

June 14, 2017

Cambria Community Services District (CCSD)
1316 Tamson Drive, Suite 201
Cambria, CA 93428

Please accept the following comments on the Cambria Sustainable Water Supply Project SEIR, formerly scoped as the Cambria Emergency Water Supply Project. I am contributing comments as a private citizen interested in steelhead trout impacted by the project.

Baseline Information

The lack of baseline information upon which the SEIR is based to evaluate project impacts is deeply troubling. No creek habitat typing was completed to generate datasets upon which to gauge project impacts. No comprehensive watershed-wide Steelhead Abundance and Distribution Survey was conducted to evaluate how population changes related to the project's actions would be reflected in population numbers in the future. Such a study provides strong representation of the general distribution and relative abundance of steelhead and presence/absence of other species for San Simeon Creek. The approach is repeatable and would provide a good baseline. In addition, it is incumbent upon the CCSD to demonstrate a pattern of drying in reaches downstream of the project foot print that conforms with data provided to substantiate claims of historically dry reaches downstream of the project. Regular flow monitoring and mapping of drying reach downstream of the project site would establish a robust baseline.

Protocols for Reappearance of Steelhead Trout

The SEIR states,

Additionally, Mitigation Measure BIO-15 requires that the CCSD continue with its existing efforts to monitor the creek habitat adjacent to, and downstream from the Project area, as required by the AMP, and specifies provisions, in the event migrating steelhead reappear within the San Simeon Creek.

How does the District intend to determine whether or not Steelhead reappear? What protocol will be used? Will the District employ a Didson camera to monitor and record steelhead presence/absence? Will a human monitor be present 24/7 to determine reappearance? If a mechanism of detection is not specified, mitigation measure BIO-15 is meaningless.

Operational Considerations

Steelhead redds have been regularly found in coastal San Luis Obispo County watersheds as late as April. During the development of a Watershed Management Plan for San Simeon Creek, adult Steelhead were observed in San Simeon Creek in May/June 2012.

Critical Habitat

The SEIR asserts that lower San Simeon Creek is not critical habitat steel head because it typically goes dry naturally 50% of the time during the spring and summer. This assertion is based on the County's gage located approximately 1 mile upstream from the mouth. County data utilized is from the time period 1987-2013. The analysis and conclusions as currently reported raise a number of significant concerns as follows:

- The County rating curve is located in an erodible cross-section that regularly experiences changes in cross-sectional form. Rating curves in erodible cross-sections must be surveyed and maintained regularly to remain accurate.
- The County rating curve at San Simeon has been neither maintained nor validated by the County (i.e.: the rating curve is not valid).
- The County rating curve does not cite the source of the data utilized in development the curve.

- Clarification of where the data utilized to develop the County rating curve came from and the period of time for which the County rating curve is valid should be obtained from the County.
- If the rating curve is invalid, then any flow analyses and conclusions based on the rating curve could be invalid.
- In an erodible cross-section, the stage value at which the creek has no flow or goes dry would change over time.
- The historical stage value at which the creek has no flow or goes dry could potentially be corrected for; however, no such correctional analysis is reported.
- Analysis of the spring and summer periods should be separated not lumped together. Currently, if Table 1 in Appendix E is correct, spring flows have historically met EWD near 100% of the time in the spring. The potential impact of proposed operations on spring rearing habitat needs to be addressed separately from its impact on summer rearing habitat.
- A summary of known historical surface and groundwater withdrawals near the county gage for the time period 1987-2013 should be summarized and reported. Flows recorded during the time period 1987-2013 may be significantly impacted by human withdrawals.

Absence of Comments

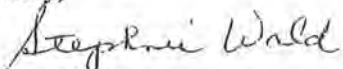
I find the absence of comments from California State Parks deeply troubling as this agency is responsible for the public trust resources, including steelhead trout, which utilize habitat within the San Simeon State Park. Evidence lacking, I surmise that actual comments from State Parks have been seen as fatal flaws and have therefore been prevented from entering the public record by forces that prevail politically.

Looking Ahead

Given the combined usage of Santa Rosa Creek and San Simeon Creek to provide water to the community of Cambria, I believe it is in the best interest of the community and the District to pursue a Habitat Conservation Plan that covers both watersheds and enables the District to protect itself from incidental take of Steelhead trout. Grant funds are potentially available to pursue to fund an effort such as this.

I will continue to urge public trust resource agencies to follow up on the comments they've previously made and to strongly recommend they respond to the District's comments to their comments to ensure that a continuous record of jurisdictional matters remains in play.

Sincerely,



Stephnie Wald
1776 Tierra Nueva Lane
Oceano, CA 93445
swaldcoho@hotmail.com

cc:

Julie Vance, Annette Tenneboe, Joshua Grover, Linda Connolly, Charles Walbridge, Brandon Sanderson and Eric Wilkins, CDFW
Matt McGoogan, NMFS
Tom Luster, California Coastal Commission
Lena Chang and Steve Henry, US Fish and Wildlife Service
Doug Barker, California Department of Parks and Recreation

Assembly Bill No. 685

CHAPTER 524

An act to add Section 106.3 to the Water Code, relating to water.

[Approved by Governor September 25, 2012. Filed with
Secretary of State September 25, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

AB 685, Eng. State water policy.

Existing law establishes various state water policies, including the policy that the use of water for domestic purposes is the highest use of water.

This bill would declare that it is the established policy of the state that every human being has the right to safe, clean, **affordable**, and accessible water adequate for human consumption, cooking, and sanitary purposes. The bill would require all relevant state agencies, including the Department of Water Resources, the State Water Resources Control Board, and the State Department of Public Health, to consider this state policy when revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and grant criteria are pertinent to the uses of water described above.

The people of the State of California do enact as follows:

SECTION 1. Section 106.3 is added to the Water Code, to read:

106.3. (a) It is hereby declared to be the established policy of the state that every human being has the right to safe, clean, **affordable**, and accessible water adequate for human consumption, cooking, and sanitary purposes.

(b) All relevant state agencies, including the department, the state board, and the State Department of Public Health, shall consider this state policy when revising, adopting, or establishing policies, regulations, and grant criteria when those policies, regulations, and criteria are pertinent to the uses of water described in this section.

(c) This section does not expand any obligation of the state to provide water or to require the expenditure of additional resources to develop water infrastructure beyond the obligations that may exist pursuant to subdivision (b).

(d) This section shall not apply to water supplies for new development.

(e) The implementation of this section shall not infringe on the rights or responsibilities of any public water system.

California Water Boards

Implementation of Water Code Section 106.3, AKA, the Human Right to Water

January 2015

AB 685 was signed into law in September 2012 and became effective January 1, 2013 (Water Code Section 106.3). The law declares that “every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.”

The law calls on all relevant state agencies to consider the human right to water “when revising, adopting, or establishing policies, regulations, and grant criteria” relevant to domestic water uses. It is now known as the Human Right to Water (HRTW) law.

In January 2015, the State Water Board’s Office of Public Participation conducted a survey of our statewide programs to help assess its progress toward implementation of the HRTW. Results of that survey are displayed below. This was presented as Item 8 to the State Water Board at its March 3, 2015 meeting.

Question 1: Has information regarding the law been distributed to your staff Are they aware of the law’s requirements?

Division of Drinking Water - The HRTW law was passed while the DDW was still at CDPH. All of the management staff are aware of the law and your email of December 18, 2014 was shared with them. I believe that all of them are aware of the law’s requirements. We need to inform all staff of the law’s requirements.
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Division of Financial Assistance – Yes.
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Division of Water Quality - The Director of the State Water Board’s Office of Public Participation gave a presentation to DWQ staff at the Division’s all-staff meeting on April 10, 2014. Staff has been provided with the link to the distributed information on AB 685 Implementation and are aware of the law’s requirements. In carrying out their routine duties, staff have considered the human right to water in regard to a number of DWQ’s projects both before and after the law was enacted—examples of completed work include: the State Water Board’s reports to the Legislature on Communities That Rely on a Contaminated Groundwater Source for Drinking Water (http://www.waterboards.ca.gov/gama/ab2222/docs/ab2222.pdf) and Recommendations Addressing Nitrate in Groundwater (http://www.waterboards.ca.gov/water_issues/programs/nitrate_project/docs/nitrate_rpt.pdf); Order WQ 2014-0090-DWQ-Corrected aka General Waste Discharge Requirements for Recycled Water Use; and Order WQ-
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California Water Boards

Implementation of Water Code Section 106.3, AKA, the Human Right to Water

January 2015

verifies that proper notification to users of impacted wells has occurred.

Basin Planning / Monitoring and Assessment Activities (CCAMP and GAP)

- Develop Clean Drinking Water assessment in Healthy Watersheds report card, incorporating GeoTracker data in our health assessments.
- Engage and coordinate with environmental justice groups in our region to ensure we identify and address the most at-risk and in-need communities with an emphasis on disadvantaged communities with polluted drinking water.
- Conduct groundwater monitoring of domestic wells.
- Identify disadvantaged communities who may have impacted drinking water supplies.

Grants Program

- Released RFP and executed grant agreement to implement two small Safe Drinking Water grants to provide interim drinking water to DACs impacted by nitrate contamination and assist low-income farmers to provide safe drinking water.
- For our agricultural water quality practice implementation grants, we prioritize areas with elevated nitrate concentrations in ground and surface water, especially drinking water.

Landfill Program

- When revising landfill WDRs or requiring corrective actions for landfills, staff evaluates potential down-gradient receptors, which include drinking water wells consistent with our existing responsibilities under CCR Title 27 and 40 CFR Parts 257 and 258.

Site Cleanup Program/Department of Defense Program

- HRTW is consistent with our groundwater cleanup work related to Resolution 92-49, along with our Basin Plan, which already requires responsible parties to cleanup groundwater to protect the drinking water beneficial use, and requires responsible parties to provide replacement drinking water if they have polluted it.
- Site Cleanup Program and Department of Defense Program staff require dischargers to remove wastes/contaminants so that groundwater can be used as domestic or municipal water supply. Also, per Water Code Section 13304, we require dischargers to provide replacement water supply if their discharge impacts water quality. Indirectly, R3 cleanup program staff are supporting the human right to clean drinking water.
- Evaluating drinking water wells and surface water near known contaminated sites before closing the site.

WDR/NPDES Permitting Programs

- Permitting staff implement this law by permitting the use of recycled water for various uses (e.g. Cambria, Monterey Regional, Watsonville).
- Permitting staff also review projects and support grant funds for better wastewater infrastructure throughout Region.
- Desalination permitting is critical for some communities to have accessible, safe and clean water to protect human health.
- Ensure new or revised wastewater permits have adequate monitoring requirements that will detect the potential for degradation

California Water Boards
Implementation of Water Code Section 106.3, AKA, the Human Right to Water
January 2015

805-542-4644
 Angela St
 S. Crocker

of water resources.

- Cambria Emergency Water Supply permit to provide continued access to water for Cambria residents during drought.

Stormwater Program

- Phase II Small MS4 post-construction requirements require treatment of stormwater runoff before it is percolated to recharge groundwater. This helps to protect drinking water sources.
- Implementing urban runoff controls that attempt to mimic natural hydrologic processes, including infiltration to groundwater, supports the availability of clean water for the State's population.

TMDL Program

- Incorporating HRTW in relevant TMDL documents to protect drinking water beneficial uses, including areas where surface water recharges groundwater that is a drinking water source.

Enforcement

- Staff is working on enforcement cases that address HRTW in disadvantaged communities.

Los Angeles Regional Board - Ongoing discussions and concrete efforts are underway to incorporate the law's requirements in all relevant areas of the Regional Board's work and process.

Changes made to date include:

- The Watershed Regulatory section has incorporated standard language in their recently adopted NPDES permits
- The Groundwater Permitting program has also already incorporated language in their WDR permits to address the requirement
- Language has been incorporated into certain specific Cleanup and Abatement Orders for the Remediation section, and is being incorporated into the general template for all CAO's.

Central Valley Regional Board - We have not been using the OPP-developed questionnaire; but as described above, ensuring our waters with drinking water beneficial use are safe and reliable drinking water sources is considered in all our programs.

Lahontan Regional Board – HRTW considered in PGE EIR completed in 2014. HRTW also has been mentioned in a few permits, including WDRs for PGE groundwater remediation project, Adelanto Public Utilities Authority, and City of Victorville Water District Industrial Waste Treatment Plant and Victor Valley Wastewater Reclamation Authority.

Colorado River Basin Regional Board – Awaiting response.

Santa Ana Regional Board – No.

Fwd: SWF Budget issues

Elizabeth Bettenhausen <elizabethbettenhausen@gmail.com>

Thu 12/14/2017 7:41 PM

To: Elizabeth Bettenhausen <elizabethbettenhausen@gmail.com>;

 3 attachments (315 KB)

SWF analysis 13 Dec 2017.doc; SWF expenditures 2017.doc; print out SWF Expend Jan-April 2017.doc;

FYI

----- Forwarded message -----

From: Elizabeth Bettenhausen <elizabethbettenhausen@gmail.com>

Date: Thu, Dec 14, 2017 at 7:35 PM

Subject: SWF Budget issues

To: CCSD Amanda Rice <arice@cambriacsd.org>, Amanda Rice <ambriamaven@gmail.com>, Harry Farmer <harry@hfastrologer.com>, Jim Bahringer <jim@fogsand.com>, Aaron Wharton <board@cambriacsd.org>, Jerry Gruber <jgruber@cambriacsd.org>, Rudy Hernandez <rhernandez@cambriacsd.org>

Cc: Steve Provost <sprovost@thetribunenews.com>

CCSD Board of Directors:

Attached are the presentation I gave this afternoon concerning contradictory listings for AWTP/SWF FY 2017-2018 Budget and some of the research on CCSD Expenditure data for AWTP/SWF.

Should you have any questions, do drop me a line, as we used to say in the old days.

Elizabeth Bettenhausen

elizabethbettenhausen@gmail.com

CAMBRIA COMMUNITY SERVICES DISTRICT
EXPENDITURES FROM Jan.1, 2017, to Nov. 30, 2017
focusing on Advanced Water Treatment Plant, a.k.a. Sustainable Water Facility (SWF)

From Jan. 1 to Nov. 30, 2017, \$2,017,312.20 was spent on the SWF, according to CCSD Expenditure Reports to the CCSD Board of Directors at their monthly meetings.

Expenditure Report November 2017 (Agenda for Dec. 14, 2017, p. 75)

EXPENDITURE SUMMARY

93,535.88 TOTAL GENERAL FUND
37,120.98 TOTAL WATER OPERATIONS
39,682.58 TOTAL SWF OPERATIONS
64,251.31 TOTAL SWF PROJECT
133,373.62 FIRE ENGINE ANNUAL PAYMENT
49,283.35 TOTAL WASTEWATER OPERATIONS
- TOTAL WASTEWATER CAPITAL EXPENDITURES
270,195.66 TOTAL PERSONNEL RELATED
687,443.38 TOTAL CCSD RELATED EXPENDITURES
74,756.60 TOTAL EXPENDITURES FOR EMPLOYEES (Note 1)
\$762,199.98 TOTAL DISBURSEMENT FOR AUGUST, 2017 SWF TOTAL = \$103,933.89

Expenditure Report October 2017 (Agenda for Nov. 16, 2017, p. 77)

EXPENDITURE SUMMARY

272,749.65 TOTAL GENERAL FUND
91,667.35 TOTAL WATER OPERATIONS
127,755.54 TOTAL SWF OPERATIONS
10,333.79 TOTAL SWF PROJECT
TOTAL SWF LOAN PAYMENT
136,423.90 TOTAL WASTEWATER OPERATIONS
TOTAL WASTEWATER CAPITAL EXPENDITURES
218,301.78 TOTAL PERSONNEL RELATED
857,232.01 TOTAL CCSD RELATED EXPENDITURES
84,162.12 TOTAL EXPENDITURES FOR EMPLOYEES (Note 1)
\$941,394.13 TOTAL DISBURSEMENT FOR AUGUST, 2017 SWF TOTAL = \$138,089.33

Expenditure Report September 2017 (Agenda for Oct. 26, 2017, p. 59)

EXPENDITURE SUMMARY

82,223.70 TOTAL GENERAL FUND
40,951.55 TOTAL WATER OPERATIONS
35,962.36 TOTAL SWF OPERATIONS
84,325.66 TOTAL SWF PROJECT
140,090.25 TOTAL SWF LOAN PAYMENT
51,284.34 TOTAL WASTEWATER OPERATIONS
6,780.00 TOTAL WASTEWATER CAPITAL EXPENDITURES
238,729.21 TOTAL PERSONNEL RELATED
680,347.07 TOTAL CCSD RELATED EXPENDITURES
100,104.52 TOTAL EXPENDITURES FOR EMPLOYEES (Note 1)
\$780,451.59 TOTAL DISBURSEMENT FOR AUGUST, 2017 SWF TOTAL = \$260,378.27

Expenditure Report August 2017 (Agenda for Sept. 28, 2017, p.65)

EXPENDITURE SUMMARY

367,308.80 TOTAL GENERAL FUND

117,786.03 TOTAL WATER OPERATIONS

42,010.17 TOTAL SWF OPERATIONS

69,893.19 TOTAL SWF PROJECT

- TOTAL SWF LOAN PAYMENT

156,188.82 TOTAL WASTEWATER OPERATIONS

262,681.86 TOTAL PERSONNEL RELATED

1,015,868.87 TOTAL CCSD RELATED EXPENDITURES

88,711.42 TOTAL EXPENDITURES FOR EMPLOYEES (Note 1)

\$1,104,580.29 TOTAL DISBURSEMENT FOR AUGUST, 2017 SWF TOTAL = \$111,903.36

Expenditure Report July 2017 (Agenda for Aug. 24, 2017, p. 49)

EXPENDITURE SUMMARY

70,398.84 TOTAL GENERAL FUND

39,627.61 TOTAL WATER OPERATIONS

2,941.35 TOTAL SWF OPERATIONS

14,195.40 TOTAL SWF PROJECT

329,712.64 TOTAL SWF LOAN PAYMENT

23,067.41 TOTAL WASTEWATER OPERATIONS

260,188.36 TOTAL PERSONNEL RELATED

740,131.61 TOTAL CCSD RELATED EXPENDITURES

87,609.83 TOTAL EXPENDITURES FOR EMPLOYEES (Note 1)

\$827,741.44 TOTAL DISBURSEMENT FOR JULY, 2017 SWF TOTAL = \$346,849.39

Note 1

Includes federal and state income taxes withheld and paid to state or federal government, union dues withheld and paid to the unions, and voluntary contributions by individuals for insurance or deferred compensation.

Expenditure Report June 2017 (Agenda for July 27, 2017, p. 59)

EXPENDITURE SUMMARY

9 2,502.69 TOTAL GENERAL FUND

7 4,208.85 TOTAL WATER OPERATIONS

30,052.50 TOTAL SWF OPERATIONS

22,161.64 TOTAL SWF PROJECT

101,033.48 TOTAL WASTEWATER OPERATIONS

485,954.40 TOTAL PERSONNEL RELATED

\$805,913.56 TOTAL DISBURSEMENT FOR JANUARY, 2017 SWF TOTAL = \$52,214.14

Expenditure Report May 2017 (Agenda for June 22, 2017, p. 89)

EXPENDITURE SUMMARY

212,375.32 **TOTAL GENERAL FUND**

67,255.10 **TOTAL WATER OPERATIONS**

37,398.01 **TOTAL SWF OPERATIONS**

107,010.61 **TOTAL SWF PROJECT**

119,946.99 **TOTAL WASTEWATER OPERATIONS**

360,961.50 **TOTAL PERSONNEL RELATED**

\$904,947.53 **TOTAL DISBURSEMENT FOR JANUARY, 2017** SWF TOTAL = \$144,408.62

From January through April 2017 the Finance Officer's monthly report did not give the Expenditure Summary. The SWF expenditures given below were gathered line by line from the Expenditures Report each month. No line-by-line budget Code was given for these months. The figures for all 11 months therefore include SWF Operations and SWF Project expenditures, to be comparable.

Expenditure Report April 2017 (Agenda for May 25, 2017, p. 58)

TOTAL DISBURSEMENT FOR JANUARY [sic], 2017 \$725,535.14

SWF = \$124,905.95

Expenditure Report March 2017 (Agenda for April 27, 2017, p.66)

TOTAL DISBURSEMENT FOR JANUARY [sic], 2017 \$751,694.17

SWF = \$ 48,294.64

Expenditure Report February 2017 (Agenda for March 23, 2017, p. 105)

TOTAL DISBURSEMENT FOR JANUARY [sic], 2017 \$661,696.78

SWF = \$ 89,199.32

Expenditure Report January 2017 (Agenda for February 23, 2017, p. 45)

TOTAL DISBURSEMENT F [sic] 2017 \$1,256,787.56

SWF = \$597,135.67

The Expenditures for December 2017 will be reported at the January 2018 meeting of the CCSD Board of Directors.

Jan. 2017	\$597,135.67	July	\$346,849.39
Feb.	\$ 89,199.32	Aug.	\$111,903.36
March	\$ 48,294.64	Sept.	\$260,378.27
April	\$124,905.95	Oct.	\$138,089.33
May	\$144,408.62	Nov.	\$103,933.89
June	\$ 52,214.14		\$2,017,312.20

If you see any error in this recounting of CCSD data, please let me know at e-mail below.



San Luis Obispo Flood Control and Water Conservation District

Proposition 84 Bond Program

Grant Agreements 4600009717, 4600010061,
4600010880, and 4600011487

Report No. 18-3860-022
May 2018

Team Members

Jennifer Whitaker, Chief
Cheryl L. McCormick, CPA, Assistant Chief
Diana Antony, CPA, Manager
Vance Cable, Supervisor
Jared Smith

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

May 4, 2018

Ms. Karla Nemeth, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Ms. Nemeth:

**Final Report—San Luis Obispo Flood Control and Water Conservation District,
Proposition 84 Grant Audit**

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Luis Obispo Flood Control and Water Conservation District's (District) grants 4600009717, 4600010061, 4600010880, and 4600011487, issued by the California Department of Water Resources.

The enclosed report is for your information and use. The District's response to the report findings is incorporated into this final report. The District agreed with our findings. We appreciate their assistance and cooperation during the engagement, and their willingness to implement corrective actions. This report will be placed on our website.

If you have any questions regarding this report, please contact Diana Antony, Manager, or Vance Cable, Supervisor, at (916) 322-2985.

Sincerely,

Original Signed by

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Ms. Cindy Messer, Chief Deputy Director, California Department of Water Resources
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources
Mr. Michael Tufts, Acting Deputy Assistant, Bond Accountability Office, California Department of Water Resources
Mr. David Whitsell, Chief Auditor, California Department of Water Resources
Mr. Bryan Cash, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Wade Horton, County Administrative Officer, County of San Luis Obispo
Mr. John Peschong, Chair, Board of Supervisors, County of San Luis Obispo

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The \$5.4 billion of bond proceeds finance a variety of natural resource programs.

Established by the Legislature in 1945, the San Luis Obispo Flood Control and Water Conservation District (District) is tasked with identifying flooding problems, recommending solutions, and helping local areas in the County of San Luis Obispo (County) implement recommended solutions. Governed by the County Board of Supervisors, the District shares the same staff and the same geographic boundaries as the County.

The District received four grants from the California Department of Water Resources (DWR) as part of DWR's Integrated Regional Water Management Program (IRWM), designed to improve water supply reliability and to improve and protect water quality. Specifically:

- Grant 4600009717 – \$10.4 million to assist with four separately identified projects.
- Grant 4600010061 – \$1 million to update the San Luis Obispo County Region's IRWM Plan to meet standards established in the August 2010 IRWM Program Guidelines.
- Grant 4600010880 – \$6.3 million to assist with four separately identified projects.
- Grant 4600011487 – \$3.7 million to assist with four separately identified projects.

For each grant, the District is required to provide a minimum of 25 percent of the total project cost as match funding. The District is the lead agency for administering the grants and collaborates with several Local Project Sponsors (LPS) to oversee the completion of projects awarded under the grants. An LPS is a local public agency which provides project management, oversight, and compliance administration. The LPSs are responsible for completing the project deliverables and providing the support for reimbursable grant expenditures.

SCOPE

In accordance with the California Department of Finance's bond oversight responsibilities, we audited the following District Proposition 84 funded grants:

<u>Grant Agreement</u>	<u>Audit Period</u>
4600009717	August 16, 2011 through December 21, 2016 ¹
4600010061	September 30, 2008 through March 31, 2015
4600010880	January 1, 2010 through March 20, 2017 ²
4600011487	October 1, 2014 through September 26, 2016 ³

¹ An interim audit was conducted on grant 4600009717 as the grant period ends May 30, 2018.

² An interim audit was conducted on grant 4600010880 as the grant completion report had not been submitted at the time of our fieldwork in November 2017.

³ An interim audit was conducted on grant 4600011487 as the grant period ends June 30, 2019.

The audit objectives were to determine whether the District claimed grant expenditures in compliance with the grant requirements and to determine whether grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations. Further, no assessment was performed on the reasonableness of the land acquisition costs or the conservation value of acquired land or projects completed.

The District's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DWR and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

METHODOLOGY

To determine whether grant expenditures were in compliance with the grant requirements; and if the grant deliverables were completed, we performed the following procedures:

- Examined grant files, grant agreements, and applicable policies and procedures, to gain an understanding of the IRWM grant projects and program.
- Interviewed DWR, District, and LPS personnel responsible for overseeing reimbursable grant expenditures to obtain an understanding of how each party oversees various grant funded projects.
- Selected a sample of projects to determine if claimed expenditures, including match, were allowable (i.e. grant-related, incurred within the grant period), and supported by accounting records by reviewing District and LPS accounting records, vendor invoices, and bank statements or similar documentation. Projects were selected to achieve representation of the various LPS, project statuses, and project types.
- Evaluated whether a sample of grant compliance terms and deliverables were met by reviewing quarterly progress reports, project completion reports certified by a California Registered Civil Engineer, engineering and inspection reports, construction site photos, and conducting a site visit to verify existence.

In conducting our audit, we obtained an understanding of the District's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed, implemented, and operating effectively. No deficiencies in internal control were identified during our audit or were determined to be significant within the context of our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, the grant expenditures claimed, including match, complied with the grant agreements' requirements. Additionally, the grant deliverables available for review at the time of our audit fieldwork in November 2017, were completed as specified in the grant agreements. However, as detailed in Finding 2, one of the projects funded under agreement 4600010880 was non-operational as of our audit fieldwork in November 2017. The Schedules of Claimed and Questioned Amounts are presented below.

Schedule of Claimed and Questioned Amounts

Grant Agreement Number 4600009717		
Task	Claimed ¹	Questioned
Direct Project Administration	\$ 55,556	\$ 0
Construction/Implementation	7,883,471	0
Total Grant Funds	\$ 7,939,027	\$ 0
Match Funds	47,361,486	0
Total Project Expenditures	\$ 55,300,513	\$ 0

Grant Agreement Number 4600010061		
Task	Claimed	Questioned
Personnel Services	\$ 400,000	\$ 113,603
Professional and Consultant Services	600,000	0
Total Grant Funds	\$ 1,000,000	\$ 113,603
Match Funds	434,660	0
Total Project Expenditures	\$ 1,434,660	\$ 113,603

Grant Agreement Number 4600010880		
Task	Claimed ²	Questioned
Direct Project Administration	\$ 281,220	\$ 0
Land Purchase/Easements	13,821	0
Planning/Design/Engineering/Environmental Documentation	1,088,547	0
Construction/Implementation	4,939,402	0
Total Grant Funds	\$ 6,322,990	\$ 0
Match Funds	3,089,850	0
Total Project Expenditures	\$ 9,412,840	\$ 0

Grant Agreement Number 4600011487		
Task	Claimed ³	Questioned
Planning/Design/Engineering/Environmental Documentation	11,970	\$ 0
Construction/Implementation	337,831	0
Total Grant Funds	\$ 349,801	\$ 0
Match Funds	86,259	0
Total Project Expenditures	\$ 436,060	\$ 0

¹ DWR awarded \$10,401,000; however, the District only claimed \$7,939,027 as of December 21, 2016.

² DWR awarded \$6,323,610; however, the District only claimed \$6,322,990 as of March 20, 2017.

³ DWR awarded \$3,702,762; however, the District only claimed \$349,801 as of September 26, 2016.

Finding 1: Expenditures Claimed Outside Allowable Period

The District claimed \$113,603 for work that was performed prior to the beginning of the allowable period of grant agreement 4600010061. Specifically, the allowable period for grant funds and match funding are distinct. Grant Agreement, section 11, states that work performed after the grant award date, November 29, 2012, shall be eligible for reimbursement. However, the District erroneously used section 6 of the Grant Agreement, which allows match funding to be claimed if performed after September 30, 2008. Consequently, the \$113,603 claimed represented expenditures for work performed prior to November 29, 2012.

Recommendations:

- A. Remit \$113,603 to DWR for the portion of project expenditures reimbursed for work performed prior to the beginning of the grant term.
- B. Ensure claimed expenditures are incurred within the appropriate grant term. The grant agreement provisions should be used as a guide to develop any desk procedures for preparing reimbursement claims.

Finding 2: Non-Operational Project

Although the Cambria Community Services District (Cambria), a local project sponsor, completed an Advanced Water Treatment Plant (Plant) in accordance with grant agreement 4600010880, the Plant is currently non-operational. Specifically, Cambria received over \$4.3 million in grant funds from DWR to construct a Plant that would provide approximately 240 to 250 acre-feet of water during a six-month dry period. Cambria reported in its June 2016 project completion report that it had completed construction of the Plant and had determined through intermittent testing that the Plant could produce the requisite amount of water. However, due to subsequent events, the Plant became non-operational.

Specifically, on July 13, 2017, the Regional Board adopted Cease and Desist Order No. R3-2016-007 (Order), which required Cambria to immediately cease use of the evaporation pond, a key component of the Plant. According to the Regional Board, an inundation of surface water in January and February 2017 caused several regulatory violations that threatened water quality and the environment, resulting in the issuance of the Order. As a result, Cambria worked with the Regional Board to develop a plan to remediate the issues, which in December 2017 the Regional Board voted to accept. Cambria's plan involves ultimately abandoning the evaporation pond and modifying the Plant's water treatment process with a targeted completion date of August 2018. However, Cambria has not tested whether its modified Plant will be able to produce the requisite amount of water. As part of the grant agreement, Cambria must submit to DWR an annual Post-Performance Report that summarizes, among other things, the actual performance of the Plant compared to its expected performance and any additional information relevant to its continued operation.

Recommendations:

- A. Monitor Cambria's efforts in complying with the Regional Board's cease and desist order and modification of the Plant.
- B. After Plant modifications, require Cambria to test whether the new Plant can produce the requisite 240 to 250 acre-feet of water over a six-month dry period and report the results of its testing to the District and DWR.

R_{RESPONSE}



COUNTY OF SAN LUIS OBISPO
Department of Public Works
John Diodati, Interim Director

April 13, 2018

TRANSMITTED VIA EMAIL ONLY

Ms. Jennifer Whitaker, Chief
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

Subject: Response to Draft Report-San Luis Obispo Flood Control and Water Conservation
District, Proposition 84 Grant Audit

Dear Ms. Whitaker:

We are in receipt of your draft audit report dated March 30, 2018 and have prepared the attached responses.

The District appreciates the opportunity to respond to your recommendations and findings, and hope for mutual resolution. If you have any questions regarding the responses, please contact Mladen Bandov, Water Resources Engineer, or Straith Smith Zanartu, Finance Division Manager, at (805) 781-5252.

Sincerely,

"Original signed by"

JOHN DIODATI
Interim Director

Enclosure

c: Wade Horton, County of San Luis Obispo Administrative Officer
Mark Hutchinson, Deputy Director, Department of Public Works
Straith Smith Zanartu, Finance Division Manager, Department of Public Works
Wendy Hall, Division Manager Administration, Department of Public Works
Courtney Howard, Division Manager Water Resources, Department of Public Works
Kerry Bailey, Audit Chief, Auditor Controller Treasurer Tax Collector
Mark Maier, Auditor, Auditor Controller Treasurer Tax Collector

File: CF 900.48.01.01

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County of San Luis Obispo Department of Public Works

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**San Luis Obispo Flood Control and Water Conservation District
Department of Public Works, County of San Luis Obispo
Proposition 84 Grant Audit
Responses to Findings**

Response to Finding #1: Expenditures Claimed Outside Allowable Period

Regarding Grant Agreement 4600010061, at the time the initial billing was done, the Project Manager at Department of Water Resources indicated that the budget could be reallocated via a formal budget adjustment between categories to align with the actual costs incurred for the program. This budget was adjusted on Amendment #1 to the grant agreement, which was executed on February 9, 2015. Shortly after executing the Amendment, Invoice #1 was submitted to Department of Water Resources by the District as originally prepared. Unfortunately, when the budget was reallocated within the three budget categories (Personnel, Operating Expenses, and Professional Services), the amounts and categories were incorrectly reapportioned. Since the budget adjustment was completed after the billing was prepared, the District did not discern this error as this was the District's first and only billing. It was the intent of both parties to mirror the invoice and the budget to reconcile the grant.

Due to the fact that the budget adjustment was not completed in alignment with the billing, the District is proposing two alternatives instead of returning \$113,603. The first alternative would be for the District to work with the Department of Water Resources and request a budget amendment to realign the budgeted line items with actual expenditures, which was the intent of the budget amendment originally. The second alternative would be that since the District has sufficient expenditures in other budget line items that do fit within the grant timeline criteria and program scope, the District would resubmit these expenditures to the Department of Water Resources for their approval, and ultimately back to the Department of Finance for their audit.

The District takes grant program compliance very seriously, values the ongoing partnerships and continued collaboration with the Department of Water Resources, who have been an integral partner in many of District's programs. The District also understands the Department of Finance's role in safeguarding grant funding to ensure resources are spent in accordance with the grant's scope of work.

As recommended, the District will develop a grant agreement procedure manual. In addition, a supplementary review process will be implemented regarding follow up on budget adjustments to ensure that the Grantor and Grantee are both in agreement with any budget revisions.

Response to Finding #2: Non-Operational Project

The District agrees that the Cambria Community Services District (CSD) emergency water supply project is currently non-operational and they are working to modify the facility so that it is operational for future drought conditions. Although the CSD submits annual post-performance reports that summarize the actual performance of the facility, the District will request additional monthly reports from the CSD to monitor its compliance with the Regional Water Board's cease and desist order. The District is committed to taking all actions necessary to satisfy its obligations under the grant agreement, including those set forth in Paragraph 20 related to operation and maintenance of the project. Upon modification of the facility and pursuant to the grant agreement and the District's related funding agreement with the CSD, the District will direct the CSD to test and report to the District and DWR that the facility can achieve the benefits stated in the grant agreement.