



PROMOTING RELIABLE ACCESS TO SAFE AND AFFORDABLE WATER  
FOR ALL SAN LORENZO VALLEY RESIDENTS

## The Ticking SMGWA Clock

### September 22: Last Day to Comment on the Santa Margarita Groundwater Sustainability Plan

Back in 2014, the State of California required all groundwater basins rated as high- and medium-priority to develop and enact 50-year sustainability plans. To that end, the SLV Water District, Scotts Valley Water District, and the County of Santa Cruz established the Santa Margarita Groundwater Agency (SMGWA) as paying members, with input from well owners, the Mt. Hermon Association, and the cities of both Santa Cruz and Scotts Valley. The purpose of the plan is to stop further overdraft and prepare for sustainable groundwater use in the future.

**Within our Santa Margarita basin** we find very good aquifers like the large grain sizes of the Santa Margarita sandstone, which recharges quickly, and good aquifers like mixed grain sizes of the Lompico and Butano sandstone, whose water levels dropped in the 1980s

and 90s anywhere from 140 to 215 feet and recovered slightly starting in 2015. The Lompico aquifer is the most important because, by recharging it, its overflow can recharge other aquifers.

**Sustainability means avoiding six undesirables:** *Groundwater levels* have lowered over time, so one goal is to stop drawing down our water tables. *Water storage* has reduced, so we need to balance our inflows of rain, stream percolation, irrigation, septic tanks, and sewers with outflows of evapotranspiration, well pumping, and stream flows. *Surface water depletion* affects the health of water-loving habitats and needs computer modeling to balance inflow with outflow. *Degraded water quality* is of limited concern because of the basin's naturally high value, and we have no problem with *salt water intrusion* or *land subsidence*.

**Methods of managing aquifers:** *In-lieu* methods allow us to use wintertime surface water "in-lieu" of groundwater so wells can rest and water tables can rise. *Percolation systems* allow treated wastewater or surface puddling to recharge the shallow aquifer. *Aquifer Storage and Recovery*

(ASR) injects treated water deep into the aquifer for use during droughts, but problems can arise when oxygenated water reacts with rock layers and produces toxins like arsenic.

**Possible projects:** Least expensive projects include increasing efficiency, like conserving water and fixing leaky pipes, which can lose from 16-23% of its water through failing infrastructure. Diverting water to percolate into the Lompico aquifer is another option. More expensive projects involve injecting treated water deep into the Lompico aquifer.

**The road ahead:** After this comment period and a public hearing in mid-November, SMGWA will submit its plan by late January 2022. The report only suggests possible projects and makes no commitments. The aquifer will likely require more than mere conservation and leakage reduction, but many of the projects are already underway.

For more information, visit the [FSLVW](#) and [SMGWA](#) websites and/or see the [SLVWD](#) special meeting on 7/8/21.

FSLVW

**Contact us:**  
[friendsofsanlorenzovalleywater@gmail.com](mailto:friendsofsanlorenzovalleywater@gmail.com)

**Check out our website:**  
[friendsofsanlorenzovalleywater.org](http://friendsofsanlorenzovalleywater.org)

# The SLVWD Fire Recovery Surcharge

## Surcharge Passed by a 4-1 Vote at the August 5 SLVWD Board of Directors Meeting

Last June, the San Lorenzo Valley Water District (SLVWD) proposed a 5-year fire recovery surcharge of \$9.67 per month for most residential properties. Proposition 218 mandated a citizen review for all proposed water district rate increases. If 3866 customers registered formal objections by the August 5 meeting, the proposed surcharge would not take effect. The District received 547 protest ballots by the end of the discussion, far short of the needed amount.

With the passage of this surcharge, customers will see their bills increase starting August 20 for a period of five years, at which time it will automatically drop again. The surcharge will be terminated early if fire recovery costs turn out to be lower than anticipated. Conversely, it can be extended, but only with another Prop. 218 generated citizen review.

**The facts:** Last year's CZU Fire caused more than \$20 million in damages to the District's infrastructure, including melted water pipes and damaged or destroyed water diversion facilities, storage tanks, and other equipment. The District also faces fire-related costs associated with watershed restoration and fuel reduction. The Federal Emergency Management Agency (FEMA) will ultimately reimburse the District for 75% of the cost for a prescribed set of infrastructure repairs, but this will still leave SLVWD to cover the remaining 25% (at least \$5 million). Happily, it appears that the State of California will likely reimburse the District for some of this 25% – as much as 75% of it – leaving the District on the hook for as little as 6.25% of the total cost. However, it is possible that the \$5 million

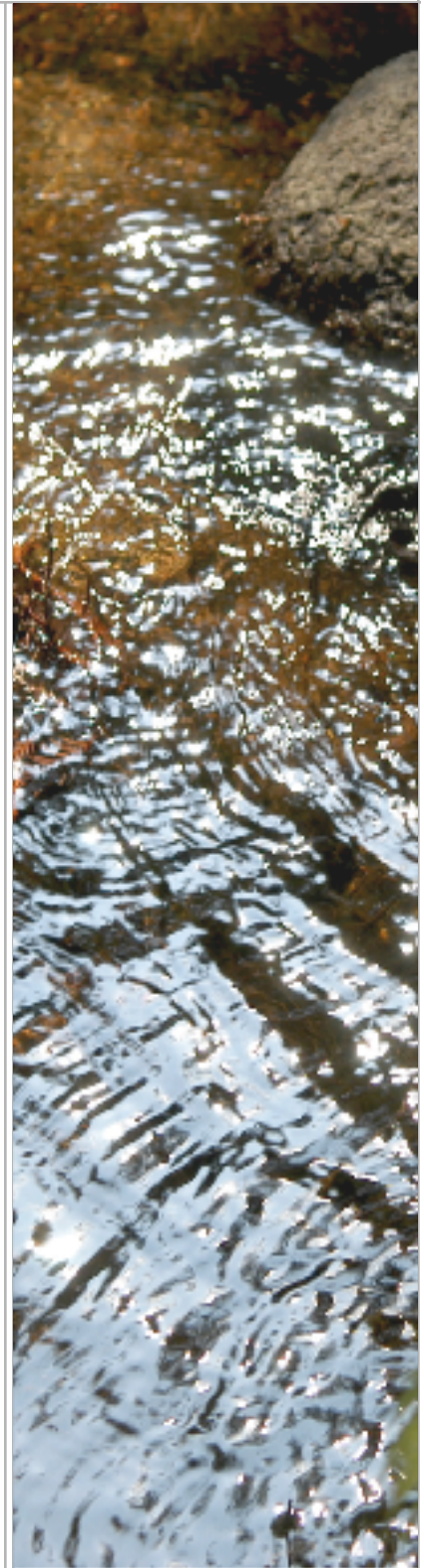
figure may be underestimated. The District does have insurance that covers some of its losses, but FEMA requires that any insurance payments reduce its own 75% portion of the payments, not SLVWD's 25%. The District is also aggressively seeking (and, in some cases, receiving) grants.

**Other solutions not taken:** One alternative was to charge SLVWD customers a lower amount taking the rest out of operating expenses. Unfortunately, most of the operating budget goes to salaries, so cuts would likely require staff layoffs. The current staff already works on a fire-recovery workload in addition to their usual duties. A lower surcharge would also force the District to cannibalize a portion of its recent \$15 million loan to restore reserves and to pay for capital projects and long-deferred maintenance, once again postponing infrastructure repair to cover current costs.

**Consequences:** The Board set up a restricted account, ensuring that surcharge revenues will only be spent on fire-related recovery costs. The District has also committed to renewing its Ratepayer Assistance Program so that those ratepayers who are least able to afford the surcharge can receive a comparable monthly rebate. (To apply for rate assistance, see the [SLVWD website](#).)

**In recent years,** water rates have risen, not only in the SLV, but also across the state primarily driven by the heightened costs of repairing aging infrastructure, insufficient funding to make repairs due to artificially low water rates, and increased operating costs from growing regulatory demands associated with climate change. This fire recovery surcharge will address a completely independent expense driven exclusively by the CZU fire.

For more information, visit the [FSLVW website](#).



# Tiered vs. Flat Water Rates

## The Case for Restoring Tiered Rates to the SLV Water District

The San Lorenzo Valley Water District currently charges its customers in proportion to the amount of water they use, with each unit charged in equal measure. In contrast, tiered water rates impose higher per unit charges for higher levels of water use. This promotes both water conservation and equitable access.

Until 2015, tiered water rates were the norm for the District and across California. This unexpectedly changed when a state court ruled that the 1996 Proposition 218 effectively prohibited the routine use of tiered water rates. In the wake of this ruling, many California water districts (including SLVWD) reverted to a flat rate pricing structure. Other districts, though, were not so quick to abandon their approach. Both Santa Cruz and Scotts Valley devised strategies to preserve their tiered rates.

This topic is worth revisiting today because the Water District's budget for the 2021-2022 fiscal year includes funding for a rate study as a prerequisite for potential pending rate changes. The default plan maintains the current flat rate structure, but the use of tiered rates in neighboring communities suggests another option: to include a thorough assessment of the benefits and challenges of restoring a tiered rate structure for the District.

**Benefits:** The District's water comes entirely from local streams and groundwater, which are scarce resources in need of safeguarding. Tiered water rates promote water conservation by making excessive water use substantially more expensive, thus deterring wasteful consumption and avoiding the added enforcement costs of

mandated conservation measures.

In 2015, California recognized access to safe water as a fundamental human right and the Environmental Protection Agency recommended that California households not spend more than 1.5% of their income to meet their basic water needs. A monthly water bill of \$30 would exceed this level for many low-income households in the SLV. Tiered rates provide an indispensable tool for keeping baseline charges as low as possible while charging the wealthier and/or most wasteful users more, thus shouldering more of the cost.

**Challenges:** Because of Proposition 218, a lawsuit could challenge the District's legal basis for reestablishing tiered rates. However, the District can minimize its legal exposure by carefully crafting a new tiered-rate plan, paying attention to the strategies that have worked for other districts across the state. The City of Santa Cruz and Scotts Valley Water District both employed the firm, Raftelis for their rate studies, giving them experience in the county.

Any study of tiered rates should consider special categories like local schools in which case the District could investigate mitigations for them. If tiered rates discourage consumption to the point that the District fails to collect sufficient revenues, future rate increases may be necessary. Any rate structure must also avoid complications that require unreasonable time from staff.

**Tiered rates are not a panacea** but, rather, a potentially beneficial pricing tool that the District should carefully consider as part of its upcoming rate study.

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For more information, see the [FSLVW website](#).

# Santa Cruz County vs. SLVWD

## The County Sues the Water District Over Bear Creek Road Slide

Santa Cruz County filed suit against the San Lorenzo Valley Water District accusing the District of “negligently” and “carelessly” maintaining a water pipe under Bear Creek Road at the 1.7-mile marker.

The suit alleges that on January 28, 2020, the pipe leaked, causing the road to partially collapse. However, nine years earlier, the District notified the County that this section of Bear Creek Road was failing and provided a photo clearly showing cracks in the pavement, indicating a potential slide.

Based on the report, the District obtained the necessary County permits to install isolation valves at each end of the damaged road to quickly shut off water if a slide occurred. The valves were in fact used on January 28, 2020 when the road failed, as predicted by the District.

The County’s Public Works Department, inspected the site following the road failure and concluded that a pipe break caused water to pour into the trench backfill supporting the road, causing the slide, and that the road failure would not have caused a pipe break.

In response, the District’s attorney alleged that the road failure was due to the County’s negligent maintenance, which simply added more asphalt to one side of the road rather than address the underlying structural problem, thereby increasing the likelihood of an eventual slide. The District’s response included a counter claim for the cost of repairing the pipe.

The County and District were engaged in settlement negotiations when the County sued, and the District still wants to settle the issue amicably. SLV residents are effectively paying twice for litigation costs. We are suing ourselves as County plaintiffs and paying again as District defendants. It is not unreasonable to ask the two public entities that serve us to avoid this type of litigation and instead work collaboratively, particularly in the wake of the CZU fire.

For these reasons, FSLVW has sent a letter to Supervisor Bruce McPherson requesting that he work with the other Supervisors to direct County Counsel to dismiss the County’s lawsuit; and convene a meeting of the relevant County and SLVWD operations staff to negotiate a settlement.

For more information see the Santa Cruz [Sentinel commentary](#).



## ***FSLVW Leadership Team***

*Mark Dolson (Secretary)*

*Cynthia Dzendzel*

*Larry Ford*

*Peter Gelblum*

*Nancy Macy*

*Jim Mosher (Facilitator, Treasurer)*

*Linda Skeff*

*Lee Summers*

*April Zilber*

# Santa Cruz City Water Rights and the SLV

Water rights in California have a long and sometimes counterintuitive history. The San Lorenzo Valley Water District has water rights for various streams that flow into the San Lorenzo River. However, rights to the water in the San Lorenzo River itself belong exclusively to the City of Santa Cruz. In March 2021, the Santa Cruz City Water Department submitted five separate petitions to the California State Water Resources Control Board seeking changes to its permits and water rights associated with the San Lorenzo River.

**Implications:** The City requested a number of changes but in particular they asked for an increase in the required river bypass flows below the Felton Diversion Dam and to prohibit delivery of San Lorenzo River water to any other water supplier during drought conditions. The District protested these two proposals, the first because it would compromise its plan to change its water rights for Fall Creek and the second because the District has a contractual right to 313 acre feet/year of the water in the Loch Lomond Reservoir that the City operates.

**Results:** In May, the District received a letter from the City’s Water Rights Council responding to the protest and found the response encouraging. They prepared a response of their own with some minor tweaks to the City’s suggestions. Next, they plan to meet with the City to discuss the remaining disagreement.

**For more information:** See the [FSLVW Website](#)