

Introduction and Executive Summary

Background

The Lincolnwood Mutual Water Company (LMWC) and City of Santa Barbara both have a shared interest in the sustainable management of water in the Foothill Groundwater Basin. The groundwater basin is a shared resource for all water users in the community. The City's desire is to protect the shared water supplies for the entire City community, create equity among all users of those shared supplies, and guarantee safe, reliable drinking water for all residents.

One of LMWC's two wells has failed due to nitrate contamination. LMWC received a letter from County Department of Public Health in November 2018 urging LMWC to secure a backup supply. An existing 1979 agreement between the City and LMWC provides the City with the option to assume ownership of Lincolnwood's water system and infrastructure, and have the Lincolnwood neighborhood become City water customers. After over a year of discussions between the City and LMWC representatives, LMWC shareholders voted to connect to the City's water system. City staff presented the preferred path of the LMWC shareholders to the Water Commission on February 18, 2021 who agreed with the recommendation to connect LMWC to the City's system. On March 23, 2021 City Council voted to enact the option to assume ownership of Lincolnwood's water system and connect the Lincolnwood neighborhood to the City water system.

Cost Summary Table

	Enact 1979 Agreement, Lincolnwood Connects to City system
One Time Costs	\$0
One Time Pay out to shareholders	\$950
Monthly Water Bills	<p>Monthly costs will vary based on water usage.</p> <p>Low water user (4 HCF): \$49.48 Average water user (9 HCF): \$118.17 Higher water user (15 HCF): \$ 200.59</p> <p>100 Cubic Feet (1 HCF) = 748 gallons</p>
Monthly Sewer Bills	<p>Monthly costs will vary based on water usage:</p> <p>Low water user (4 HCF): \$37.52 Average water user (9 HCF): \$56.07 Higher water user (15 HCF): \$59.78</p>
Water System Maintenance Obligations	City performs all work on the system. Cost is covered by utility bill.
System management	City assumes responsibility for system management.
Connection Fees to the City's system	Connection fees waived.

About the Lincolnwood Mutual Water Company

How did Lincolnwood Mutual Water Company (LMWC) come to be?

The development that would eventually become the Lincolnwood neighborhood ran into two major obstacles: a major recession, and a moratorium on new water connections from Goleta County Water District.

- The major recession in 1979 convinced the developers to sell the developed lots, which led to each homeowner building their custom home. The individual homes were built in the early 1980s.
- Although the property was located within City limits, the water provider for that area at the time was the Goleta County Water District (District), not the City of Santa Barbara. The District denied water service to the development, because it had a moratorium on new connections at that time. The City approved the subdivision of the property, in spite of the lack of public water service. This was under the conditions that the developer build a private water system to serve the new development, and give the City the option to one day assume ownership of the system assets, and become the water purveyor for the development. The developer built the water system and incorporated it into a shareholder-owned Mutual Water Company, with each homeowner owning a single share of the company.

What is the LMWC's water quality like?

All state and local drinking water quality and safety requirements are achieved. LMWC has a licensed well operator who maintains the system in good repair. Additionally, state-approved laboratories test the water quality for coliform bacteria, gasses, metals and a host of other contaminants.

What is the financial status of LMWC?

Per the LMWC Board President, LMWC currently has a total Checking and Savings reserves of approximately \$58,000. Please contact the Board President if you would like more detailed information on the financial status of LMWC.

Who manages the LMWC? What are the management needs?

Per the Board President, the Board has been reduced to one individual. LMWC is in immediate need of at least three additional board members to comply with its bylaws.

What is the state of LMWC's water system?

The Water Company was designed by a local engineering firm, Penfield and Smith (recently bought by Stantec). Apart from the failure of the second well, the system has had low levels of failures and has continuously performed for the past 41 years.

A brief description of the physical plant is as follows.

- Raw water is pumped from wells on the east side of the subdivision near the creek. For many years, two wells were used as designed to deliver water to the water house located at 3749 Lincoln Road. The water house resembles a normal house, but is filled with equipment to store and process drinking water. A large tank contains 300,000 gallons of water storage, which can meet customer demands for approximately seven days. An emergency diesel generator can

provide uninterrupted electrical power for pumping, processing, and delivery of water in case of a Southern California Edison power failure.

- LMWC water is chlorinated and regularly tested for copper, lead, bacteria, and many more contaminants as defined by state and local regulations. LMWC is in compliance with these regulations.
- Each home is equipped with a water meter, which is owned by the LMWC. The water meters are currently not functional and require replacement. The piping from the meter to each home is the responsibility of the homeowner.
- Licensed well operators run and maintain the system, and state and county inspectors regularly inspect the system for safety and code compliance.

Water delivery to residents has been uninterrupted over these past four decades. During that time, there have been many challenges including droughts, electrical failures, and mechanical failures. In recent years, increasing nitrate levels have caused LMWC to shut down one of its two wells. Nitrates are a result of nitrogen compounds infiltrating the well, which are harmful to infants and some sensitive persons. Common sources of nitrates are typically fertilizers and septic systems. Please note that the nitrate levels never exceeded the safe levels permitted by any regulatory agency.

The following is a brief history of significant events for the LMWC's water system:

- In response to slowly increasing nitrate levels, an investigation and remedial actions were taken over the past decade. Through an investigation, it was discovered that Well #2, nearest the creek, was improperly constructed. Water had been introduced into the well from the upper portion of the groundwater basin, which has elevated levels of nitrates.
- As a result, Well #2 has been shut down and will be destroyed in the future.
- As this system is designed to be largely redundant, LMWC desires to drill a replacement well to restore the redundancy of water supply. The County Department of Public Health has also urged LMWC to maintain two wells.
- At this time, LMWC pumps from Well #1 exclusively. Its level of nitrates are currently at safe levels and do not show signs of increasing.

What are the terms of the 1979 agreement?

The agreement is available in its entirety on the City's website: SantaBarbaraCA.gov/Lincolnwood. The agreement was recorded with every property sold in the Lincolnwood neighborhood. The main points are:

- The City is granted the option and right to acquire, own, and operate the private water system for the City's benefit at any time, making Lincolnwood parcels City water customers at the time of acquisition.
- The City does not have to pay to acquire the system, and the fees for shareholders to connect to the City's water system would be waived.

How much are the connection fees that will be waived?

There are two main costs to connect to the City's water system—installation fees and capacity charges. Installation fees cover physically connecting to the City's water system. Capacity charges, also known as "buy-in" fees, are charges that all new customers of the water system have to pay to buy in to the equity of the water system. Capacity charges put new customers on the same level with all other water system

customers who have been paying for the infrastructure, operation, and maintenance of the system for years.

- Installation fees to connect the LMWC water system to the City’s water system at three points along Hope Ave: approximately \$260,000.
- Capacity charges, aka “buy-in” fees: \$9,230 per 5/8” water meter x 61 residential water meters and one common area meter = \$572,260.

Total waived fees equal **approximately \$832,260 (or ~\$13,645 per property)**.

When the Lincolnwood homeowners become City water customers, how much will an individual’s City water and wastewater (sewer) bill be?

City water and sewer charges consist of a fixed monthly service charge and volumetric charges based on water usage. Please see the below chart for bill amounts based on different levels of water usage. Average water usage for single family residential City water customers is 9 HCF/month. (One Hundred Cubic Feet = 1 HCF = 748 Gallons.)

Note that Lincolnwood residents are currently City sewer and trash/recycling customers and already receive a monthly bill for those services. Because the City does not have water usage information for each property to use to bill customers volumetrically for their sewer service, City sewer bills for Lincolnwood residents are set at the maximum residential sewer bill, currently \$56.90/month. If homeowners connect to the City system, residents who use less than 10 HCF of water per month will be able to lower their sewer bills. For residents whose water usage is 10 HCF/month or greater, their sewer bill will stay the same as their current sewer bill.

Water Usage per Household	Total Monthly City Water Costs monthly service charge + volumetric water charge + utility users tax	City Sewer Cost Monthly service charge + volumetric charge	Total Cost of City Water and Sewer
2 HCF	\$41.14	\$30.10	\$71.24
4 HCF	\$50.93	\$37.52	\$88.45
6 HCF	\$80.13	\$44.94	\$125.07
8 HCF	\$109.32	\$52.36	\$161.68
9 HCF*	\$123.91	\$56.07	\$179.98
10 HCF	\$138.51	\$59.78	\$198.29
12 HCF	\$167.70	\$59.78	\$227.48
13 HCF	\$211.49	\$59.78	\$271.27
15 HCF**	\$255.65	\$59.78	\$315.43
18 HCF	\$257.77	\$59.78	\$317.55
20 HCF	\$41.14	\$30.10	\$71.24

*Average City water customer monthly water usage for single-family residential homes

**Current Lincolnwood average usage is about 15 HCF per household per month (per LMWC data). Note this is total monthly pumping divided by 61 households. Actual individual household water usage varies, being less for water-conserving households and more for higher water-using households.

Will Lincolnwood residents have to pay for future repairs and/or maintenance to the LMWC system?

No. Lincolnwood residents will become regular City water customers, and will not have to pay any special maintenance fees associated with the public system. Regular monthly water bills fund citywide system maintenance. Maintenance of the water system on private property would be the responsibility of the homeowner, as it currently is with the LMWC.

What will happen to the property with the water house?

Per the 1979 agreement, the City will acquire the entire system, including the water house at 3749 Lincoln Road and the property it sits upon. The City will maintain the property's current appearance as a single family residence. The City does not currently have any plans to alter the appearance of the property.

The Water Resources Division has a long history of maintaining water infrastructure throughout the City in close proximity to residential neighborhoods. The Water Resources Division prides itself on being good neighbors. If any changes are needed that would require aesthetic changes, the City would be held to all the same design review standards as other developments in the City.

Will Lincolnwood homeowners face development restrictions or moratoriums on water meter issuance?

There are currently no development restrictions in place related to drought or water meter issuance moratoriums. Although our neighboring agencies in Goleta and Montecito imposed moratoriums on the issuance of new water meters during the drought; the City did not take that approach. Additionally, the City never levied special drought surcharges or drought impact fees as neighboring agencies did.

Can Accessory Dwelling Units (ADUs) be built?

ADUs in the City are allowed. Installing a new City water meter to serve the ADU is allowed if desired, but it is not required. For newly constructed ADUs, the applicant will be required to install a private water submeter on their property to measure the water to the ADU. These meters currently do not require additional permitting outside the building permit for the ADU.

Are new swimming pools or spas allowed?

There are currently no drought moratoriums on installing new swimming pools and/or spas. Lincolnwood residents could apply for a permit to construct a pool or spa, like any other City resident.

What will happen to the funds in LMWC reserves?

The City will acquire the water system, but will not acquire the funds in the LMWC reserves. The reserves could be distributed evenly amongst the shareholders. Upon being acquired by the City, each shareholder would receive approximately \$950.

Will the City pay for the destruction of the non-operational well (Well #2)?

Yes, the City will pay all costs related to the destruction of Well #2.

Are there resources available to help Lincolnwood residents' reduce their water usage and water bill?

Yes, the City has a robust water conservation program staffed with experienced water conservation specialists. Water customers may call the Water Conservation Hotline to book a free water checkup. At your water checkup, water conservation staff will work with you to assess water usage on your property and identify ways to save water and lower your water bill. Water checkups are also useful for finding

leaks and helping you better understand your irrigation usage and system. Water checkups have traditionally been conducted in person. However in response to COVID-19, staff have adapted to conducting water checkups over the phone, and are able to video chat with customers.

For more water conservation resources, please visit www.SantaBarbaraCA.gov/WaterWise

How robust is the City’s water system?

The City’s water system is dynamic and robust, and has many built-in redundancies. In comparison, the LMWC relies on a single supply source—groundwater—for their water supply. In contrast, the City has a diverse water supply portfolio, which includes surface water from Lake Cachuma and Gibraltar Reservoir, State water, groundwater, desalinated water, and recycled water. The City is also able to purchase supplemental water supplies during times of drought to ensure its water customers always have ample water supplies. This diverse portfolio of supplies enhances the City’s ability to supply water even under catastrophic circumstances.

The City has a healthy annual Capital Improvement Program used to reinvest in its water infrastructure. City Council has established a goal of annually replacing 2% of the City’s water mains, which is on average the replacement of six miles of water mains annually. In comparison, LMWC’s water system is nearly 40 years old, which is nearly halfway through its expected useful life. LMWC should anticipate having to make significant capital improvement in the coming years.