

Exhibit A

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BACKGROUND

The City of Santa Rosa (City) is an urban water supplier. As required by California State Law, the City prepares an Urban Water Management Plan (UWMP) every five years to assess the adequacy and reliability of water supplies for current and future needs. The UWMP projects the water needs and water supplies for the Santa Rosa community over a 25-year horizon based on anticipated development in the General Plan, population and employment growth, plumbing and building codes, water efficiency regulations, and a range of dry year scenarios.

In addition to analyzing and planning for long-term water supply needs, the City also prepares a plan for water shortages that can occur due to drought conditions, natural disaster, or human-caused catastrophic events. To evaluate anticipated shortages and shortage responses, the City prepares its Water Shortage Contingency Plan (Shortage Plan) every five years in conjunction with the UWMP. As required by statute, the Shortage Plan discusses how the City plans to respond to water shortages of various levels to ensure demand does not exceed supply. The law requires the Shortage Plan to set forth response actions, including locally appropriate demand reduction actions and operational changes, as well as mandatory prohibitions against specific practices.

The City's water supply planning efforts support the City's vision for long-range sustainable housing and economic development needs for the health of the community. The City prepares and submits an updated UWMP and updated Shortage Plan to the State Department of Water Resources (DWR) in compliance with the Urban Water Management Planning Act (UWMP Act) as defined by the California Water Code (Water Code), Division 6, Part 2.6, Sections 10610 through 10656, and the Water Conservation Act of 2009.

The City is also the land use authority within its jurisdiction. As such, the City prepares, adopts, and implements policy in compliance with regional and State regulations. In recognition of the need for developing affordable housing, California law mandates that all California jurisdictions plan for and construct a certain amount of housing. The City's General Plan, Housing Element, and Specific Plans strive to remove barriers to development and streamline the entitlement process, in order to facilitate this growth.

The City's mandate to provide housing and assure adequate water supply are balanced through long range strategies included within the UWMP, Shortage Plan, General Plan, and Specific Plans. Water supply planning and land use strategies help the City to balance long-term development needs and water demands. The Shortage Plan is an operational plan that documents how the City will respond to differing water shortage scenarios. The Shortage Plan sets forth demand reduction responses that will be implemented when the City experiences water supply shortage conditions. These demand reduction actions include rationing of water during severe shortages.

This Water Demand Offset Policy addresses the water shortage emergencies during which the Shortage Plan requires water rationing. The City has made significant investments for over thirty years in water use efficiency programs which have resulted in cost-effective reductions to per

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capita water demand. The City also requires development to be extremely water efficient by complying with the City's Water Efficient Landscape Ordinance and the State's CALGreen building code which require new development to be at least 20 percent more water efficient than existing development. These combined efforts are critical components for successfully managing current and future water supply needs while also supporting sustainable growth and affordable housing. Despite these actions, the City still projects that there will not be sufficient supplies to serve demands during severe shortages.

PURPOSE

The purpose of this policy is to ensure that the City can adequately address water shortages and comply with Water Code section 10632(a), which requires that the City plan for water shortages by adopting an UWMP and Shortage Plan every five years and implementing the measures set forth to respond to shortages. These plans must include an urban water shortage contingency analysis, which includes a process for conducting an annual water supply and demand assessment, along with the establishment of defined water shortage levels corresponding to progressive ranges of shortages and percentage reductions in water supply. Shortage Plans must also include response actions to achieve water use reductions when the shortage level reaches a defined state.

During declared water shortage emergencies that require water allocations (water rationing), existing water connections are assigned individual water allocations that require water conservation sufficient to ensure that water demand does not exceed the limited supply for the duration of the water shortage emergency.

No water is available to be allocated for new demand during water shortage emergency stages that require water allocations. Even though state law allows the City to adopt restrictions on applications for additional service connections, to ensure that development can continue consistent with the City's water conservation policies, while acknowledging the severity of the housing shortage crisis, the Shortage Plan requires construction to offset new water demand.

This policy provides guidance on how to meet the water demand offset (WDO) requirements of the Shortage Plan during water shortage emergencies that require implementation of water allocations.

APPLICABILITY

This policy applies to construction projects, public and private, that will increase water demand and be subject to new or increased connection fees. The provisions of this policy apply at the time an application for a building permit is submitted.

Projects that have applied for a building permit prior to the effective date of this policy are not subject to the provisions of this policy.

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PROCESS

All construction projects must complete and submit to the City a WDO Application as part of the building permit application process. Each application will be subject to service fees to recover the cost processing the application. After the applicant has submitted a WDO Application, staff will review the WDO Application and request any corrections and/or additional information needed.

If an applicant wishes to propose an alternative method to paying the Water Demand Offset Fee for achieving required demand offsets, the applicant must include a detailed description of the proposed alternative with the WDO Application and subsequently provide any studies, plans, reports, and analyses as deemed required by the City to assess whether the alternative will meet applicable standards and provide the required water demand offset. Alternative proposal applications and alternative projects are subject to additional service fees to recover the City's cost to make a determination on the proposed alternative and, if the alternative is approved, to conduct any subsequent inspections, water use analyses, or other actions as needed to ensure the approved alternative complies with applicable standards and achieves the required offsets.

Staff will finalize the determination of the water demand and WDO fee or alternative project requirements, include these in a WDO Agreement, and prepare the WDO Agreement for signatures. The WDO Agreement shall be executed and submitted to the City prior to issuance of a building permit.

Payment of WDO fees or final completion of an approved alternative project will be due when the applicant requests final inspection or occupation of any type, provided a declared water shortage emergency condition exists at that time and requires water allocations for existing customers and water demand offsets for construction projects. Otherwise, WDO fees will not be required.

WDO fees that are collected will be segregated and used to fund City demand management efforts, water supply projects, and/or water conservation programs to offset new water demands. Collected WDO fees will be administered in a separate job ledger account to track fee use, quantify implementation progress, and maintain compliance with the Mitigation Fee Act (Gov. Code Section 66000 and following).

PROVISIONS FOR APPEAL

If an applicant wishes to protest the final decision of staff regarding determination of the project's water demand, associated WDO fee, or alternative project requirements, the applicant must submit a written protest to the Board of Public Utilities within fifteen (15) days of notice of the final staff decision.

If an applicant wishes to appeal the decision of the Board of Public Utilities, the applicant must submit a written appeal to the City Council within ninety (90) days of the final decision of the Board of Public Utilities.

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If an applicant wishes to file a judicial challenge to the fees, the applicant should first protest the fees when they are determined. After the fees are imposed as a result of the applicant and City executing the Water Demand Offset Agreement, the applicant may file a judicial action to review, set aside, or void the imposition of the fee pursuant to the provisions of the Mitigation Fee Act.

Adopted by Resolution No. RES-2022-XXX

Dated: 03/29/2022