



Water Department

**Water Commission**  
**7:00 p.m. – Monday, February 2, 2015**  
**Council Chambers**  
**809 Center Street, Santa Cruz**

### **Minutes of a Water Commission Meeting**

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

#### **Roll Call**

**Present:** D. Baskin, G. Mead, D. Schwarm, D. Stearns, W. Wadlow, and L. Wilshusen.  
**Absent:** A. Schiffrin (with notification)  
**Staff:** R. Menard, Water Director; H. Luckenbach, Deputy Director/Engineering Manager; T. Goddard Administrative Services Manager; N. Dennis Principal Management Analyst; G. Rudometkin, Administrative Assistant III.  
**Others:** Approximately 33 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.

#### **Consent Agenda**

1. City Council Items Affecting Water
2. Approve the December 1, 2014 Water Commission Minutes

Commissioner L. Wilshusen moved the Consent Agenda. Commissioner G. Mead seconded.

VOICE VOTE: MOTION CARRIED

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

NOES: None

ABSENT: A. Schiffrin

ABSTAINED: D. Baskin due to absence from the December 1, 2014 meeting.

#### **General Business**

1. Water Demand Offset Presentation

R. Menard, Water Director introduced consultant S. Gaur, of Raftelis Consulting who provided the presentation and responded to Commission questions.

Commission Feedback:

- A system development charge is the cost for new development to join the system of Santa Cruz and benefit from the assets that the rate payers have been contributing to and the funds that we have available. You can think of it as there being two components of this fee, one is the system development charge which is a onetime capital charge to pay but this fee might not be viewed as paying for the water molecules. As used in other communities, a water demand offset program is a mechanism to make sure that growth in demand for water is offset and so it doesn't contribute to the need for additional infrastructure. Most of the information gathered on water demand offset fees came from utility websites and the consultant noted that relatively little information is available about these programs.
- The system development charges are something we are required to do by statute, is that correct? Response: The City is not required to establish system development charges but allowed to.
- Is there a regulatory framework for the demand offset program? Response: Yes, there is a regulatory framework that tells you the limits and boundaries and how you might calculate them. There isn't a framework for water demand offset fees.
- Why wasn't Soquel Creek used as one of the case studies? Response: Staff believed Commissioners would have some familiarity with the Soquel Creek program and wanted to provide additional examples

R. Menard introduced J. Rebagliati, Director of Planning and Community Development and B. Lipscomb, Director of Economic Development.

- Discussed the general plan which serves as the constitution for conservation, land use and development for the City of Santa Cruz and it is the primary tool that directs management, growth and preservation in our community. The general plan is comprehensive, it looks at all the things that the City does; it is required to be consistent and internally consistent. It covers a broad base of land use, development, conservation, public safety, mobility, economic development, etc. When the City makes a decision on virtually anything it does staff looks to the general plan to make sure there is consistency.
- J. Rebagliati worked in two jurisdictions that had Water Demand Offset programs one in Monterey County and the other in the City of Capitola, she expressed that, in her view if the City pursues such a program, it is very important that the City work carefully to develop the programs and policies to avoid unintended consequences that can occur. Some of the challenges that were brought to the other jurisdictions that she is aware of related to the cost of the program that was seen as prohibitive to some development. Another challenge was the changing cost and rules of the program, in both cases the programs changed periodically both in how they were administered and in the cost; that is difficult for

- development, it often involved a lot of up-front planning and analysis which made it more difficult if the rules and costs are changing.
- If a water demand offset program were limited to nonresidential development only, we would only be addressing approximately 20% of the future problem. So are we asking 20% of the problem to address the cost for the 100% of the development?
  - Santa Cruz is essentially built out; there aren't many opportunities for new investments on a substantial level. Does the City really want to place a financial burden on the few remaining development opportunities that are priorities for the City in terms of its housing, transportation and economic development goals?
  - The bottom line from an economic development perspective is that a program such as the one presented this evening will definitely make development more costly and will likely be a deterrent to the type of development we are trying to encourage in Santa Cruz. If it becomes more challenging to develop in Santa Cruz it would contribute to making Santa Cruz becomes less competitive relative to some of our surrounding communities.
  - While the concept of water neutral development is desirable, implementation in Santa Cruz may not be the return on investment that the City anticipates. We need to proceed cautiously considering all the impacts that implementing a program like this will have in Santa Cruz.

#### Commission Feedback:

- Additional fees make Santa Cruz less competitive than other cities.
- When the cost of new projects is increased, does that result in increasing the value of existing housing because of the replacement cost of housing; is that going to make our community more unaffordable even to the existing housing?
- Until we know what we are going to do for supply augmentation and the cost of it, it is hard for us to evaluate the extent of the need for a fee like this since people are going to be required to do the system development charge in any event.

#### Public Comment:

- R. Longinotti – reminded us that the concept that growth pays growth is an old concept. Rename water demand offset to a buy in fee. Suggested that the Commission invite Ron Duncan from Soquel Creek to come and speak at a future meeting.
- M. Primack – “this isn't exact math but if you raise the cost for new development by \$10,000, it raises my homes value by \$20,000. Growth pays for growth is the doctrine of an elitist community.”
- M. Ranch – is in favor of water demand offset because it encourages builders to build buildings that are more efficient.
- D. Speltz – water neutral response to growth resonates with public officials across the United States. Quoting a LAFCO Policy -“In cases where a basin is over drafted or existing services are not sustainable a boundary change proposal may be approved if there will be a net decrease in impacts on water resources.” This policy makes sense for Santa Cruz since our existing water use is not sustainable for both fish and people.

- J. Chipanny – Strongly supports the demand water offset fee. Concerned that large 3-4 bedroom homes have been taking over her neighborhood of 1 bedroom cottages. The demand water offset fee would allow growth to pay for the true cost of growth.
- J. Todd – in support of water demand offset. Made the point that water saved is energy saved.
- B. Solick – A Soquel Creek water district resident and proud to say that because their water neutral growth program is working well.
- C. Keutman –Believes this program is going to drive up the cost of housing for everyone, discourage growth and recommends proceeding carefully for economic impact.
- M. Thompson –Water conserving policies for building are coming from Sacramento, there is no need to pile it on new development, new development pays for a lot more than connection fees it pays for fire hydrants and infrastructure improvements. Reminded us that Santa Cruz is a mature city, and is approximately 95% built out.
- M. Mesiti-Miller – Believes this topic is in need of careful study. It impacts social justice; when the equity goes up in the housing market it will increase commuting for people trying to find affordable housing thus, increasing our carbon footprint. In regards to Julianna’s list of new business possibilities, we don’t want to deter great projects like the human genome project. Fairness factor, we are all here and we created the problem, why are asking the new people to pay for our poor planning.
- B. Tysseling – Looking at this from a larger context, Santa Cruz is the least affordable to second least affordable in the nation, land values are set by Silicon Valley, the jobs in Santa Cruz don’t pay as much as those in Silicon Valley. How are we actually going to make it affordable to live in Santa Cruz, it’s not by increasing the cost and adding additional fees.
- A. Jaffee – Santa Cruz water shortages have been often and have been due to supply and not to do with growth. People are struggling with how to make it here, everyone should have an opportunity to succeed; additional fees are not the solution.
- O. Lollard –Soquel Creek’s water demand offset program is successful but also consider that last year issued they issued 10 meters, so it is a non-issue. Why would we do this, what is really the goal?
- P. Nelson – The Water Supply Advisory Committee should be evaluating this very proposal, before this is a recommendation to City Council you should defer to the Water Supply Advisory Committee who has been studying this.
- J. Meccas – Believes this item will raise cost for new development and remodeling. Continued on to share that increased use isn’t being acknowledged and that he would rather see a tiered water system.

#### Commission Feedback:

- This item was agendized tonight for information and discussion because there is no way that it is ripe for decision. We heard not only questions that were posed but a lot of concerns expressed in the public comments as well. The Director’s

recommendation was to hear comments from the Commission, City staff and the public, so that the item can be worked on and be considered at a future joint meeting because this is a big policy issue.

- This is both effective and costly but there are unintended consequences. How will we pay for water reliability?
- We have had our consultant Bill Maddaus say while we want a vibrant conservation plan that conservation is not going to get us there in terms of dealing with our supply problem. If conservation isn't going to get us there, in terms of solving the problem then why do we incentivize conservation in excess ways? It is one thing to say that we have a community value; it is another thing to put our money into it if it is not going to get us where we need to go.
- It is important to determine how we are going to deal with our supply problem and what the portfolio supply options that deal with that are going to be because that is going to drive the administration of the conservation program.

Commissioner L. Wilshusen moved that Commission send this item back to staff for further work and bring it back at a future meeting. Commissioner G. Mead seconded.

VOICE VOTE: MOTION CARRIED

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

NOES: None

ABSENT: A. Schiffrin

#### Discussion:

- Useful next step would be larger research policy analysis, contextualizing it in both water supply planning work but also in terms of the larger City goals. Then write up a product that goes through both the Water and Planning commission as a joint communique to the Council and the Water Supply Advisory Committee as a decision as to whether it should move forward.
- A number of comments were made in support and some raising concern with the concept of growth paying for growth, when you do the research for the informational paper it is not necessarily the case that demand offset fees are the only approach for growth to pay for growth there are other options that you are aware of.

#### 2. Initial Water Supply Outlook

T. Goddard, Administrative Services Manager and Associate Civil Engineer K. Crossley provided report and responded to Commission questions.

#### Commission Feedback:

- Driest January on record.
- What is a Tolling Agreement? Response: A Tolling Agreement is a legal term that describes an agreement by the parties to hold certain actions in abeyance while other things are going on. In this case, there was a time limit for CA Fish & Game needed to take action against the City for not complying with their regulations and we entered into an agreement with them to hold that regulatory

action in abeyance while we worked on the habitat conservation plan. There is no prejudice they are retaining the right to come after us later.

- What is the timeline to go forward if it is decided that it is necessary to go back to restrictions? Will you need a similar amount of time as you did last year to staff up or have you kept those employees around or have access to them? Response – No, we shouldn't need the same amount of time as the stage 3 restriction systems have been developed and can be re-established fairly readily.

### 3. Election of Officers

Chair D. Baskin opened the floor for nominations for Chair.

Commissioner W. Wadlow nominated D. Baskin.

Commissioner L. Wilshusen moved to close nominations and by acclamation elect Commissioner D. Baskin as Water Commission Chair for 2015. Commissioner G. Mead seconded.

VOICE VOTE: MOTION CARRIED

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

NOES: None

ABSENT: A. Schiffrin

Commissioner D. Baskin opened the floor for nominations for Water Commission Vice-chair.

Commissioner L. Wilshusen nominated W. Wadlow for Vice-Chair. Commissioner G. Mead moved to close nominations and by acclamation elect Commissioner W. Wadlow as Water Commission Vice-chair for 2015.

VOICE VOTE: MOTION CARRIED

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

NOES: None.

ABSENT: A. Schiffrin

**Subcommittee/Advisory Body Oral Reports** No items.

#### 1. WSAC Update

- We are set to come back next week with the report from the IRP.
- We spent about 10 months learning to think and talk about water, such as the criteria you would utilize to determine if a water supply was a good one and understand the terminology of the field.
- We are now entering the next phase where we define the baseline, look at what the demand is, then look at what our supply is and what gap might be. In later

meetings we will look at what the portfolio of options might be to help us meet that gap.

- We are still refining the criteria that we are using for measuring all of these supply options so that it actually aligns with the data we are going to get from our technical staff.

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

- The Water Supply Advisory Committee report that went to City Council 1/27/15 is a report on the first phase of the Water Supply Advisory Committee's work and includes previous packet materials, handouts, attachments and is a good comprehensive review of the work that was done in that phase. This document is available at <http://www.santacruzwatersupply.com/report-first-phase-wsacs-work-recon-report>
- Completed the Modeling and Forecasting Working Group series. Topics that were covered were hydrology, hydrologic modeling, fish flows, ground water issues, the tool for demand forecasting, Maddaus water management demand modeling, and demonstration of the confluence model. You can find all of the presentations on for the Modeling and Forecasting Working Group at the following address: <http://www.cityofsantacruz.com/departments/water/modeling-and-forecasting-work-group>
- The Modeling and Forecasting Working Group gave people the opportunity to look inside these models to see how they work and understand what the inputs & outputs are.

Commission Feedback:

- Request for a future agenda item - the status of the Water Departments bank account. Response - Next meeting you will get the CIP and parade of projects, we will make sure when we do the budget presentation that we fold that information into it.
- Request for a future agenda item - list of items for a future agendas, even if they aren't attached to what month they might occur to help us keep track of the items coming to us in the future.

**Adjournment**      **Meeting adjourned at 9:59pm.** The next meeting of the Water Commission is scheduled for March 2, 2015 at 7:00 p.m. in Council Chambers.

Respectfully submitted,

Gloria  
Rudometkin

Digitally signed by Gloria Rudometkin  
DN: c=Gloria Rudometkin, o=City of  
Santa Cruz, ou=Water,  
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Date: 2014.02.10 09:12:05 -0800

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Staff