DATE: January 15, 2019

TO: City Council

FROM: Rosemarie Gaglione
Public Works Director

SUBJECT: Groundwater Pumping Allocation for Next Two Decades. (15/15/15)

CONTACT: Rosemarie Gaglione, Public Works Director
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RECOMMENDATION:

That City Council receive and file a presentation regarding the Fox Canyon Groundwater Management Agency’s latest proposed groundwater allocation ordinance, which will significantly affect the next twenty years of groundwater pumping for the City of Oxnard, and is scheduled to be adopted on January 23, 2019.

BACKGROUND

The City of Oxnard relies on groundwater for over half of its potable water, and that water comes from the Oxnard Subbasin of the Santa Clara River Valley Groundwater Basin. Regulation of that Subbasin is critical to Oxnard’s future. Now, due to State law, pumping of this groundwater will need to be decreased by up to half of historical use; as a result, all entities that pump groundwater are in ongoing negotiations over water allocation.

As the jurisdiction with the largest population, no one’s stake in these negotiations is greater than Oxnard’s. The City pumps approximately twenty percent of the Subbasin’s water, which is more than any other user. If the City’s groundwater allocation is significantly reduced without a new source of water or reduced demand, the City will have to purchase more water through Calleguas Municipal Water District, which imports water from northern California.

Calleguas’s water currently costs the City approximately twice as much per acre foot than pumped groundwater. These costs will likely increase over time, especially due to the California WaterFix project (two tunnels that will transport water from the Sacramento-San Joaquin River
Delta to Southern California), which is estimated to cost Southern California approximately $11 billion. Additionally, imported water may become unavailable in an emergency situation, such as the break of a pipeline importing water during a local earthquake or a levee failure in the event of a Bay Area earthquake. Such uncertainty could lead to further pricing instability.

**The Sustainable Groundwater Management Act**

In 2014, the State Legislature passed the Sustainable Groundwater Management Act (SGMA). Under SGMA, a groundwater basin identified by the California Department of Water Resources (DWR) as significantly overdrafted and high or medium priority requires a groundwater sustainability plan (GSP) in place by 2020. DWR lists the Oxnard Subbasin as a high priority basin in a state of critical overdraft.

Each GSP must bring the use of the regional groundwater basins within “sustainable yield” by 2040. Sustainable yield is the maximum quantity of water that can be withdrawn annually from a groundwater supply without causing an undesirable result. In the Oxnard and Pleasant Valley Subbasins (OPV Basins) management area, preliminary estimates indicate sustainable yield is likely approximately 60 to 65 percent of current use. Current pumping of the Oxnard Subbasin is approximately 100,000 acre feet a year; pumping in the Subbasin will likely need to be reduced to approximately 60,000 acre feet a year by 2040 despite expected growth.

Note that SGMA is intended for groundwater management, not determining water rights, and the OPV Basins are not adjudicated basins, which means those rights have not yet been determined by a court. However, the GSP is expected to restrict each producer’s ability to produce groundwater without paying an assessment, potentially increasing the costs of production. The GSP may also impose pumping restrictions. Thus, an entity that feels it is being unjustly overregulated by SGMA may opt to file for an adjudication. If that happens, it could lead to a costly and lengthy legal battle.

**Fox Canyon Groundwater Management Agency’s Groundwater Sustainability Plan**

The Fox Canyon Groundwater Management Agency (GMA), established in 1983, is the entity responsible for drafting a GSP for the OPV Basins. Since 1990, the GMA has imposed a groundwater allocation program with a series of preset allocation reductions to achieve a 25 percent reduction in groundwater use. In 2014, the GMA implemented Emergency Ordinance E, which provided a new groundwater allocation system and a program to impose another twenty percent reduction in use. Emergency Ordinance E remains in place currently.

In November 2017, GMA staff made available a preliminary draft of the Oxnard Subbasin GSP at www.fcgma.org/component/content/article/8-main/115-groundwater-sustainability-plans. The City submitted written comments by the deadline in April 2018. The GMA intends to continue development of the incomplete elements of the GSP, integrate comments on the preliminary draft, and publish the next draft of the GSP for further public comment soon. According to a GMA staff report dated November 20, 2018, the current schedule is for the revised draft GSP to
be ready for the GMA Board’s review by late February 2019 and a final GSP to be ready for the Board’s consideration of adoption in July 2019. Once adopted by the Board, the GSP is submitted to DWR, which must ensure that the GSP complies with all SGMA requirements.

**The Allocation Ordinance**

Concurrently with the development of the GSP, the GMA is developing a new allocation system to determine allowable groundwater pumping amounts for each entity. The GSP will incorporate this allocation ordinance and then explain how each entity must “ramp down” its use over the next twenty years, what groundwater saving or recycling projects the GMA will support, and other relevant information. In other words, the allocation ordinance provides the starting point (available groundwater allocation) for each entity, and the GSP will define how each entity must reduce its pumping over time. GMA Boardmembers have repeatedly stated their goal that the new allocation ordinance be effective right away. This ordinance is critical.

Over the past few years, the groundwater pumpers split into two negotiating groups: the municipal and industrial (M&I) pumpers and the agricultural (Ag) pumpers. Oxnard is a part of the M&I group, which includes the Port Hueneme Water Agency, the City of Port Hueneme, the Channel Island Beach Community Services District, the City of Ventura, the Camrosa Water District, the City of Camarillo and the Naval Bases. The Ag pumpers have formed two subgroups with Southland Sod leading one and the Pleasant Valley County Water District (PVCWD) leading the other.

**DISCUSSION**

**Oxnard’s Goals**

Oxnard staff is participating in these negotiations and is advocating for the achievement of a few goals in the allocation ordinance.

1. **Getting the total starting allocation right:** As mentioned earlier in the report, current pumping of the Oxnard Subbasin is approximately 100,000 acre feet a year. Whatever the precise starting amount apportioned, each pumper will receive its share. If the total starting allocation is too high, we are not tackling this problem head on: pumping needs to be under control. Additionally, it means steeper cuts in the future. However, if the total starting allocation is too low, we are not using the full twenty years we are given by SGMA, and the economy—particularly the agricultural economy—could be unnecessarily and significantly impacted.

2. **Preserving the 60/40 split:** GMA staff, Ag pumpers, and M&I pumpers have negotiated for over two years what is often called the “60/40 split.” This phrase means that, whatever the total starting allocation in acre feet, sixty percent of it would go to Ag as a group and forty percent to M&I as a group. This is roughly based on a number of pumping analyses through various time periods (including the pre-SGMA 2005 to 2014
period), but it is important to remember this is a negotiated ratio. Each group (Ag and M&I) would then suballocate the group’s total allocation to each pumper within the group. Though this has been the generally understood ratio, the last two versions of the allocation ordinance have ignored this compromise:

a. On October 12th, GMA staff presented a version of the ordinance in which M&I would begin with a 28,200 acre feet per year allocation. This represents approximately thirty percent of pumping in the Subbasin as compared with Ag’s allocation. The GMA Board responded with direction to start the ordinance at 35,000 acre feet per year while keeping Ag at a starting allocation of 60,000 acre feet per year. While the increase from 28,200 to 35,000 acre feet per year as a starting allocation is a critical increase, the latter proposal would still yield 20,400 total acre feet of water less for M&I over the first seven years than if M&I’s starting allocation were 40,000 acre feet. Buying that amount of water from Calleguas Municipal Water District would cost approximately $34.5 million. (Please see PowerPoint slides for visual depiction of these drafts.)

b. On October 24th, GMA staff returned with the ordinance as directed by the GMA Board. GMA staff also offered an alternative with starting allocations of 54,158 and 36,141 acre feet to Ag and M&I, respectively. This represents the 60/40 split. However, there is a third pumping allocation for those entities—United Water Conservation District and the PVCWD—that receive surface water from Santa Clara River diversions if that water does not arrive. Because these entities are given another approximately 15,600 acre feet pumping allocation if the surface water is not available, which it has not been at all in the past few years, this essentially increases Ag’s starting allocation to 70,060 acre feet or 66 percent (as compared to M&I’s 36,141 acre feet or 34 percent).

c. On November 20th, the GMA Board directed staff to add language giving Ag its third allocation, this time with an extra 4,500 acre feet due to the Conejo Creek Project. Since 2003, PVCWD has taken recycled water from the City of Thousand Oak’s wastewater treatment plant that was discharged into a Conejo Creek tributary. Because this project was supposed to be in lieu of PVCWD pumping groundwater, the GMA at that time determined PVCWD would receive a “storage credit” for every acre-foot of Conejo Creek Project water delivered to PVCWD.

3. **Allowing Equitable Borrowing**: Various representatives of Ag pumpers have explained that they may need flexibility to potentially borrow water against their future allocations, especially if surface water is low or they change to growing crops with a high water demand. Such borrowing is acceptable if within reason, meaning limiting the amount and the number of years by which that pumper must pump less than its allocation to “return” the borrowed water. However, M&I has consistently stated that it too requires such flexibility. While our use has been more stable over time, we also have operational variance. Additionally, if a severe earthquake severed our access to water from Northern...
California, we would immediately need to pump much more groundwater. Indeed, during the Thomas Fire, State pump electrical failures led the City to have to overpump groundwater, and the City was fined. Borrowing is generally less of a matter for the allocation ordinance and more for the GSP as it addresses use over time, not just the initial allocations; however, if the GMA includes the Santa Clara River water allocation in its ordinance, that allocation either represents a gift of extra water to Ag or some version of up-front borrowing, and M&I also needs such an allowance.

Perhaps because GMA negotiations have been ongoing for several years and because groundwater discussions are highly technical and not “sexy,” they have gone largely unnoticed. Admittedly, this report is a broad overview of a nuanced topic. However, access to clean and affordable drinking water is critical to survival and thus to public health and safety. It is also a fundamental requirement for a city to thrive: water is necessary for human health and sanitation, future development and residents, and an economically viable business community that creates jobs for our residents and tax revenue for the City. This allocation ordinance will set the stage for the next twenty years of water access in the OPV Basin’s management area, which means that it will help define Oxnard’s future. City staff has been and will continue to advocate for the City to receive a fair allocation of water over the next two decades and beyond.

The GMA Board will hold a public hearing at its meeting regarding the allocation ordinance on January 23rd at 1:30 at the Ventura County Government Center (800 South Victoria Avenue in Ventura, California), Administration Building, in the County Board of Supervisors’ Hearing Room. Since the ordinance was introduced on November 20th, and in any case State law only requires one reading of this ordinance, the GMA Board intends to adopt this ordinance at the end of that public hearing. The agenda is available at http://www.fcgma.org/public-documents/board-of-directors-meetings.

**STRATEGIC PRIORITIES**

This agenda item supports the Quality of Life strategy. The purpose of the Quality of Life strategy is to build relationships and create opportunities within the community for safe and vibrant neighborhoods, which will showcase the promising future of Oxnard. This agenda item also supports the Economic Development strategy. The purpose of the Economic Development strategy is to develop and enhance Oxnard’s business climate, promote the City’s fiscal health, and support economic growth in a manner consistent with the City’s unique character. More specifically, this item supports the following goals and objectives:

- **Goal 1.** Create vibrant and economically sustainable commercial, industrial and retail industries throughout the City.
- **Goal 2.** Enhance business development throughout the City.
- **Objective 2c.** Capitalize on historic, cultural and natural resources.

**FINANCIAL IMPACT**

The allocation ordinance will have a financial impact on the City and its ratepayers; however, the
precise impact will depend on the final language of the ordinance. Potential economic impacts due to loss of development and business are unknown at this time but could be significant.

*Prepared by Shiri Klima, Assistant City Attorney*

**ATTACHMENTS:**

2019_01_15 Groundwater Pumping Allocation for the Next Two Decades - Commonly Used Terms Handout
Groundwater Pumping Allocation for the Next Two Decades —
Commonly Used Terms

- AF: acre feet
- AFY: acre feet per year
- Ag: agricultural pumpers
- DWR: California Department of Water Resources
- GMA: Fox Canyon Groundwater Management Agency, responsible for drafting the GSP
- GSP: groundwater sustainability plan, managing use of and reducing pumping in the basin over next 20 years
- M&I: municipal and industrial pumpers
- OPV Basins: Oxnard and Pleasant Valley Subbasins
- SGMA: State law that requires greater basin management over the next twenty years (see next slide)
Groundwater Pumping Allocation for the Next Two Decades

January 15, 2019
That City Council receive and file a presentation regarding the Fox Canyon Groundwater Management Agency’s latest proposed groundwater allocation ordinance, which will significantly affect the next twenty years of groundwater pumping for the City of Oxnard and is scheduled to be adopted on January 23rd.
• Over half of Oxnard’s potable water supplies are groundwater
• City pumps 20% of all groundwater from Oxnard-Pleasant Valley Subbasins (OPV Basins) management area
  • As the jurisdiction with the largest population, City is the largest pumper in the OPV Basins
• Due to State law, groundwater pumped will need to be decreased by almost half; as a result, all pumpers are in ongoing negotiations over water allocation
• If City’s groundwater pumping allocation is significantly reduced, City will have to purchase more imported water
  • This costs ~2x as much per acre foot (AF) to import than to pump groundwater
  • Imported water is less reliable in an emergency situation
THE SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)

- Passed in 2014
- California Department of Water Resources (DWR) must identify basins that are significantly overdrafted and high or medium priority
  - DWR says OPV Basins are high priority basins in states of critical overdraft
- SGMA requires any high or medium priority basin that is significantly overdrafted to have a groundwater sustainability plan (GSP) in place by 2020
THE SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)

- Each GSP must bring the use of the regional groundwater basins within "sustainable yield" by 2040
  - Sustainable yield: maximum quantity of water that can be withdrawn annually from a groundwater supply without causing an undesirable result
  - In OPV Basins, sustainable yield is likely ~60-65% of current use
- SGMA is intended for groundwater management, not determining water rights
Fox Canyon Groundwater Management Agency (GMA) is responsible for drafting a GSP for the OPV Basins.

Since 1990, GMA imposed 25% pumping reduction in groundwater use on municipal and industrial (M&I) pumpers.

In 2014, the GMA implemented Emergency Ordinance E, which imposed on M&I another 20% reduction in use.

- Emergency Ordinance E is still in effect.
• Preliminary draft GSP made available in November 2017
  • www.fcgma.org/component/content/article/8-main/115-
groundwater-sustainability-plans
• City submitted written comments
• Revised draft GSP expected by late February 2019
• Final GSP expected in July 2019
• Once adopted by the GMA Board, GSP must be approved by DWR
THE ALLOCATION ORDINANCE

• GMA is developing a new allocation ordinance concurrently with the development of the GSP
  • Allocation ordinance provides the starting point for each entity, and GSP will inform each entity how it must reduce pumping over time

• Scheduled to be adopted **January 23rd**
  • Only one reading required

• Effective immediately

• Splits water among agricultural pumpers (Ag) and municipal and industrial (M&I) pumpers

• City staff is participating in these negotiations
OXNARD’S GOAL #1: A CORRECT TOTAL STARTING ALLOCATION

- Current pumping of the OPV Basin is ~100,000 acre feet per year (AFY)
- Whatever precise starting amount allocated, each pumper will receive its share
- If total starting allocation is too high, we are not tackling this problem head on: pumping needs to be reduced
  - This will also mean steeper cuts in the future
- If the total starting allocation is too low:
  - We are not using the full 20 years we are given by SGMA
  - Economy, particularly to agricultural economy, could be unnecessarily and significantly impacted
“60/40 split”: whatever the total starting allocation, 60% will be allocated to Ag and 40% will be allocated to M&I.
OCTOBER 12TH VERSION OF ALLOCATION ORDINANCE

- GMA staff suggested M&I begin at 28,200 AFY (~30%)
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• GMA Board gave direction to start M&I at 35,000 AFY — dotted line
On October 24th, GMA staff suggested starting allocations of 54,158 and 36,141 AFY to Ag and M&I, respectively.
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• But GMA staff also suggested adding 15,600 AFY of allowable pumping in lieu of Santa Clara River water – red line
On October 24th, GMA staff suggested starting allocations of 54,158 and 36,141 AFY to Ag and M&I, respectively. But GMA staff also suggested adding 15,600 AFY of allowable pumping in lieu of Santa Clara River water – red line. So total Ag pumping would be 70,060 AFY – dashed line.
• On November 20th, the Board directed staff to add yet another Ag allocation for the Conejo Creek project – gray line

• So total Ag pumping would be 74,560 AFY – dotted line
OXNARD’S GOAL #3: ALLOW EQUITABLE BORROWING

• Ag pumpers want flexibility to borrow water against future allocations, especially if surface water is low
• For borrowing to be acceptable:
  • It should be limited to a set maximum amount per pumper
  • The borrowed water must be “paid back” within a set number of years by reduced pumping
  • M&I also requires such flexibility, both for operational variance and for an emergency
SUMMARY

- These negotiations have gone largely unnoticed
- Access to clean and affordable drinking water is not only critical to survival, it is a fundamental requirement for a city to thrive:
  - For human health and sanitation
  - For future development and residents
  - For an economically viable business community that creates jobs for our residents and tax revenue for the City
- This allocation ordinance will set the stage for the next 20 years of water access in the OPV Basins, so it will help define Oxnard’s future
GMA Board’s allocation ordinance public hearing:

January 23rd at 1:30 p.m.

County Board of Supervisors’ Hearing Room
Administration Building
Ventura County Government Center
800 South Victoria Avenue
Ventura, California 93009

Questions?