

**HATCH & PARENT RESPONSE TO
DRAFT REPORT FROM GOLETA WATER DISTRICT
STAFF
ENTITLED AGRICULTURAL WATER USE, SUPPLY,
DEMAND AND PRICING ISSUES
15 AUGUST 2005**

PURPOSE OF REPORT -- Page 2

First Key Issue – why does this report assume that there is a limited low-cost supply of agricultural water? Bradbury Dam was constructed based upon the alleged need for Lake Cachuma reservoir to meet agricultural needs. It would seem that all of the District’s Lake Cachuma supply should be available for agriculture at a low rate that corresponds to the relatively low cost of this water and the fact that it need not be treated to be suitable for agricultural purposes. Add to that the desire of urban users to subsidize agriculture to continue its viability as a basic part of the community’s quality of life and this first “key issue” seems to be based upon a false assumption that there is a limited amount of water for agriculture and that it must be rationed among competing agricultural users.

Second Key Issue – Once again, how is the amount of low cost water limited? Is there a shortage of Cachuma water? Don’t the agricultural users deserve a credit for the surplus “spill” water from Cachuma that the District is receiving for free and is injecting into the groundwater for future use? Cachuma is the District’s largest water source but agricultural users consume only 17% of total District water. How can there be a limited amount of water available to agricultural users?

Third Key Issue – we agree wholeheartedly that the rate structure must protect agriculture. To fairly allocate costs, one must keep in mind the lower cost of Cachuma water and the community benefit that agricultural operations afford to urban users.

Fourth Key Issue – this is inconsistent with the Third Key Issue.

Fifth Key Issue – how does one define “water conservation” when applying it to agricultural uses? Agricultural uses result in return flows that benefit habitat and creek water quality, and recharge the groundwater basins. Urban uses, on the other hand, predominantly go to the sewage plant and out to the ocean. Most farmers already are conserving to the greatest degree possible because the present cost of water represents a major operating cost and their profit margins are slim. Farming on the South Coast is a

risky business with many obstacles, including market forces that drive down crop prices, changing crop demands, vagaries of weather, rising fuel costs, and other rising costs. It would be difficult to find a farmer who wastes water. It is too precious and too costly.

RECYCLED WATER – Page 5

Why is the recycled water rate so low? Shouldn't the District consider raising this rate? The users of recycled water would seem more capable of absorbing an increased cost than farmers. What is the District doing to more aggressively market recycled water to increase this revenue center? This may involve working with the County of Santa Barbara and the City of Goleta to ensure that more new projects use recycled water for landscaping.

STATE MANDATES – Page 9

How does the State apply “Best Management Practices” for water conservation to agriculture statewide? What is the District doing to establish budgets for schools and parks and how does that tie into conservation? In fact, how does the State mandate define “conservation?”

PRICING – AGRICULTURAL WATER RATES – Page 10

What is the “on-going rate study” referenced in the final paragraph? Who is conducting it? Is it studying all rates or just agricultural rates? Is it statewide or local? We really need more information regarding this study.

PROBLEM DEFINITION – Page 11

The report states that there is not an unlimited supply of low-priced water without stating what the supply is. Isn't the total Cachuma supply, including surplus stored water? What information does the District have about the potential residential and commercial build-out within the District boundaries? This information is essential to projecting the long-term urban demand so the available agricultural water supply can be better projected. Are any restrictions proposed on new projects to ensure the on-going use of state of the art water efficient appliances, fixtures, and landscape irrigation?

Page 12

How does agriculture benefit from groundwater operations, recycled water, and State Water Project water? Agricultural uses have first priority to Cachuma water. Has

groundwater, recycled water, and SWP water been delivered to agricultural consumers? If so, when and how much?

DEVELOP DEFINITION OF AGRICULTURAL WATER USER CLASSIFICATION – Page 13

Defining agriculture is a daunting task. Of the uses listed, some may be recreational, but agriculture is not just the production of food and fiber. Neither is the small farmer whose home and off-site occupation subsidize the agricultural operation any less a farmer than the person who makes his/her complete living from farming. Many farmers and their families must depend upon other sources of income to support their farming operation. That is the nature of the beast in Santa Barbara County. Without these folks, who work off-site in a separate job, agriculture would be a fraction of what it is throughout the County.

COMMUNITY VALUES

The factors listed for developing a definition of agriculture are flawed or undefined. What is the U.S. Bureau of Reclamation’s definition of agriculture and what are the Bureau’s eligibility criteria for agricultural water pricing? Raising food and fiber is not the sole definition of agriculture. If farmers were required to document a profit, most can quit right now because for many, if not most, South Coast farmers, agriculture is not a profitable business in most years. Most farmers farm for the love of the land and the small return that they get. What are the “District conservation standards” that a farmer is supposed to meet? The County opposes the mandatory imposition of Williamson Act contracts on any property owner. This is purely a voluntary program. Many smaller operations do not qualify for Agricultural Preserve but they are viable agriculture. If a user is required to be current on payment of bills or risk losing his/her agricultural water rate, the time when an agricultural operation is struggling to survive (due to weather, market factors, lost crop, etc.) and most needs the affordable water would be the time that the District would raise the rates. When a farmer isn’t current on his/her water bill, it’s a sign that times are tough. Does the District propose to make life even tougher, thereby driving the farmer out of production altogether? Any proposal that the user be “in compliance with all District codes” is a trap for the unwary. Does any user know all of the District codes? Do we want to risk destroying an agricultural operation by imposing the punitive measure of raising rates for violation of a District code?

APPROACHES – Page 14

Monitoring and policing will require additional staff, thereby increasing the District’s costs. Monitoring and policing during the moratorium was unreliable at best and should not be further considered. The second proposal – requiring that farmers demonstrate a profit during a certain number of years during a given time period – is unrealistic for the reasons stated above. Too many factors affect profitability. Too many farms really

aren't profitable. They may help pay the taxes on the land and maybe throw off some income once in awhile, but they seldom are profitable. Most farmers subsidize their operations with outside jobs or with other income sources. Preservation of this agriculture is the goal, not determining how much the farmer is losing on it.

WATER BUDGETS – Page 14

This is the very approach that the District announced loud and clear to the agricultural community, only a few short months ago, that it was abandoning as being a bad idea. It continues to be a bad idea. It rewards those who presently aren't controlling their water usage to the greatest degree possible and punishes those are. It leaves farmers completely in the dark as to whether they can afford water for the crops that they are planting. The report is accurate when it addresses the extreme difficulty of establishing a reasonable and equitable baseline. For orchard owners who have to replace aging trees with new ones that have larger water demands until they mature, it can mean ruin. It is not a realistic approach and still hasn't been justified by staff. That is why the District assured all of the agricultural customers who attended the hearings on this issue that the District would not pursue this avenue. Why is it included in this report?

The concept of establishing tiers above the baseline is equally frightening to agricultural customers. They cannot reduce water use simply by shortening their showering time and not flushing their toilets as much. Trees need water, particularly during drought cycles when rainfall doesn't supplement supplies. Increasing the price with each tier simply pushes the overly stressed agricultural operation closer to ruin.

WATER NEEDS – Page 16

Using crop reports to determine a baseline use is almost impossible because of the variety of soil types and microclimates within the District. Every orchard or crop has different demands. To what property is the report referring when it says that the District is serving a large parcel at the agricultural rate but purchasing the water at the M&I rate? Can that issue be resolved by classifying the land as being "irrigable?"

DO NOTHING

At this time, this makes the most sense of all. The Citizens Water Rate Structure Committee is grappling with the issues surrounding all water rates. It makes good sense to provide a copy of this draft report to the Committee members so they can include the information in their deliberations. It makes little sense to charge that Committee with proposing a water rate structure while the Management Committee is conducting a parallel process confined to the agricultural water rate structure. Perhaps more important is that the Management Committee is operating in a vacuum, not knowing what the

Citizens Committee will propose on the issue of subsidizing agricultural rates through the urban rate structure.

For all of the reasons stated above, we recommend that the Management Committee and the Board reject the Recommendations set forth on Pages 18 and 19 and refer this entire issue to the Citizens Committee.