



## MEMORANDUM

**TO:** City Council

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

**SUBJECT:** Consideration of a Resolution Authorizing Staff to Participate in Phase 1 of the Desalination Executable Solution and Logistics Plan with the County of San Luis Obispo

**DATE:** November 22, 2022

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### SUMMARY OF ACTION:

Adoption of a Resolution authorizing staff to participate in the preliminary development of the Desalination Executable Solution and Logistics Plan (DESAL Plan) in coordination with the San Luis Obispo County Public Works Department and other participating water-purveying agencies and stakeholders. The DESAL Plan is a 5-phased approach to the development of a potential desalination project (see Attachment 2, DESAL Plan Timeline Graphic). Phase 1 and 2 do not require any cost or binding commitment by participating agencies. Phase 1, which is currently underway and scheduled to be completed towards the end of 2023, is a nonobligatory and conceptual phase, intended to establish an early stakeholder and public engagement process and allow the initial exploration of grant opportunities. Updates regarding the progress of Phase 1 and potential grant opportunities will be provided to the City Council in mid-2023 as well as a request for direction for continued participation in Phase 2 of the DESAL Plan.

### IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

No financial commitment is requested during Phase 1 or 2 of the DESAL Plan. Staff time will be required to participate in the development of Phase 1 of the plan.

### RECOMMENDATION:

Adopt a Resolution authorizing staff to participate in Phase 1 of the Desalination Executable Solution and Logistics (DESAL Plan) in coordination the County of San Luis Obispo and other participating water-purveying agencies and stakeholders.

### BACKGROUND:

Water is critical to the health and well-being of the people, economy, and environment and the City of Arroyo Grande has an important role in ensuring that the City's water supplies are adequate and accommodate change while continuing to meet many various needs. In the City, existing conditions and future projections indicate that water security

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is decreasing as demands increase and available supplies and their reliability decrease. The City Council has expressed interest in evaluating a variety of water sources and drought response options. Desalination appears to be gaining more probability as a water supply source with the California Coastal Commission's unanimous vote on October 13, 2022, to approve the roughly \$140 million Doheny Desalination project.

The County of San Luis Obispo has commissioned a multi-phased study to evaluate and plan for a potential desalination plant in the region. The DESAL Plan, during Phases 1 and 2, offers a no cost, preliminary/exploratory process to incrementally evaluate a potential regional seawater desalination plant as well as examine associated factors, issues, technology, and budgetary components, thereby supplying the City Council with information to address long term water sustainably.

Per City Council direction, staff is pursuing various water supply efforts, including ongoing conservation, cloud seeding, a water sales agreement with Oceano CSD, other water distribution system interconnection possibilities, and, most significantly, the Central Coast Blue (CCB) recycled water/regional resiliency project. Significant progress has been made toward building the CCB project, with property acquired, design reaching close to 60%, over \$17million in grant funding awarded to the project, and agreements in place between the Cities of Arroyo Grande, Grover Beach, and Pismo Beach to fund, complete, and operate the project. As a recycled water project that is well underway, CCB is the highest priority and will provide the most feasible and near-term renewable water source for the participating cities. Desalination could potentially offer a long-term additional source of water to the region, but significant work will be required before it can become a reality.

#### **ANALYSIS OF ISSUES:**

Desalination is a drought proof solution for current and projected water supply imbalances caused by strained alternative supplies, increased demand and could be scalable such that its capacity could be expanded as future needs increase.

#### ***DESAL Plan***

Recognizing that a desalination project will take time to plan for, permit, and construct, it is recommended that the City Council authorize staff to participate in Phase 1 of the plan. The City has participated in the County coordinated Countywide Water Action Team (CWAT), an informal working group of staff from entities across the county with water supply planning responsibilities, to develop a conceptual five-phase approach to developing a DESAL Plan and project. All phases, including an anticipated schedule for Phase 1, are described in the following table:

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<b>Phase 1: DESAL Plan Agreement Phase</b>
<ul style="list-style-type: none"><li>• The County of San Luis Obispo Flood Control and Water Conservation District Board direction to proceed on path to desalination (Fall '22 completed by County staff)</li><li>• Get resolutions from agencies agreeing to be evaluated in DESAL Plan (Fall '22/ <b>Today's recommended action</b>)</li><li>• Develop and vet scope of work with participating agencies (Winter '22/Spring '23)</li><li>• Establish stakeholder and public engagement process (implement through all phases)</li><li>• Seek/pursue grant opportunities (continue through all phases)</li><li>• Review scope of work/engagement process with the Board/direction to proceed (Summer '23)</li></ul>
<b>Phase 2: DESAL Plan Development Phase</b>
<ul style="list-style-type: none"><li>• District procure consultant</li><li>• Implement public engagement process</li><li>• Identify project concept alternatives, vet, and analyze</li><li>• Rank and select preferred project</li></ul>
<b>Phase 3: Project Development Agreement Phase</b>
<ul style="list-style-type: none"><li>• Commitment from project partners to pay for and proceed with project development and all efforts necessary to get to construction phase</li></ul>
<b>Phase 4: Project Development Phase</b>
<ul style="list-style-type: none"><li>• Detailed project design, permits and environmental processes, operations and distribution plans, right of way negotiations, water supply and Governance Agreement negotiations, Financing plan</li></ul>
<b>Phase 5: Project Governance Agreement and Construction Phase</b>
<ul style="list-style-type: none"><li>• Execute Governance agreement for construction and ongoing maintenance</li></ul>

#### *Stakeholder Engagement*

Stakeholder outreach and early engagement are critical to the success of a desalination project for many reasons. One reason is that it takes time to build a broad coalition and public buy-in, both of which are necessary to obtain future permits. This was exhibited recently when Poseidon, in Huntington Beach, had a regional desalination project denied by the California Coastal Commission, in part, because there was not sufficient evidence of local community need/acceptance. Another reason for early engagement is to ensure comprehensive understanding of existing infrastructure deficiencies and opportunities from the outset, informing the widest range of conceptual alternatives for consideration.

The key stakeholders in a desalination project are water-purveying agencies because they are tasked with supplying water to customers and potentially investing in such a project. The regional infrastructure and/or regional supply associated with these agencies may also be needed both directly and indirectly to make a project feasible. It follows that the DESAL Plan, and any resulting project, will be most robust if there is wide interest and involvement from the local water-purveying agencies and their communities. Therefore, a first step is asking those water-purveying agencies to adopt resolutions

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agreeing to participate in the development of the DESAL Plan. Staff would then work with designated staff from the San Luis Obispo County Public Works Department and other participating agencies to draft a publicly vetted scope of work for developing the DESAL Plan and approach for involving the full spectrum of stakeholders, from regulatory agencies to the general public.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

Throughout development of the DESAL Plan, local stakeholder engagement and public involvement is anticipated to be facilitated by public meetings of the Water Resources Advisory Committee, where regular updates and opportunities for input will be provided.

In addition to local stakeholders, the outreach/coordination/permitting requirements and the practical realities of developing a successful DESAL Plan will require involvement with many other entities across the State. Other likely entities include, but are not limited to, the State Water Resources Control Board (SWRCB), California Coastal Commission (CCC), California Department of Fish and Wildlife, Central Coast Regional Water Quality Control Board, and National Marine Fisheries Service.

Additionally, it should be noted that on August 11, 2022, Governor Newsom released a publication called California's Water Supply Strategy that discusses how the "...State will help streamline and expedite permitting to provide clarity and to further desalination projects. By June 2023, the SWRCB, CCC, the Department of Water Resources, and other State entities (State Land Commission) will develop criteria for siting of desalination facilities along the coast and recommend new standards to facilitate approval." <sup>1</sup>

#### **ALTERNATIVES:**

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

1. Approve the Resolution authorizing staff to participate in Phase 1 of the development of a Desalination Executable Solution and Logistics (DESAL) Plan;
2. Do not approve the Resolution; or
3. Provide other direction to staff.

#### **ADVANTAGES:**

Approval of the Resolution will authorize staff to participate in the preliminary and conceptual development of a potential alternative water resource project. Participation in the initial phases and coordination of the DESAL Plan with other participating entities, may provide an additional long-term water sustainability solution for the City.

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<sup>1</sup> <https://resources.ca.gov/-/media/CNRA-Website/Files/Initiatives/Water-Resilience/CA-Water-Supply-Strategy.pdf>

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**DISADVANTAGES:**

No disadvantages identified at this time.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this time. Potentially, after a project description and scope are approved during Phase 4 – Project Development Phase, the Environmental Review process will begin.

**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. Proposed Resolution
2. DESAL Plan Timeline Graphic