



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, August 8, 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 May 2025 meeting.
4. **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 Transfer Policy Update
Staff Recommendation: Informational Item Only.
 - D. Water Management Working Group Update
Staff Recommendation: Informational Item Only.
5. **SCHEDULED ACTION ITEM: 2025 WATER TRANSFER OPTIONS**
Staff Recommendation: Review and endorse the 2025 water transfer options prior to District BOS approval.
6. **REPORTS FROM SUBCONTRACTORS (FOR INFORMATION ONLY)**
7. **FUTURE AGENDA ITEMS**
8. **DATE OF NEXT MEETING** (Friday, Nov. 14, 10:00-11:30a)
9. **ADJOURNMENT**

Attachments

1. Agenda Item 3 – Draft Minutes, May 2025
2. Agenda Item 4A – Delivery Report
3. Agenda Item 4C – Approved Policy (7/15/25)

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.*

1120 Mill Street,
San Luis Obispo, CA

MINUTES OF THE MAY 09, 2025
STATE WATER SUBCONTRACTORS ADVISORY COMMITTEE
San Luis Obispo County Flood Control and Water Conservation District
(DRAFT FOR REVIEW)

Chair: Brad Hagemann
Vice Chair: Courtney Howard
Secretary: Wes Thomson

The following minutes are listed as they were acted upon by the State Water Subcontractors Advisory Committee (SWSAC) and as listed on the Regular Meeting agenda for May 09, 2025, together with staff reports and related documents attached thereto and incorporated therein by reference.

1. CALL TO ORDER & ROLL CALL – Call to order at approx. 10:08 AM; quorum was established (5 or more Members present).

<u>Representative</u>	<u>Agency</u>
Jessica Suchecki	CSA 16 Shandon
Cindy Treichler	County Ops Center
Greg Kwolek	Morro Bay
Rosemarie Gaglione	Pismo Beach
Peter Brown	Oceano CSD
Brad Hagemann	Avila Beach CSD
Courtney Howard	District* (non-voting)

2. PUBLIC COMMENT: None

3. REVIEW OF LAST MEETING'S MINUTES

Staff Recommendation: Approve the Minutes from Feb. 2025 (Regular) & Mar. 2025 (Special) meetings.

- Minutes from February 07, 2025: Peter Brown motioned to approve the minutes, Brad Hagemann seconded, all in favor. Meeting minutes were approved by a simple verbal vote.
- Minutes from March 07, 2025: Cindy Treichler motioned to approve the minutes, Brown seconded, all in favor. Meeting minutes were approved by a simple verbal vote.

4. PROPOSED 2025 CALENDAR UPDATE

Staff Recommendation: Approve the Proposed 2025 SWSAC Calendar Update.

- No comments. Hagemann motioned to approve the Proposed 2025 Calendar Update. Greg Kwolek seconded; motion approved by a simple verbal vote.

5. REPORTS FROM THE DISTRICT

A. Water Supply & Delivery Operations:

Staff Recommendation: Informational Item Only.

- Wes Thomson briefly updated the group that the current allocation is at 50% with some rain expected in Northern California.
- Kate Ballantyne asked what the end of year storage was going to look like. Thomson said the end of year storage target is 8,000-10,000 AF, which is roughly two years' worth of water.

B. DCP Planning Update

Staff Recommendation: Informational Item Only.

- Thomson updated the group that the BOS approved the continued funding for 2026/2027.
- Peter Brown asked how it impacts the Subcontractors, are they required to participate?
- Thomson responded that the District staff anticipates it will go back to the Board in 2027 for construction funding and this would be the last off ramp for continued participation. The Contractor's participation is all or nothing. So, if the District decides to participate then the Subcontractors will be responsible for their share.
- Thomson added that DWR estimated that since January 2025, they could have exported about 900,000 AF of additional SWP water if the DCP had been in place.

C. Water Management Working Group Update

Staff Recommendation: Informational Item Only.

- Thomson briefly discussed the updates on the Working Groups activities on the Draft Policy. The consensus of the Subcontractors was that the Working Group has been a beneficial forum to work through many of the issues to then present to the rest of the Subcontractors.

D. Potential 2025 Water Transfer

- Thomson reported that the planned approach is to solicit terms sheets and review these with District Staff and then the Subcontractors will come up with a recommended option to present to the BOS for approval. Thomson went on to remind the Subcontractors that if they want to adjust their delivery schedule with the transfer in mind, they will need to get this finalized by June 30th.
- Dan Heimel commented that there have been multiple water entities that have indicated that they are willing to buy water at any time, no matter the status of water availability.

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.

- Thomson reiterated that the overall goal of the proposed policy is to maximize the SWP benefit for the County. This document is an update to the 2003 policy and is meant to act as a framework for District staff and the Subcontractors to work together to facilitate future transfers. The policy will also help outline the contract amendments needed to best facilitate the desired transfers.
- The current plan is to take the Draft Policy to the Board on June 17th, 2025. Thomson said that further information on the Board item will be sent out closer to the Board date.
- Peter Brown asked if Thomson would talk about the difference between the framework that this policy provides as opposed to the procedural details that will need to be worked out in the future?
- Thomson responded that there have been many procedural questions and comments that have come up during the review of this policy and that this document is not meant to outline all the procedural details of how transfers would be conducted. However, this policy is intended to help guide the development of the procedural details that would be needed to effectively execute future transfers.
- Thomson continued that when this goes to the BOS, District Staff are planning on presenting this

policy document and asking for their direction to take the subsequent steps to develop the procedures and needed contract amendments.

- Kwolek asked if there had been any further discussion regarding water banking or if that is on hold until the policy is adopted?
- Thomson responded that this Draft Policy is intended to support the ability to consider the use banking storage options.
- Kwolek asked if the District plans on any other outreach to the community and stakeholders regarding the proposed policy or if further outreach is up to the Subcontractors to pursue.
- Brown and Thomson responded that it is now in the Subcontractors hands to further disseminate the information as they see fit. Thomson said the District would be happy to support those efforts where it could.
- Hagemann asked for clarification on Kate's comment that the Board is less interested in in-County storage vs out-of-County banking. Ballantyne confirmed this, and a brief discussion was had on the subject.
- Courtney Howard asked about the portion of the policy that referenced setting aside 5000 AF reliability reserve, and if the taxpayers would be financially responsible for that?
- Thomson responded that the taxpayers would be responsible for that, but that the water could be used to the benefit of the taxpayers. Further discussion was had regarding the possible benefits and cost recovery regarding the 5000 AF.
- Ballantyne asked if the way the document is written would be helpful for the Subcontractor's governing boards in understanding the process. The consensus is that the boards may not fully understand the bulk of the policy, however, it is an important document to show transparency and to provide greater detail to those interested.
- Jeff Edwards asked if the "matrix" for water requests was going to the BOS at the same time as the proposed policy? Thomson responded that it would not, and that the timeline is closer to a year out. Brief discussion was had on the purpose of the matrix and scenarios in which that would and would not be useful.
- Kwolek wanted to thank the group and the District for all their work on this policy and that he personally is comfortable with the document in its current form. However, he said that he would be abstaining from a vote at this time, because his Board will want to provide their input prior to voting on the issue.
- Ron Munds with Los Osos CSD expressed his appreciation for the work that has been done on this policy. Munds went on to state his hope that when the time comes to discuss costs/procedures associated with future transfers that the Subcontractors would entertain community input.
- Mark Zimmer with Golden State Water commented on the future need to balance competitive pricing with appropriate cost recovery.
- Matt Watkins, representing Bee Sweet Citrus and Edna Valley Growers, expressed his appreciation that agriculture is included in the proposed policy, and that they see the possible addition of State water to Edna Valley as a step towards their goal of a sustainable basin.
- Brown motioned to approve the proposed draft SWP Transfer Policy, Rosemarie Gaglione seconded, a roll call vote was taken: five aye, one abstained; the District a non-voting member. The motion was approved.

7. REPORTS FROM SUBCONTRACTORS (FOR INFORMATION ONLY)

- None.

8. FUTURE AGENDA ITEMS:

- Discussion concerning potential contract changes needed to facilitate future transfers and

improved water supply management.

9. DATE OF NEXT MEETING – August 8, 2025, at 10:00-11:30 AM.

10. ADJOURNMENT – Hagemann adjourned the meeting at approximately 11:35 AM.

-- DRAFT MINUTES BY: JT / WT

2025 STATE WATER DELIVERY REPORT (DRAFT)

Subcontractor Deliveries for Jan-Jun 2025.

Schedule Requests as of 7/1/25 (REV 3).

Prepared by WT, 8/4/25.

District SWP Water Balance -- 2025

SUPPLY			DEMAND		
Stored "Carryover" Water (Art 56c) at SLR,1/1/2025 =		6,294	AF	Scheduled Deliveries to Subs (for DWR) (2025) =	2,855
SWP Allocation (as of 4/29/2025) =		50%		District Surplus to Others In-District (Placeholder) =	0
District's 2025 "Table A" allocation (per 25,000 AF contract) =		12,500	AF	Total In-District Deliveries Scheduled (2025) =	2,855
Total SWP Water Available (2025) =		18,794	AF	Surplus to Others Out-of-District (Potential Transfer) =	7,000
				Balance of SWP Water Available (2025) =	8,939

SUBCONTRACTOR DELIVERIES SCHEDULED (2025; REV 3)^{1,2,3,4}

																	Total as
AGENCY		CONTRACT	Drought Buff.	Mx.TBLA	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	% of Contract
SHANDON	CSA 16	100	0	50	0	0	0	0	0	0	0	0	0	0	0	0	0%
					0	0	0	0	0	0	0	0	0	0	0	0	< adjusted for DWR ²
CHORRO	CMC	400	400	400	33	33	33	33	33	33	33	33	33	33	33	33	99%
	County Ops	425	425	425	35	35	35	35	35	35	35	35	35	35	35	35	99%
	Cuesta	200	200	200	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	96%
	City of Morro Bay	1313	2290	1802	90	90	100	100	109	109	109	89	89	75	70	70	84%
	Subtotal (CV)	2338	3315	2827	174.0	174.0	184.0	184.0	193.0	193.0	193.0	173.0	173.0	159.0	154.0	154.0	90%
LOPEZ					174	174	184	184	193	193	193	173	173	159	154	154	< adjusted for DWR ²
	City of Pismo Beach	1240	1240	1240	95.0	95.0	100.0	103	103	0	0	0	0	0	0	0	40%
	Oceano CSD	750	750	750	0	0	20	0	0	0	20	20	20	15	0	0	13%
	San Miguelito MWC	275	275	275	7	7	8	8	8	8	8	8	7	7	7	7	33%
	Avila Beach CSD	100	100	100	5	5	6	6	6	6	0	0	0	0	0	0	34%
	Avila Valley MWC	20	60	40	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	100%
	San Luis Coastal USD	7	7	7	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	86%
	Subtotal (Lpz.)	2392	2432	2412	108.5	108.5	135.5	119.5	119.5	16.5	30.5	30.5	29.5	24.5	8.5	9.5	31%
					109	109	136	120	120	17	31	31	30	25	9	10	< adjusted for DWR ²
TOTAL		4830	5747	5289	282.5	282.5	319.5	303.5	312.5	209.5	223.5	203.5	202.5	183.5	162.5	163.5	59%
ADJUSTED TOTAL ²					283	283	320	304	313	210	224	204	203	184	163	164	< adjusted for DWR ²

- Notes:
1. Assumes District can supply requested delivery regardless of the current DWR allocation.
 2. Adjusted for DWR to be in whole acre-feet units.
 3. Total monthly contracts: Shandon (8.33 AF), Chorro (194.83 AF), Lopez (199.33 AF) = 402.5 AF Total.
 4. Mx.TBLA = Max Table A available to Subcontractor under current DWR allocation.

DELIVERIES TO SUBCONTRACTORS (2025)^{1,2}

SWP Allocation for 2025 (set by DWR) >>																		Total as
AGENCY		SCHEDULED >	Avail. TLBA	C/O Need	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% of Request ³
SHANDON	CSA 16	0	50	0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0.0	--
CHORRO	CMC	396	400	0	18.5	18.4	20.0	20.3	28.6	25.3	0	0	0	0	0	0	131.0	33%
	County Ops	420	425	0	19.6	19.5	21.2	21.5	30.3	26.8	0	0	0	0	0	0	138.9	33%
	Cuesta	192	200	0	9.0	8.9	9.7	9.8	13.9	12.3	0	0	0	0	0	0	63.5	33%
	City of Morro Bay	1100	1802	0	69.0	58.2	68.1	84.4	91.3	94.7	0	0	0	0	0	0	465.7	42%
	Subtotal (CV)	2108	2827	0	116.0	105.0	119.0	136.0	164.0	159	0	0	0	0	0	0	799.0	38%
LOPEZ	City of Pismo Beach	496	1240	0	95.0	85.4	51.2	103.0	103.0	0.0	0	0	0	0	0	0	437.6	88%
	Oceano CSD	95	750	0	0.0	0.0	8.8	0.0	0.0	0.0	0	0	0	0	0	0	8.8	9%
	San Miguelito MWC	90	275	0	11.0	8.9	0.0	2.4	0.0	6.9	0	0	0	0	0	0	29.1	32%
	Avila Beach CSD	34	100	0	5.0	4.6	5.4	5.5	6.0	6.0	0	0	0	0	0	0	32.6	96%
	Avila Valley MWC	20	40	0	1.0	0.8	0.0	2.0	2.0	2.0	0	0	0	0	0	0	7.8	39%
	San Luis Coastal USD	6.0	7.0	0.0	0.23	0.17	0.00	0.50	0.50	0.47	0	0	0	0	0	0	1.87	31%
	Subtotal (Lpz.)	741.0	2412	0.0	112.2	99.8	65.4	113.4	111.5	15.4	0	0	0	0	0	0	517.7	70%
TOTAL		2849	5289	0	228	205	184	249	276	174	0	0	0	0	0	0	1317	46%

- Notes:
1. Deliveries based on CCWA monthly delivery reporting and subcontractor request.
 2. All delivery values reported are in volumetric units of acre-feet (AF).
 3. Total as a percent of the request for the period of the water delivery year completed.

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 delivery of and payment for 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. As a result, each Subcontractor has also entered into a Local Water Treatment Agreement (collectively, the Water Treatment Agreements) with the District setting forth the terms and conditions under which the delivered water will be treated consistent with the CCWA Agreement.

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 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 (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 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 these 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, 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 delivery reductions and operational interruptions (annually, for up to several weeks at a time) for operations maintenance, it is the responsibility of the local water purveyors to integrate this supply into their local systems and to comply with local land use policies for water supply.

For the County, the 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. However, these Policies acknowledge that domestic use occurs both within 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.

For supply reliability and emergencies, 5,000 AF of the District's Reserve Amount (currently 14,423 AF) shall be held by the District on a long-term basis as a "reliability reserve," leaving 9,423 AF as the balance of the District's Reserve Amount that could be made available under a long-term contract option.

As part of a future program, the District will incorporate the 5,000 AF reliability reserve (20% of its 25,000 AF SWP allocation) for short-term use only (one-year or less). 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, the District will attempt to meet the needs of these Subcontractors first, before entering into transactions with third parties. In addition and without limiting the foregoing:

- 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 and other water purveyors using the water for domestic needs (e.g., drinking water, sanitation, and fire protection) within the County, with water allocated according to the purpose of use – which may include direct delivery, in-lieu use, 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/Non-Agricultural 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 public water agencies and other eligible users 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** – The District’s Surplus Water may be provided to Subcontractors, public water agencies, special districts, groundwater sustainability agencies, mutual water companies, and investor-owned utilities regulated by the California Public Utilities

Commission, provided they are formally established and recognized under State law with a primary mission focused on the management or delivery of water for municipal, agricultural, or basin-level water management needs. Eligible users must demonstrate the ability to participate in the District's Surplus Water program, including meeting operational, financial, and regulatory requirements.

- B. Approval Requirements** – An eligible entity under Section A must request and approve the contract for supplemental use – whether for domestic, agricultural, or non-domestic use.
- C. 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.
- D. System Reliability** – Use of the District's Surplus Water must not compromise the SWP system reliability or reduce delivery capabilities to the Subcontractors.
- E. 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.
- F. 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.
- G. 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.
- H. 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, the Master Contract, Subcontracts, Water Treatment Agreements 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.

SWP Water Transfer Policies

San Luis Obispo County Flood Control and
Water Conservation District
7/15/2025, BOS Approved

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.