

BOARD OF DIRECTORS

FRANK URY
SAUNDRA F. JACOBS
CHARLES T. GIBSON
BETTY H. OLSON, PH D
LAURA FREESE

DANIEL R. FERONS
GENERAL MANAGER



Santa Margarita Water District

August 15, 2023

The Honorable Maria Hernandez
Presiding Judge of the Superior Court of California
700 Civic Center Drive West
Santa Ana, CA 92701

SUBJECT: Response to Grand Jury Report, "Historic Rain, Yet Drought Remains"

Dear Judge Hernandez:

Per your request, and in accordance with Penal Code 933, please find Santa Margarita Water District's (SMWD) response to the subject report as approved by its Board of Directors. The report lists the Santa Margarita Water District as the Rancho Santa Margarita Water District. We note this correction with hopes that any future Grand Jury will reflect this correction.

If you have any questions, please contact Chip Monaco, Chief Administrative Officer, via email at ChipM@SMWD.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Frank Ury', is placed below the word 'Sincerely,'.

FRANK URY
President, SMWD

Enclosure – Responses to Findings/Recommendations

cc: Orange County Grand Jury
Board of Directors, Santa Margarita Water District
Dan Ferons, General Manager, SMWD
Don Bunts, Deputy General Manager
Chip Monaco, Chief Administrative Officer
Jim Leach, Director of External Affairs

Santa Margarita Water District
Responses to Findings and Recommendations
“Historic Rain, Yet Drought Remains”

On June 9, 2023, the Grand Jury released a report entitled, “Historic Rain, Yet Drought Remains.” This report directed responses to the Findings and Recommendations from the Santa Margarita Water District.

SUMMARY RESPONSE STATEMENT:

There is an abundance of water to serve California’s growing population, but State and Federal authorities have failed to update conveyance and storage facilities required to move water to serve people who need it. Much water is wasted to ocean flow and stream flow that does not necessarily benefit fish and wildlife or the environment generally. To fill in resulting gaps in imported water supply, local water authorities such as Santa Margarita Water District (SMWD) have invested many millions of dollars in water reuse, stormwater capture and desalination of all kinds, including studies that could lead to desalination of ocean water.

In the last decade, regulatory, institutional, and political changes have created uncertainty in the value of investing in water supply, particularly at the local level. By concentrating on mandatory rationing of supply, and restricting use of water through ‘conservation’, the State has lost focus on the need to manage the vast amount of water that is available by investing in water infrastructure, especially storage and conveyance facilities. At the local level, when ratepayers invest in large water projects, they face the threat that the State will not allow them to fully use the facilities they have built - or are planning to build. This threat of stranded assets discourages investments and reduces the value of some projects that are planned.

Aside from the restrictive legal and regulatory environment of California, there are political and institutional barriers that inhibit collaboration among local agencies.

FINDINGS AND RESPONSES:

F1 Future water supplies are impacted by climate change and current supplies will not meet future demands.

Response: *Partially agree with the finding.* Demands on potable water will decrease in the future, as outdoor water use transitions to our recycled water. Imported water will always be needed, to some degree, by most water agencies in Orange County. However, most Orange County agencies are reducing their demand for imported water. SMWD, in particular, plans to develop 30% local supply by 2030. SMWD also plans to recycle 100% of the District’s wastewater, compared to the 56% it currently is recycling. Finally, the District seeks to build six months of drinking water storage locally compared to the current storage capacity of two months.

Regarding imported water, South Orange County and SMWD recognize that additional storage facilities are needed throughout the state, particularly in Northern California. In addition, improvements to Delta conveyance are urgently needed. In Southern California, groundwater storage through the Cadiz project and the San Juan Basin are paramount. Without regulatory, institutional, and political changes, water

storage and transfer projects will not be timely built. For example, Cadiz Valley Water Conservation, Recovery and Storage Project would capture and conserve billions of gallons of renewable native groundwater flowing beneath California's Mojave Desert that is currently being lost to evaporation and salt contamination at nearby dry lakes.

Through the active management of the aquifer system and employing a state-of-the-art groundwater protection program, the Project will reduce the loss of groundwater to evaporation from the dry lakes and put this water to beneficial use, creating a reliable water supply for Southern California. Under the Imported Water Storage Component, water from the Colorado River or the State Water Project could be conveyed to recharge basins in wet years to percolate into the aquifer system, where it would be held in storage. In dry years, stored water would be returned to the Colorado River Aqueduct (CRA) via the conveyance pipeline. Continuing political and regulatory barriers have slowed the development of this project for more than a decade.

F2 Climatologists predict future extended periods of low moisture with occasional wet years.

Response: *Agree with the finding.*

F3 Climate change is inevitable and is exacerbated by human behavior.

Response: *Agree with the finding.*

F4 South Orange County relies primarily on the importation of water.

Response: *Agree with the finding.* Current imported potable water availability will increase for future demands, as outdoor water use transitions to our recycled water projects. South Orange County and SMWD recognize that groundwater storage through the Cadiz Project and the San Juan Basin are paramount.

F5 Local water suppliers recognize that enhanced stormwater capture and storage, wastewater recycling, and infrastructure improvements will not be sufficient to address the long-term forecast of drought and its effects on supply.

Response: *Partially disagree with the finding.* SMWD recognizes that local/regional stormwater capture and storage as well as wastewater recycling and infrastructure improvements will address a portion of the long-term supplies. SMWD currently captures and treats storm flows at our Gobernadora and Oso barrier projects. These flows are recycled for outdoor water use. Larger stormwater capture and storage projects, as proposed in the San Juan Basin, require decades of permit approvals and

mitigation, making the cost of the project and water treatment to our ratepayers exorbitant. SMWD balances the need for future resiliency with the threat of potential stranded assets as the state mandate continues to require less water use per person, per day.

F6 There is significant water infrastructure planning, but inadequate implementation.

Response: *Agree with the finding.* Water districts, no matter their location throughout California, are required to comply with State mandates, and permit requirements from a variety of both State, County, and Federal agencies on a district-by-district basis. These requirements can come in the form of Executive Orders from the Governor, laws passed by the Legislature, regulations adopted by the State Water Resources Control Board, and policies adopted by Metropolitan Water District and regulations by Cities, Counties, State, and Federal authorities. Implementation on how to comply may vary by district and does not necessarily represent inadequate implementation. In addition, implementation of large projects requires significant financial and other investments by the participants. Our ratepayers demand assurances that their funds are spent wisely and with close oversight.

F7 The review and approval process for major water capital projects is cumbersome and overly restrictive.

Response: *Agree with the finding.* The regulatory process needs to be overhauled to streamline the construction of meaningful water infrastructure.

F8 Failing to find solutions to water shortages will have a significant impact on the Orange County economy.

Response: *Agree with the finding.* Water is essential for society to survive much less thrive. Water shortages will have a significant impact on all aspects of life in Orange County, including the economy.

F9 Continued development in Orange County creates additional water supply needs.

Response: *Agree with the finding.* Smart development practices have greatly reduced water demands as new development is required to incorporate the newest water efficient building standards, reducing indoor and outdoor water use, and increasing the use of recycled water. Water use, per capita, has declined since the 1990's creating the opportunity for extending the use of existing supplies. This has allowed the District to expand its number of customers by 25% with no corresponding increase in water demand.

F10 Conservation and efficient use of water is essential.

Response: *Partially agree with the finding.* SMWD believes the focus should also be on future water supplies and not continued restrictions on both potable and recycled waters.

F11 Increased outreach and public education are necessary.

Response: *Agree with the finding.* Regional, consistent messaging focusing on short and long-term solutions are required to improve the public's awareness and implement real demand management and supply solutions.

F12 Desalination has proven to be technologically and environmentally feasible and is slowly being embraced as a drought-resistant source of water.

Response: *Partially agree with the finding.* Local desalination project proponents can strengthen coordination with other adjoining districts by recognizing the essential connection between water distribution, storage and treatment facilities that are required to make desalination practical and more affordable.

RECOMMENDATIONS AND RESPONSES:

R2 Orange County water agencies should expedite the planning, development, and construction of desalination plants over the next five years to insure a sustainable and reliable drought-resistant source of water. F1, F2, F3, F4, F5, F6, F7, F8, F9, F11, F12

Response: *Partially agree with recommendation and requires further analysis.* Expediting desalination is not the sole purview of local agencies. Responsibility is primarily in the domain of State and Federal authorities. Also, more needs to be done to streamline reviews and permitting processes of State and Federal authorities to expedite other sources of water supply, such as water reuse, storage, and conjunctive use e.g., Cadiz Project and San Juan Basin storage and recharge program.

R4 Orange County water agencies should update their public communication strategies, by calendar year end 2023, to inform the public of lifestyle changes if additional water sources are not developed. F10, F11, F12

Response: *Recommendation requires further analysis.* Current approaches have yielded results in increasing water use efficiency. The low hanging fruit to move the public to conserve more is gone. New innovative strategies and messaging must be explored, and collaboration among all public agencies will be required, to avoid conflicting or the over-saturation of competing messages. Shifting the emphasis from simple messaging that highlight "drought" and "conservation" will be required as both present a temporary moment in time.

As we begin to experience and learn more of these new climate patterns, we understand that “drought” is our constant, new norm. Messaging must identify this new norm to ensure the public is aware of the constant lack of local water solutions, requiring the need to be water efficient and the need for government to source new supplies. Further, the content and quality of communications needs to embrace an appropriate balance of messages that encourage these required infrastructure projects as well as water use efficiency activities to increase the needed supply, in contrast to simply encouraging reducing the individual use of water or admonishing people not to waste water.