



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Water Agency  
**Department No.:** 054  
**For Agenda Of:** May 2, 2017  
**Placement:** Departmental  
**Estimated Time:** 45 minutes  
**Continued Item:** Yes  
**If Yes, date from:** July 12, 2016  
**Vote Required:** Majority

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**TO:** Board of Directors, Water Agency

**FROM:** Department Scott D. McGolpin, Public Works Director, 568-3010  
Director(s)  
Contact Info: Thomas D. Fayram, Deputy Public Works Director, 568-3436

**SUBJECT:** Cachuma Project – Water Service Contract Renewal, All Supervisorial Districts

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**County Counsel Concurrence**

As to form: Yes

Other Concurrence: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

- a) Approve and authorize the Chair to sign a letter to the United States Bureau of Reclamation to request renewal of the Water Service Contract for the Cachuma Project and initiate negotiations with the United States Bureau of Reclamation; and
- b) Find that the recommended action a, to authorize the Chair to sign a letter to request renewal of the Water Services Contact for the Cachuma Project and to initiate negotiations with the United States Bureau of Reclamation, is organizational or administrative activities that will not result in direct or indirect physical changes to the environment and therefore do not constitute a “Project” within the meaning of the California Environmental Quality Act, as set forth in 14 CCR 15378(b)(5).

**Summary Text:**

This item is on the agenda in order to request renewal (Attachment A) of the Water Services Contract with the United States Bureau of Reclamation (USBR) and to initiate negotiations. On July 12, 2016, the Board directed staff to contact USBR to determine the process and timeline to renew the Water Service Contract for the Cachuma Project. The current contract (Attachment B) is valid through September 30, 2020 and requires that the request for renewal be given to the USBR no later than two (2) years prior to the date the existing contract expires. Water Agency and USBR staffs concur that beginning this process early is preferable, as this will allow time to work on new issues and allow for public involvement.

Water Agency staff met with USBR on November 18, 2016 to discuss the process for a new contract. USBR indicated they are prepared to begin the process, and stated that in order to simplify the process, expenses would roll into the water supply costs USBR charges the Cachuma Member Units. USBR will require public workshops as a part of the process.

In the early 1990s, as the initial Cachuma Project contract held by the Water Agency was set to expire, the Water Agency Board elected to enter into a new Water Service Contract with USBR and enter into subcontracts with each the five (5) individual Cachuma Member Units (Goleta Water District, City of Santa Barbara, Montecito Water District, Carpinteria Valley Water District, and Santa Ynez River Water Conservation District ID#1).

At that time, the Board chose to continue to be the contractor for the Cachuma Project for several reasons, including: recreational use of the lake, environmental issues, and downstream water rights, all of which requires a broad and regional view of the Project's operation. The Cachuma Project benefits other water users in the Santa Ynez Valley not associated with the Cachuma Member Units. The lake also is a valuable recreational and environmental resource.

The Water Agency's continued involvement in the Cachuma Project provides a regional perspective on water supply, which demands a managed operation for all beneficiaries of the Project. Each Member Unit has a different water supply portfolio; however, the Cachuma Project's intended purpose was to provide a stable and reliable water supply through critical drought periods (the current contract's critical drought period is 1945-1952). Moving forward, recent draft studies indicate that the annual allocations stand to decrease in order to preserve the Project's ability to provide water throughout a drought. Recent drought conditions at the lake illustrate this need. As a regional supply, the Cachuma Project can act as the secure local supply that individual Member Units can plan their other water sources and water budgets around. Ensuring a Cachuma Project supply through a critical drought period also allows the capacity needed to service the region in time of drought, as the State Water Project (SWP) facilities were only intended to be supplemental supply.

Furthermore, outside influences such as the recent State Water Resources Control Board (SWRCB) Draft Order and an expected new National Marine Fisheries Service (NMFS) Biological Opinion (BO) pose to increase releases for downstream steelhead purposes. If enacted, these actions have the potential to severely curtail available supplies for municipal uses.

Concurrently, USBR has a contract with the Cachuma Operations and Maintenance Board (COMB) which is set to expire in 2020. Staff expects COMB to renegotiate this contract with USBR for continued operation of the delivery facilities of the Cachuma Project (including the North Portal, Tecolote Tunnel, and the South Coast Conduit). USBR is expected to continue ownership and operations of Cachuma Dam.

On February 5, 2014, the Water Agency started hosting monthly Cachuma Member Unit Managers meetings. As the drought progressed, the Water Agency saw benefits to meeting monthly to coordinate actions and discuss issues. The Cachuma Member Unit Managers have been informed of the ongoing discussions the Water Agency has had on contract renewal.

As a part of the contract renewal process, the Water Agency is proposing to create a Cachuma Member Unit Manager Steering Committee to collectively help define contract issues and provide recommendations on contract issues. Input from the Member Units is critical to the process and their involvement will be integral. In addition, staff is planning to include the Santa Ynez River Water Conservation District's Manager as a Steering Committee participant. While not a Cachuma subcontractor with the Water Agency, this district is a major Cachuma water user and a stakeholder for a large number of downstream groundwater users in the Santa Ynez Valley not represented by Santa Ynez River Water Conservation District Improvement District #1. COMB and the Cachuma Conservation and Release Board (CCRB) managers are also proposed to be involved for input and transparency. In both cases these agencies represent other interests in the Project and their involvement is important.

On May 19, 2016, the Santa Barbara County Grand Jury issued a report on the Cachuma Project water supplies entitled "Lake Cachuma, Protecting a Valuable Resource". Santa Barbara County's Board of Supervisors adopted a response on July 12, 2016. The Grand Jury found that a new safe yield should be implemented for long-term supply security, that the safe yield should be re-evaluated periodically, and that the safe yield should be included in the contract so as to allow flexibility moving forward that would either increase or decrease supplies as conditions warrant. A safe yield can include provisions that accelerate use of Cachuma supplies after a spill to increase the water available from the Project, yet still maintain long-term security by ramping down deliveries in future years. In addition, a new contract provision that would require periodic revisions to the safe yield will allow a new contract to move forward and adapt to the changes imposed or relaxed by the SWRCB or NMFS. As such, a new contract may be negotiated and executed even though final decisions from the SWRCB or NMFS may come years later, and may be subsequently amended.

As the current contract expires in September of 2020, staff will work with USBR, the Steering Committee, and the public to develop a new Water Service Contract, and Member Unit Subcontracts by September 2020. Ultimately, a Water Service Contract and associated Member Unit subcontracts will come back to your Board for consideration and approval.

### **Background:**

The Cachuma Project is a federal water supply project developed by the USBR in the 1940s-1950s to supply municipal and agricultural water to the South Coast and portions of the Santa Ynez Valley. The first contract was executed with the Water Agency in 1949 and was for a 40-year term. Associated subcontracts were executed with the Cachuma Member Units to provide for payment of the Project costs. On April 14, 1996, a renewed contract and associated Member Unit Contracts were executed for a term of 25 years. These contracts are now near completion of their terms and renewal is necessary for continued water supply.

Through the mid-1990s and into the 2000s, a very wet period occurred and water supplies were ample. In 2004, the lake reached lower levels but then spilled in January 2005. Concurrently, a BO was issued by the NMFS for Southern Steelhead Trout that did not make a jeopardy determination for the species. However, the BO provided for restoration of fish passage on Quiota Creek and required releases from Cachuma for fish downstream of the dam.

The drought from 2011 to 2016 saw essentially no inflow to the lake and as such an accelerated decline in water levels. This pointed to the fact that if drafted at the maximum contracted allocation allowed, the reservoir supplies would quickly exhaust and would not provide water through the historic critical 7-year drought period the Project was intended to supply through. While the EIS/EIR for the current contract contemplated the implementation of reductions of Cachuma allocations as the lake declined, the Cachuma Member Units did not agree on an allocation decrease which resulting in an allocation in 2014 that exhausted the reservoir. Therefore, no allocations were made for water years 2015/16 and 2016/17. Given the recent rains and inflows, a mid-year allocation for 2017 has been made.

The May 2016 Grand Jury Report found that the reservoir, as operated, did not allow for supplies into a severe drought and recommended the Cachuma Project water deliveries be founded on a safe yield basis that would ensure deliveries throughout a drought period. In doing so, considering new climate data and fish releases, this new safe yield stands to be significantly lower than the previous contract allowed.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

Narrative:

Staff time and travel costs are anticipated with negotiating the renewal of this water service agreement. These costs will be included annually in the Water Agency budget; other costs will be budgeted as appropriate.

As an offset to the capital costs of the Project, the Water Agency has contributed \$100,000 per year to the Cachuma Project since the original 1949 contract. In the current 1996 contract, this contribution continued to help fund work associated with the Project. In addition, as annually allocated in the Water Agency budget, funding for other work has occurred that the Water Agency is ideally situated to provide. Continuation of the Water Agency's contribution will be an issue for your Board to decide as the renewal contract negotiation process develops.

The capital costs of the Cachuma Project were paid off in 2015, ongoing operations and maintenance costs incurred by USBR will continue to be paid annually by the Member Units. In discussions with USBR, it is believed that no outside costs will be required for the renewal, however, if additional outside costs are incurred, then an agreement will be needed to have these costs paid by the Member Units. No General Fund monies will be utilized with this Board action.

**Special Instructions:**

Direct the Clerk of the Board to call Christina Lopez at x3436 to pick up the letter to mail to USBR and send a certified copy of the minute order of these actions to the Water Agency office; Attn: Christina Lopez.

**Attachments:**

- Attachment A - Letter to the USBR requesting contract renewal
- Attachment B - Cachuma Water Service Contract with USBR
- Attachment C - PPT

**Authored by:**

Thomas D. Fayram, Deputy Public Works Director, 568-3436