

RESOLUTION NO. 2016- 027

**A RESOLUTION OF THE COUNCIL OF THE CITY
OF SAN BUENAVENTURA, CALIFORNIA,
ESTABLISHING A WATER RESOURCE NET ZERO
FEE IN ACCORDANCE WITH SECTION 22.180.040
OF CHAPTER 22.180 OF DIVISION 22 OF THE
SAN BUENAVENTURA MUNICIPAL CODE**

WHEREAS, new or intensified development places an increased demand for water upon the City's existing water supply; and

WHEREAS, the City's existing water consumption is currently near the City's existing water supply maximum; and

WHEREAS, there exists a need for additional water resources, and that need is caused by new or intensified development; and

WHEREAS, consistent with Article X, Section 2 of the California Constitution, and in order to mitigate the water resource impacts of new or intensified development, it is necessary and desirable for new or intensified development to provide supplemental water resources to the City's water system in an amount proportional to the new demand created by such development, or to pay a Water Resource Net Zero Fee based upon the cost of obtaining water supplies to meet the demand of such new or intensified development; and

WHEREAS, pursuant to Section 22.180.040 of Chapter 22.180 of Division 22 of the San Buenaventura Municipal Code ("SBMC"), the City Council is authorized to establish a Water Resource Net Zero Fee; and

WHEREAS, the City has caused to be prepared an "Evaluation of a Water Resource Net Zero Fee Report", attached hereto as Exhibit "A", which has been reviewed by the City Council and is on file with the City Clerk; and

WHEREAS, that evaluation establishes the estimated costs of obtaining water resources for the City and bases the amount of the Water Resource Net Zero Fee upon those costs; and

WHEREAS, the City has prepared a detailed nexus study titled "Water Rights Dedication and Water Resource Net Zero Fee Nexus Report", attached hereto as Exhibit "B", which has been reviewed by the City Council and is on file with the City Clerk; and

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WHEREAS, the nexus study establishes that the cost of the Water Resource Net Zero Fee is reasonably related and roughly proportional to the demand for new water and the cost of providing water supplies and facilities needed to serve new or intensified development; and

WHEREAS, pursuant to Government Code Section 66016, the City made data available regarding the cost, or estimated cost, of providing services for the Water Resource Net Zero Fee ten (10) days before the public hearing held on June 6, 2016; and

WHEREAS, on June 6, 2016, the City Council heard public testimony and considered evidence in a public hearing held and noticed in accordance with Government Code Section 66016; and

WHEREAS, based upon the evidence submitted during the public hearing, including, without limitation, reports from City staff and information from recent published water sales, the Council finds that the proposed Water Resource Net Zero Fee is based upon the amount equating to the value of one acre-foot of water; and

WHEREAS, at the recommendation of the Water Utility Department known as Ventura Water and the City Manager, the City Council believes that it is in the public interest to establish the recommended Water Resource Net Zero Fee in accordance with SBMC Section 22.180.040.

BE IT RESOLVED by the City Council of the City of San Buenaventura as follows:

SECTION 1: In compliance with City Council's policy on User Fees and Rates, the Chief Financial Officer recommends the need to establish various new fees, increase or reduce existing fees, and set certain hourly rates and equipment charges to recover at least a portion of the cost of providing services. Most Fees are rounded to whole dollar amounts for ease of application.

SECTION 2: The City Council finds that the nexus study titled "Water Rights Dedication and Water Resource Net Zero Fee Nexus Report", attached hereto as Exhibit "B", by substantial evidence, satisfies the requirements of California's "Mitigation Fee Act" (Government Code Section 66000 *et. seq.*, including without limitation Section 66013) and applicable case law including *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987), and *Dolan v. City of Tigard*, 512 U.S. 374 (1994), because the study explains the need for specific, identified new water supplies and facilities to meet the water demand of new or intensified development, demonstrates that there is a reasonable relationship between the Water Resource Net Zero Fee and the impacts of new or intensified development, and establishes that the cost of the

Water Resource Net Zero Fee is reasonably related and roughly proportional to the demand for new water and the cost of providing water supplies and facilities needed to serve new or intensified development.

SECTION 3: The City Council finds that the Water Resource Net Zero Fee is a "capacity charge" under Government Code Section 66013(b)(3) because it will be used to develop additional water supply identified in the nexus study, and payment of the Water Resource Net Zero Fee or dedication of water pursuant to SBMC Chapter 22.180 will be required prior to connecting new or intensified development to the City water system.

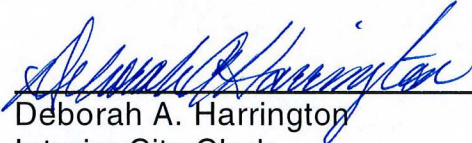
SECTION 4: The City Council finds the proposed Water Resource Net Zero Fee is not a commodity charge under Government Code Section 66013(b)(3) or a user charge because it is not payable as a result of the actual consumption of a particular volume of water, but rather it is payable because of the anticipated impacts that new or intensified development will have on City water resources.

SECTION 5: Pursuant to SBMC Section 22.180.040, the City Council establishes the applicable Water Resource Net Zero Fee as \$26,457 per acre-foot of new demand, consistent with the "Evaluation of a Water Resource Net Zero Fee Report", attached hereto as Exhibit "A". Effective on July 1 of each year, the fee amount will be adjusted to account for inflationary costs, as a percent increase or decrease using the ENR Construction Index for Los Angeles for the month of May in that year, or the most recent month for which the ENR Construction Index for Los Angeles is available, compared to the index amount in the same respective month of the previous year.

SECTION 6: The City Council exercises its independent judgment and further finds that this Resolution is exempt from the California Environmental Quality Act pursuant to Chapter 3 of Title 14 of the California Code of Regulations (the "State CEQA Guidelines"), specifically, Section 15061(b)(3), because the enactment of this Resolution implements a regulatory process that will not foreseeably result in construction activities or other physical activities, either directly or indirectly, and that therefore it can be seen with certainty that the enactment of this Resolution does not have the potential to result in significant effects on the environment; Section 15273, because the fees established are for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas; Section 15307, which exempts "actions taken by regulatory agencies...to assure the maintenance, restoration, and enhancement of a natural resource," because the action taken in adopting this Resolution will help maintain water resources; Section 15378(b)(2), because the activity is not a project as it involves general policy and procedure making; and Section 15378(b)(4), which exempts government fiscal activities which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment.

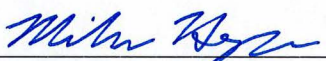
SECTION 7: This Resolution shall become effective sixty (60) days following its adoption, or on the date the Ordinance establishing SBMC Chapter 22.180, "Water Rights Dedication, Water Resource Net Zero Fee, and Water Resource Net Zero Requirements," becomes effective, whichever is later.

PASSED AND ADOPTED this 6 day of June, 2016.



Deborah A. Harrington
Interim City Clerk

APPROVED AS TO FORM
GREGORY G. DIAZ, City Attorney

By:  5/16/16

Miles P. Hogan Date
Assistant City Attorney II

Water Consultancy

3585 Maple Street, Suite 250
Ventura, California 93003
805-404-1467

**Evaluation of a
Water Resource Net Zero
Fee Report**

March 30, 2016

Revised May 11, 2016

Prepared for

City of San Buenaventura

501 Poli Street, Room 120
Ventura, CA 93002

WC-025

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Section 1: Introduction

This evaluation summarizes the economic basis and development of a water resource net zero fee. This recommended fee would apply to new or intensified development that requires an increase in water service but does not transfer sufficient water rights to serve the proposed development.

1.1 Background and Objectives

The City of San Buenaventura (City) owns and operates a water system that serves approximately 32,000 service connections, within and outside the City boundaries. Water is supplied through 3 main sources: local groundwater from the Mound, Santa Paula, and Oxnard Plain basins, treated water purchased from Casitas Municipal Water District (Casitas) and water diverted from the Ventura River. Water service is provided to residential, commercial, industrial and irrigation customers, including fire protection users. Recycled water from the Ventura Water Reclamation Facility is also delivered to recycled water customers located along the existing distribution system alignment.

The City water system is a complex system of 16 pressure zones, 11 wells, 21 booster stations, approximately 380 miles of pipelines ranging from 4-inches to 36-inches in diameter, and a total storage capacity of approximately 52 million gallons (mg) in 32 tanks and reservoirs. The system delivers water from sea level to a maximum elevation of over 1,000 feet. The City operates three treatment facilities, including one membrane filtration treatment plant for surface water sources on the west side of the City, and two iron/manganese removal treatment plants for groundwater sources on the east side¹. The City also maintains and operates the Ventura Water Reclamation Facility.

The City has previously prepared various water planning documents that address water demands and supplies. These documents include the 2005 General Plan documents, Amended 2010 Urban Water Management Plan, and 2011 Water Master Plan. Because these documents were prepared for specific and different purposes, the water demand and supply projections differ. The City prepared a Final 2013 Comprehensive Water Resources Report (CWRR) to compare the water demand and supply projections in the previous reports and compare the City's water demand projections with its available supplies. The City Council approved the Final Report on June 10, 2013 and directed staff to provide an annual update on the City's water supplies and demands. Relevant conclusions of the 2013 CWRR as well as the subsequent annual reports are summarized and form the basis for this evaluation.

To assure that new development does not adversely affect the water supply or water supply reliability of the City's existing customers, Ventura Water desires to implement a water rights dedication and water resource net zero fee ordinance and resolution. The objective of these actions would be to assure that adequate water supplies are available for proposed new or intensified developments without adverse impacts to the City's existing customers or approved new developments. Developers could dedicate adequate water rights to support a proposed new or intensified development, implement extraordinary onsite or offsite conservation measures, and/or pay a net zero fee so that the City could develop the necessary water

¹ City of San Buenaventura Water Master Plan, 2011.

supplies. Accordingly, this study addresses the technical basis for the water resource net zero fee.

1.2 Scope of Services

To develop the technical basis for the net zero fee, the following scope of services was developed:

1. Meet with City staff to identify policy issues associated with a net zero fee.
2. Assist City staff with presentations to the City Water Commission.
3. Describe potential additional water supplies identified in the City's capital improvement program.
4. Identify the probable cost of developing each of the identified potential water supplies.
5. Recommend a water resource net zero fee.
6. Summarize the evaluation in draft and final reports.
7. Work with City staff and legal counsel to develop a water dedication and net zero policy and fee ordinance.
8. Attend community workshops on an as-requested basis.

The assumptions, approach, and methodology are intended to be consistent with the policy guidance provided by the City's Water Commission.

Section 2: Summary of Current and Estimated Future Water Demands and Supplies

The City's water supply is currently being used at nearly full capacity. Based on a review of the previous water demand projections and a detailed evaluation of historical water demands, the Final 2013 Comprehensive Water Resources Report (CWRR) indicates that the calendar year (CY) 2012 water demand including a 6.5 percent water loss factor was 18,004 acre-feet per year (AFY). The recommended baseline water demand for existing conditions (utilizing the most recent 5-year average, CY 2008-2012) was set at 17,601 AFY. Based on the estimated water demands of approved and yet unbuilt new developments as of December 31, 2012, the Final 2013 Comprehensive Water Resources Report projected the near-term water demand to grow to 18,643 AFY by 2019.

The Final 2013 CWRR summarizes the City's current available water supplies as 5,000 AFY from Casitas, 4,200 AFY from the Ventura River (Foster Park), 4,000 AFY from the Mound Groundwater Basin, 4,100 AFY from the Oxnard Plain Groundwater Basin, 1,600 AFY from the Santa Paula Groundwater Basin, and 700 AFY of recycled water. Accordingly, the City's current water supply portfolio totals 19,600 AFY during a normal hydrologic year.

The 2015 CWRR is the latest CWRR and indicates that the CY 2015 water demand including a 6.5 percent water loss factor was 16,995 acre-feet per year (AFY). The reduction in water demand compared to previous years can be attributed to increased water rates and the City's request to customers to voluntarily reduce their water usage by at least 10% in response to the prolonged drought. The recommended baseline water demand for existing conditions (utilizing the most recent 5-year average, CY 2010-2014) was set at 17,167 AFY. Based on the estimated water demands of approved and yet unbuilt new developments as of December 31, 2014, the 2015 Comprehensive Water Resources Report projected the near-term water demand to grow to 18,295 AFY by 2022. Accordingly, the City's current water supply of 19,600 AFY during a normal hydrologic year is only 7.1 percent higher than the projected demand. Since the City's targeted supply buffer is 20% above demand, additional supplies are required.

Section 3: Potential Sources of Additional Water Supply Development

The City's proposed 2016-2022 Capital Improvement Program (CIP) identifies several programs that could increase the City's water supplies. Each water supply program generally consists of several separate CIP projects. The City's CIP planning process occurs every two years and each of the projects are prioritized for implementation. The CIP includes the following potential water supply projects:

- Potable Reuse
- Foster Park Wellfield Restoration (Foster Park)
- Reuse of Ojai Valley Sanitary District Effluent (OVSD)
- Seawater Desalination

The City currently delivers approximately 700 AFY of recycled water from the VWRP for urban landscape irrigation. Based on the March 2013 Estuary Special Studies Phase 2: Facilities Planning Study for Expanding Recycled Water Delivery, the City has several recycled water options to reduce wastewater discharges and increase water supplies, including the Mound Basin Indirect Potable Reuse (IPR) or Direct Potable Reuse (DPR). The City's CIP currently includes a Potable Reuse program. The specific projects included in this program include:

- Project ID 74059 Wastewater Plant - Advanced Treatment Potable Reuse
- Project ID 97949 Waterline - Ventura/Oxnard Emergency Water Intertie
- Project ID 74084 Brine Line Ocean Outfall
- Project ID 74058 Recycled Waterline - Purewater Pipelines
- Project ID 74070 Treatment - Advanced Treatment Plant Land Acquisition

The total estimated capital cost of this program is \$127.8 million (2015) and would have an estimated annual delivery capacity of approximately 3898 AFY. The capital cost to be applied to determine the net zero fee is \$65,757,014 since an estimated \$62 million (2015) is being collected through the Estuary Protection Fund.

Production wells at Foster Park were destroyed in previous storm events and the Ventura River surface water diversion is not functional at this time. The CIP includes the Foster Park Wellfield Restoration Project. The increased capacity from the Foster Park/Ventura River facilities is estimated to be 2500 AFY. The estimated capital cost of these facilities is \$ 23,320,000 (2015 dollars).

The feasibility of reuse of the Ojai Valley Sanitary District effluent which discharges to the Ventura River was evaluated in 2007. The feasibility study identified several uncertainties

including the market for the recycled water and associated environmental issues in the Ventura River. The City's CIP includes the OVSD program. The anticipated delivery capacity is 1120 AFY. The estimated capital cost is \$ 2,440,000 (2015 dollars).

Although ocean desalination was preferred by the City's voters in November 1992 over State Water deliveries, this potential additional future water supply has not been fully developed and is not expected to be phased in until after 2025. An ocean desalination program is included in the City's CIP but will not be required until after 2030. The anticipated delivery capacity is 3000 AFY. The estimated allocated capital cost of the program is \$ 80,000,000 (2015 dollars).

To accommodate uncertainties and variabilities in water supply and demand estimates, a 20 percent supply buffer over projected demands was adopted by the City's Water Commission for water supply planning purposes. The potential net zero fees of these portfolios are evaluated in the following section. Of the potential sources identified for new development in the Final 2015 Comprehensive Water Resources Report, most of the other potential additional future water supplies have uncertainties or complexities that limit their utilization as the basis for development of a water resource in-lieu fee. Currently, State Water is limited by the ability to deliver the water to the City. Although State Water can be wheeled through the Metropolitan Water District of Southern California and Calleguas Municipal Water District, it would be costly and the necessary agreements have not been negotiated. The City continues to discuss potential intertie projects with other local agencies and a Water Intertie Project is included in City's current Capital Improvement Program. In the interim, in June 2013, Council authorized the City's 10,000 acre-foot of State Water Project allocation to be sold in the State's Multi-Year Water Pool Demonstration Program (Program). The Program provides flexibility in pricing and greater return on the City's investment than the traditional pool. Concerns regarding the Saticoy County Yard Well have been raised by the Fox Canyon Groundwater Management Agency and United Water Conservation District. A Limitation and Tolling Agreement was put into effect. It was determined that the 2004 County of Ventura Saticoy Operations Yard EIR was not sufficient for the anticipated operations of the Saticoy County Yard Well and, therefore, additional environmental review is warranted for operation of the well.

Based on these considerations, 3 alternative water supply portfolios were developed for determination of the recommended net zero fee. Portfolio 1 would include all of the programs in the City's CIP that relate to new or restored supplies, Portfolio 2 would include Potable Reuse and Foster Park restoration only, and Portfolio 3 would include all of the new or restored supply projects except OVSD. Of the portfolios, Portfolio 2 would not address the recommended water supply buffer of 20 percent set by the Water Commission.

Section 4: Economic Basis for Recommended Fees

The amount of the recommended water resource net zero fee is based on the required capital cost and financing cost to develop the additional water supplies to serve new development. The anticipated capital cost and yield of the potential water supply programs are summarized in the previous section.

Capital costs are based on the estimated costs included in the City's CIP and escalated in subsequent years based on the ENR Index for Los Angeles. Financing costs are based on the financing policy recommended by the Citizen Rate Advisory Committee in 2014 and adopted by City Council. This policy recommends utilizing pay-as-you-go for 50 percent of capital costs and bond financing for the other 50 percent. This evaluation assumes that bond financing would occur at 5 percent over 30 years with semi-annual payments.

Based on these assumptions, the resulting net zero fee for the alternative portfolios is presented in the following table.

WATER CIP PROJECTS FOR 2016-2022

| | Portfolio 1- All New Supply and Supply Restoration Projects | | Portfolio 2-potable Reuse and Foster Park Wellfield Restoration Only*** | | Portfolio 3-Potable Reuse, Foster Park Wellfield Restoration and Desalination**** | |
|------------------------------|---|---------|---|---------|---|---------|
| Yield | 10,518 | AFY | 6,398 | AFY | 9,398 | AFY |
| CIP Cost** | \$171,517,014 | 2015 \$ | \$89,077,014 | 2015 \$ | \$169,077,014 | 2015 \$ |
| Financing Cost (50%)* | \$80,716,229 | 2015 \$ | \$41,919,810 | 2015 \$ | \$79,567,960 | 2015 \$ |
| Net Zero Cost Basis | \$252,233,243 | 2015\$ | \$130,996,824 | 2015 \$ | \$248,664,974 | 2015 \$ |
| Unit Cost | \$23,981 | \$/AFY | \$20,475 | \$/AFY | \$26,457 | \$/AFY |

* Based on 50% of capital costs at 5.0% for 30 years with semi-annual payments.

** The CIP cost for the Potable Reuse program was reduced by \$62 million which is being collected through the Estuary Protection Fund.

*** Portfolio 2 only provides an adequate water supply through 2025.

**** Portfolio 3 provides an adequate water supply to at least 2050.

The net zero fee would be applied to the amount of the projected annual demand of new or intensified development that is not mitigated by the dedication of water rights or the implementation of extraordinary onsite or offsite conservation measures.

4.1 Adjustments to Water Rights/Credits Based on Water Quality

The assessment of any water rights/credits provided to offset the net zero fee should consider the water quality of the water source that is transferred. For general minerals, it is recommended that the water rights/credits would be reduced by the volume of blend water necessary to achieve the City's water quality goal of 90 percent of the secondary MCL for total dissolved solids or any of the Division of Drinking Water's (DDW's) primary or secondary Maximum Contaminant Level (MCL) for general minerals, whichever is more stringent. For contaminants for which DDW may require treatment, it is recommended that the rights/credits would be reduced by the volume of blend water necessary to achieve 80 percent of the primary MCL for other contaminants. These recommendations are incorporated in the following formula:

$$\text{DWR Credit} = \text{DWR} - \frac{((\text{WQ}(\text{DWR}) \times \text{DWR}) - (\text{WQG} \times \text{DWR}))}{\text{WQG} - \text{WQ}(\text{BW})}$$

Where:

DWR Credit = the annual quantity of the DWR that would be applied the projected annual demand to mitigate the net zero fee.

DWR = annual quantity of water rights/credits to be transferred.

WQ(DWR) = the water quality of the City's water supply which is used to utilize the transferred water rights/credits (i.e. City-operated groundwater well in the same basin as the water rights/credits). The water quality of a private groundwater well will not be used unless the City agrees to use the well to supply water.

WQG = the water quality goal of the blended water which could be a goal established by the City, 90 percent of the primary or secondary MCL for general minerals or 80 percent of a primary MCL for contaminants for which DDW requires treatment at 80 percent of the primary MCL.

WQ(BW) = the water quality of the blend water source.

Section 5: Recommended Water Resource Net Zero Fee

Based on the analysis presented in the preceding section, Portfolio 3- Selected Projects, which addresses projected demands and a 20% buffer, is recommended as the basis for the net zero fee. In this portfolio, Potable Reuse and Foster Park would be implemented prior to 2025 and seawater desalination would be implemented after 2025 but before 2050. Portfolio 3 is recommended because it would provide the water supply buffer consistent with the City's Water Commission policy recommendations. It should be noted that the timelines are estimates only and the City will continue to investigate and pursue other alternative supply projects and opportunities. With the recommended implementation approach, the City would maintain a 20 percent buffer until at least 2050 based on current demand projections. Accordingly, the recommended net zero fee is \$26,457 per acre-foot of new demand.

The selected projects or "suite" of projects" used to calculate the net zero fee does not tie or commit the City to actually building any particular project or suite of projects. As time goes on and new information and data are acquired or as regulations change, it may be decided at a later date to swap out one project for another (i.e. State Water for Desalination). Demand side management projects such as the expansion of the City's recycled water system could also be funded by the collected fees.

Section 6: Potential Implementation Issues

To implement the recommended fee, the City must have an accurate assessment of the potential water demands of proposed new development. Although the water demand factors of new development have been dropping due to the incorporation of water conservation measures, the City should be conservative in its application of water demand factors. Accordingly, it is recommended that the City utilize the City's current local water use demand factors approved by Council on June 10, 2013, as presented in the Final 2013 Comprehensive Water Resources Report, to the recommended water resource net zero fee for appropriateness and conservatism. It is anticipated that the City's water demand factors will be reevaluated in 2023 as indicated in the past CWRR's unless additional information requires an earlier reevaluation. However, the City may want to reevaluate the demand factors in 2020 to coincide with the 2020 Urban Water Management Plan. In addition, it is recommended that the City continuously monitor its available water supplies so that new supplies are developed in a timely manner to serve potential new development.

Memorandum

To: Honorable City Council
Mark D. Watkins, City Manager

From: Shana Epstein, Ventura Water General Manager

Date: March 30, 2016 – Revised May 11, 2016

Re: Water Rights Dedication and Water Resource Net Zero Fee Nexus Report

To assure that new development does not adversely affect the water supply or water supply reliability of the City's existing customers, Ventura Water proposes to implement a water rights dedication and water resource net zero fee ordinance and resolution. The objective of these actions would be to assure that adequate water supplies are available for proposed new or intensified developments without adverse impacts to the City's existing customers or approved new developments. Developers could dedicate adequate water rights to support a proposed new or intensified development, implement extraordinary onsite or offsite conservation measures and/or pay a net zero fee so that the City could develop the necessary water supplies.

Background

The City of San Buenaventura (City) owns and operates a water system that serves approximately 32,000 service connections, within and outside the City boundaries. Water is supplied through 3 main sources: local groundwater from the Mound, Santa Paula, and Oxnard Plain basins, treated water purchased from Casitas Municipal Water District (Casitas) and water diverted from the Ventura River and treated for potable use. Water from Casitas is primarily used by the City's customers that are within the boundaries of Casitas. Water service is provided to all residential, commercial, industrial and irrigation customers, including fire protection users.

The City water system is a complex system of 16 pressure zones, 11 wells, 21 booster stations, approximately 380 miles of pipelines ranging from 4-inches to 36-inches in diameter, and a total storage capacity of approximately 52 million gallons (mg) in 32 tanks and reservoirs. The system delivers water from sea level to a maximum elevation

of over 1,000 feet. The City operates three purification facilities, including one membrane filtration treatment plant for surface water sources on the west side of the City, and two iron/manganese removal treatment plants for groundwater sources on the east side¹.

In addition, recycled water from the City's Ventura Water Reclamation Facility is delivered to recycled water customers in close proximity to the facility located in the Ventura Harbor and along the Olivas Park Drive corridor. The City's existing Reclaimed Water Policy encourages the use of recycled water, and new development located near existing recycled water mains or within the defined recycled water focus area is required to use recycled water in lieu of potable water for irrigation and other uses as appropriate.

The City has previously prepared various water planning documents that address water demands and supplies. These documents include the 2005 General Plan, Amended 2010 Urban Water Management Plan, and 2011 Water Master Plan. Because these documents were prepared for specific and different purposes, the water demand and supply projections differ. The City prepared a Final 2013 Comprehensive Water Resources Report (CWRR) to compare the water demand and supply projections in the previous reports and compare the City's water demand projections with its available supplies. Council approved the Final 2013 CWRR and directed staff to provide an annual update on the City's projected water supply and demand. Relevant conclusions of the 2013 CWRR as well as the subsequent annual reports are summarized and form the basis for this evaluation. These documents are available at www.cityofventura.net/water/supply

Impact from New Development

New development places an increased demand for water upon the City's water supply. The City appears to have limited opportunities for developing additional water resources for new development. Of the sources identified, water from Casitas is limited to City service within the boundaries of Casitas, restoration of the Foster Park wellfield production capacity can be utilized throughout the City, and recycled water can be applied directly or indirectly to benefit new development throughout the City. Dedication of available water rights will provide the City with access to water supplies that will serve and offset the demand of new or intensified development. Water resource net zero fees will be used to develop new facilities that will enable the City to increase water production to serve and offset the demand of new or intensified development.

¹ City of San Buenaventura Water Master Plan, 2011.

Water Supply Capacity

The City's water supply is currently being used at nearly full capacity. Based on a review of the previous water demand projections and a detailed evaluation of historical water demands, the Final 2013 Comprehensive Water Resources Report (CWRR) indicates that the calendar year (CY) 2012 water demand including a 6.5 percent water loss factor was 18,004 acre-feet per year (AFY). The recommended baseline water demand for existing conditions (utilizing the most recent 5-year average, CY 2008-2012) was set at 17,601 AFY. Based on the estimated water demands of approved and yet unbuilt new developments as of December 31, 2012, the Final 2013 Comprehensive Water Resources Report projected the near-term water demand to grow to 18,643 AFY by 2019.

The Final 2013 CWRR summarizes the City's current available water supplies as 5,000 AFY from Casitas, 4,200 AFY from the Ventura River (Foster Park), 4,000 AFY from the Mound Groundwater Basin, 4,100 AFY from the Oxnard Plain Groundwater Basin, 1,600 AFY from the Santa Paula Groundwater Basin, and 700 AFY of recycled water. Accordingly, the City's current water supply portfolio totals 19,600 AFY during a normal hydrologic year.

The 2015 CWRR is the latest CWRR as of the time of this report and indicates that the CY 2015 water demand including a 6.5 percent water loss factor was 16,995 acre-feet per year (AFY). The reduction in water demand compared to previous years can be attributed to increased water rates and the City's request to customers to voluntarily reduce their water usage by at least 10% in response to the prolonged drought. The recommended baseline water demand for existing conditions (utilizing the most recent 5-year average, CY 2010-2014) was set at 17,167 AFY. Based on the estimated water demands of approved and yet unbuilt new developments as of December 31, 2014, the 2015 Comprehensive Water Resources Report projected the near-term water demand to grow to 18,295 AFY by 2022. Accordingly, the City's current water supply of 19,600 AFY during a normal hydrologic year is only 7.1 percent higher than the projected demand. Since the City's targeted supply buffer is 20%, additional supplies are required. The 20% buffer was established in order to insure that water demands could still be met without the need for mandatory conservation in the event of future droughts or other water shortage event emergencies such as the sudden loss of one of the City's supply sources.

Additional Water Resources for New Development

There exists a need for additional water resources, and that need is caused by new or intensified development. The 2015 Comprehensive Water Resources Report identifies future and potential additional future water supplies. Future water supplies include increased Casitas deliveries of 409 AFY to areas within the Casitas service area (based

on estimated growth from approved projects located within the Casitas service area as of December 31, 2014), restoration of the Foster Park wellfield production capacity by 2,500 AFY, construction and operation of Saticoy Well No. 3 to increase supply from the Santa Paula Basin and increased recycled water deliveries by 700 AFY. These future water supplies would increase the future available supplies to 24,377 AFY. Potential additional future water supplies include deliveries of imported water supplies from the State Water Project, Saticoy County Yard Well, recycled water and/or Potable Reuse from the Ventura Water Reclamation Facility (VWRF), recycled water from Ojai Valley Sanitary District (OVSD), and ocean desalination.

Of the potential additional future water supply sources of water identified for new development, several have uncertainties or complexities that limit their utilization as the basis for development of a water resource Net Zero fee.

At the December 22, 2015 Water Commission Meeting City staff presented a written and oral report regarding potential future water supplies and associated estimate capital costs and financing costs related to three scenarios for potential future supply projects. As summarized in Section 3 of the Evaluation of a Water Resource Net Zero Fee Report, three scenarios of water supply portfolios were developed for determination of the recommended net zero fee. Portfolio 1 would include all of the programs in the City's CIP that relate to new or restored supplies, Portfolio 2 would include Potable Reuse and Foster Park restoration only, and Portfolio 3 would include all of the new or restored supply projects except OVSD. Of the portfolios, Portfolio 2 would not include the Water Commission's water supply buffer of 20 percent.

Currently, State Water is limited by the ability to deliver the water to the City. Although State Water can be wheeled through the Metropolitan Water District of Southern California and Calleguas Municipal Water District, it would be costly and the necessary agreements have not been negotiated. The City continues to discuss potential intertie projects with other local agencies and a Water Intertie Project is included in City's current Capital Improvement Program (Program #97949). In the interim, in June 2013, Council authorized the City's 10,000 acre-foot of State Water Project allocation to be sold in the State's Multi-Year Water Pool Demonstration Program (Program). The Program provides flexibility in pricing and greater return on the City's investment than the traditional pool. In addition, the City Council gave authority to staff to negotiate a temporary transfer for a portion of the City's entitlement to help recuperate the City's investment in State Water.

The City in collaboration with the County of Ventura, constructed and completed the Saticoy County Yard Well and associated facilities in 2009, which would have provided additional water to the City and Saticoy area. Concerns regarding the operation of the Saticoy County Yard Well were raised by the Fox Canyon Groundwater Management Agency and United Water Conservation District. As a result, a Limitation and Tolling

Agreement was put into effect. It was determined that the 2004 County of Ventura Saticoy Operations Yard EIR was not sufficient for the anticipated operations of the Saticoy County Yard Well and, therefore, additional environmental review is warranted for operation of the well. At this time, there are no plans to operate the well due in part to water quality issues with the well.

Mitigation of New Development Water Resources Impacts

In order to mitigate the water resource impacts of new urban development, it is necessary and desirable for new or intensified urban development to provide supplemental water resources to the City's water system in an amount proportional to the new demand created by such development. This can be accomplished by dedication of water rights where available. The amount of the recommended water resource net zero fee is based on the required capital cost and financing cost to develop the additional water supplies to serve new development.

Evaluation of a Water Resource Net Zero Fee Report

The City has retained Water Consultancy, a water resource expert firm, to prepare an Evaluation of a Water Resource Net Zero Fee Report. That evaluation establishes the estimated costs of obtaining water resources and the basis for determination of the net zero fee. The amount of the recommended water resource net zero fee in the report is based on the required capital cost and financing cost to develop the additional water supplies to serve new development.

Water Land Use Demand Factors

The Final 2013 Comprehensive Water Resources Report refined water land use demand factors to be more consistent with local water use trends and water efficiency, and to provide more accurate estimates. Staff will utilize these factors to determine the impact of development on the water supply and to calculate the amount of water right and/or net zero fee required to offset new water demand. Below are the water land use demand factors to be utilized from Table 3-3 of the report:

Water Use Demand Factors

| Land Use | Demand Factor * | AFY/Unit * |
|------------------------------------|------------------------|-------------------|
| <i>Residential</i> | | |
| Residential 0 - 8 du/acre | 370 gpd/du | 0.415 AFY/du |
| Residential 9 - 20 du/acre | 250 gpd/du | 0.280 AFY/du |
| Residential 21+ du/acre | 250 gpd/du | 0.280 AFY/du |
| Commercial/Retail/Industrial/Hotel | 265 gpd/ksf | 0.300 AFY/ksf |

| Public/Institutional | | |
|---------------------------|----------------|----------------|
| Hospital/Assisted Living | 545 gpd/bed | 0.611 AFY/bed |
| Park/Landscape/Irrigation | 2,000 gpd/acre | 2.240 AFY/acre |

gpd/du – gallons per day per dwelling unit

gpd/ksf – gallons per day per thousand square feet

Source: 2013 Comprehensive Water Resources Report

**Consumption factors include 6.5% water loss and 20% adjustment for planning purposes.*

Conceptual project applications will use the above land use categories. For those projects that do not define the residential density, the highest density demand factor will be used. Industrial, commercial, and retail will assume the square footage reflecting the highest and best use of the acreage. As a project is revised, further defined, density decreased or density increased, the water demand for the project will be required to be revised. See attached Exhibit A: Sample Water Demand Impact Calculation as an example of how the demand factor will be used to calculate the required water right allocation and/or net zero fee to be paid. These demand factors establish the relationship between the amount of water rights to be dedicated or the amount of any in net zero fee to be charged and the impacts of new or intensified development.

Nexus between New Development and Proposed Ordinance

There is a reasonable relationship between the water dedication requirements and net zero fees established by this Ordinance and the impacts of new development because the amount of water to be dedicated and the amount of any fees to be collected is, based upon the water use demand factors and Water Consultancy Report, directly proportional to the impacts of the new development upon which the dedication requirement or fees are imposed.

Conclusion and Recommendations

Based on the Water Consultancy Report, the recommended water resource net zero fee for 2016 is \$26,457 per AFY of additional demand.

To implement the recommended fees, the City must have an accurate assessment of the potential water demands of proposed new development. Although the water demand factors of new development have been dropping due to the incorporation of water conservation measures, the City should be conservative in its application of water demand factors. Accordingly, it is recommended that the City utilize the City's current local water use demand factors approved by Council on June 10, 2013, as presented in the Final 2013 Comprehensive Water Resources Report, to the recommended water resource net zero fees for appropriateness and conservatism. It is anticipated that the

City's water demand factors will be reevaluated in 2023 unless additional information requires an earlier reevaluation. In addition, it is recommended that the City continuously monitor its available water supplies so that new supplies are developed in a timely manner to serve potential new development.

Exhibit A: Sample Water Demand Impact Calculation

To provide predictability and consistency, a Water Demand Impact Calculation is proposed to summarize a project's water demand impact and to calculate the amount of water right to be transferred to the City and/or the amount of the net zero fee to be paid.

Sample Development Project Zone 1

Water Demand Impact Calculation

| Land Use Type | Units | *Water Use Demand Factor | Total Average Demand | AFY Demand |
|--|--------------|---------------------------------|-----------------------------|-------------------|
| Residential (0-8) du/ac | 85 | 370 gpd/du | 21.84 gpm | 35.23 |
| Transferable Water Right (AFY) | | | | 35.23 |
| or | | | | |
| **Net Zero Fee (AFY x \$26,457) | | | | \$932,080 |

***Water Use Demand Factor** – See Table 3-3, City of Ventura Final 2013 Comprehensive Water Resources Report, June 2013.

**** Net Zero Fee**– See Evaluation of a Water Resource Net Zero Fee, Water Consultancy, March 30, 2016 –Revised May 11, 2016.

STATE OF CALIFORNIA)
COUNTY OF VENTURA) ss
CITY OF SAN BUENAVENTURA)

I, Roxanne Fiorillo, Assistant City Clerk of the City of San Buenaventura, California, certify that the foregoing Resolution was passed and adopted by the City Council of the City of San Buenaventura at a regular meeting on June 6, 2016, by the following vote:

AYES: Councilmembers Morehouse, Weir, Tracy, Heitmann, Deputy Mayor Andrews, and Mayor Nasarenko.

NOES: Councilmember Monahan.

ABSENT: None.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of the City of San Buenaventura on June 7, 2016.


Assistant City Clerk

