



Notice of Meeting

STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

County Gov't. Center, Rm. D361 – 1055 Monterey Street, San Luis Obispo, CA 93408

Friday, May 9, 2025 – 10:00 – 11:30 AM

For agenda packet attachments and more information: <https://www.slocounty.ca.gov/Departments/Public-Works/Committees-Programs/State-Water-Project-and-Subcontractors-Advisory-Co.aspx>

Chair: Brad Hagemann (Avila Beach CSD)

Vice Chair: Courtney Howard (District)

AGENDA

1. **CALL TO ORDER** – Roll Call & Quorum Count
2. **PUBLIC COMMENT** – For matters not on the agenda, within the Committee's jurisdiction. Limited to 3 minutes each.
3. **MEETING MINUTES**
Staff Recommendation: Approve the Minutes from Feb. 2025 (Regular) & Mar. 2025 (Special) meetings.
4. **PROPOSED 2025 CALENDAR UPDATE**
Staff Recommendation: Approve the Proposed 2025 SWSAC Calendar Update.
5. **REPORTS FROM THE DISTRICT**
 - A. Water Supply & Delivery Operations
Staff Recommendation: Informational Item Only.
 - B. DCP Planning Update
Staff Recommendation: Informational Item Only.
 - C. Water Management Working Group Update
Staff Recommendation: Informational Item Only.
 - D. Potential 2025 Water Transfer
Staff Recommendation: Informational Item Only.
6. **DISCUSSION: PROPOSED SWP WATER TRANSFER POLICY UPDATE (ACTION ITEM)**
Staff Recommendation: Recommend that the District staff present the proposed draft SWP Transfer Policy to the District Board for consideration, with the understanding that Subcontractors may continue to provide comments or suggest refinements prior to or during the Board's adoption process.
7. **REPORTS FROM SUBCONTRACTORS (FOR INFORMATION ONLY)**
8. **FUTURE AGENDA ITEMS**
9. **DATE OF NEXT MEETING** (Friday, Aug. 8, 10:00-11:30a)
10. **ADJOURNMENT**

Attachments

1. Agenda Item 3 – Draft Minutes, Feb./Mar. 2025 (handout)
2. Agenda Item 4 – Proposed 2025 Calendar (5/9/25)
3. Agenda Item 6 – Policy References

CONTACT: Please contact SWSAC Secretary, Wes Thomson, with any questions: wthomson@co.slo.ca.us or (805) 781-5252. *All Americans with Disabilities Act (ADA) accommodations shall be promptly reviewed and resolved.*



INITIAL 2025 CALENDAR APPROVED 12/6/2024. (PROPOSED REVISIONS 5/9/25)

2025 SWSAC CALENDAR

State Water Subcontractors Advisory Committee (SWSAC) & Water Management Working Group (WMG)

SWSAC (Public Meetings): Dates as shown, from 10:00 -11:30 AM – quarterly meetings in San Luis Obispo, downtown at the ~~City/County Library Conference Room~~ County Government Center (Rm. D361) (unless noticed otherwise).

WMG (District & Subcontractor Staff): Technical review/coordination as needed; dates/times TBD.

<u>JAN</u> SWSAC – Dark	<u>FEB</u> Regular SWSAC – Feb 7 (Fri.) -- (1) Annual election of Chair & Vice Chair; (2) Approval of 2025 Calendar.	<u>MAR</u> SWSAC – Dark Special SWSAC – Mar 7 (Fri.)
<u>APR</u> SWSAC – Dark	<u>MAY</u> Regular SWSAC – May 9 (Fri.)	<u>JUN</u> SWSAC – Dark
<u>JUL</u> SWSAC – Dark	<u>AUG</u> Regular SWSAC – Aug 1-8 (Fri.)	<u>SEP</u> SWSAC – Dark -- Subcontractors submit SWP water delivery request for 2026 (on or before 9/1/25).
<u>OCT</u> SWSAC – Dark -- District submits SWP water delivery request for 2026 to DWR (on or before 10/1/25).	<u>NOV</u> Regular SWSAC – Nov 7-14 (Fri.) --	<u>DEC</u> SWSAC – Dark -- (1) DWR issues Initial SWP Allocation for 2026 (on or before 12/1/25); (2) District furnishes 2026 delivery schedule to Subcontractors (on or before 12/15/25); (3) Distribution of draft proposed calendar for 2026.

***Meeting logistics are subject to change.** Please contact County Public Works at 805-781-5252 or pwd@co.slo.ca.us for confirmation of date, location & time.

TO: State Water Subcontractors Advisory Committee
FROM: Wes Thomson, Supervising Engineer, Water Utilities
DATE: May 9, 2025

SUBJECT: Item 6: PROPOSED SWP WATER TRANSFER POLICY UPDATE (PRIORITIES & CRITERIA)

Staff Recommendation: *Recommend that the District staff present the proposed draft SWP Transfer Policy to the District Board for consideration, with the understanding that Subcontractors may continue to provide comments or suggest refinements prior to or during the Board's adoption process.*

Summary

As discussed at the February 7 and March 7, 2025, SWSAC meetings, District staff are preparing to bring a proposed update to the SWP Policies to the District Board for consideration. The target date is June 17, 2025. The objective of the policy update is to clarify District priorities and criteria for SWP water supply contracting conditions – whether those are temporary (short-term; multi-year) or permanent (long-term) agreements – that will serve as a framework for developing program or contracts that align with the District Board's goal of maximizing the SWP water supply benefit for the County and reducing the cost burden on the county taxpayers and Subcontractors. As such, the policies would be used to (1) guide the District staff as it works to improve SWP water management and consider cost recovery opportunities, and (2) develop related contract provisions and administrative program procedures.

District staff intend to take the attached version to the District Board for consideration but acknowledge that Subcontractors may continue to provide comments or suggest refinements prior to or during the Board's adoption process. Staff also anticipates also returning to the WRAC on June 4 for them to consider an advisory vote to the Board on the proposed policy update.

Attachments

1. Proposed Draft SWP Transfer Policies with Exhibit A Map (dated 4/18/25)
2. 2003 Excess Entitlement Policies (for reference)

State Water Project Water Transfer Policies

I. INTRODUCTION

A. Background

The State Water Project (SWP) Water Supply Agreement (Master Contract) is a long-term contract between the Department of Water Resources (DWR) and the San Luis Obispo County Flood Control and Water Conservation District (District) which provides for the annual purchase and delivery of up to 25,000 acre-feet (AF) of SWP water (Project Water) to San Luis Obispo County. The District, as a wholesaler of Project Water, has in turn contracted with local public water agencies and others for delivery of Project Water within its service area (each a Subcontractor and collectively, the Subcontractors) pursuant to certain agreements (collectively, the SWP Subcontracts).

Additionally, the District has a side agreement with the Central Coast Water Authority (CCWA) for annual treatment of up to 4,830 AF of Project Water (CCWA Agreement), and coordinates delivery operations with DWR and CCWA for the delivery of Project Water to the District's turnouts within the DWR-owned SWP Coastal Branch pipeline.

One of the primary purposes of these Policies is to establish a framework for the District and Subcontractors that promotes flexibility and cost recovery to minimize the long-term financial burden on county taxpayers and ratepayers.

B. Description of the Coastal Branch System

In the 1990s, the District (on behalf of its Subcontractors) and CCWA (on behalf of its Santa Barbara County members) partnered with DWR to plan and design "Phase II" of the SWP Coastal Branch Aqueduct ("Phase I" was completed in 1968). This extension of the SWP brought Project Water supplies into San Luis Obispo and Santa Barbara counties starting in 1997.

The DWR-owned pipeline (with pumping plants and storage tanks) and CCWA treatment plant (collectively, the Coastal Branch System) were developed to provide supplemental water for municipal use. For the District, the facilities were sized to deliver up to 4,830 AF annually based on its SWP Subcontracts at the time.

The Coastal Branch System delivers treated water to three turnouts in San Luis Obispo County – Shandon, Chorro Valley, and Lopez – before continuing south to serve communities in Santa Barbara County (see Exhibit A). Once the water passes through these District turnouts, it enters local distribution systems and becomes subject to local agreements, policies, and oversight. In some areas, the District or County may continue to have responsibilities – either as a water service provider or in their role as a land use and permitting authority – depending on local governance.

C. SWP Allocation

The "SWP Allocation" is the "Annual Table A Amount" of 25,000 acre-feet (AF) available to the District under the Master Contract and represents the maximum annual amount of Project Water

that can be delivered to the District under certain conditions. A portion of the District's SWP Allocation is committed to the Subcontractors (the Subcontracted Amount) for municipal (domestic) supply use. The Subcontractors' annual Water Supply Agreements total 4,830 AF, and Drought Buffer Water Agreements total 5,747 AF (for a combined total Subcontracted Amount of 10,577 AF).

The Subcontractors' Water Supply Agreements are long-term "take-or-pay" arrangements (i.e., for annual delivery of up to 4,830 AF) and provide them with the first right each year to schedule monthly Project Water deliveries to the three existing SWP turnouts within the District. Under certain conditions, this benefit means the Subcontractors may decide to utilize 100% of the District's conveyance capacity within the Coastal Branch in a given month or "delivery year" (Jan. 1 to Dec. 31). However, the take-or-pay condition means that regardless of whether the Subcontractors use 100% of the available Coastal Branch capacity needed to take delivery of the subcontracted amount under their Water Supply Agreements (i.e., the 4,830 AF), they are still obligated to pay 100% of the annual DWR Coastal Branch and CCWA treatment plant costs that are allocated to the District. Accordingly, Subcontractors shall have the first right to utilize all Project Water and Coastal Branch System capacity (conveyance and treatment) made available to the District under the Master Contract and CCWA Agreement.

The remaining portion of the 25,000 AF of SWP Allocation not subcontracted is held in reserve by the District, and totals 14,423 AF (the District's Reserve Amount). Consistent with the requirements of the Master Contract the District's Reserve Amount is paid for primarily by property tax revenue which enables the District to maintain the balance of its contracted SWP water supply from DWR for the long-term benefit of the County.

When there is available Project Water in a given year that is not needed by the District to fulfill the Subcontractors' Water Supply Agreements, then that water is considered surplus Project Water (the District's Surplus Water).

II. GENERAL

A. Relationship to Previously Adopted Policies

These Policies replace / supersede the District's 2003 Excess Entitlement Policies approved by the Board of Supervisors sitting as the District Board (Board) on January 14, 2003.

B. Application and Interpretation

These Policies apply to all of the District's Project Water. The purpose of these Policies is to establish a framework that will guide District staff, the Board and its Subcontractors in maximizing the Project Water supply. The goal is to fully utilize the District's Surplus Water within the County, and develop opportunities to optimize the Subcontracted Amount with a recognition that water transfers/exchanges (on an annual, multi-year, or permanent basis) are going to be one of the primary water management tools to achieve these objectives.

These Policies are intended to apply and be limited to water management decisions concerning water delivery contracts within DWR's SWP conveyance facilities, primarily those within the Coastal Branch, as shown in Exhibit A. Although these policies apply to the entire annual SWP water supply available to the District, the District is only a wholesaler of the Project Water, and so the Policies are limited to SWP water transfers within the District's contracted share of the DWR-owned part of the SWP system. The District is a separate legal entity from the County of San Luis Obispo, and recognizes that other laws, regulations, and policies may govern how, where, or under what conditions the Project Water can be used locally. As such, these policies are not intended to address water management decisions about Project Water once that water is within local systems, that is, once that water has passed through the DWR-owned turnout (i.e., Shandon, Chorro Valley, Lopez, etc.). Water management actions for the water at that point are subject to the respective policies and contractual arrangements of the local systems (e.g., Chorro Valley Pipeline, Zone 3/Lopez, etc.). However, these policies shall not be deemed to limit future discretionary actions by the District Board.

C. SWP is a Supplemental Supply – Primarily for Urban Water Needs (But Not Exclusively)

Given that SWP water is an imported supply and subject to extended delivery interruptions (annually, for up to several weeks at a time) for operations maintenance, it is to be integrated into local systems without becoming the primary supply necessary for a public water system serving domestic needs.

For the County of San Luis Obispo, SWP water supply was developed as a supplemental supply to meet municipal water needs. Domestic use shall be considered the highest priority use of all SWP water made available for local use in the County under the Master Contract. Domestic use is needed for sustenance, public health and safety, and welfare. State Water shall be used first to address public health, ensure reliable access to safe, affordable drinking water and sanitation. It recognizes that domestic use occurs both within the public water supply system service areas and outside of those areas in the rural areas of the County where domestic water supplies are from individual water supply wells.

As part of a future program, the District will incorporate a reserve of 5,000 acre-feet (20% of its 25,000 AF SWP allocation) for short-term use only. This reserve is intended to help meet Subcontractor obligations and support countywide water resiliency and response needs. It will not be available for long-term contracts.

III. PRIORITIES (GUIDING PRINCIPLES FOR HOW THE DISTRICT'S SWP ALLOCATION SHOULD BE PRIORITIZED)

A. FIRST – Prioritize Needs of Subcontractors.

The Subcontractors shall have first rights to Project Water. The District will prioritize meeting the needs of its Subcontractors before making Project Water available to third parties. If any Subcontractor plans to acquire additional supplies or to sell surplus supplies, the District will attempt to meet the needs of the Subcontractors first, before entering into transactions with third parties. In addition:

- District Surplus Water made available to third parties must not harm the District's ability to meet its obligations to the existing Subcontractors.
- Transfers/exchanges of the District's Surplus Water with third parties can only be considered – whether temporary (short-term/single-year or multi-year) or permanent (long-term) – under a second-priority/standby basis in which the Subcontractors' first right of refusal to use the District's Surplus Water is preserved, and they retain the first priority option for delivery scheduling.
- Financial considerations shall be provided to Subcontractors providing capacity to deliver second-priority water. This ensures deliveries of transferred water do not detrimentally impact the ability of the District to fulfill existing delivery contracts for the other subcontractors.

B. SECOND – Prioritize Local Public Water Agencies and Purpose of Use.

After all Subcontractors' Project Water needs are met, the District will give preference to local Public Water Agencies (within San Luis Obispo County), with water allocated according to the purpose of use (via direct delivery, in-lieu, or groundwater recharge):

- **1st Order – Emergency Use:** Project Water needed for emergency use to ensure public safety and well-being. The intention is to give priority to transfers that address a public health need or a water shortage emergency pursuant to Water Code Section 350.
- **2nd Order – Domestic Use:** Use of Project Water as a supplemental supply to improve water system resiliency and reliability for drinking, sanitation, and fire protection for urban and rural water users.
- **3rd Order – Agricultural Use:** Use of Project Water for production agricultural irrigation or other farm and ranch purposes.
- **4th Order – Non-Domestic Use:** Water allocated for non-domestic, non-agricultural purposes such as industrial, commercial, recreational or other non-essential uses.

C. THIRD – Prioritize Place of Use.

The original delivery location established under each of the Subcontractors' Water Supply Agreements is considered the preferred place of use. However, when capacity allows, requests for emergency or domestic use at other locations should take precedence over requests for agricultural or non-domestic use at a preferred place of use.

Among requests of the same priority (e.g., two domestic use requests), preference is given to those uses within the same/upstream financial reach – to minimize the “allocation without capacity” issue.

Downstream deliveries (including transfers or new water supply agreements involving turnout locations beyond the financial/conveyance reaches with dedicated capacity for that allocation) can be considered only under short-term (single-year) or on a second-priority/standby basis in which the Subcontractors' first right of refusal is preserved, and they retain priority for delivery scheduling.

D. FOURTH – Prioritize Internal Temporary Transfers/Exchanges within the District.
(Temporary reallocation to balance supply among local entities.)

If water remains available after meeting the needs described in Orders 1-4, the District will consider transfers or exchanges of District Surplus Water between local entities within the District, to balance out the supply.

E. FIFTH – Consider External Temporary Transfers/Exchanges.

Consider only after internal priorities are met; temporary transfers only, for achieving water management objectives and/or cost recovery.

F. SIXTH – Additional Considerations.

Additional consideration should be given to uses that:

- Help the District manage the District's Surplus Water to better match the variation in local domestic need that varies from year-to-year and seasonally.
- Store available and/or unscheduled water deliveries for later use during times of water shortages to support municipal, groundwater basin replenishment, and agricultural benefits provided these uses are integrated with domestic or other priority uses.
- Complement demonstrated efforts to maximize the efficiency and beneficial use of locally available supplies.
- Solve or mitigate water supply problems in key watersheds/groundwater basins identified by the Board.
- Support SWP supply planning objectives and create opportunities for the District and Subcontractors to benefit from revenue-generating water market activities that offset or recover costs.
- Align with State, District, or County water management plans, strategies, and priorities.

IV. CRITERIA FOR USE

Requests for use of the District's Surplus Water must meet the following Board-established criteria:

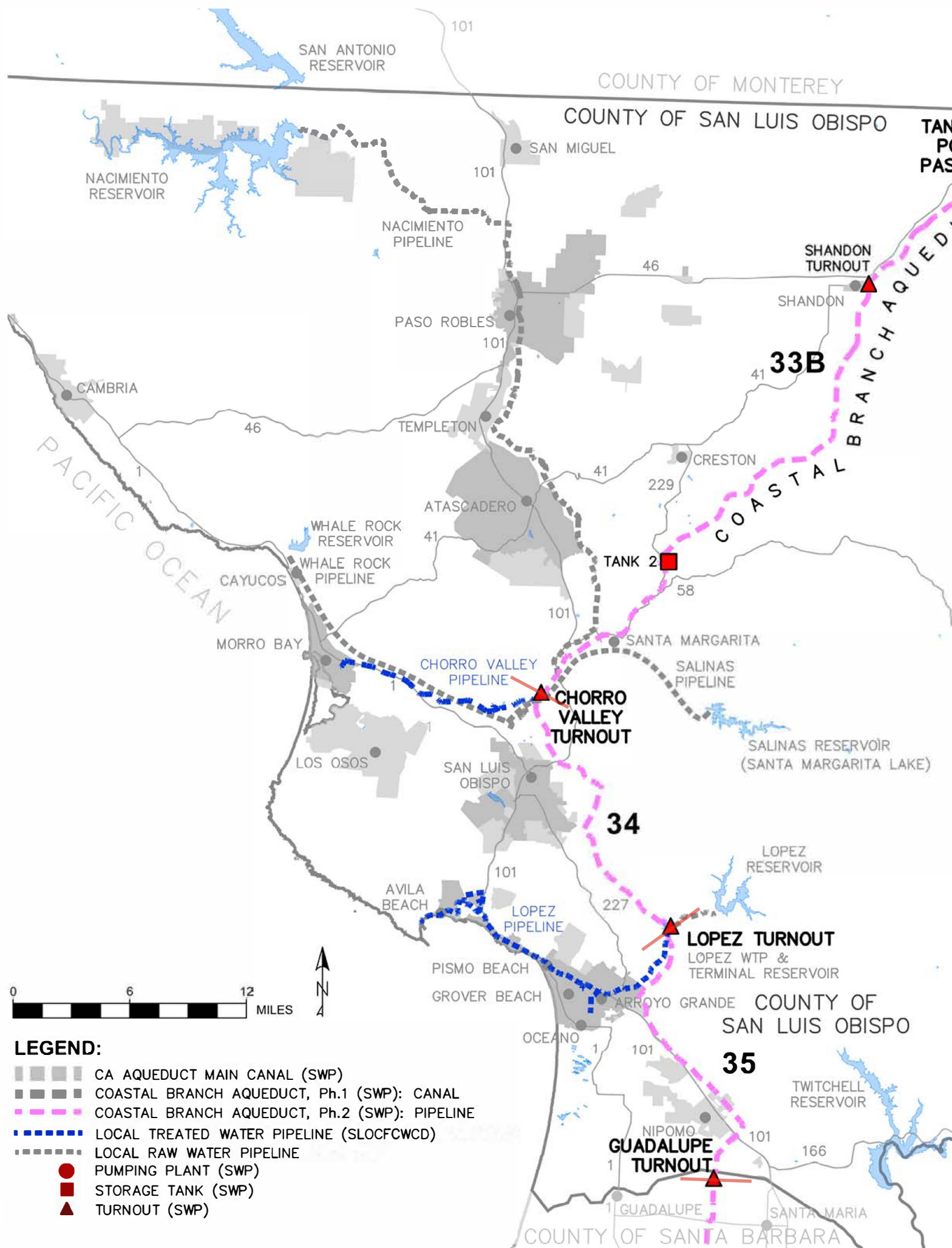
- A. Eligible Users** – Subcontractors, public water agencies, special districts, and groundwater sustainability agencies established to serve municipal/domestic, agricultural, or basin water management needs.
- B. Restrictions on Contracting** – Water cannot be contracted to non-public water agencies, or private individuals, private organizations, or institutions; the District will not establish new agreements for delivery of Project Water to entities whose primary mission is not focused on water supply management or water delivery operations for domestic, agricultural, or basin management needs.

- C. Approval Requirements** – The County or a designated public water agency / special district must request and approve the contract for supplemental use – whether for domestic, agricultural, or non-domestic use.
- D. Emergency Use** – Allowed if both County Board and requesting agency declare an “Emergency Condition”; use is subject to emergency declarations and all costs at that time.
- E. System Reliability** – Use of the District’s Surplus must not compromise the SWP system reliability or reduce delivery capabilities to the Subcontractors.
- F. Financial Considerations** – All costs must be paid by the water user. Uses shall not detrimentally impact existing subcontractors from a financial standpoint. There shall be no increase in administrative costs to the Subcontractors.
- G. Investment Recovery** – An investment recovery program is necessary to recover current and past costs. An amendment(s) to the SWP Subcontracts is anticipated to be the mechanism by which the investment recovery program is created and implemented, the development of which will necessitate the involvement of the Subcontractors.
- H. Regional Water Collaboration** – Requests should demonstrate how the proposed use of Project Water supports regional water supply reliability and maintains or strengthens existing partnerships that improve regional water resilience for the County.
- I. Compliance with Obligations and Laws** – Transfers and exchanges shall be carried out consistent with all applicable requirements and obligations, including but not limited to these policies, Master Contract, Subcontracts, and all applicable laws and regulations, including the California Environmental Quality Act (CEQA).

V. IMPLEMENTATION

The District Board acknowledges that the existing SWP Subcontracts do not provide for a water transfer program. These Policies are intended to guide the District staff and Board in considering transfer requests and in preparing amendments to the SWP Subcontracts that would make implementation of said requests possible by creating a defined process for temporary and permanent transfers; and it is not anticipated that any new long-term contracts will be established between the District and others for use of the District’s Surplus Water until the updated SWP Subcontracts are in place.

Notwithstanding, as indicated above, these Policies shall not be deemed to limit future discretionary actions by the District Board, including, without limitation, approval of a permanent transfer of existing water supply amounts under the SWP Subcontracts while the amendments needed to provide for the program contemplated herein are completed.



STATE WATER PROJECT (SWP) COASTAL BRANCH AQUEDUCT CONVEYANCE CAPACITY

SWP REACH NO.	SWP REACH DESCRIPTION	SLOCFCWCD ¹ CONTRACTED CAPACITY (AFY)	SBCFCWCD ² CONTRACTED CAPACITY (AFY)	TOTAL CONTRACTED CAPACITY (AFY)	OWNER-SHIP	O & M
31A	AVENAL GAP TO DEVIL'S DEN PUMPING PLANT	25,000	45,486	N/A ³	DWR	DWR
33A	DEVIL'S DEN PUMPING PLANT TO TANK 1 SITE	4,830	42,986	47,816	DWR	DWR
33B	TANK 1 SITE TO CHORRO VALLEY TURNOUT	4,830	42,986	47,816	DWR	CCWA
34	CHORRO VALLEY TURNOUT TO LOPEZ TURNOUT	2392	42,986	45,378	DWR	CCWA
35	LOPEZ TURNOUT TO GUADALUPE TURNOUT	0	42,986	42,986	DWR	CCWA

SLOCFCWCD ¹ TURNOUT	TURNOUT DESCRIPTION	CONTRACTED CAPACITY (AFY)	OWNER-SHIP	O & M
SHANDON	2-INCH PIPELINE CONNECTION NEAR INTERSECTION OF TOBY WAY AT SAN JUAN RD., SHANDON, CA	100	DWR	CCWA
CHORRO VALLEY	16-INCH PIPELINE CONNECTION NEARBY THE SOUTH PORTAL OF CUESTA TUNNEL, 3 MILES NORTH OF SAN LUIS OBISPO, CA	2,338	DWR	CCWA
LOPEZ	8-INCH PIPELINE CONNECTION NEAR INTERSECTION OF ORCUTT RD. AT LOPEZ DR., 3 MILES NORTHEAST OF ARROYO GRANDE, CA	2,392	DWR	CCWA

NOTES:
1. SLOCFCWCD = SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
2. SBCFCWCD = SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
3. TOTAL CONTRACTED CAPACITY WITHIN PHASE 1 OF THE COASTAL BRANCH IS NOT AVAILABLE AT THIS TIME. KERN COUNTY WATER AGENCY HAS CONTRACTED CAPACITY TO DELIVER STATE WATER TO BERRENDA MESA WATER DISTRICT (AG) WHICH UTILIZES CAPACITY IN THE COASTAL BRANCH CANAL. THERE IS ADDITIONAL CAPACITY FOR SANTA CLARITA (DDWD) AND A FUTURE SJV CONTRACTOR.

State Water Project
Excess Entitlement Policies
Approved by Board of Supervisors January 14, 2003

Excess Entitlement - Definition

The District State Water Project “Excess” Entitlement is the portion of the District’s total entitlement that is not contracted to others for their deliverable or drought buffer uses.

Priority of Use

1. Prior to transferring the excess entitlement for any other use, contractors of state water entitlement with capacity in Phase II of the Coastal Aqueduct shall have the first right to utilize the excess entitlement for “drought buffer” (reliability) purposes under the terms of a drought buffer agreement.
2. Preference shall be given to local agencies and water purveyors regardless of whether a transfer is on an annual, multi-year, or a permanent basis.
3. No permanent transfer of the excess entitlement for use outside District boundaries shall be made prior to a final update of the District’s Master Water Plan adopted by the Board of Supervisors, and then only if the transfer is consistent with the then adopted Master Plan. (See ‘Note’ below)
4. No multi-year transfer for use outside District boundaries shall be made with a term in excess of five years prior to a final update to the District’s Master Water Plan adopted by the Board of Supervisors, and then out of District transfers can only take place if the transfer is consistent with the adopted Master Plan.
5. On any out -of-District transfer, preference shall be given to those that provide: a) revenues that recover current costs and some or all of the District’s past costs, b)

maintain the District's right to use the water in the future, or c) which are used for environmental mitigation.

6. The Public Works Director is authorized to determine the annual amount of the excess entitlement to transfer to the State Water Project "Turnback Pools" established under the existing terms of State Water Agreements. In making that determination, the Public Works Director shall first consider local needs and how the use of the Turnback Pool might impact other potential transfers.

Note:

These policies were adopted by the Board of Supervisors "with the understanding there will be no permanent sales outside the District."