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ORANGE COUNTY WATER DISTRICT
ORANGE COUNTY'S GROUNDWATER AUTHORITY

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August 18, 2022

The Honorable Judge Erick L. Larsh
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

SUBJECT: Orange County Water District response to the Findings and Recommendations of the Grand Jury 2021-2022 report titled: Water in Orange County Needs "One Voice"

Dear Judge Larsh:

Please accept this letter in accordance with the directive included in the Grand Jury 2021-2022 report titled: Water in Orange County Needs "One Voice" that the Orange County Water District (OCWD) provide responses to the report Findings (F1, F2, F3, F5 and F6) along with Recommendations (R1 and R2).

OCWD wishes to thank the Grand Jury for the time and effort that it spent in the development of this report, and for revisiting a matter that was examined and endorsed by the 2013-14 Grand Jury in its report "Sustainable and Reliable Orange County Water Supply: Another Endangered Species?" which resulted in this recommendation:

"R.5. MWDOC and OCWD should consider merging into a single wholesale agency to better evaluate, coordinate, and integrate more complex strategies involving the allocation and distribution of ground and imported water under emergency and climate change impacts. This merger would facilitate the implementation of Recommendations 1-4. (F.1.), (F.4.), (F.6.)"

Water agencies have a statutory duty and public trust to their ratepayers to provide a reliable and safe water supply for the people of Orange County. Not providing enough water for people and wildlife is a major long-term threat to the environment, our economy, and our lifestyle. OCWD has strategically developed new water supplies, enhanced capture of traditional water supplies and quickly responded to a major groundwater contamination situation to meet this duty. These North County efforts have been fruitful, but as the Grand Jury report states, all water is interconnected and now, more than ever, the status quo may be inadequate to the challenges we face.

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Orange County's 3.3 million residents rely upon imported water supplies from northern California and the Colorado River. Within the OCWD service area imported water comprises 23% of the drinking water supply for the 2.5 million residents. In south Orange County along with the cities of Brea and La Habra, imported water comprises nearly 100% of the drinking water for the 0.8 million residents.

Imported water supplies to Orange County are on a downward trajectory. Supplies from Northern California via the State Water Project were reduced to 5% of the project contract for the second year in row. Supplies from the Colorado River are projected to be significantly reduced to California in the very near future. Now more than ever Orange County needs to position itself to manage its water resources in the most effective and efficient way possible.

As stated on the Grand Jury website (<https://www.ocgrandjury.org/geninfo.asp>),

"The civil, or "watchdog" responsibilities of the grand jury include the examination of all aspects of county government, including special districts, to ensure the county is being governed honestly and efficiently and county monies are being handled appropriately."

Considering its role and function, the Orange County Grand Jury did an outstanding job putting this thorough report together through the diligent acquisition of reliable information. Interviewing numerous individuals from water agencies that represented a cross section of regional and local wholesalers and retailers in the County, reviewing documents, touring water and wastewater facilities, reviewing past Grand Jury reports and attending a regional water symposium were critical elements in establishing the Grand Jury's knowledge base and in obtaining a diversity of perspectives.

OCWD believes it is worthwhile to continue to explore the consolidation of the two wholesale water agencies in Orange County through a transparent and collaborative process. We acknowledge the potential benefits the Grand Jury identified in a consolidated agency, which include:

- A united strong voice advocating for more water supply for Orange County and California
- Singular County leadership in forming conservation strategies, public outreach, and education
- Increased coordination of financial support and capital resources from local, State, and federal sources
- More influence at the local, State and federal levels
- Cost savings by eliminating duplications of administrative, professional, consultant, lobbying, and other expenses that currently exist

OCWD is committed to continue to engage with its retail water agency members and all stakeholders to determine the feasibility of the recommendations outlined in the Grand Jury Report.

Sincerely,



Stephen R. Sheldon
President

Cc **Grand Jury**

**RESPONSES TO THE ORANGE COUNTY GRAND JURY REPORT
WATER IN ORANGE COUNTY NEEDS "ONE VOICE"
FINDINGS AND RECOMMENDATIONS**

FINDINGS

- F1 A singular water authority for Orange County's wholesale water supply likely would result in further opportunities at the local, State, and federal levels in legislation, policy making and receiving subsidies and grants.

Orange County Water District agrees with the finding.

Operating with two wholesale water agencies creates unnecessary confusion and inefficiencies. County, State and Federal representatives are required to meet and coordinate with two different wholesale water agencies with different agendas, priorities, lobbyist and requests for state and federal funding. For example: MWDOC is currently asking our federal senators to work to obtain approximately \$2 million in money for a possible new \$3.0 million South Orange County Emergency Operations Center. OCWD is asking these same senators to direct their efforts and political capital to obtain \$30 to \$50 million to support the construction of new PFAS treatment systems costing \$280 million. Our federal representatives are left wondering whose request should take priority.

- F2 The current fragmented water system structure and operations provides challenges as it relates to development of new interconnected infrastructure as well as maintenance of existing systems.

Orange County Water District partially disagrees with the finding.

MWDOC does not own or operate any water infrastructure. Thus, consolidating the two agencies would do nothing to facilitate more interconnected infrastructure or improved maintenance. However, as it relates to the retail water systems in Orange County, a new consolidated agency could potentially streamline the development of new interconnected infrastructure.

- F3 There is a great disparity between the North/Central and South Orange County water sources, management, and operations carried out by OCWD and MWDOC.

Orange County Water District agrees with the finding.

North and Central Orange County overlies the groundwater basin and has access to MWD imported water supplies as well as less expensive more

reliable groundwater supplies. South Orange County has no access to the groundwater basin and can only receive MWD imported water.

- F4 South Orange County has many smaller retail water districts that lack a formal centralized leadership. Notwithstanding this lack of structure, South Orange County retail water districts have displayed effective collaboration when dealing with one another.

No response requested

- F5 Orange County Water District is a recognized worldwide leader in groundwater resource management and reclamation. Its leadership, innovation, and expertise can be further utilized to serve all of Orange County in developing additional innovative and beneficial programs.

Orange County Water District agrees with the finding.

OCWD has a global reputation for its expertise in water management and water reuse. OCWD is frequently requested to attend conferences and legislative workshops to describe its projects and programs. OCWD also has direct relationships with high level highly trained staff who are experts in their fields who could be available to develop programs and projects that benefit the entire County.

- F6 Orange County currently does not have a countywide coordinated policy regarding water conservation, which results in difficulty when complying with any new State-mandated conservation regulations.

Orange County Water District disagrees partially with the finding.

OCWD believes conservation activities in the County are fairly well coordinated. The Municipal Water District of Orange County has implemented and administered many conservation programs for cities and retail water districts within the County. Without the direct statutory authority, it can be relatively difficult to get all cities and retail water districts to exactly coordinate their conservation activities.

RECOMMENDATIONS

- RI By January 2023, Orange County wholesale water agencies should formally begin analysis and collaboration towards forming a single wholesale water authority or comparable agency to operate and represent wholesale water operations and interests of all imported and ground water supplies. (F1, F2, F3, F4, F6)

The recommendation has been implemented by OCWD. A summary of OCWD actions to date include:

- **Met with MWDOC directors to determine their support and/or concerns.**
- **In the process of holding workshops and board meetings to discuss this subject with other water agencies to ensure all possible issues with a consolidation are identified and addressed.**
- **Meeting with other interested water leaders in the County to determine their support and concerns for a consolidation. OCWD staff is analyzing this option.**
- **Reviewing how the District would work with the state legislature and LAFCO to consolidate OCWD and MWDOC.**

R2 Any future "One Voice" consolidated Orange County wholesale water authority should have Directors that examine and vote on issues considering the unique needs of all water districts. (F1, F2, F3, F4, F6)

- **The recommendation has not yet been implemented but will be implemented in the future if a consolidated agency is created.**