
10	Funding measure including initial feasibility report, final report, and proposition 218 process	\$120,000	\$14,250.00		\$105,750
11	Conservation programs (not including member programs)	\$10,000	\$1,777.99		\$8,222
	Subtotal	\$286,000			\$165,367
	10% Contingency	\$28,600			
	<b>Total</b>	<b>\$314,600</b>	<b>\$120,632.73</b>	<b>38.3%</b>	<b>\$193,967</b>
	LOCSD (38%)	\$119,548			
	GSWC (38%)	\$119,548			
	County of SLO (20%)	\$62,920			
	S&T Mutual (4%)	\$12,584			
Notes	1. Costs incurred in 2015 for legal and administration are not included. 2. Costs are recognized in month service provided, as opposed to when paid. 3. Tasks approved by ISJ prior to BMC (ie, MKN work on creek discharge) are not included.				

**Attachment 2: Invoice Register for Los Osos BMC for Calendar Year 2016 (through August 2016)**

Vendor	Invoice No.	Amount	Month of Service	Description	Budget Item	Previously Approved
Wallace Group	40966	\$1,452.50	January	BMC admin services	1	x
Wallace Group	41097	\$3,614.00	February	BMC admin services	1	x
Wallace Group	41313	\$4,961.75	March	BMC admin services	1	x
Wallace Group	41513	\$4,710.14	April	BMC admin services	1	x
Wallace Group	41741	\$3,366.02	May	BMC admin services	1	x
Wallace Group	41868	\$6,027.74	June	BMC admin services	1	x
Wallace Group	42102	\$5,560.65	July	BMC admin services	1	
Wallace Group	42326	\$3,323.50	August	BMC admin services	1	
WSC	2151	\$2,095.00	July	Funding Research	8	
DTA	1604053	\$4,346.60	April	Feasibility Analysis	10	
DTA	1605065	\$9,320.11	May	Feasibility Analysis	10	
DTA	1606026	\$583.29	June	Feasibility Analysis	10	
South Bay CC	77	\$60.00	February	Facility rental	2	x
South Bay CC	87	\$60.00	June	Facility rental	2	x
AGP	6531	\$375.00	February	Audio services	3	x
AGP	6561	\$375.00	April	Audio services	3	x
AGP	6599	\$375.00	May	Audio services	3	x
AGP	6645	\$2,025.00	June, July	Video production services; Audio	3	
Cleath Harris	20160306	\$16,712.50	March	Annual report preparation	6	x
Cleath Harris	20151221	\$10,697.50	December, 2015	Basin boundary study	9	x
Cleath Harris	20160117	\$4,020.00	January	Basin boundary study	9	x
Cleath Harris	20160218	\$3,355.00	February	Basin boundary study	9	x
Cleath Harris	20160402	\$8,300.00	April	Annual report preparation	6	x
Cleath Harris	20160403	\$8,791.74	April	Annual Monitoring (2016)	5	x
Cleath Harris	20160504	\$4,356.70	May	Annual Monitoring (2016)	5	x
Cleath Harris	20160503	\$1,920.00	May	Annual report preparation	6	x
Cleath Harris	20160606	\$2,960.00	June	Annual report preparation	6	x
Cleath Harris	20160607	\$1,360.00	June	Annual Monitoring (2016)	5	x
Cleath Harris	20160805	\$2,100.00	August	Annual Monitoring (2016)	6	
Cleath Harris	20160806	\$280.00	August	Boundary study	9	
Cleath Harris	25010134	\$1,250.00	Nov-15	Boundary study	9	
SBCC	82	\$60.00	April	Facility rental	2	x
SBCC	86	\$60.00	May	Facility rental	2	x
ASAP	414280	\$1,350.28	May	Conservation	11	x
ASAP	414344	\$427.71	June	Conservation	11	x
<b>Total</b>		<b>\$120,632.73</b>				



### ATTACHMENT 3

#### Current Invoices Subject to Approval for Payment (Warrant List as of August 2016):

<b>Vendor</b>	<b>Invoice #</b>	<b>Date of Services</b>	<b>Amount of Invoice</b>
WSC	2151	July 2016	\$2,095.00
DTA	1604053	April 2016	\$4346.60
DTA	1605065	May 2016	\$9,320.11
DTA	1606026	June 2016	\$583.29
AGP	6645	July 2016	\$2,025.00
WG	42102	July 2016	\$5,560.65
WG	42326	August 2016	\$3,323.50
CHG	20160805	August 2016	\$2,100.00
CHG	20160806	August 2016	\$280.00
CHG	25010134	November 2015	\$1,250.00

**TO: Los Osos Basin Management Committee**

**FROM: Rob Miller, Interim Executive Director**

**DATE: September 15, 2016**

**SUBJECT: Item 6 – Executive Director’s Report**

### **Recommendations**

Staff recommends that the Committee receive and file the report, and provide staff with any direction for future discussions.

### **Discussion**

This report was prepared to summarize administrative matters not covered in other agenda items and also to provide a general update on staff activities.

#### Funding and Financing Programs to Support Basin Plan Implementation – WSC Technical Memorandum

The BMC contracted with WSC to evaluate funding mechanisms to support Basin Plan Implementation. WSC submitted a Technical Memorandum on 8/31/16 that outlined nine (9) potential funding sources that could support Basin Plan Implementation. WSC’s Technical Memorandum is provided as an attachment.

#### Status of Zone of Benefit Analysis

In April 2016, the San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWCD) retained David Taussig & Associates, Inc. (Taussig) to evaluate funding mechanisms consistent with Section 5.13 of the Stipulated Judgment, which contemplates sponsorship of an initial funding mechanism to fund the administrative and other appropriate costs of the Basin Management Committee (BMC) associated with implementing the Basin Plan. In its Phase 1 Report (Report), Taussig provided an initial evaluation of funding mechanisms based on the services/facilities being initially funded (funding scenarios). The three funding mechanisms evaluated in detail included a: (1) Community Facilities District (CFD) Special Tax; (2) SLOCFCWCD Special Tax; and (3) Special Assessment. The Report provided a summary of each funding mechanism, pros/cons of each funding mechanism, and funding mechanism recommendations for each scenario (pending certain future actions such as retention of bond counsel for the CFD Special Tax).

In July 2016, Taussig presented the Report to the BMC. Next steps will vary depending on whether the BMC pursues a funding mechanism, and if it does, which mechanism is pursued. The BMC members provided initial feedback that securing approval of a funding mechanism largely focused on administrative costs would likely be challenging. Consequently, staff (of the BMC parties) is exploring other options and strategies for funding both interim BMC administrative costs and ongoing program costs. Concurrently, County staff

has been exploring the potential of seeking a legislative fix to augment the types of services that can be funded through a CFD Special Tax. If feasible and supported, this fix could be pursued in a future legislative cycle.

#### Follow Up on Potential Creek Discharge

Staff has provided an amended draft report to the Division of Drinking Water (DDW) for final comments, and a final report will be brought back to the BMC for next steps. Initial input from DDW has been positive, and they are expecting their review to be complete by early October.

#### Annual Report Update

A final version of the Annual Report has been provided to staff members who made comments on the final draft. If the final version is reviewed prior to the meeting, the final document may be posted on the website in time for the meeting.

#### Basin Boundary Modification Request Update

The California Department of Water Resources (DWR) closed the first Basin Boundary Modification request period and the final 2016 modifications will be published online in late September at [http://water.ca.gov/groundwater/sgm/basin\\_boundaries.cfm](http://water.ca.gov/groundwater/sgm/basin_boundaries.cfm).

The next submission period for the Basin Boundary Modification Request for DWR is in 2018.

#### Los Osos Wastewater Project Flow and Connection Update

Staff plans to provide periodic updates on the status of connections and flows from the LOWWP. The following is an update on the status:

- 1,900 connections have been made, including neighborhood systems and mobile home parks. There are approximately 2,300 homes and businesses connected.
- Flows are approximately 200,000 gallons per day on the weekends, slightly less on weekdays.
- Effluent has been discharged to the Broderson percolation site since August 10th. It is filtered and disinfected, which meets the WDR requirements of 7mg/L total nitrogen. The County is now going through the process verification procedure with SWB Division of Drinking Water so that the effluent can be deemed Title 22 disinfected tertiary recycled water. In the last two weeks, a maximum flow of 400,000 gpd has been sent to Broderson as water is discharged from accumulated storage.

# Technical Memorandum



**Date:** 8/31/2016

**To:** Rob Miller, PE  
Los Osos Basin Management Committee  
2122 9<sup>th</sup> Street, Suite 102  
Los Osos, CA 93402

**Phone:** (805) 544-4011

**Prepared by:** Adam Donald, EIT

**Reviewed by:** Lianne Westberg, PE

**Project:** Los Osos Basin Management Committee Funding Assistance

**SUBJECT: FUNDING AND FINANCING PROGRAMS TO SUPPORT BASIN PLAN IMPLEMENTATION**

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The Los Osos Basin Management Committee (LOBMC) is implementing a Basin Infrastructure Program (Program) to sustainably manage the Los Osos Groundwater Basin and address water quality concerns in the basin, such as elevated nitrate levels and seawater intrusion. This technical memorandum (TM) briefly summarizes the potential funding programs available to the LOBMC to implement the Program.

## Introduction

The LOBMC is seeking to identify applicable funding sources to support the projects and programs defined in the Basin Plan. Collectively, these projects will be referred to as the Program. The LOBMC seeks to allocate all costs equitably among the parties benefitting from the Los Osos Groundwater Basin's water resources and the Program that will improve these water resources. The LOBMC desires to implement the Program using a funding portfolio of grants, low interest loans and cash reserves, maximizing grant funding when available.

WSC was retained by the LOBMC to identify applicable funding sources for the Program, summarize the application criteria and requirements of the funding sources in a TM, and provide support for development of the Proposition 1 Groundwater Sustainability Program Pre-Application.

## Funding and Financing Opportunities

A substantial number of state and federal funding programs are available for water resource and infrastructure projects; however, the LOBMC only qualifies for certain programs based on the Program scope, population served, area economics, and other criteria. The following funding opportunities were identified and considered as potential funding sources for the Program:

1. United States Department of Agriculture – Rural Development (USDA-RD) Water & Waste Disposal Loan & Grant Program
2. State Water Resources Control Board (SWRCB) Water Recycling Funding Program (WRFP)
3. SWRCB Safe Drinking Water State Revolving Fund (DWSRF)
4. SWRCB Proposition 1 Groundwater Sustainability Program
5. Department of Water Resources (DWR) Water-Energy Grant Program

6. DWR Integrated Regional Water Management (IRWM) Grant Program
7. Infrastructure State Revolving Fund (ISRF) Program
8. Community Development Block Grant (CDBG)
9. United States Bureau of Reclamation (USBR) WaterSMART Water and Energy Efficiency Grants

During the preliminary screening of the funding programs above, WSC learned that the Program is not eligible for funding through USDA-RD Water & Waste Disposal Loan and Grant Program (#1 above) because the population served exceeds 10,000 people. WSC also determined that the SWRCB WRFPP (#2 above) is not a good fit for the LOBMC at this time because the Program scope does not align well with the WRFPP and the WRFPP is currently oversubscribed. If the Program scope is expanded to include recycled water projects and more WRFPP funds become available, the LOBMC may want to reconsider the WRFPP as a funding source. For this reason, the WRFPP is included in Table 1 on the following page to provide the LOBMC with key program information.

Based on the list above and the preliminary screening, the following programs were prioritized as being most relevant to the Program:

- SWRCB DWSRF (#4 above);
- SWRCB Proposition 1 Groundwater Sustainability Program (#5 above);
- DWR Water-Energy Grants (#5 above) and IRWM Grant Programs (#6 above);
- ISRF Program (#7 above);
- CDBG (#8 above); and
- USBR WaterSMART Water and Energy Efficiency Grants (#9 above).

The key aspects of these programs are summarized in Table 1. The pre-application for the SWRCB Proposition 1 Groundwater Sustainability Program has already been completed by WSC on behalf of LOBMC and is awaiting review by the SWRCB.

## Recommendations

From the list of eligible funding programs and projects in Table 1: Summary of Relevant Grant and Loan Programs, WSC recommends pursuing the following grant programs in order to maximize grant funding for the LOBMC:

- Proposition 1 Groundwater Sustainability Program (in-progress);
- DWR IRWM Implementation Grants;
- Community Development Block Grants;
- DWR Water-Energy Grants;
- USBR WaterSMART Water and Energy Efficiency Grant Program.

Applicable project types for each grant program are shown in Table 1. Note that in order to pursue the DWR IRWM Implementation Grants, LOBMC will need to contact their IRWM representative to get the project(s) on a pre-approved list prior to the start of the application period.

The LOBMC will likely need to supplement grant funding with low-interest loans to fully implement the Program. WSC recommends pursuing a low-interest loan through the SWRCB DWSRF program as it has the most favorable interest rate and terms, and the Program aligns closely with the eligibility criteria.

Table 1: Summary of Relevant Grant and Loan Programs

Program	Applicable to	Available Funding	LOBMC Applicable Projects	Eligibility Considerations	Funding Prioritization and Project Selection	Application Schedule/Deadlines	Financing Terms
SWRCB DWSRF	Planning/design and construction of drinking water infrastructure projects	Available funds are dependent upon accumulation from loan repayments. Financing limit is limited by water system's ability to borrow.	All Basin Plan infrastructure projects should be able to apply. South Bay Well Nitrate Removal and the 8 <sup>th</sup> Street and El Morro Well Blending Station would be given high priority because they prevent nitrate MCL violations.	Projects fit into 6 categories: Treatment, Transmission & Distribution, Source, Storage, Consolidation, and Creation of New Systems. The Basin Program could fit under "Source," as it will be improving source of water supply. The S&T/GSWC interconnection could fit under "Consolidation." Projects must comply with CEQA to receive funding.	Projects must pertain to drinking water infrastructure. The highest priority is given to projects that address imminent water supply outages and nitrate MCL violations.	Continuous application process.	Loans with an interest rate set to half of the most recent General Obligation (GO) bond rate, with a 20-year repayment period. 2016 interest rate is 1.60%. If project serves a disadvantaged community (DAC), may be eligible for 0% interest or extended 30-year term. Limited principal forgiveness and grants available to public agencies/non-profits who serve small DACs.
SWRCB Proposition 1 Groundwater Sustainability Program	Planning/Monitoring and Implementation Projects	\$744 million available.	Expansion Well #2, Expansion Well #3, Monitoring Well at Cuesta-By-The-Sea, 8 <sup>th</sup> Street and El Morro Well Blending Station and Wellhead Treatment	Can be used to support projects that protect groundwater basins, such as preventing seawater intrusion and cleaning up contaminant plumes.	Priority is given to eligible projects that can leverage funds and utilize new and innovative technology. Other priorities include high threat of contamination to the community's drinking water supply, high potential for groundwater contamination to spread, potential to maximize opportunities to recharge vulnerable, high-use groundwater basins, and projects where there is not a responsible party paying for cleanup.	Pre-application was completed by WSC on LOBMC's behalf by 7/29/16 deadline. Final application due by 10/14/16. Preliminary awards by December 2016.	Planning Projects: Grants between \$100,000 and \$1 million.  Implementation Projects: Minimum grant of \$500,000 and no maximum grant limit.  For both types, a minimum of 50% matching is required, and this cannot come from other state funds. Matching is reduced or waived for DAC/EDA.
DWR Water-Energy Grant	Implementation Projects	\$19 million available. Up to \$3 million per proposal and \$6 million per applicant.	S&T Water Meters; Future water meter or water conservation projects would likely also be competitive.	Projects need to result in water and/or energy savings. Typical successful projects include water meter installation and water conservation. These result in embedded energy savings from using less water.	Proposals are ranked on their GHG reduction value (MTCO <sub>2</sub> e/total project cost), water savings (gal saved/total project cost), and DAC benefit. Priority may be given to projects that directly benefit DACs.	Final guidelines released September 2016. Proposals due November 2016. Awards in 2017.	Grant funding
DWR IRWM Implementation Grant	Implementation Projects	Prop 84 funds have been consumed. Prop 1 funds are available - \$510 million with not less than \$51 million to projects that directly benefit DACs.	S&T/GSWC Interconnection could be eligible under regional water conveyance facilities that improve integration of separate water systems.	Eligible projects include local & regional surface & underground water storage including groundwater aquifer cleanup or recharge projects.	Prioritization is given to projects that leverage funds, employ new & innovative technology or practices, achieve multiple benefits, and cover a greater portion of the watershed.	Must apply through an IRWM region and project must be put on preapproved list prior to applying. Application expected in 2017.	Grant funding. Applicant required to provide a minimum funding match of 50% with non-state funds. Local cost sharing may be waived or reduced for projects directly benefiting a DAC.

Infrastructure State Revolving Fund (ISRF)	Planning, design and construction of public infrastructure	Funding ranges from \$50,000 to \$25 million	Expansion Well #2, Expansion Well #3, LOVR Main Upgrade, S&T/GSWC Interconnection, South Bay Well Nitrate Removal, Palisades Well Modification	Projects include water supply, water treatment, and water distribution.	When immediate financing needs exceed the lending capacity of the ISRF, preference is given to projects benefiting areas with high unemployment, low median family income, declining or slow growth in labor force employment, or high poverty rates.	Continuous application	Loans with repayment period of up to 30 years. Interest rate is dependent on several factors and is typically close to the market rate (higher than DWSRF and WRFPP interest rate).
Community Development Block Grant (CDBG)	Public Improvements for water and wastewater systems	Funding up to \$1,500,000.	All Basin Plan infrastructure projects should be applicable.	Project must serve a limited area that US Census data shows to be predominately (51% or more) low/moderate-income. Eligible project activities include housing assistance, public facilities, infrastructure and infrastructure in support of housing, public services, planning and technical assistance, and economic development. Past winners have included water improvement projects.	Projects must do one of the following: benefit low to moderate income persons, help prevent or eliminate slums and blight, or meet an urgent need. Special allocations available for economic development, Native American communities, and Colonias.	FY 2016 application has passed. FY 2017 application due to SLO County in October 2016.	Grant funding.
USBR WaterSMART Water and Energy Efficiency Grant Program	Planning, design, construction and implementation	Funding Group I: Up to \$300,000 Funding Group II: Up to \$1,000,000 No more than \$500,000 in Federal funds provided to one applicant in a given Federal fiscal year. Limited to \$1,000,000 per applicant.	Water Meters, S&T/GSWC Interconnection, New wells that implement energy efficiency; Future water conservation projects/programs would likely also be competitive.	Eligible projects include those that save water, increase energy efficiency, use renewable energy in water management, support environmental benefits, and mitigate conflict in areas at high risk of water conflict. Past projects include advanced metering, turf replacement projects, piping unlined ditches, and interties.	Priority to projects that can be completed in 24 months that help sustainable water supplies in western US. Prioritization for projects that seek to conserve and use water more efficiently, increase the use of renewable energy, protect endangered species, or facilitate water markets. Applicants are required to propose performance measures.	FY 2016 application has passed. Applications are typically due in first quarter of each calendar year. FOA are released annually.	Grant funding. Applicants must be capable of cost sharing 50% or more of the total project costs.
SWRCB WRFPP	Construction for water recycling facilities	Available funds are dependent upon accumulation from loan repayments. Funding is limited to the lesser of 25% of eligible construction costs or \$5 million	Current Basin Plan infrastructure projects are not eligible for this program. Future recycled water, including groundwater recharge projects, could be eligible.	Eligible projects are direct potable reuse, indirect potable reuse, recycled water distribution system, groundwater recharge or treatment facility for recycled water project.	Funding is provided on a first-come, first-served basis, and is dependent on compliance with the requirements of the program guidelines. Cost effectiveness of the project, energy efficiency, and potential for greenhouse gases will be emphasized during project prioritization.	Continuous application process	When available, 35% grant funding or \$15 million (whichever is less); Loans have 20 to 30-year financing term at interest rate set to half of the most recent General Obligation (GO) bond rate.

**TO: Los Osos Basin Management Committee**

**FROM: Rob Miller, Interim Executive Director**

**DATE: September 21, 2016**

**SUBJECT: Item 7a - Expanded Review of Alternatives for BMC Input for the Los Osos Community Plan**

**Recommendation**

Receive presentation and provide input to staff for future action on crafting development recommendation.

**Discussion**

The County of San Luis Obispo has requested that the BMC develop and recommend a standard for future development to be included in the Los Osos Community Plan. At its July 20, 2016 meeting, the Los Osos BMC received an initial presentation of potential alternatives to recommend to the County for inclusion in the Los Osos Community Plan. The staff report from this meeting is attached in order to provide the BMC with additional background. At this meeting, the BMC requested that staff develop and present additional options in the form of a matrix so that the BMC could pick and choose from various standards in the crafting of its recommendation. The development standard can be crafted by picking one or more criteria from some, or all, of the columns. For example, the following standard could be crafted:

*EXAMPLE: Allow further development, subject to Title 19 water conservation retrofit requirements, but only after (1) the Chloride Metric, the Water Level Metric, and the Nitrate Metric have met the Basin Plan goals for a period of three consecutive years, and (2) the Governor has repealed the Drought State of Emergency. Also, restrict growth to five Equivalent Development Units per year and require the County to review this standard every five years.*

Although the following matrix is not meant to be exhaustive, it identifies various options for the BMC to consider in crafting its recommendation to the County for inclusion in the Los Osos Community Plan. To the extent possible, staff recommends crafting as clear and objective of a standard as possible.

During the presentation, the BMC will also be able to consider and recommend for inclusion additional options not identified in this staff note.



Development Subject To	Development Threshold	Time	Environmental Factors	Level of Allowable Development	Review
New development required to incrementally implement Basin Plan Program B projects so that new water supply requirements met from upper aquifer	Chloride Metric meets Basin Plan goal		Drought State of Emergency formally lifted	Growth restricted to level that new water demand can be met from upper aquifer	County to review standard for new development every five (5) years
Implementation of fee program to fund implementation of Program B and Program D projects sufficient to supply water to meet new demand	Water Level Metric meets Basin Plan goal			Growth restricted to [NUMBER] Equivalent Development Units/year	County to review standard for new development every ten (10) years
Building permits not issued until additional water available pursuant to completion of Program C and Program D projects	Nitrate Metric meets Basin Plan goal	[NUMBER] of consecutive years			
	Water Level Metric displays clear improvement over certain period			Los Osos receives an average of [NUMBER] inches of precipitation over [NUMBER] of previous water years	County to review standard for new development upon evidence that basin conditions are changing in unanticipated way
Development subject to Title 19 water conservation retrofit requirements	Chloride Metric displays clear improvement over certain period			Level of growth subject to metrics for upper aquifer designed to protect Zone C from sea water intrusion	
	Nitrate Metric displays clear improvement over certain period				
	Completion of Basin Plan Program A and Program C projects				

**TO:** Los Osos Basin Management Committee Previous Staff Note  
for Reference Only  
**FROM:** Rob Miller, Interim Executive Director  
**DATE:** July 20, 2016  
**SUBJECT:** Item 7a – Review Alternatives for BMC Input for the Los Osos Community Plan

### **Recommendations**

Receive presentation and provide input to staff for future action.

### **Discussion**

Chapter 10 of the 2015 Annual Report provides a framework for adaptive management, including a number of follow up items to be considered by the BMC for the remainder of 2016. One such item relates to future development within the community as indicated below from Section 10.2:

*Discussion and Development of Metrics for Future Growth. The BMC plans to provide input into the Los Osos Community Plan, including consideration of Basin Metrics and defined goals as they relate to the timing of future growth.*

The purpose of this item is to provide a range of potential alternatives for BMC and public discussion. It should be noted that these options are by no means exhaustive, but they represent a range of potential approaches. As indicated in previous discussions, the Coastal Commission will ultimately need to define key words and phrases within Special Condition No. 6 of the Los Osos Wastewater Project Coastal Development Permit (CDP) as underlined below:

***Condition 6: Wastewater Service to Undeveloped Properties:*** *Wastewater service to undeveloped properties within the service area shall be prohibited unless and until the Estero Area Plan is amended to identify appropriate and sustainable buildout limits, and any appropriate mechanisms to stay within such limits, based on conclusive evidence indicating that adequate water is available to support development of such properties without adverse impacts to ground and surface waters, including wetlands and all related habitats.*

In previous meetings, the BMC discussed the Sustainable Groundwater Management Act (SGMA) as one source of potential information to define adverse impacts. Relevant language from SGMA is provided below:

*“Undesirable result” means one or more of the following effects caused by groundwater conditions occurring throughout the basin:*

*(1) Chronic lowering of groundwater levels indicating a significant and unreasonable depletion of supply if continued over the planning and implementation horizon. Overdraft during a period of drought is not sufficient to establish a chronic lowering of groundwater levels if extractions and groundwater recharge are managed as necessary to ensure that reductions in groundwater levels or storage during a period of drought are offset by increases in groundwater levels or storage during other periods.*

*(2) Significant and unreasonable reduction of groundwater storage.*

*(3) Significant and unreasonable seawater intrusion.*

*(4) Significant and unreasonable degraded water quality, including the migration of contaminant plumes that impair water supplies.*

*(5) Significant and unreasonable land subsidence that substantially interferes with surface land uses.*

*(6) Depletions of interconnected surface water that have significant and unreasonable adverse impacts on beneficial uses of the surface water.*

The following alternatives for BMC input to the Los Osos Community Plan have been prepared by staff as a starting point for discussion. Other alternatives and hybrid combinations can certainly be considered.

Alternative 1: Allow further development only after the Chloride Metric and Water Level Metric have met Basin Plan goals for a period of two consecutive years, and then restrict the growth rate to a value recommended by the BMC at the time.

Alternative 2: Allow development subject to Title 19 water conservation retrofit requirements, but only after the following conditions are met:

- The Water Level Metric meets the Basin Plan goal for a period of two full years,
- The Chloride Metric displays a clear improvement trend over the same two year period in the discretion of the BMC.

Also, restrict the growth rate to a value to be recommended by the BMC.

Alternative 3: Allow development subject to Title 19 water conservation retrofit requirements, but require new development to incrementally implement Program B such that all new water supply requirements are met from the upper aquifer. Also, restrict the growth rate to a value to be recommended by the BMC, and link allowable growth with new upper aquifer metrics designed to protect Zone C from sea water intrusion.

Alternative 4: Allow development subject to Title 19 water conservation requirements, but only after the successful implementation of a fee program that would provide funds sufficient for the implementation of a Program B or Program C project adequate to supply the needs of approved development. Restrict the issuance of building permits until such improvements are complete, and limit the growth rate to a value to be recommended by the BMC.

It should be noted that the volume of water required for General Plan build-out may be substantially less than the estimated future urban use of approximately 2,000 acre-ft per year (AFY) indicated in the Basin Plan. The establishment of a revised estimate may be an important additional step that should be undertaken by the BMC.

### **Financial Considerations**

The BMC approach to future development may impact any tax measure or fee that is designed to benefit or collect revenue from undeveloped properties.

**TO: Los Osos Basin Management Committee**

**FROM: Cathy Martin, SLO County Public Works Water Resources Engineer**

**DATE: September 14, 2016**

**SUBJECT: ITEM 7b –PRESENTATION OVERVIEWING THE SALT AND NUTRIENT MANAGEMENT PLAN ELEMENTS**

**Recommendations**

Receive a brief presentation summarizing elements required in a Salt and Nutrient Management Plan (SNMP) related to the Los Osos Wastewater Project and Recycled Water Permit.

**Discussion**

In February 2009, the State Water Resources Control Board (SWRCB) adopted Resolution No. 2009-011, which established a statewide Recycled Water Policy (Policy). The Policy requires the development of a SNMP for the Los Osos Groundwater Basin, as it relates to the Los Osos Wastewater Project Recycled Water Permit. In response, San Luis Obispo County is preparing the SNMP with assistance from Cleath and Harris Geologist (Consultants).

The objective of the SNMP is to manage salts/nutrients in a manner that ensures attainment of water quality objectives and protection of beneficial uses. It will describe the established framework under which salt and nutrient issues can be managed. The SNMP will also streamline the permitting process of new recycled water projects, once approved by the Central Coast Regional Water Quality Control Board (RWQCB).

County Staff will present an overview of the elements required in an SNMP. The SNMP is being prepared in accordance the RWQCB discussions and the State’s Recycled Water Policy, and will use numerous reference reports, including the *Los Osos Groundwater Management Plan* and *Los Osos Groundwater Monitoring Program - 2015 Annual Report*. Once a draft SNMP is available, County Staff will present an overview to the BMC and to the community, as outlined below.

Tentative Schedule	Key Milestones & Public Meetings
Mid- November 2016	Publish Draft SNMP followed by a 21 calendar day public comment period
November 16, 2016	BMC Meeting – Present Summary of Draft SNMP
Late November 2016	Host Community Meeting – Present Draft SNMP
December 12, 2016	Request letters of support from BMC and water purveyors
January 2016	Present to the County Board of Supervisors/RWQCB

**TO: Los Osos Basin Management Committee**

**FROM: Rob Miller, Interim Executive Director**

**DATE: September 15, 2016**

**SUBJECT: Item 7c. Water Conservation Program Update**

### **Recommendations**

Receive a brief presentation summarizing the status of the Water Conservation Program, and direct the Executive Director to prepare a draft of an adapted Water Conservation Implementation Plan for County review and submission to Coastal Commission staff for approval.

### **Discussion**

In recent meetings, the BMC discussed funding of an ongoing water conservation program in Los Osos Groundwater Basin. Staff was directed to advance funding for the program and assemble a Memorandum of Understanding between the County and the BMC. County staff followed up by reviewing the available budget and funding set aside under the Los Osos Wastewater Project (LOWWP) that could be used to fund the BMC's ongoing water conservation program. While the wastewater project has budget remaining, a specific funding source was needed, given that each source has different criteria and requirements. A summary of the various sources considered is as follows:

- USDA loan: proceeds have been fully expended, so no additional funding is available.
- SRF loan: SWRCB staff will not allow loan proceeds to be use on conservation measures that will be owned by individuals.
- IRWM grant/DWR: While DWR support may be attainable with proof of a continuing benefit throughout the grant life span, immediate funding does not appear viable without further program documentation. A maintenance component would likely be required to ensure that the grant project benefits are sustained through the useful life of the project.

County Staff is also looking into other potential funding sources. In order to advance the project as funding is pursued, the BMC should consider seeking Coastal Commission staff approval of an adapted Water Conservation Implementation Plan. This step would be a necessary prerequisite for funding, and it can be accomplished in the absence of a specific funding source. If the BMC is interested in an expanded set of measures under Title 19, that source could also be considered. It is recommended that the BMC direct the Executive Director to prepare a draft of an adapted Water Conservation Implementation Plan for County review and submission to Coastal Commission staff for approval.