

RESOLUTION NO. 18-045

**RESCINDING FORMER COUNCIL POLICY 600-4
AND ADOPTING A REVISED POLICY 600-4
REGARDING WATER ALLOCATION,
WATER USE AND WATER ENTITLEMENTS**

FINDINGS

1. The current Council policy related to assignment and use of water supply allocations is not current and requires revision.
2. Previous water supply allocations are nearly exhausted, and a revised policy can better guide City actions related to new water supplies. New supplies may be developed by reason of future allocations of Cal-Am water through Monterey Peninsula Water Management (MPWMD) regulatory processes, or through distribution of new supplies developed by the City such as the Pacific Grove Local Water Project.
3. This action does not constitute a "Project" as that term is defined under the California Environmental Quality Act (CEQA) Guideline Section 15378, as it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The foregoing Findings are adopted by the City Council as though set forth in full.
2. The prior version of Council Policy No. 600-4 is rescinded, and in its place revised Council Policy No. 600-4 is enacted, as attached hereto.
3. This Resolution shall take effect immediately following its adoption.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE

this 7th day of November, 2018, by the following vote:

AYES: Mayor Kampe, Councilmembers Cuneo, Garfield, Fischer, Huitt, Peake, and Smith.

NOES: None.

ABSENT: None.

APPROVED:

Bill Kampe
BILL KAMPE, Mayor

ATTEST:

Sandra Kandell
SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:
David C. Laredo
DAVID C. LAREDO, City Attorney

City of Pacific Grove, California

City Council Policy

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| Water Distribution, Water Use and Water Entitlements | 600-4 | November 7, 2018 | 1 of 3 |

PURPOSE

This Policy provides general guidance related to assignment, distribution and use of new water supplies. It reviews Water Distribution Objectives, and addresses processes related to Water Allocations and Water Entitlements. A key purpose of this Policy is to promote immediate use of available water supplies, and to inhibit water banking.

POLICY

1. Water Distribution Objectives

The City should be mindful of the following unprioritized list of objectives to evaluate decisions affecting the availability of water:

- Grow revenue to the City, i.e. preference to TOT & sales tax businesses;
- Maximize water entitlement sales revenue;
- Increase housing supply, to include meeting affordable housing objectives;
- Promote Downtown “District” Visitor Service Opportunities;
- Satisfy Water Wait list needs;
- Encourage Renovation.

2. Water Distribution Process

The City shall adhere to the following protocol to distribute available water:

- (1) Available supply should first be used to satisfy requests from the 12/31/2018 Water Wait List, in order, based on the date each request was placed on that list;
- (2) Water should next be placed into a Water Planning Reserve;
- (3) Council should then transfer, by resolution, increments (tranches) it deems in its discretion to be available, from time to time, from the Water Planning Reserve to the following categories for immediate use. The initial distribution shall be divided:
 - 50% - Commercial/Non-Residential category;
 - 25% - Residential category; and
 - 25% - Civic Needs/Council Goals category.

- (4) Subsequent transfer of additional water increments (tranches) from the Water Planning Reserve to separate categories shall be designated by the council, by resolution, between the commercial/non-residential, residential and civic needs/council goals categories.
- (5) Mixed use projects should access the residential category for residential water requirements of any project;
- (6) The commercial category should apply to all non-residential water requirements of any project.
- (7) The civic needs/council goals category should apply to governmental projects undertaken by the City or any other public agency that provides benefit to the community, or for the “affordable” portion of any project that includes an affordable housing component.
- (8) The city council in its discretion from time to time, by resolution, may move water from one category to another.

Projects placed on any Water Wait List after 1/1/2019 will be eligible for water, within their respective category, on priority date basis.

If a project on the Water Wait List is unable to use, or the applicant is unwilling to accept terms of purchase, the available water will be passed to the next buildable project and the delayed project shall retain its priority date.

3. Water Wait List

1. When water becomes available for use, or by purchase via entitlement, the City shall impose time limits for wait-listed properties within which applicants must claim and purchase water, or be removed from the Water Wait List. Those removed may choose to reapply to any successor Wait List (if one exists) under terms and conditions that may apply to the new Water Wait List.
- 2.
3. Any applicant passed on the Water Wait List because the project cannot take immediate advantage of water by regulation or operation of law, or who chooses to not purchase Entitlement Water, shall retain the original Water Wait List priority date until able to acquire available water by allocation for use on the project. Applicants shall have 30 days from receipt of the Notification of Water Availability to notify the City in writing of their intent to either proceed with their project or to remain on the Water Wait List, retaining their priority date. This time shall run concurrently with the date by which applicants are required to apply for permit amendments or renewal, set forth below.
- 4.
5. Applicants may be required to re-apply (if needed) for building permit amendment or renewal before available water may be used. If so, applications shall be submitted within 30 days of the date the Notice of Available Water is received by the applicant. Building permits shall be obtained 120 days thereafter, and full payment shall be tendered for any water entitlement within 180 days of the date the Notice of Available Water is received. Extensions for good cause to these time limits may be granted by the City Manager.

Full use of water, including purchased entitlement water (quantified by water use capacity as of the first date of occupancy), shall be encouraged. Any unused allocation or entitlement shall be subject

to revocation by the City to enable reassignment or sale for other uses. The City should rebate the pro-rata purchase price of any unused entitlement to the then-current property owner (less a reasonable processing fee) upon revocation of an increment of unused water, but payment of the rebate amount shall not be made by the City until sale of that water increment has been completed and paid in full by another water user.

4. Water Entitlement

The City shall seek maximum benefit and reuse of potable water saved by operation of the Pacific Grove Local Water Project.

Sale of Entitlement Water shall be set at the prevailing market rate. Fees paid to the City by the applicant to maintain a priority date on the 12/31/2018 Water Wait List shall be applied as a credit toward the purchase of the Water Entitlement; however, refunds shall not be granted. The City Council may consider if it chooses to awarding grants to offset some or all Water Entitlement costs for projects that achieve Council Goals, such as affordable housing.

The City should rebate the pro-rata original purchase price to the then-current property owner (less administrative processing fees) upon City revocation of any increment of unused water. Payment of the rebate amount shall not be made by the City until sale of that water increment by the City has been completed and has been paid in full by another water user.

5. Additional Water Supplies

Should new water supplies become available for use within the City from any source of supply, or by allocation, the City Council shall convene a Council Water Policy Subcommittee to quantify the increment of available water, ascertain terms, conditions and limits that may apply to that increment of water, and recommend amendments as may be needed and appropriate to this Policy, and to Pacific Grove Municipal Code section 11.68.

Adopted July 17, 1996- Resolution 6-035 (Rescinded 11/7/18)
Amended November 7, 2018-Resolution 18-045