



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: February 11, 2014
TO: Mayor and Councilmembers
FROM: Water Resources Division, Public Works Department
SUBJECT: Authorization For Water Purchases

RECOMMENDATION: That Council:

- A. Authorize the Public Works Director to secure up to 4,500 acre feet of supplemental water supplies at a cost not to exceed \$3,300,000, and to execute contracts or agreements for purchase of said water in a form acceptable to the City Attorney;
- B. Increase appropriations by \$3,900,000 in the Water Operating Fund from reserves to pay for said water purchases, and for the delivery of State Water, which is currently stored by the City in the San Luis Reservoir; and
- C. Authorize the General Services manager to increase the contract with Bartkiewicz, Kronick & Shanahan for specialized water rights related legal services by \$100,000 to a total amount of \$123,000.

DISCUSSION:

The City is experiencing the third consecutive dry year, and Calendar Year 2013 marked the driest year on record at many locations across the state, including Gibraltar Reservoir. On January 17, 2014, Governor Jerry Brown declared a State of Drought Emergency in California and urged officials to take all necessary actions to prepare for drought conditions.

The City receives imported water as a member of the Central Coast Water Authority (CCWA) from the State Water Project (SWP) which is owned and operated by the California Department of Water Resources (DWR). The City's maximum allocation of State Water is 3,300 Acre Feet per Year (AFY) which is also the City's portion of the conveyance capacity.

DWR has determined that there will be no State Water Allocation in 2014. However, the City has 2600 AF of stored water from last year's allocations. In order to ensure this water will continue to be available to the City, staff has accelerated deliveries of this stored water. The pipe conveying State Water to Lake Cachuma is operating at full capacity, and all available stored water is expected to be delivered by July 2014. These accelerated deliveries will result in approximately \$600,000 of additional water conveyance costs (pumping) that were not anticipated at the time of budget development for Fiscal Year

2014. Staff is asking that the funds to pay for the additional conveyance costs be appropriated to the Water operating budget.

In planning for next year, City staff has considered a worst case scenario of continued dry conditions in which there are no inflows to the Gibraltar or Cachuma Reservoirs and a second year of no State Water. To address the shortage of water supplies, the City will need to purchase water from other sources. Given limitations on pumping capacity, the amount of additional purchased water that the City could convey to Lake Cachuma this year is up to 1,350 AF and approximately 3,300 AF next year.

The additional costs that would be incurred for the current fiscal year are for water transfer purchases to meet the demands for next year. The conveyance costs for the water would be incurred in the next fiscal year and will be included in the Fiscal Year 2015 Water Operating Fund budget. Below is a summary of preliminary estimated conveyance costs for the stored and purchase cost for water purchase opportunities currently identified:

Estimated Cost for Water Purchases and Conveyance in FY2014 (Preliminary)				
Water Source	Supply Received, AFY	Water Purchase Cost	Water Conveyance Cost	Total Cost for Current Fiscal Year 2014
Table A Carryover	2,100	\$0	\$600,000	\$600,000
South of Delta Water Transfer	1,100	\$1,400,000	\$300,000 (incurred in FY2015)	\$1,400,000
North of Delta Water Transfer	3,300	\$1,900,000	\$925,000 (incurred in FY2015)	\$1,900,000
Total		3,300,000	1,825,000	\$3,900,000

During drought conditions, the City will require support from special counsel in water rights issues associated with water transfers, groundwater management, water rights from the Santa Ynez River and its tributaries, and related matters. These issues require specialized legal knowledge and experience. The City has an existing Agreement No. 22,887 with Bartkiewicz, Kronick & Shanahan (BKS). The original agreement entered into in was for an amount of \$100,000, with approximately \$23,210 remaining. Staff requests authorization to increase the contract with BKS by \$100,000 to a total of \$123,210.

BUDGET/FINANCIAL INFORMATION

There are unplanned costs related to the extreme dry weather we are experiencing. There are adequate reserves above policy to cover these costs.

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SUBMITTED BY: Rebecca Bjork, Acting Public Works Director
APPROVED BY: City Administrator's Office



Authorization for Water Purchases

February 11, 2014



Outline

- ◆ State Water Deliveries
- ◆ Risks to Planned 2015 Supply
- ◆ Water Purchase Opportunities
- ◆ Special Counsel for Water Supply

State Water Deliveries

- ◆ 2014 allocations reduced to zero
- ◆ Water deliveries through Delta may cease by summer
- ◆ Carryover water available; accelerated deliveries to Cachuma





Risks to Planned 2015 Supply

- ◆ Assuming continued conditions:
 - No inflows to Gibraltar and Cachuma
 - No State Water allocations
- ◆ Potential supply shortage = **5,400 AF**
- ◆ Alternative supply needed to limit shortage to 15-20% = **3,300 AF**

Water Purchase Opportunities

	South of Delta	North of Delta
Reliability	More reliable	Less reliable
Unit Purchase Cost (approx.)	~\$1250/AF	~600/AF
Delivery to Cachuma (AF)	1,100	3,300
Total Purchase Cost (approx.)	\$1.4 million	\$1.9 million

- ◆ Cost of desal is \$1500/AF for operating costs alone



Special Counsel for Water Supply

- ◆ Contract since 2008
- ◆ Specialized expertise



Council Action

- ◆ Authorize staff to secure water and execute agreements
- ◆ Appropriate reserves to pay for water purchases and conveyance costs
- ◆ Increase contract for special counsel on water issues



**For information & assistance on
water conservation:**

www.SantaBarbaraCA.gov/WaterWise

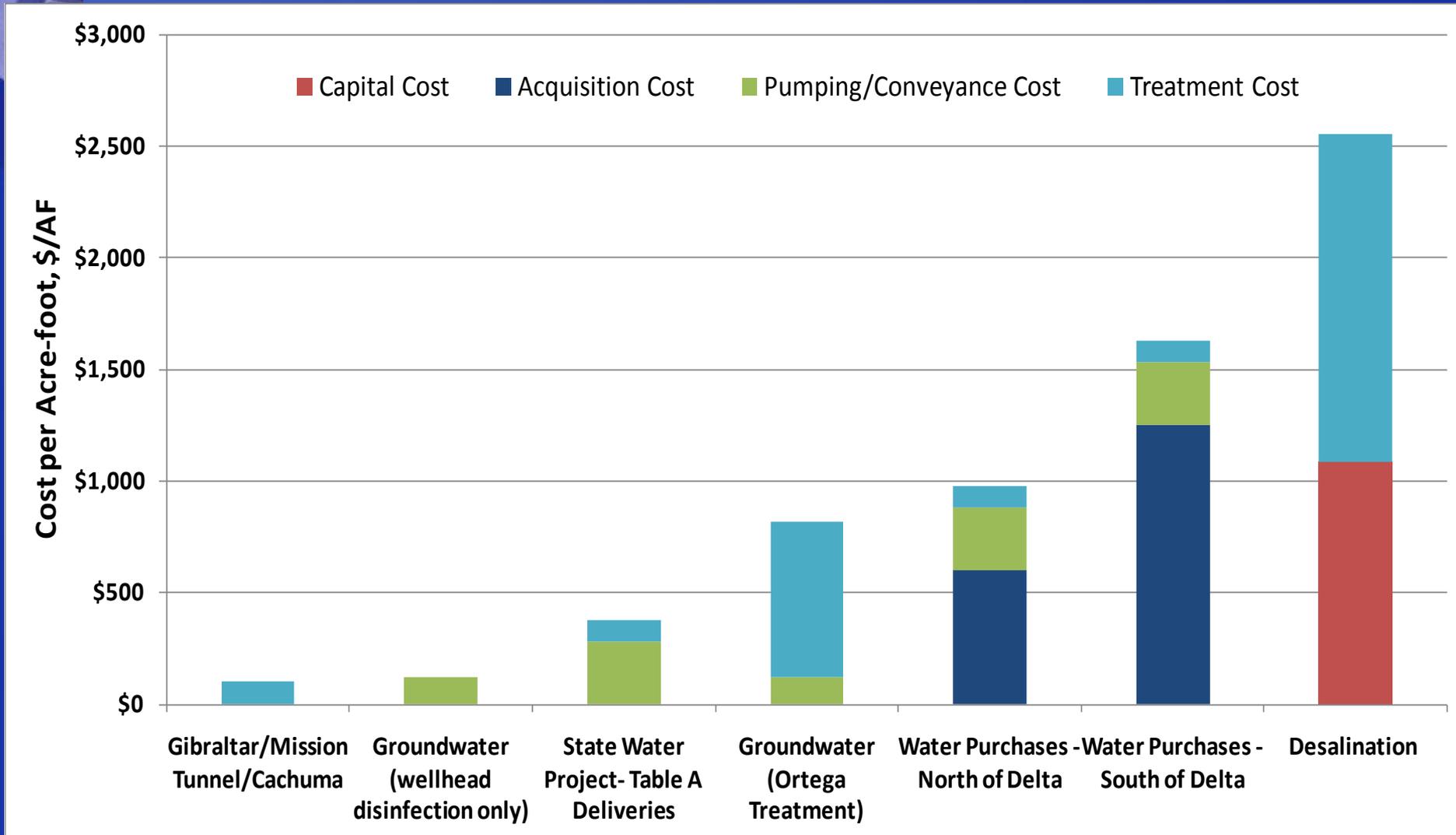
Call: 564-5460





End of Presentation

Avoidable Costs



Potential Budget Impacts of Drought

	Total Average Water Revenue	Average Variable Water Supply Cost	Remaining for Operating and CIP Budget
Normal Year	~\$32 million	~\$3 million	~\$29 million
Dry Year	~\$27 million	~\$7 million	~\$20 million

- ◆ Dry year assumes:
 - ◆ 20% reduction in demand
 - ◆ 2015 supply mix with water transfers
- ◆ Adjusted drought rates being evaluated



Conveyance Capacity

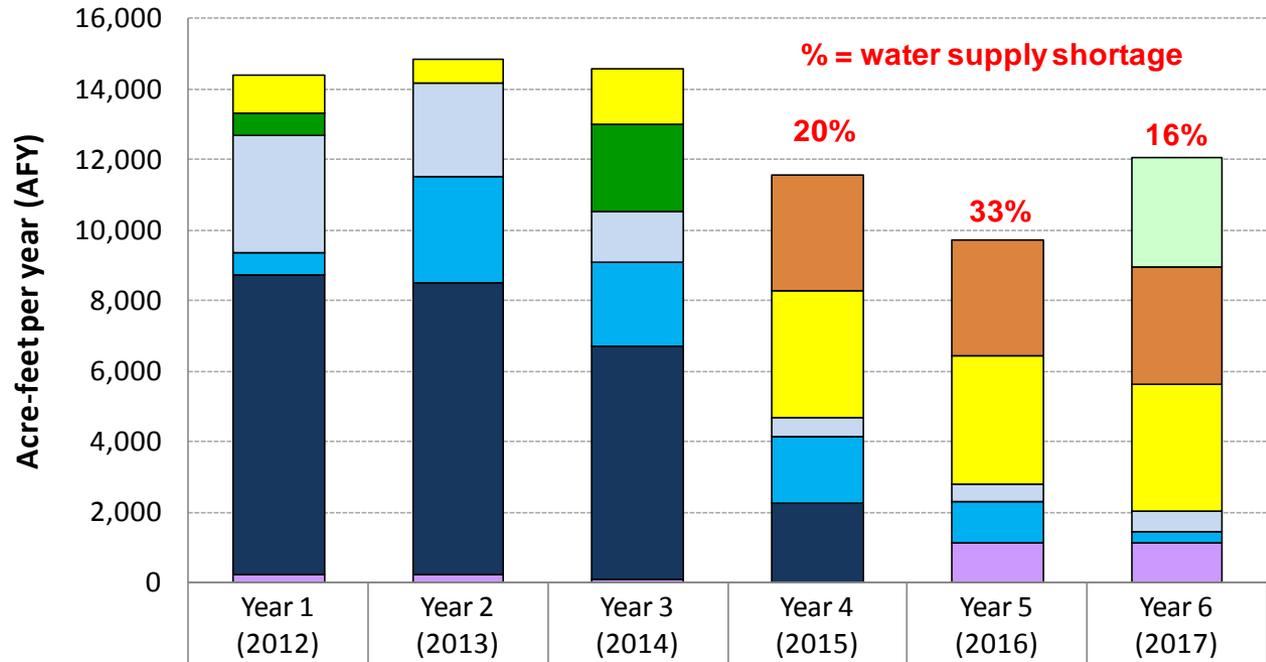
- ◆ Assuming full pipe conditions, City's proportional capacity is ~3,300 AFY
- ◆ Available conveyance capacity to City for water purchases in 2014 ~1,300
- ◆ Remainder of water purchases would be delivered to Lake Cachuma in 2015

Alternative Supply Strategy

(based on worse case scenario)

6-Year Dry Weather Water Supply Projection

Assumes Continued Drought Conditions with no Significant Inflow to Gibraltar, Cachuma, or Delta



	Year 1 (2012)	Year 2 (2013)	Year 3 (2014)	Year 4 (2015)	Year 5 (2016)	Year 6 (2017)
Desal	0	0	0	0	0	3,125
Banked Water/ Water Purchases	0	0	0	3,300	3,300	3,300
Groundwater	1,070	662	1,610	3,600	3,600	3,600
State Water	625	0	2,450	0	0	0
Gibraltar/Mission Tunnel	3,330	2,626	1,427	527	500	616
Cachuma Carryover/MWD	658	3,049	2,401	1,900	1,200	300
Cachuma	8,469	8,277	6,622	2,246	0	0
Recycled Water	242	214	90	0	1,115	1,130



