



Water Department

Water Commission Agenda
Regular Meeting
7:00 p.m. – Monday, August 25, 2014
Council Chambers
809 Center Street, Santa Cruz

Agenda

Call to Order

Roll Call

Presentation *Organized groups may make presentations to the Water Commission. Presentations that require more than three minutes should be scheduled in advance with Water Department staff.*

Statements of Disqualification *Section 607 of the City Charter states that “...All members present at any meeting must vote unless disqualified, in which case the disqualification shall be publicly declared and a record thereof made.”*

The City of Santa Cruz has adopted a Conflict of Interest Code, and Section 8 of that Code states that no person shall make or participate in a governmental decision which he or she knows or has reason to know will have a reasonably foreseeable material financial effect distinguishable from its effect on the public generally.

Oral Communications No action shall be taken on this item.

Announcements No action shall be taken on this item.

Approval of Minutes ☆ (Pages 5-8)

Recommendation: Motion to approve the July 7, 2014 Water Commission Minutes.

Consent Agenda (Pages 9-25)

Items on the consent agenda are considered to be routine in nature and will be acted upon in one motion. Specific items may be removed by members of the advisory body or public for separate consideration and discussion.

1. City Council Items Affecting Water ☆ (accept info) (Pages 9-10)
2. Water Commission Bylaws Update
3. Correspondence from Gary Patton dated 8/5/2014 ☆ (accept info) (Pages 11-25)

Items Removed from the Consent Agenda

General Business (Pages 26-29)

Any document related to an agenda item for the General Business of this meeting distributed to the Water Commission less than 72 hours before this meeting is available for inspection at the Water Administration Office, 212 Locust Street, Suite A, Santa Cruz, California. These documents will also be available for review at the Water Commission meeting with the display copy at the rear of the Council Chambers.

1. Work plan for Cost of Service Analysis, Rate Redesign and System Development Charges ☆ (Pages 26-29)

Recommendation: Provide input on the attached draft work plan to complete a Review of System Development Charges, Cost of Service Analysis and Rate Redesign which encompasses the direction provided by the City Council at their July 22, 2014 meeting.

Subcommittee/Advisory Body Oral Reports

1. WSAC Update (Oral Report)

Recommendation: None. Receive Update Only.

Director's Oral Report No action shall be taken on this item.

1. Monthly Status of Water Supply (to be distributed at meeting)

Documents for Future Meetings No action shall be taken on this item.

The following document is being included in this agenda packet in order to provide ample review time. It will be an item of business and will include a staff report at a future meeting.

Items Initiated by Members for Future Agendas

Adjournment The next meeting of the Water Commission is scheduled for October 6, 2014 at 7:00 p.m. in Council Chambers.

☆Denotes written materials included in packet

APPEALS - Any person who believes that a final action of this advisory body has been taken in error may appeal that decision to the City Council. Appeals must be in writing, setting forth the nature of the action and the basis upon which the action is considered to be in error, and addressed to the City Council in care of the City Clerk.

Other - Appeals must be received by the City Clerk within ten (10) calendar days following the date of the action from which such appeal is being taken. An appeal must be accompanied by a fifty dollar (\$50) filing fee.

The City of Santa Cruz does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, please attend the meeting fragrance free. Upon re-

quest, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment, please call Water Administration at 831-420-5200 at least five days in advance so that arrangement can be made. The Cal-Relay system number: 1-800-735-2922.

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Water Department

Water Commission
7:00 p.m. - Monday, July 7, 2014
Council Chambers
809 Center Street, Santa Cruz

Action Agenda of a Water Commission Meeting

Call to Order –Chair Baskin called the meeting to order at 7:01 p.m. in the City Council Chambers.

Roll Call

Present: D. Baskin (Chair), A. Schiffrin, D. Schwarm, D. Stearns, W. Wadlow (Vice-chair), and L. Wilshusen.

Absent: G. Mead (with notification)

Staff: R. Menard, Water Director; N. Dennis, Principal Management Analyst; E. Cross, Community Relations Specialist; T. Goddard, Administrative Service Manager; G. Rudometkin, Administrative Assistant III.

Others: Approximately 6 members of the public.

Presentation – There were no presentations.

Statements of Disqualification –There were no statements of disqualification.

Oral Communications – There were no oral communications.

Announcements – There were no announcements.

Approval of Minutes

Commissioner D. Stearns moved approval of June 2, 2014 Water Commission minutes. Commissioner D. Schwarm seconded.

VOICE VOTE: MOTION CARRIED

AYES: D. Baskin, D. Schwarm, D. Stearns, W. Wadlow, and L. Wilshusen.

NOES: A. Schiffrin, let the record reflect that I voted no because in my view the current format of the minutes denies the public any information regarding the content of testimony from either members of the public or the commission except by its indirect approach.

ABSTAINED: None

Consent Agenda

1. City Council Items Affecting Water

Commissioner A. Schiffrin moved approval of the Consent Agenda as submitted.
Commissioner L. Wilshusen seconded.

VOICE VOTE: MOTION CARRIED

AYES: D. Baskin, A. Schiffrin, D. Schwarm, D. Stearns, W. Wadlow, and L. Wilshusen.

NOES: None.

Items Removed from the Consent Agenda No items were removed.

General Business

1. Rate Increase and Drought Cost Recovery Recommendations

Presentation provided by Water Director, R. Menard; Principal Management Analyst, Nicole Dennis; and Sanjay Gaur of Raftelis Consulting and responded to Commission questions.

Public Comment: Oral communications made by P. Gratz, R. Pomerantz, D. Speltz, and A. Rosell.

Commissioner A. Schiffrin moved the motion as recommended by staff that the Water Commission forwards the following recommendations to the City Council:

1. Recommend the City Council schedule a Public Hearing on the proposed water rate increases to occur on September 9, 2014 in accordance with Proposition 218.
2. Recommend to the City Council institute a 10% water rate increase, to commence on October 1, 2014. Also, recommend a 10% rate increase implemented on July 1 for the each of the next four fiscal years.
3. Recommend to the City Council to assess a drought recovery fee designed to recover \$3.25 million over two years; \$2.25 million in FY 2015 and \$1 million in FY 2016.
4. Recommend to the City Council levy the drought recovery fee on the ready-to-serve (fixed) portion of the water bill.
5. Recommend to the City Council establish two additional reserve funds on behalf of the Water Department. The first fund recommended is a 90-Day Operating Reserve and the second, an Emergency Reserve Fund in addition to the existing Water Rate Stabilization Fund.

The Water Commission recommends these actions to the City Council for their consideration in order to maintain, protect, and ensure the delivery of clean drinking water to the customers, residents and visitors of the City's water system over the next five

years. A request was made that at a subsequent meeting Water Commissioners receive a detailed update on cost allocations and a timeframe to analysis.

Commissioner A. Schiffrin would also like to add that the Water Commissioners receive a detailed work plan update at a subsequent meeting on the cost allocations and rate redesign plan with a timeframe for implementing that analysis and those changes. The motion is also to include Commissioner L. Wilshusen's addition that the proposed rate chart with a 100% fixed drought recovery fees be included for both city residents and non-city residents.

Commissioner L. Wilshusen would like to add to point #3 of the recommendation that an automatic trigger in relation to levy a drought recovery fee be implemented and Commissioner A. Schiffrin would also like to add to point #3 a recommendation that Council consider including in the Prop. 218 notice, the ability to implement cost recovery fee to coincide with City Councils' declaration of a water shortage emergency. Commission D. Schwarm seconded.

VOICE VOTE: MOTION CARRIED

AYES: D. Baskin, A. Schiffrin, D. Schwarm, D. Stearns, W. Wadlow, and L. Wilshusen.

NOES: None.

2. Water Commission Bylaws/Minutes Update

Public Comment: None

Commissioner L. Wilshusen moved that the Commission create a subcommittee appointing D. Stearns, D. Baskin, and A. Schiffrin to address the Water Commission Bylaws. Commissioner A. Schiffrin seconded.

VOICE VOTE: MOTION CARRIED

AYES: D. Baskin, A. Schiffrin, D. Schwarm, D. Stearns, W. Wadlow, and L. Wilshusen.

NOES: None.

Subcommittee/Advisory Body Oral Reports No items.

1. WSAC Update

Director's Oral Report No action shall be taken on this item.

1. Monthly Status of Water Supply

Documents for Future Meetings No action shall be taken on this item.

1. None

Items Initiated by Members for Future Agendas

Adjournment **Meeting adjourned** at 9:28pm the next meeting of the Water Commission is scheduled for August 25, 2014 at 7:00 p.m. in Council Chambers.

Respectfully submitted,

**Gloria
Rudometkin**

Digitally signed by Gloria Rudometkin
DN: cn=Gloria Rudometkin, o=City of
Santa Cruz, ou=Water,
email=grudometkin@cityofsantacruz.c
om, c=US
Date: 2014.02.10 09:12:05 -08'00'

Staff



WATER COMMISSION REPORT

DATE: August 18, 2014
TO: Water Commission
FROM: Rosemary Menard
Water Director
SUBJECT: City Council Items Affecting Water

City Council Meeting of July 8, 2014:

Transfer of funds from the Water Rate Stabilization Reserve Fund to the Water Enterprise Fund - Budget Adjustment (WT)

Resolution appropriating up to \$2.4 million available in the Water Rate Stabilization Reserve Fund to the Water Department Enterprise Fund for FY 2015 to help address the financial impacts of Stage 3 Water Rationing in accordance with City Council Policy 34.4.

Motion to suspend the section of City Council Policy 34.4 which requires a surcharge of \$0.10 charge per CCF (100 cubic feet) of non-lifeline water sold in the service area.

Grant Application to the California State Department of Water Resources – 2014 Integrated Regional Water Management Drought Grant Solicitation (WT)

Resolution authorizing the City Manager to submit a grant application in coordination with the Regional Water Management Foundation, for the 2014 Integrated Regional Water Management Drought Grant Solicitation offered by the State of California Department of Water Resources; and if selected, accept the funds and execute all standard agreements for such funds and any amendments thereto, and any other documents necessary to secure the grant funds, in a form acceptable to the City Attorney and necessary to participate in the program.

Beltz Reclaim Tank Replacement Project – Notice of Completion (WT)

Motion to accept the work of Monterey Peninsula Engineering, Inc., (Monterey, CA) as complete per the plans and specifications and authorize the filing of a Notice of Completion for the Beltz Reclaim Tank Replacement Project.

Resolutions Amending the Water Department's FY 2014 and FY 2015 Budgets Appropriating Additional Funds from the Water Enterprise Fund (Fund 711) and Water System Development

Charges Fund (Fund 715) for Expenses Related to Drought and the Capital Budget - Budget Adjustments (WT)

Resolution authorizing the transfer and appropriating funds in the FY 2014 Budget from the Water Enterprise Fund balance to cover costs related to the implementation of drought-related programs.

Resolution authorizing the transfer and appropriating funds in the FY 2015 Budget from the Water Enterprise Fund balance to cover costs related to the implementation of drought-related programs and add funding to the Water Department's Capital Improvement Program for the Materials Storage Roof Project.

City Council Meeting of July 22, 2014:

Integrated Regional Water Management Plan Update (WT/PW)

Resolution adopting the 2014 Update of the Santa Cruz Integrated Regional Water Management Plan.

Conditions Assessment and Structural Evaluation of Concrete Tanks – Award of Contract (WT)

Motion to accept the proposal of Kennedy/Jenks Consultants (San Francisco, CA) for Conditions Assessment and Structural Evaluation of Concrete Tanks in the amount of \$256,652 and to authorize the City Manager to execute an agreement in a form acceptable to the City Attorney, and reject all other proposals.

Contract Approval with Miller/Maxfield (WT)

Motion to approve and authorize the City Manager to execute Contract Amendment No. 3, in a form approved by the City Attorney, with Miller Maxfield, Inc. in the amount of \$82,000 for continued communications services including various media, outreach and graphic support.

Water Shortage Emergency Status Report (WT)

Motion to accept a status report on the City of Santa Cruz's ongoing Water Shortage Emergency and implementation of the water shortage regulations and restrictions, and provide input and direction to staff, as appropriate.

User Charges for Water Services - Proposed Five Year Increase, Drought Cost Recovery Fee, and Drought Cost Recovery Fee Schedule (WT)

Motion to set a public hearing on the proposed increase of water use rates, the drought cost recovery fee, and the drought cost recovery fee schedule for September 23, 2014 and approve mailing of written notices, substantially in the form of the attachment, to water service customers regarding the proposed increases and the planned public hearing.

Gloria Rudometkin

Subject: FW: Community Water Coalition Comments on Grand Jury Report
Attachments: CWC Response to Grand Jury.pdf; ATT00001.htm

From: Gary Patton [<mailto:gapatton@icloud.com>]
Sent: Friday, August 01, 2014 1:40 PM
To: Renee Coletta; Gloria Rudometkin
Cc: Martin Bernal
Subject: Community Water Coalition Comments on Grand Jury Report

To: City Water Director and City Water Commission

I am enclosing materials prepared by the Community Water Coalition, in response to the Grand Jury's Report on Desalination. I would appreciate it if you would make sure that all members of the Commission, and the Water Director, do receive a copy of these comments. The CWC hopes that the City will take its comments seriously as the City develops its own response to the Grand Jury.

Gary A. Patton, Attorney at Law
P.O. Box 1038
Santa Cruz, CA 95061
Telephone: 831-332-8546
Email: gapatton@gapattonlaw.com
Website: www.gapatton.net

Community Water Coalition

Post Office Box 1038, Santa Cruz, CA 95061

Email: Water_CWC@yahoo.com

Telephone: 831-332-8546

August 1, 2014

To: The Following Agencies And Advisory Bodies:

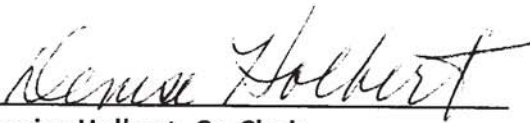
- (1) The Santa Cruz City Council
- (2) The City of Santa Cruz Water Commission
- (3) The Board of Directors of the Soquel Creek Water District
- (4) The Basin Implementation Group for the Purisima Groundwater Basin

The Community Water Coalition (CWC) is a group of residents and businesses within the City of Santa Cruz Water Service Area dedicated to ensuring adequate water supplies for current customers within the Water Service Area, while maintaining a healthy environment. Established in 2008, the CWC has been deeply involved since that time in virtually all of the water policy issues that will so profoundly affect the future of Santa Cruz County.

The CWC hopes that you will review and take seriously our attached letter. Each of the above listed agencies has been directed by the 2013-2014 Grand Jury to respond to certain of the Grand Jury's findings and recommendations on desalination. The CWC believes that the Grand Jury's report is fundamentally flawed, and is based on an outdated and incomplete understanding of the issues. We hope that you will take account of our analysis and comments as you formulate your own responses to the Grand Jury.

Thank you for your attention to this very significant public policy concern. Naturally, we would be happy to follow up, and to provide further information, upon request. Please don't hesitate to contact us.

Respectfully submitted,
Community Water Coalition



Denise Holbert, Co-Chair



John Aird, Co-Chair

Community Water Coalition

Post Office Box 1038, Santa Cruz, CA 95061

Email: Water_CWC@yahoo.com

Telephone: 831-332-8546

August 1, 2014

Nell Griscom, Foreperson
2013-2014 Santa Cruz County Grand Jury
701 Ocean Street, Room 318-I
Santa Cruz, CA 95060

Sent By Email to: grandjury@co.santa-cruz.ca.us

RE: 2013-2014 Grand Jury Report – Desalination and Alternatives

Dear Foreperson Griscom and Members of The Grand Jury:

This letter responds to the section of your 2013-2014 Grand Jury Report entitled “Desalination and Alternatives – Water for a Thirsty County.”

The Grand Jury has asked the following agencies or advisory groups to provide responses to various Findings and Recommendations that the Grand Jury has made in the section of its 2013-2014 Report that addresses desalination:

- (1) The Santa Cruz City Council;
- (2) The City of Santa Cruz Water Commission;
- (3) The Board of Directors of the Soquel Creek Water District, and
- (4) The Basin Implementation Group for the Purisima Groundwater Basin.

We are making a copy of this letter available to each of the above-listed agencies or advisory bodies, as well as to the Grand Jury itself. We hope these agencies and advisory bodies will consider our views as they formulate their own responses to your report.

The Community Water Coalition (CWC) is a group of residents and businesses within the City of Santa Cruz Water Service Area dedicated to ensuring adequate water supplies for current customers within the Water Service Area, while maintaining a healthy environment. The CWC was established in 2008, and has been deeply involved since that time in virtually all of the water policy issues that will so profoundly affect the future of Santa Cruz County. The CWC is happy that the Grand Jury has focused attention on the very significant water supply challenges we face.

That said, while the CWC is delighted that the Grand Jury has focused community attention on such an important topic, we were disappointed in your discussion of desalination, as we will outline in detail below. Fundamentally, the Grand Jury’s report is outdated, in terms of its recommendation that a desalination plant should be constructed as a “single alternative” solution to our significant water supply problems. The City of Santa Cruz, in particular, has definitively moved away from this bad idea, and has established a Water Supply Advisory

Committee that is overseeing a comprehensive approach to the difficult problem that the Grand Jury identifies.

Beyond the outdated nature of the Grand Jury report, the CWC was particularly distressed with two aspects of what the Grand Jury had to say. First, the Grand Jury gave very little attention to “alternatives” to desalination, even though that word is featured in the title of the section of your report in which you discuss the issues.

Second, the CWC was also disturbed that while the Grand Jury seemed to understand the complexity of the water supply challenges facing the community, the Grand Jury apparently thought that our public agencies should be attempting to solve these complex problems by finding and deploying a “single alternative.” The following statement, which is contained in the Grand Jury’s report as Finding #5, synthesizes the approach that the Grand Jury is apparently advising:

The SCWD² desalination plant is the only available single alternative that can address in a timely manner all of the supplemental water needs of SCWD and SqCWD, while at the same time being immune to climate change (emphasis added).

The CWC urges all the public agencies involved in efforts to address our critically important water supply challenges to discard the idea that there is some “single alternative,” some “silver bullet” solution, that will make our problems go away. The statement above suggests that searching for this kind of “silver bullet” solution is what the Grand Jury advises. If that is the Grand Jury’s advice, we hope that all the concerned public agencies will reject that advice and not try to resume the pursuit of an illusory “single alternative” solution.

The CWC can’t stress enough how terribly unproductive and wrongly directed any such search for a “single alternative” would be – and has been. It is, in fact, appropriate to remind our public officials of the wisdom of H.L. Mencken:

For every complex problem there is an answer that is clear, simple ... and wrong.

H.L. Mencken

The proposed City of Santa Cruz/Soquel Water District desalination plant is exactly the kind of project that Mencken might have used as an example of the general principle he was articulating. “Desalination” presents itself as a clear and “simple” solution to a lot of problems, but it is demonstrably NOT “the only available single alternative that can address in a timely manner all of the supplemental water needs” of our community.

In fact, as the environmental and project review process of the proposed desalination plant has made obvious, it is quite unclear whether the proposed desalination solution is actually “available,” in view of the very significant and negative environmental impacts such a project would have – not to mention the great costs involved. Whether desalination can be made to address the issues in a “timely manner” is also questionable, since federal and state agencies

with approval power are unconvinced, at the present time, that desalination is the best solution. Whether desalination would in fact provide enough water to address all our local needs is also uncertain.

Looking for the “silver bullet” solution will only get us into trouble. No “single alternative” will solve our water supply problems. Our problems are complex, and we need a complex and wide-ranging community plan to address them.

The CWC has the following specific responses to the Findings and Recommendations contained in the 2013-2014 Grand Jury Report:

Finding #1 – Both SCWD and SqCWD urgently need a supplemental water source.

This “finding” is based on a misunderstanding of the actual problem we face. We do have a truly urgent problem, but that problem is a significant imbalance between water demands and the water supplies available to meet those demands. An “imbalance” between demand and supply is the problem we face. The premise upon which the Grand Jury is proceeding is that “demand” is a “given,” and can’t be changed, and therefore we need to produce more “supplies.” In fact, the solution we need is not simply to find “more water.” We need to find ways to ensure that our water demands, now and in the future, will be in balance with our water supply, and that our water supply systems will provide an adequate balance in both “wet” and “drought” conditions.

By trying to solve the wrong “problem,” the Grand Jury comes to the wrong “solution.”

Finding #2 – The longer SqCWD and SCWD wait to secure a viable alternative to the overdraft problem, the greater the danger of degradation and possible permanent loss of aquifers.

The CWC agrees that prompt action to stop groundwater overdraft and seawater intrusion is critically important. This is an issue, really, for the Soquel Creek Water District, and only to a much smaller degree for the City of Santa Cruz. The CWC wishes that the Grand Jury had more clearly pointed out that groundwater overdraft problems have been known to the Soquel Creek Water District for years, and that the District has been slow to confront the problems. The CWC also wishes to point out that many private wells are currently contributing to the groundwater overdraft problem within the boundaries of the Soquel Creek Water District, and that dealing with those wells could go a long way in addressing the overall problem in the affected groundwater basins.

Again, the problem is complex, and the “single alternative” of a proposed desalination plant is not likely the best way to deal with it.

Finding #3 – The decision by the City of Santa Cruz to suspend participation in the scwd² desalination project forced SqCWD to re-start the planning process without a regional partner.

It is somewhat hard to understand the point of this “finding.” The City of Santa Cruz and the Soquel Creek Water District are separate public agencies with different responsibilities, and they operate very different water systems and serve different areas. The City Council is responsible for serving the water needs of the City’s Water Service Area, and the City’s system relies almost entirely on surface water sources. The Soquel Creek Water District serves a huge geographic area that is totally dependent on groundwater, and the Soquel Creek District has known for years that this is a major problem for the District. The CWC thinks it is regrettable that both the City and the District decided jointly to embark on a search for a “single alternative” solution to their very different problems, with a joint desalination project being the “solution.” As is now clear, this apparently “simple” solution turns out to have raised a number of complex issues, many of which complexities the environmental review process brought to light.

Having now become aware of the complex set of problems facing the City, the Santa Cruz City Council has decided to explore these complexities and alternatives in a comprehensive way, before proceeding with a questionable “silver bullet” solution (the proposed desalination plant). As previously mentioned, the City has established a Water Supply Advisory Committee to pursue this comprehensive approach, an approach that truly considers all the alternatives, and that properly understands the problem as one of finding a way to balance demand and supply. In taking this approach, the City Council has acted responsibly for the businesses and residents it serves. The Soquel Creek Water District Board of Directors is quite clearly doing the same thing, on behalf of its customers, as is also proper. In no sense is the City of Santa Cruz in any way responsible for solving the problems of the Soquel District, any more than the Soquel District is responsible for solving the problems of the City of Santa Cruz.

Finding #4 – The City of Santa Cruz did not adequately communicate the urgent need for a supplemental water source to its ratepayers.

This statement indicates that the Grand Jury did not properly investigate “desalination and alternatives,” and has thus failed to understand why the formerly proposed desalination project is not proceeding ahead. It isn’t because local residents and ratepayers are unaware of the serious nature of our current situation.

From the start, the Santa Cruz City Water Department (under its former Director) and the Soquel Creek Water District advanced their proposed joint desalination project as the “single alternative” that would solve the water problems of both agencies. From the start, community members, including the CWC, urged the City and the District truly to examine a full range of “alternatives,” which the agencies basically refused to do. After the agencies received voluminous comments on their Draft Environmental

Report, it became clear that it was not only the citizens that were distressed by the lack of analysis of feasible alternatives. Every major federal and state agency that has approval power over the proposed desalination plant filed highly negative comments on the Draft Environmental Impact Report on the proposed desalination project.

Critical comments came from the California Department of Fish and Wildlife, the Monterey Bay National Marine Sanctuary, the California Coastal Commission, and the National Marine Fisheries Service. The basic message of these reviewing agencies was that “alternatives” should be seriously considered. Implicit in their comments was the idea that the “single alternative” solution of a desalination plant was probably not the best approach. Here, specifically, is what the National Marine Fisheries Service said in its July 19, 2013 comment letter:

NMFS and CDFW have promoted likely benefits to water supply through a combination of infrastructure improvements to the City’s water facilities. These infrastructure improvements include additional pipelines to maximize conveyance of water into Loch Lomond and to the Graham Hill water treatment facility, upgrades to the water treatment plant, and improved reservoir operation at Loch Lomond. Preliminary information indicates a combination of upgrades will result in measureable improvements to water supply. Unfortunately the Alternatives Analysis [in the Draft EIR] takes a piece-meal approach and dismissed the viability of the various alternatives by evaluating them as stand-alone projects. These projects, when viewed singularly, will not result in as tangible a benefit to improved water supply and reliability, as the benefits of the proposed action [the desalination option]. Therefore, we recommend the Alternatives Analysis examine a reasonably feasible combination of alternatives, such as those recommended by CDFW and NMFS to provide decision-makers with a full range of options for their consideration in the final EIR (emphasis and explanation added).

Finding #4 reflects statements from “officials from Santa Cruz City, County, and SqCWD” [see page 10 of the report], which the Grand Jury has apparently accepted as accurate. They aren’t accurate. The public officials in charge of the proposed desalination project have consistently taken the position that they (the public officials) know what is right, and that if the public doesn’t support their desalination proposal it must be that the citizens are uninformed. Nothing could be further from the truth.

During the time that the proposed desalination project has been under consideration, various bill inserts went to all water customers, outlining the critical issues facing the community. In June 2011, then-Mayor Ryan Coonerty sent a flier to 24,000 residents of Santa Cruz promoting desalination. Many public meetings were held, and what follows is a [partial] listing of the news articles and opinion editorials on desalination and our water supply crisis that have appeared in the local press since 2011, as obtained from the Santa Cruz City-County Library:

2011

February 22 Sentinel
February 23 Sentinel
March 8 Sentinel
April 15 Sentinel
April 21 Sentinel
July 15 Aptos Times
September 23 Sentinel
November 17 Good Times

2012

January 3 Sentinel
January 27 Sentinel
February 4 Sentinel
February 22 Sentinel
February 29 Sentinel
May 3 Sentinel
May 30 Sentinel
August 23 Sentinel
September 28 Sentinel
September 29 Sentinel
September 30 Sentinel
December 20 Sentinel

2013

January 23 Sentinel
February 6 Sentinel
May 8 Sentinel
May 14 Sentinel
June 2 Sentinel
June 4 Sentinel
June 8 Sentinel
June 14 Sentinel
June 30 Sentinel
July 2 Sentinel
August 20 Sentinel
August 21 Sentinel
August 29 Sentinel
September 21 Sentinel
October 9 Sentinel
November 3 Sentinel
November 27 Sentinel
December 30 Sentinel

2014

January 7 Sentinel
May 20 Sentinel

In addition, of course, residents and voters within the City of Santa Cruz had the benefit of an extended discussion about the issues during the campaign to qualify an initiative measure for the November 6, 2012 ballot that, as ultimately adopted by the voters (with 72% of the voters in favor), gives City voters the last word on the construction of any desalination plant to serve City water customers. The public has been well informed about, and well understands, the urgent nature of our water supply challenges, but the public has rejected the “single alternative” approach that the public agencies have previously advocated, and that the Grand Jury is now trying to advocate all over again. Here is how one CWC member put it, as the Santa Cruz City Council moved to “reset” the discussion about our water supply challenges after the end of the comment period on the Draft EIR. The CWC agrees with this evaluation:

After two very well-attended DEIR public meetings, extensive news coverage of various points of view, an "outreach" PR campaign sponsored by the collaborating water agencies, and over 400 + submitted written comments on the DEIR, the prevalent view in Santa Cruz is this: They do not want desal either because it's seen as not needed, too expensive, too environmentally harmful, or because they believe there are other viable alternatives which have not been rigorously enough pursued.

Finding #5 – The scwd² desalination plant is the only available single alternative than can address in a timely manner all of the supplemental water needs of SWD and SqCWD while at the same time being immune to climate change.

We have commented earlier on this finding, which encapsulates the Grand Jury’s recommended approach. This is, in fact, exactly the approach that has been rejected by the City of Santa Cruz, after the public finally made the Santa Cruz City Council understand that a simple-sounding “single alternative” approach to meeting our water challenges was totally inappropriate. Our water supply crisis cannot be, and will not be, solved by desalination, as a “single alternative” solution. The problems facing us are complex, and we need a complex and wide-ranging community plan to address them. Please note, again, the statements from the National Marine Fisheries Service, quoted above. The need for a multifaceted approach, as opposed to the “single alternative” approach, is not just the idea of the CWC. Those federal and state agencies with the greatest expertise agree with us.

Finding #6 – The draft EIR must be finalized before the environmental studies and alternative projects included in it can be implemented.

This statement is simply not true. A certified and “Final” Environmental Impact Report (EIR) is required before a public agency undertakes any “project.” The Draft EIR on the proposed desalination project does, indeed, incorporate a number of subsidiary environmental studies. These studies can be used for any appropriate purpose, at any time, without the need to “finalize” the EIR on the desalination project. For instance, the environmental studies previously prepared can be used to guide agency policy and project decisions to which they might be relevant. The *only* reason to “finalize” the EIR on the proposed desalination project is to provide the legal support

required under the California Environmental Quality Act (CEQA) to carry out the actual project proposed – the desalination plant. If one or more alternatives are decided upon, then those alternative projects will require review under CEQA. In connection with any such environmental review, the materials and studies developed during the Draft EIR for the proposed desalination plant can be used, as appropriate.

To reiterate, the ONLY reason to “finalize” an EIR on the proposed desalination project is to provide the necessary legal support to undertake *that* project. Since both the City of Santa Cruz and the Soquel Creek Water District are now examining a more complex set of alternative possibilities, it would be highly inappropriate to spend more money to “finalize” an EIR for a project that has not, at this point, been selected for actual construction.

Finding #7 – DeepWater and District-only desalination projects will face many obstacles, including completion of EIRs and securing local approval.

This statement is absolutely true. In fact, ANY desalination project will face many obstacles, including completion of EIRs and securing local (and federal and state) approval.

Finding #8 – The private company Central Coast Regional Water Project will have inordinate control over the water rates of the DeepWater Desalination project since it will control the intake pipe.

While the CWC does not pretend to have expert knowledge about the so-called “DeepWater Desalination” project, the CWC does agree that any proposal that puts the public on the hook to pay a profit-making company is almost always disadvantageous from the public’s point of view. The residents and taxpayers of Santa Cruz County are lucky that their water is delivered by public agencies that are subject to voter control.

Finding #9 – Agencies that wait to buy into the DeepWater plant may be excluded because the limited amount of water produced may already be allocated.

Again, while the CWC does not pretend to have expert knowledge about the so-called “DeepWater Desalination” project, it does seem likely that any such project will be able to produce only a limited amount of fresh water, and that the Grand Jury is thus correct in its observation. It is worth noting that many proponents of desalination present desalination as an option that will provide “unlimited” fresh water. The CWC specifically references an advertising campaign by the California American Water Company, which is proposing to build a desalination plant in Monterey County. The Cal-Am television advertisements promise unlimited water from desalination, because the ocean is “unlimited.” Even if the incredibly high cost of desalination were not a factor (as it is), no desalination project can truthfully promise “unlimited” future fresh water supplies.

Finding #10 – State water rights evaluations will delay the prospective start date of the Regional Water Transfer Project.

There is no doubt that State water rights issues will take time to resolve, for any regional project that requires a reallocation or redetermination of agency water rights. Whether the time required should be characterized as a “delay,” however, is questionable. ANY solution to our complex water supply crisis will take time, just as a “single alternative” desalination project would. The CWC believes that genuine regional cooperation can speed a regional solution. If there is not an agreement between all the regional agencies involved, finding a solution that reallocates water rights will, indeed, take a significant amount of time.

Finding #11 – Without modification, the SCWD Tait Street treatment facility is not large enough to accommodate the needs of the Regional Water Transfer Project.

If the various regional agencies involved can agree on a Regional Water Transfer Project, as part of a way to address the complex water supply problems affecting our region, then it is likely that costs for various infrastructure improvements, including improvements to the Tait Street treatment facility, will be necessary.

Finding #12 – Officials in SCWD and SqCWD have not given sufficient consideration to a regional recycling plant.

The CWC agrees with the Grand Jury that serious consideration should be given to a regional water recycling plant, as part of the way that responsible agencies can address the complex water supply problems affecting our region. The CWC also notes that such a water recycling plant is likely not a panacea, or a “single alternative” solution, since there are significant public health issues involved.

Finding #13 – A water recycling facility would allow for injection wells to either help recharge the aquifer or to build a barrier against seawater intrusion.

The CWC agrees.

Finding #14 – Because there is no detailed groundwater model of the Purisima basin, it is difficult to do the studies and research needed to protect the aquifer.

The CWC agrees.

Finding #15 – Private pumpers have unregulated access to water and do not contribute financially to aquifer protection efforts.

The CWC agrees.

Recommendation #1 – City of Santa Cruz Water Department should secure a supplemental water supply.

The CWC notes again that what the responsible water agencies need to do is to find a way to provide a balance between current and expected future demand and current and possible future supplies. A search for a “supplemental water supply” is a

misguided search. This characterization of the problem makes it seem that a “single alternative” solution is possible, which is not true, and seems to indicate that “new supplies,” as opposed to a new method of reconciling and balancing demands and supplies, is what we should be aiming for. Again, that is simply not correct.

Recommendation #2 – Soquel Creek Water District should secure a supplemental water supply.

See our comment to Recommendation #1.

Recommendation #3 – The City of Santa Cruz should ensure that the scwd² draft EIR be finalized by the end of calendar year 2014.

This would be an incredible waste of money, and would probably derail the cooperative work now underway to develop a complex and wide-ranging community plan to address our water supply crisis. The ONLY reason to “finalize” the EIR for the proposed desalination project would be to provide the legal support required by CEQA to permit the actual construction of such a desalination plant. Unless and until there is a consensus that this is, in fact, the correct direction for our community, “finalizing” the EIR would be a waste of money, and would divide the community.

Recommendation #4 – The City of Santa Cruz should immediately convey to its citizens the urgency of the long-term regional water situation.

Based on the documented extensive media coverage of the issue, the CWC believes that Santa Cruz citizens fully understand the urgency of our long-term regional water situation.

Recommendation #5 – The City of Santa Cruz should strongly consider reviving the scwd² desalination plan prior to the next available General Election.

First, Measure P, an initiative measure passed on November 6, 2012 in the City of Santa Cruz by a 72% “Yes” vote, amended the City Charter to establish the right of the voters to make the final determination on desalination – AT a General Election. Trying to “revive” the desalination project prior to such an election would appear to contravene these legally binding provisions in the City Charter. Second, as we hope this response to the Grand Jury has made clear, the proposed desalination project has been an attempt to develop a “single alternative,” as a simple solution to a complex problem. The City of Santa Cruz has wisely chosen to try to develop a more complex and wide-ranging community plan to address our water supply crisis. This recent effort by the City should be supported and applauded, not criticized and denigrated. Pursuing the recommendation of the Grand Jury would be a giant step backward, not an advance.

Recommendation #6– City of Santa Cruz Water Department and Soquel Creek Water District should continue to pursue a regional solution such as Desalination or Regional Water Transfers with Recycling.

The CWC believes that the CITY (not just its Water Department) and the Soquel Creek Water District should continue to pursue a regional solution to the complex water supply crisis affecting the community. What will be required will be a complex and wide-ranging water plan, not a “single alternative” solution that focuses entirely on adding “new water.”

Recommendation #7– Members of the Basin Implementation Group should complete work on a groundwater model of the Purisima basin as soon as possible.

The CWC agrees.

Recommendation #8– The Basin Implementation Group should establish a Replenishment District for the Purisima Aquifer.

The CWC agrees that the possibility of establishing a Replenishment District should be seriously pursued. Establishing comprehensive and effective groundwater management program for the groundwater basins upon which the Soquel Creek Water District relies should be a high priority for the District.

CONCLUSION

The CWC is happy that the Grand Jury has chosen to spotlight the critically important need for our local water agencies to develop a satisfactory and workable solution to the water supply challenges facing us, but the Grand Jury’s obvious preference for a “single alternative,” based on finding some sort of “new water,” is wrongheaded. The Grand Jury’s implicit support for the proposed desalination plant as the preferable “single alternative” is fundamentally misplaced.

Finally, the public DOES know about our current crisis. What has been lacking has been the willingness of the water agencies fully to involve the public in developing the kind of complex regional plan that will be necessary to balance long-term water demand with long-term water supplies. The CWC is delighted that this kind of public involvement and planning, focused on the right kind of comprehensive solution, is now underway. Following many of the recommendations of the Grand Jury would take the community backward, not forward.

Respectfully submitted,
Community Water Coalition


Denise Holbert, Co-Chair


John Aird, Co-Chair

DISTRIBUTION:

City Council, City of Santa Cruz
City of Santa Cruz Water Commission
Board of Directors, Soquel Creek Water District
Basin Implementation Group, Purisima Groundwater Basin
Santa Cruz City Manager
Santa Cruz City Water Director
County Water Resources Director
General Manager, Soquel Creek Water District
Members, City of Santa Cruz Water Supply Advisory Committee
Members, Local Agency Formation Commission (LAFCO)
Members, Santa Cruz County Board of Supervisors
Other Interested Persons





WATER DEPARTMENT MEMORANDUM

DATE: August 19, 2014

TO: Water Commission

FROM: Rosemary Menard
Water Director

Nicole B. Dennis
Principal Management Analyst

SUBJECT: Provide Input on the Draft Work Plan for the Review of System
Development Charges, Cost of Service Analysis and Rate Redesign

RECOMMENDATIONS:

Provide input on the attached draft work plan to complete a Review of System Development Charges, Cost of Service Analysis and Rate Redesign which encompasses the direction provided by the City Council at their July 22, 2014 meeting.

BACKGROUND/DISCUSSION:

The Water Department last completed a Cost of Service Analysis in August 2004 which was the basis for five, annual rate increases beginning in 2005. Also completed in 2004 was a review of System Development Charges which also resulted in changes to the fee schedule in 2005.

The Water Department intends to complete a review of the System Development Charges and a Cost of Service Analysis over the next 20 months as indicated in the attached Rate Work Plan. After the completion of these two components of a comprehensive cost and rate analysis, the Department, with input from the Water Commission and key stakeholders, will embark on a Rate Redesign. Target completion date for all the work is the late winter, early spring of 2016. Potential Public Hearing noticing as required by California State Proposition 218 would be conducted in the spring of 2016 for implementation on July 1, 2016.

The proposed timeline is consistent with the direction provided by the City Council at their July 22, 2014 meeting. Their motion follows:

1. Set a public hearing on the proposed increase of water use rates, the drought cost recovery fee, and the drought cost recovery fee schedule for September 23, 2014 and approve mailing of written notices, substantially in the form of the attachment, to water service customers regarding the proposed increases and the planned public hearing; and
2. Directed staff to bring to the public hearing both the original Water Commission recommendation and an alternative approach that provides for a rate increase for only the initial 21 months of rate increases and the completion of the water commission's study of rate structure that would incorporate stronger rate-based incentives for reduced water use while achieving revenue to meet infrastructure needs and taking into account social equity concerns and this alternative approach will return to the City Council within 18 months.

The first step in complying with the Council's direction is to create a work plan to accomplish the necessary work. The draft work plan includes a Cost of Service Analysis, Rate Redesign and a review of System Development.

The Water Department's financial consultants and rate revenue model architects, Raftelis Financial Consultants, Inc., will be assisting the Department with this work.

POSSIBLE MOTION:

1. Endorse the proposed work plan to complete a Review of System Development Charges, Cost of Service Analysis and Rate Redesign which encompasses the direction provided by the City Council at their July 22, 2014 meeting.

**City of Santa Cruz
Water Department
Work Plan for
2014-15 Water Rate Study**

DRAFT

Date	Task
August 25, 2014	Review the 2014-15 Water Rate Study Work Plan with Water Commission
System Development Fees	
October 2014	<p>1. Policy Discussion Goal: RFC will discuss the policy framework for the System Development Fees with Water Commission and key staff:</p> <ul style="list-style-type: none"> a. Framework on the System Development and <ul style="list-style-type: none"> i. How can Santa Cruz fairly accommodate growth, given ongoing drought conditions?
November 2014- January 2015 February 2015	<p>2. System Development Fees Task: Based on feedback received from the October meeting, RFC will conduct the System Development and analysis.</p> <ul style="list-style-type: none"> a. Workshop to be held with the Water Commission.
March 2015	3. System Development results will be presented to the Water Commission.
Spring 2015	4. Recommended results will be presented to City Council.
5. Fee Adoption	
April / May 2015	a. Report Development
May / June 2015	b. Fee Adoption
July 1, 2015	c. Fee implementation
Water Rates	
March 2015	<p>1. Policy Discussion Goal: Establish the intent and objective(s) of the rate structure (i.e. what should the new rate structure accomplish?). This will be conducted by engaging the Water Commission and key staff in a Pricing Objective exercise, where they will rank the objectives that they believe are the most important.</p> <ul style="list-style-type: none"> a. Trends on water rates structure b. Establish the goals and policy of the Water Commission <ul style="list-style-type: none"> i. Water Commission and key staff will be asked to rank these goals/objectives
April-May 2015	c. Based on input provided from the Water Commission and key staff, RFC will present a framework for the rate structure best suited for each customer class.
2. Cost of Service / Rate Design Task: Based on the feedback received from earlier discussions, RFC will develop the appropriate models that can examine different conservation rate structures by customer class.	
June-October 2015	<ul style="list-style-type: none"> a. Cost of Service / Rate Design <ul style="list-style-type: none"> i. Several webinars and staff meetings will be conducted during this time period

November-January 2015	<ul style="list-style-type: none"> b. Workshop with Water Commission / City Council <ul style="list-style-type: none"> i. Present the draft results and receive input from Water Commission and, potentially, City Council.
<ul style="list-style-type: none"> February 2016 March 2016 Spring 2016 July 1, 2016 	<p>3. Rate Adoption</p> <ul style="list-style-type: none"> a. Prop 218 Notice b. Report Development c. Rate Adoption/Prop. 218 Public Hearing d. Rate implementation

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