



## MEMORANDUM

**TO:** City Council

**FROM:** Matthew Downing, City Manager  
Bill Robeson, Assistant City Manager/Director of Public Works

**SUBJECT:** Discussion of the Purchase of State Water

**DATE:** March 10, 2026

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### RECOMMENDATION:

- 1) Discuss and direct staff to proceed with the preparation of a ballot measure (and draft language) to repeal Measure A, as approved in the November 6, 1990 General Municipal Election, and authorize the City of Arroyo Grande to participate in the California State Water Project, to be placed on a future municipal ballot, for consideration at a future City Council meeting; and
- 2) Find that providing direction to staff to proceed with preparing a ballot measure for the purchase of State Water is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378).

### IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

This item is identified on the Council Goals Workplan for Fiscal Years 2025-27. There is no fiscal impact resulting from the discussion of these issues.

### BACKGROUND:

The voters of Arroyo Grande approved Measure "A" in the November 6, 1990, General Municipal Election. ([Resolution No. 2432](#)<sup>1</sup>) Measure "A" requires an affirmative vote of the voters of Arroyo Grande before the City of Arroyo Grande is authorized to participate in the California State Water Project. Specifically, Measure "A" states that the City "shall not participate, in any way, including but not limited to, the expenditure or commitment of any funds, in the California State Water Project without an affirmative vote of the majority of the voters voting upon such a measure." ([Resolution No. 2383](#)<sup>2</sup>)

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<sup>1</sup> <http://ag-Ifiche-2016/WebLink/DocView.aspx?id=1485&dbid=0&repo=ArroyoGrande>

<sup>2</sup> <http://ag-Ifiche-2016/WebLink/DocView.aspx?id=1534&dbid=0&repo=ArroyoGrande>

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In June 2014, staff presented updated comprehensive strategies to address the City's long-term water supply needs to the City Council. The primary objectives of the recommendations were to address long-term projected water demand through increased water conservation measures, protect existing water supply by pursuing initial studies for a recycled water project, and coordinate with neighboring jurisdictions to manage the overall water supply. City Council directed staff to establish a Water Shortage Emergency Plan, and on [August 26, 2014](#)<sup>3</sup>, the City Council directed staff to prepare a contingency water emergency ordinance. [Ordinance No. 669](#)<sup>4</sup> was adopted on February 10, 2015.

On [May 26, 2015](#)<sup>5</sup>, the City Council declared a Stage 1 Water Shortage Emergency and implemented water restrictions and regulations to residential and irrigation water services.

On [May 10, 2016](#)<sup>6</sup>, in response to the on-going drought conditions, a water supply and demand report was presented to the City Council. This report requested direction regarding future water supply options including the potential for the purchase of State water. The Council directed staff to prepare language for consideration of a ballot measure in November 2016 that would, if approved by the voters, allow for the purchase of State water under water emergency conditions.

On [June 28, 2016](#)<sup>7</sup>, City Council adopted a Resolution placing a measure on the November 8, 2016 ballot as follows:

*Measure E-16*

*“Shall the City of Arroyo Grande be authorized to purchase water from the State Water Project to supplement the City’s existing water supplies during local water emergencies declared by the Arroyo Grande City Council?”*

Measure E-16 was passed by the voters by 86.42%.

Between 2016 and 2024, City staff evaluated its water supply and demand several times. The [2021 Water Supply Alternatives Study Update](#)<sup>8</sup> referenced and summarized previous work.

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<sup>3</sup> [https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/\\_08262014-414?html=true](https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/_08262014-414?html=true)

<sup>4</sup> <http://weblink.arroyogrande.org/WebLink/ElectronicFile.aspx?docid=130367&dbid=0&repo=ArroyoGrande>

<sup>5</sup> [https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/\\_05262015-552?html=true](https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/_05262015-552?html=true)

<sup>6</sup> [https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/\\_05102016-711?html=true](https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/_05102016-711?html=true)

<sup>7</sup> [https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/\\_06282016-736?html=true](https://www.arroyogrande.org/AgendaCenter/ViewFile/Agenda/_06282016-736?html=true)

<sup>8</sup> <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=332?>

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On [April 9, 2024](#),<sup>9</sup> the City Council discussed the City's current water supply, the Central Coast Blue Recycled Water Project (CCB), and future resources. Council directed staff to:

1. Bring back an item to exit the cost-sharing agreement for the CCB Project;
2. Continue researching water supply alternatives with the JPA;
3. Complete a new water supply alternatives study as soon as possible;
4. Look into doing a rate study analysis; and
5. Bring back an item to Council for placement of a measure on the November 2024 ballot for the purchase of State Water (Attachment 1).

On [May 14, 2024](#)<sup>10</sup>, the City Council reviewed the City's Water Supply Evaluation and discussed proceeding with a ballot initiative to allow the future purchase of water from the State Water Project outside of local water emergencies declared by the City Council. At that time, the City Council directed staff to withdraw from the Central Coast Blue (CCB) Regional Recycled Water Authority Joint Powers Agreement and proceed with the Water Master Plan and Water Utility Plan updates. The Council also directed staff to defer a State Water ballot measure until 2026 due to adequate water supply at the time, and inadequate time to educate voters on the need before the November 5, 2024, election (Attachment 2).

### **Council Goals Workplan**

In the current Council Goals workplan for Fiscal Year 2025-27, under the Council Goal of "Achieve Water Resilience," the Council has directed staff to ***bring forward a State Water ballot measure for consideration for the November 2026 election***, with the subtasks as listed below:

- 2.1a Meet with the Department of Public Works at the County of San Luis Obispo to begin discussion surrounding purchasing some allocated State Water
- 2.1b If directed by Council, issue an RFP for a Consultant to evaluate the feasibility of the State Water Ballot Measure
- 2.1c Award bid to consultant and begin public outreach and community messaging regarding a potential State Water Ballot Measure
- 2.1d Seek Council approval on placing a November Ballot Measure

Regarding subtasks 2.1b and 2.1c, staff have already reviewed the legal process to accomplish a ballot measure in the Background and Analysis of Issues sections of the staff report. Legal analysis regarding contractual agreements would be done later, depending on the Council's decision. Operational/infrastructure feasibility exists through the City's current water system. Although the City is not a State Water Project (SWP) contractor, a blend of State Water (and Lopez water) flows through our water system to

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<sup>9</sup><https://pub-arroyogrande.escribemeetings.com/Meeting.aspx?Id=c2b11d15-49f3-4bcf-a783-3e8a5adda85c&lang=English&Agenda=Agenda&Item=30&Tab=attachments>

<sup>10</sup><https://pub-arroyogrande.escribemeetings.com/Meeting.aspx?Id=c07851c7-01b1-4928-ae00-457a33d43fd6&lang=English&Agenda=Agenda&Item=25&Tab=attachments>

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other SWP contractors, such as Pismo and Oceano. No upgrades or new connections are necessary.

Unless directed by the Council to retain consultant services, staff will develop a public outreach and community messaging strategy.

**ANALYSIS OF ISSUES:**

The City's water supply is projected to meet demand for the next three (3) calendar years; however, due to the declining levels of the Lopez reservoir, and the improved but uncertain condition of the Santa Maria Groundwater Basin, it would be prudent to plan for a supplemental water supply.

At the November 6, 1990, General Municipal Election, the voters of Arroyo Grande approved Measure "A," as stated below, which stipulates that an affirmative vote of the voters of Arroyo Grande is required before the City of Arroyo Grande is authorized to participate in the California State Water Project:

*Measure "A"*

*"Shall an affirmative vote of the voters of Arroyo Grande be required before the City of Arroyo Grande is authorized to participate in the California State Water Project?"*

Furthermore, the full text of Measure A stated that the City of Arroyo Grande shall not participate, in any way, including, but not limited to, the expenditure or commitment of any funds, in the California State Water project without an affirmative vote of the majority of the voters voting on such a measure. The full text of Measure "A" is as follows:

***"The People of the City of Arroyo Grande do hereby ordain as follows:***

***Section #1.*** *The City of Arroyo Grande shall not participate, in any way, including but not limited to the expenditure or commitment of any funds, in the California State Water Project without an affirmative vote of the majority of the voters voting upon such a measure.*

***Section #2.*** *This ordinance shall not be amended nor repealed without a vote of the voters of Arroyo Grande."*

Aligned with the FY 2025-27 Council Goals to "Achieve Water Resilience" and in accordance with the Municipal Code, staff is requesting direction from Council on whether or not to proceed with the preparation of a potential State Water ballot measure to allow the City to participate in the California State Water Project outside of declared water emergencies (and draft language) to be placed on a future municipal ballot, for consideration at a future City Council meeting.

**ALTERNATIVES:**

The following alternatives are provided for the Council’s consideration:

1. Direct staff to proceed with the preparation of a State Water ballot measure (and draft language) to be placed on a future municipal ballot, for consideration at a future City Council meeting;
2. Direct staff to not proceed with the preparation of a State Water ballot measure at this time; or
3. Provide other direction to staff.

**ADVANTAGES:**

- Declining levels at Lopez Reservoir and uncertainty regarding the long-term reliability of the Santa Maria Groundwater Basin highlight the need to evaluate additional water supply options. Securing State Water as a supplemental supply would allow the City to take a proactive approach to long-term water reliability.
- Access to State Water outside of declared emergencies would provide greater operational flexibility than the current structure under Measure E-16, which limits purchases to periods of locally declared water emergencies.
- A supplemental water supply would diversify the City’s overall water portfolio and improve water supply reliability.

**DISADVANTAGES:**

- Participation in the State Water Project is uncertain and may require substantial long-term financial commitments that have not yet been fully analyzed or publicly disclosed, creating fiscal uncertainty.
- Development and placement of a ballot measure would require significant staff time and public outreach.
- If the measure does not pass, the City may expend resources without advancing a supplemental water supply strategy.

**ENVIRONMENTAL REVIEW:**

Providing direction to staff to proceed with preparing a ballot measure for the purchase of State Water is not a project subject to the California Environmental Quality Act (“CEQA”) because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378).

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City’s website in accordance with Government Code Section 54954.2.

**ATTACHMENTS:**

1. April 9, 2024, City Council Meeting Minutes
2. May 14, 2024, City Council Meeting Minutes