

# T O W N H A L L P R E S E N T A T I O N

- Both my parents served in the Army Medical Corps during WWII. For five years they manned MASH hospitals on the European front. My mother was a surgical nurse whose job was to quickly set-up 1,000 bed hospitals near the front. My father was a dental surgeon who spent his long days in surgery repairing facial wounds for GI's, allies, locals, and even enemy.
- That is why, maybe by the age of five, I was well-aware of an Army slang term coined during WWII - SNAFU - in its bowlderized form - Situation Normal, All Fouled-Up
- Frankly, when I came on board at the District, I was surprised at how SNAFU things were. But, I need to explain why:
- It was not because of the overdraft or the misperception of some that we are running out of water; that the aquifer will be dry in 50- or some specified number of years;
- The reality is that aquifers rarely 'run out of water.' The concern is not that an aquifer has 50-years or 500-years, or 5,000-years of water left. The concern is when the economic impacts of withdrawing more water than is replaced each year (overdraft) from the aquifer show-up.
- An aquifer can have 1,000-years of water left in it, but in 5-years already be too expensive to pump and use, much less, make potable (*poat' able*) for human consumption. Fortunately, that is not the situation here.
- However, from this perspective, there are few places in the U.S. - in the world - that are not 'running out of water.' Even if ample freshwater supplies are nearby, the cost of transporting the water to where it is needed and rendering it potable has become exponentially more expensive over the past 20-years.
- That is because we are encountering a perfect storm:
  - (1) increasing costs for obtaining a dwindling supply of freshwater nationwide (actually worldwide);
  - (2) increased pumping costs - did you know that worldwide, transporting freshwater from one place to another is the single largest category of use, consuming as much as 3%-10% of a country's energy budget. In the U.S. 3%, but here in CA 8% of total electricity use; and

# T O W N H A L L P R E S E N T A T I O N

- (3) the costs to render this water potable. The treatment methods commonly used even 20-years ago, many no longer suffice to meet federal and state water quality standards.
- what this means is two things: (a) that practically, there is really no where you can go to get away from water problems. If you move to somewhere else, the water problems may not be as visible as here in the desert, but they probably exist there too; and (b) that what Borrego currently faces is neither unique nor exceptional.
- The reality is that similar problems of overdraft, importation uncertainty, and financial distress have been and are presently being encountered in other water districts in California - and they have been or are being solved - with hard work, money, and community resolve.
- That is what I really want to communicate - let me reiterate - the water problems we face today are common - they are solvable - and it is up to us - together - working as community to solve them
- Let me talk about the district's financial situation for a moment. What a surprise!
- The prior board and its GM, in a few short years took a water district - ours - our community's water system - that was considered one of the best financially run water districts of its size in the state, with a solid credit rating and sufficient reserves on hand for almost any imagined emergency and destroyed its financial underpinnings - brought the District to its current level of financial distress.
- Not only is the District no longer creditworthy to borrow in the public capital markets (which is the lifeblood of every water district), but if an emergency occurs, since all its absolutely necessary cash reserves have been spent, in case of an emergency, it must depend on the good graces of the State or Federal governments to come to its rescue to restore water service to this community.
- Now even here, spending over \$5.7 million of a \$6.5 million cash reserves, or deciding to obligate the District and its ratepayers to another \$7.5 million in payments over the next 30-years, or paying its GM almost \$800,000 in compensation in 3-years, or even paying the District's attorney almost \$500,000 in the past 3-years...
- I would like to suggest that if today I was here to recount the financial woes of the District as I just described them - but that the overdraft had been resolved, we might say, well - expensive - but good work - and congratulate the prior board

- But that is not the case. Today we are about as far from resolving the overdraft situation as we have ever been AND the District is out of money - money badly needed - to address and to resolve the overdraft situation...
- The prior Board and its GM's strategy primarily included importation programs. The rationale for local activities such as fallowing was merely to buy time until the water started flowing in pipelines to the Valley, not to protect our own Basin from overdraft.
- This strategy was presented to the ratepayers on the basis that "everything could stay the same" and that "someone else would foot the bill."
- Unfortunately, this strategy had little real economic footing, and, as I previously mentioned, took a district that was a financially well-run organization, ruined its creditworthiness and depleted even its reserves set aside for dire emergencies.
- So what is the current board's overdraft strategy? [This is in your Overdraft handout]
- (1) Return the District to fiscal stability and creditworthiness by January 31, 2013. This is absolutely necessary first step to implement any strategy to address the overdraft;
- (2) Determine the various legal options for establishing rights of all pumpers to withdraw water from an overdrafted basin and determine the costs to ratepayers for each practicable option.
- *Determining who has a right to pump what amount of water from a basin in overdraft is only a means to establish and enforce a plan to resolve an overdraft. What this entails is for this basin to become a managed basin! By April 30, 2014;*
- For example, in a recent meeting I had with Dr. Brian Brady, the former General Manager (GM) of the Imperial Irrigation District (IID - one of the places where water may be imported from) he reiterated this requirement:
  - Dr. Brady said: that neither IID nor the San Diego County Water Authority (SDCWA) would do business storing water in Borrego Valley groundwater basin unless the basin was a managed basin - that is, water rights had been previously established;
  - No lender will provide funds to build a pipeline and no water purveyor would store water in a basin where water rights are not established;

## T O W N H A L L P R E S E N T A T I O N

- He further indicated that clearly articulated water rights are the only means to establish a fair proportional share of the costs of importation; the no free lunch requirement.
- (3) Perform the necessary legal, policy, and economic work not done by the prior Board to determine how the District's water credits program may be used to facilitate the County's Groundwater Mitigation requirements for new development in the Valley - without placing the District and its ratepayers at undue financial risk. By December 31, 2011;
- (4) Work closely with the USGS and Bureau of Reclamation (Reclamation) teams to ensure that the Borrego Valley Groundwater Basin is fully defined and that options for managing the basin and for importing water for storage, recharge, and supplemental supply are evaluated on a timely basis.
  - The Board has chosen to extend the due date of the USGS work so that the District will have time to complete its financial analyses and to select basin management alternatives to be applied and documented in the final report.
  - The final USGS report is expected to be available by the first quarter 2012. The Reclamation report will include economic analyses of the cost for importing water from viable regional sources. The Reclamation report should be completed by December 2012;
- (5) Determine how the investigations of Clark Lake aquifer and the San Felipe Creek groundwater sources as sustainable and affordable sources of potable water might continue and at what cost to the ratepayers. By December 31, 2011.
- We ask for your help and your support to implement this strategy to address the overdraft. Only by this community working together can we succeed.
- The water problems this community faces are much bigger than the District. They impact the economic well-being of every business and property owner in Borrego, as well as the State Park and its mission to preserve pristine desert ecosystems.
- The Borrego Water District (BWD) is presently the only government entity in Borrego with responsibility for addressing this community's overdraft problem

T O W N H A L L P R E S E N T A T I O N

- 🗣️ Only the voters in this community can empower the District with the authority and the budget to accomplish this mission.
- 🗣️ It is up to each and every one of us - not just the District or its present Board.

BREAK FOR QUESTIONS & ANSWERS