

TO: James L. App, City Manager
FROM: Joseph M. Deakin, Public Works Director
SUBJECT: Nacimiento Water Supply Project
DATE: December 2, 2003

NEEDS: For the City Council to receive and file a report on the Nacimiento Water Supply project.

FACTS: 1. On February 18, 2003, the City Council adopted Goals for the four-year period of Fiscal Years 2004-2007. The top Goal established by the Council is to:

“Develop new source(s) of water”

2. The City has been participating in the investigation of a possible Nacimiento Water Supply project for many years. Approximately 4,000 acre-feet out of the nearly 17,000 acre-feet available has been requested for the City’s annual delivery.
3. The City’s interest in Lake Nacimiento water is motivated by water quality concerns. On April 15, 2003, the City Council reviewed and filed a report entitled Water and Wastewater Quality Concerns – Water Quality Strategy. The report concluded that participating in the Nacimiento Water Project provides the most viable alternative for resolving Paso Robles wastewater salinity (TDS) issues.
4. By importing Lake Nacimiento water, which contains much lower TDS concentrations than the City’s current water resources, the community could resolve certain water quality issues (including wastewater discharge compliance) for the long term.
5. The County of San Luis Obispo Flood Control District (District) is the Lead Agency for the project. On September 2, 2003, the City Council provided the District with comments on the revised Draft EIR for the project. The District is preparing a Final EIR. In addition, the District is leading the effort to develop a Project Participation Agreement (Agreement).
6. To date, 15 water purveyors have indicated an interest in the project:

City of Paso Robles
City of San Luis Obispo
Atascadero Mutual Water Company
Airport County Service Area
Camp San Luis Obispo
Cayucos County Service Area
Edna Valley Mutual Water Company
Lewis Pollard Family Trust
Fiero Lane Water Company
Morro Rock Mutual Water Company
San Miguel Community Service District
Santa Margarita Ranch
San Luis Coastal Unified School District
Santa Margarita Water Works No. 6
Templeton Community Service District

**ANALYSIS
AND**

CONCLUSION: The Board of Supervisors will review the project on January 6, 2003. The Board will be asked to:

1. Certify the Final EIR
2. Approve the Project (Raw Water Alternative)
3. Make public draft Participation Agreement for final revision, and ultimately, execution.

Prior to the decision by the Board, the District will continue to work with staff of the potential participating agencies to refine draft agreement, develop a cost model, and evaluate project operation governance options.

Conclusion

The City Council will, within the coming months, very likely have the option to more clearly and definitively claim participation in the Nacimiento Water Supply project. The decision will have significant financial implications. City staff awaits the District's cost analysis to form the basis for specific City financial impacts.

POLICY

REFERENCE: 2003 City Council Goals

FISCAL

IMPACT: Absent final project construction and operation cost estimates, it is difficult to accurately estimate City user cost impacts. However, the City's current rate structure is based on an average ground water acre foot production cost of \$400. Nacimiento Project water will likely cost \$1200-1400 per acre foot. Blending of ground and project water over time will occur, thereby establishing the basis for future changes to user rates.

- OPTIONS:**
- a. Receive and file the Nacimiento Water Supply project status report.
 - b. Amend, modify or reject the above options.