

WATER RIGHTS STUDY GROUP FINAL REPORT 2019

APRIL 15, 2019

**Presented to the
MISSION SPRINGS WATER DISTRICT**

Summary

The Water Rights Study Group was formed by members of the greater Desert Hot Springs community to examine the Desert Water Agency's (DWA) seizure of groundwater management from Mission Springs Water District, which has successfully and solely managed groundwater for our community since 1953.

The Study Group is concerned that DWA – which historically has had almost no interaction with the residents within Mission Springs Water District's boundaries and has not represented the interests of the greater Desert Hot Springs community – took action to declare itself the sole and exclusive groundwater management agency within Mission Springs Water District's service territory. DWA's action strips our fellow residents of their local control over the groundwater sources that serve and nourish the communities of Desert Hot Springs and unincorporated northern Palm Springs.

DWA's unwanted actions to seize our local water district's control and management threaten our community's most vital natural resource – our water. DWA's actions came over strong objections of our community's representatives from both the City of Desert Hot Springs and Mission Springs Water District. There is significant concern among the Water Rights Study Group that DWA, whose board has always been comprised of Palm Springs residents, now has the ultimate authority to dictate to Mission Springs Water District if, when, where, and how much water Mission Springs Water District can pump to serve the needs of the greater Desert Hot Springs community. There is also concern that DWA, as a competing retail water agency in a neighboring city, will have the ability to prioritize water for its customers over Mission Springs Water District's customers.

The Water Rights Study Group is deeply concerned that DWA has given itself the ultimate authority to dictate if, when, where, and how much water Mission Springs Water District can pump to serve the needs of the greater Desert Hot Springs community.

By assuming control over our groundwater, DWA has also placed itself in a position to dictate the future growth and economic development of our community. Control over our community's destiny should remain local with our residents and local agencies, and that control is imperative in disadvantaged and largely minority communities such as ours. DWA's actions widen the disparities that exist for our community and undermine

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the voice and representation of Desert Hot Springs residents.

There is also significant concern that DWA's actions may result in increases to water rates paid by the greater Desert Hot Springs community. Currently, Mission Springs Water

District has among the lowest water rates in the Coachella Valley.

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The Water Rights Study Group believes that corrective actions must be taken to reverse DWA's seizure of our local groundwater management and to restore Mission Springs Water District' local control of our community's groundwater in its service boundaries.

Accordingly, the Study Group also recommends that the public must be informed and engaged on this issue for the future of our community. People across the Coachella Valley need to understand the issues threatening local water resources.

About the Water Rights Study Group

The Water Rights Study Group is composed of community members from various sectors who volunteered to spend several weeks examining vital issues of groundwater management and control with the intent of providing important information to the community and to local agencies impacted by DWA's tactics.

Goals of the Study Group

1. Provide the community with a deeper understanding of the groundwater management challenges, and specifically how these challenges negatively impact local control and management of water resources along with progress to-date in resolving these challenges, as well as proposed solutions.
2. Identify issues related to long-term ramifications of groundwater management, development, and economic impact for the region.
3. Develop a final report that provides recommendations on how to address key issues related to the groundwater management challenges and how best to inform community members, local agencies, and regional stakeholders.

Membership

Members of the Water Rights Study Group include:

- Kephyan Sheppard, *Community Champion, Advancing Desert Hot Springs (Water Rights Study Group Chair)*
- Chuck Maynard, *City Manager, City of Desert Hot Springs (Liaison)*
- Richard Cromwell III, *Future Planning Committee Member and Liaison to Mission Springs Water District, Mission Lakes Country Club*
- Greta Carter, *Local Business Owner and Resident*
- Estela Rojas, *Agua Warriors*
- Richard Cromwell IV, *Highroad Consulting Group*
- Dan Gibbons, *Owner/Broker, First Western Properties*
- Jeff Bowman, *Owner, Living Waters Spa; Past President, DHS Hoteliers Association; Past Director, Mission Springs Water District*

Structure and Meetings

The Study Group met five times in Desert Hot Springs on:

- Meeting 1, February 11, 2019
- Meeting 2, February 25, 2019
- Meeting 3, March 4, 2019
- Meeting 4, March 18, 2019
- Meeting 5, March 25, 2019

The meetings were held from 5:30 p.m. to 7:30 p.m.

Groundwater Management Challenges

Background

At the state level, California's water management system is complex, with no direct delivery to consumers. Instead, the system relies on exchange agreements with local water agencies to provide additional water supplies.

Within the larger water management system is the specific issue of groundwater management. Groundwater is water stored in below-ground bodies known as aquifers, and layers of these aquifers comprise what is known as a groundwater basin. According to the California Department of Water Resources, groundwater supplies approximately 38% of the state's water supply in normal years and up to 46% in drought years. The Department notes that, "Many municipal, agricultural, and disadvantaged communities rely on groundwater for up to 100% of their water supply needs."¹

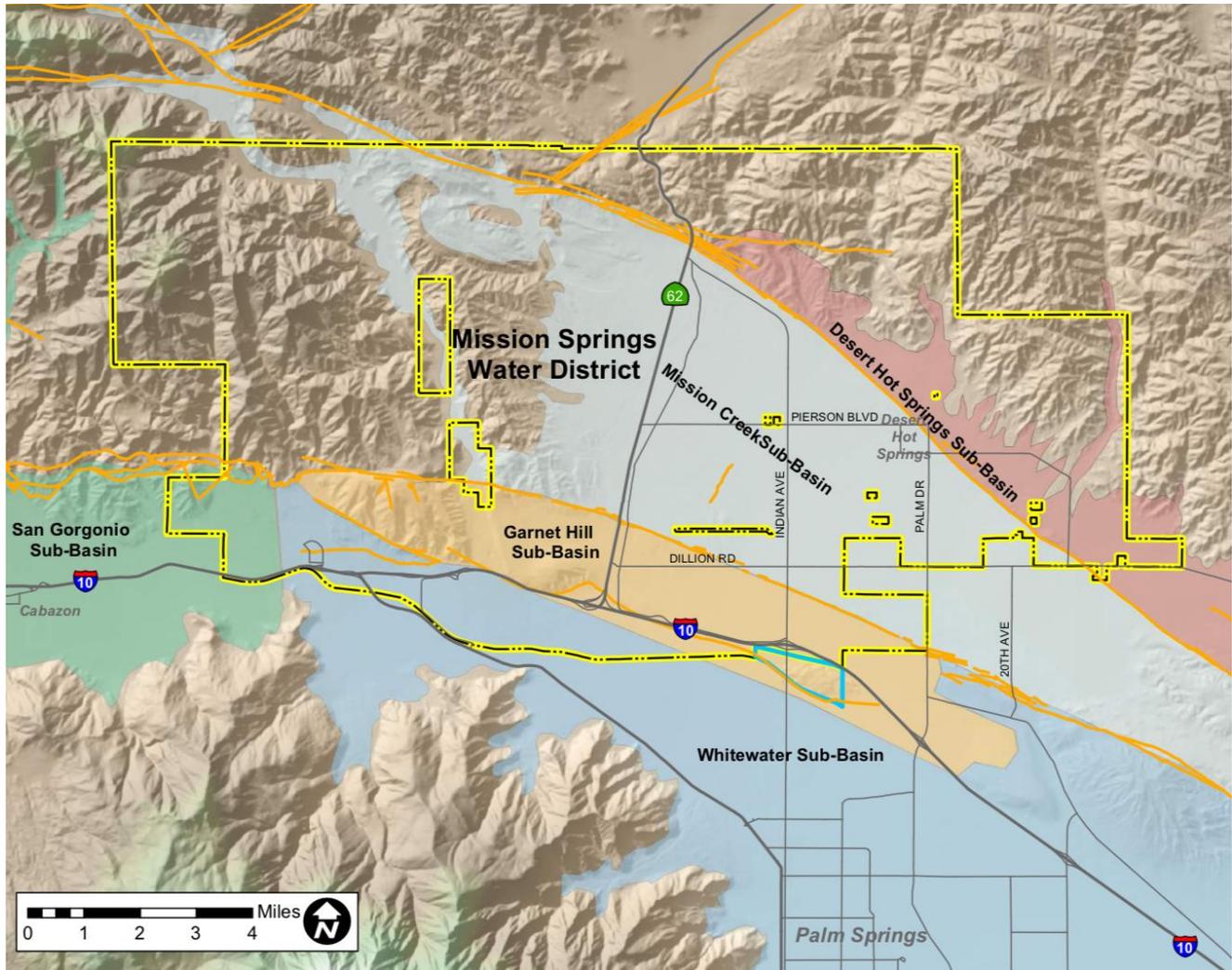
Groundwater Management in MSWD & Desert Hot Springs

Desert Hot Springs and the surrounding region are part of a single watershed. The groundwater supply is divided among several sub-basins, which are not jointly managed. Figure 1 shows the region's sub-basins which fall into Mission Springs Water District's water management area. These include the Desert Hot Springs, Garnet Hill,

¹ California Department of Water Resources, *Groundwater*, <https://water.ca.gov/Water-Basics/Groundwater>.

Indio (Whitewater), Mission Creek, and San Gorgonio sub-basins. All of these comprise the Coachella Valley Groundwater Aquifer.

Figure 1: Groundwater Sub-Basins in Mission Springs Water District that serve the greater Desert Hot Springs community



Five public agencies act as water suppliers in the East Coachella Valley: Mission Springs Water District, DWA, the Coachella Valley Water District (CVWD), the Indio Water Authority (IWA), and the Coachella Water Authority (CWA).

Mission Springs Water District has successfully managed the groundwater for its own service area since 1953. Mission Springs Water District was formed by an overwhelming vote of the local community to move water management in the Desert Hot Springs community from private to public ownership and management, thereby establishing local groundwater control by and for local residents.

As a forward-looking water management agency, Mission Springs Water District and others in the Coachella Valley commissioned a study in 1960 to supplement groundwater supplies through the proposed State Water Project in order to meet the expected future needs of our growing region.

In 1961, DWA was created for the sole purpose of serving as a state water contractor to import water to the Coachella Valley from the State Water Project. Mission Springs Water District never intended to allow DWA, or any other agency, to manage the groundwater within its service territory.

**Mission Springs Water District
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groundwater in the greater
Desert Hot Springs area since
1953.**

Groundwater Management

Mission Springs Water District has always recognized the need to protect groundwater. As an example, Mission Springs Water District responded to the issue of increased septic system use in the community by obtaining over \$30 million from local, county, state, and federal sources to remove and replace these systems with wastewater collection systems. Mission Springs Water District continues to manage its groundwater by pursuing funds for the Groundwater Protection Program (GWPP), reclamation, and conservation.

Mission Springs Water District's water is an eight-time medal winner for "Best Tasting Municipal Water in the World" at the International Water Tasting Competition in Berkeley Springs, West Virginia. This is a testament to its successful groundwater management and stewardship.

DWA Seizes Control of Local Groundwater and Undermines Mission Springs Water District Local Authority

For over 40 years after its formation, DWA did not provide Mission Springs Water District with imported water, which was the main purpose for DWA's creation. In 2003, concerns about the quality and oversight of imported water compelled Mission Springs Water District to file a lawsuit against DWA.

In 2004, a settlement was reached between Mission Springs Water District, DWA, and CVWD in which the three agencies agreed to work together to manage groundwater. The three agencies then spent nearly nine years and over \$1.5 million developing a Water Management Plan (WMP) for the groundwater in the Mission Creek and Garnet Hill Sub-Basins. The WMP was adopted in 2013 by the boards of all three agencies, including DWA.

In November 2015, DWA announced that it intended to elect itself as the sole and exclusive groundwater management agency over virtually all of Mission Springs Water District' jurisdiction.

Mission Springs Water District and the City of Desert Hot Springs repeatedly requested to meet with DWA before DWA's Board of Directors took this unexpected action. Those requests were denied.

Representatives of Mission Springs Water District and the City of Desert Hot Springs then attended the November 17, 2015 public hearing before DWA's Board of Directors and once again requested a meeting prior to DWA's Board taking action to elect themselves as the exclusive groundwater management agency.

DWA ignored those requests and took action, putting DWA in sole control over local groundwater in Desert Hot Springs and the surrounding communities.

DWA based its actions on its interpretation of a new state law known as the Sustainable Groundwater Management Act, or SGMA, which became effective in January 2015.

SGMA requires local agencies to serve as Groundwater Sustainability Agencies (GSA) to develop and implement long term plans to sustainably manage groundwater within their respective boundaries.

By virtue of DWA's actions, Mission Springs Water District is the only water agency in the Coachella Valley that is NOT the exclusive GSA for its own service area. That means Mission Springs Water District – our locally elected water district – is no longer in control of the water that serves our community and its residents.

Nothing in SGMA required DWA to declare itself the sole and exclusive groundwater management agency within Mission Springs Water District's jurisdiction. DWA could have participated in managing groundwater with Mission Springs Water District and CVWD, as DWA agreed to do when it signed the 2004 settlement. Instead, DWA elected to become the exclusive manager.

Similarly, DWA was not facing a deadline when it took action in November 2015. Under SGMA, the deadline for creating Groundwater Sustainability Agencies was more than 18 months away in June 2017, meaning there was no need to rush to a vote. There was plenty of time for DWA to meet with our local representatives from Mission Springs Water District and Desert Hot Springs prior to electing itself the sole and exclusive authority over Mission Springs Water District's groundwater management area.

It was only after Mission Springs Water District filed a lawsuit in 2016 that DWA representatives finally agreed to meet. Mission Springs Water District and DWA have since met and participated in mediation but those discussions did not result in an agreement.

In a move that further isolated and marginalized Mission Springs Water District and our Desert Hot Springs community, DWA in 2016 effectively blocked Mission Springs Water District from being part of an agreement to jointly manage groundwater in the Indio Sub-Basin. This move came despite Mission Springs Water District's request to be included in the agreement, as the Indio Sub-Basin serves the Desert Hot Springs community within Mission Springs Water District' boundaries. Importantly, the Indio Sub-Basin also represents a critical water source to support future economic development in the communities served by Mission Springs Water District.

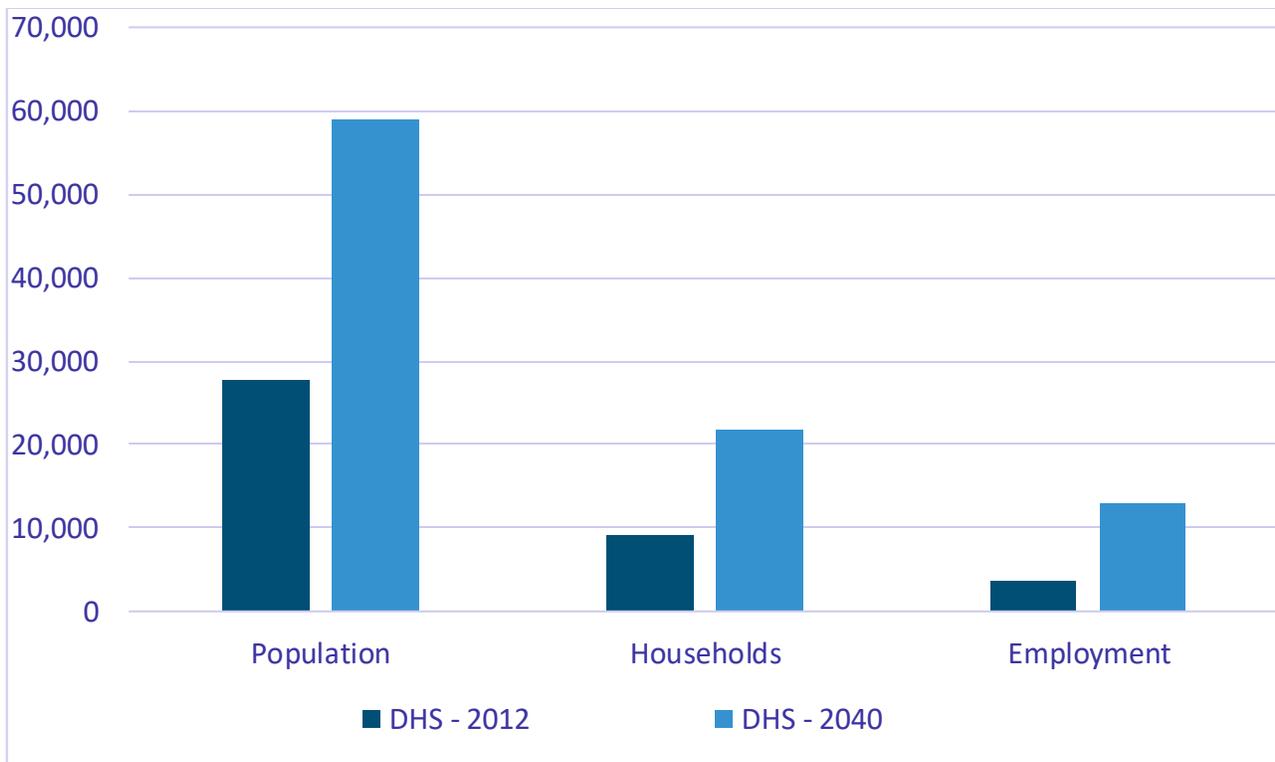
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DWA Has Taken Control Over the Future Economic Growth of Our Community

Local control over water resources is essential to Mission Springs Water District ratepayers in the City of Desert Hot Springs and the surrounding unincorporated areas, which have unique development goals, opportunities, and challenges to build for future growth and economic prosperity.

As shown in Figure 2, Desert Hot Springs is projected to grow significantly over the next two decades, adding more than 30,000 new residents, nearly 13,000 new homes, and over 9,000 new jobs.

Figure 2: Southern California Association of Governments Demographic and Growth Forecast



Desert Hot Springs also has great potential for future economic development, with:

- More than 2,000,000 sq. ft. approved for business development;
- More than 800,000 sq. ft. built or in construction within the past two years;
- 38.59% projected future job growth over the next 10 years; and
- The establishment of Qualified Opportunity Zones to attract investment.²

The greater Desert Hot Springs community needs direct involvement and oversight over its resources to meet this development potential and ensure that it can build the infrastructure needed for future growth.

As “California’s Spa City,” Desert Hot Springs’ tourist economy depends on its “award-winning waters.” DHS is home to a thriving mineral water spa and hotel industry which provide millions of dollars in annual revenue and thousands of local jobs. The continued success of these businesses, and other future businesses in DHS, depends on a reliable source of water and the community’s expectation of continued local control.

Potential Impacts to Mission Springs Water District Ratepayers

Currently, Mission Springs Water District ratepayers, pay among the lowest water rates in the Coachella Valley. DWA’s authority as GSA overseeing Mission Springs Water District’s groundwater usage has the potential to force Mission Springs Water District to seek more expensive alternative sources of water, which could ultimately raise rates for Mission Springs Water District customers. This would be particularly concerning to residents in the community of Desert Hot Springs and surrounding unincorporated areas.

² City of Desert Hot Springs, *Desert Hot Springs: Renew and Rediscover*, <https://cdn2.hubspot.net/hubfs/4435988/Forms,%20Flyers,%20Documents/dhs%20Economic%20Development.pdf>.

Water Rights and Social Justice

As the sole Groundwater Sustainability Agency over Mission Springs Water District’s service territory, DWA will have the ultimate control and power to tell Mission Springs Water District if, where, when, and how much water Mission Springs Water District can pump to serve our community of Desert Hot Springs. SGMA does not specify what conditions are necessary for DWA to exercise that control, meaning the choice is up to DWA, a competing water agency.

Desert Hot Springs and Palm Springs are very different in terms of demographics and economics, and DWA’s actions would potentially stand to disenfranchise Desert Hot Springs residents. Figure 3 gives an overview of these key differences.

Figure 3: Comparison of Desert Hot Springs and Palm Springs

	Desert Hot Springs	Palm Springs
Ethnicity	Nearly 60% Hispanic	Nearly 60% White
Minority-Owned Businesses	62.9%	24.9%
Owner-Occupied Housing Rate	43.7%	58.9%
Median Value of Owner-Occupied Home	\$154,600	\$340,600
Residents in Poverty	36.8%	18.5%
Uninsured Persons	19.6%	16.6%
Median Income	\$35,329	\$55,704

DWA’s decision to elect itself as GSA over Desert Hot Springs and Mission Springs Water District puts significant decisions affecting the future of our community. This action has caused unnecessary and costly conflict between our two water agencies.

DWA Districting Does Not Resolve Issue

DWA is discussing how to divide its service area into districts for elections. DWA did not voluntarily initiate this districting plan but is acting only after a law firm involved in numerous districting efforts statewide threatened to sue DWA for violating state law.

DWA's proposed districting does not solve the problem of representation for Desert Hot Springs. DWA's districting discussions and studies suggest that it may add only one board member elected from within Desert Hot Springs, and perhaps another member elected from Desert Hot Springs and surrounding communities.

Since its formation, DWA's Board has been dominated by residents of Palm Springs.

As a locally-elected board, Mission Springs Water District better understands the needs of the greater Desert Hot Springs community. This allows us to maintain a strong local voice in our community's future and does not put those

decisions in the hands of others from a neighboring community who are removed from the unique challenges and opportunities facing Desert Hot Springs. For example, 30% of our population in Desert Hot Springs is under the age of 18 while Palm Springs' youth population is only 13%. Large youth populations require greater investments in schools, parks, and other recreational amenities that could be impacted if growth were slowed or prevented.

To ensure that the Desert Hot Springs community can determine its own destiny, it is critical that residents have full control of their own water supply. Mission Springs Water District remains best suited to make decisions on behalf of the local community rather than a competing agency with retail interests in Palm Springs. The Water Rights Study Group believes that Mission Springs Water District will continue to protect local water rights to ensure that our local community will thrive, now and in the future.

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Approach to Resolving Challenges

Mission Springs Water District has taken many steps to attempt to resolve the challenges caused by DWA's actions on behalf of Mission Springs Water District's ratepayers and the people of the greater Desert Hot Springs community. These steps include:

- **Negotiation**: Mission Springs Water District and the City of Desert Hot Springs made repeated requests to meet with DWA before DWA seized control of our local groundwater. DWA ignored those requests.
- **Legal Recourse**: Mission Springs Water District filed a lawsuit in Riverside County Superior Court to protect the rights of residents it serves in Desert Hot Springs and the surrounding communities. Mission Springs Water District and DWA met for months after the lawsuit was filed but an agreement could not be reached.
- **Change the Law**: Mission Springs Water District would support legislation to correct DWA's action to seize groundwater management authority from Mission Springs Water District.
- **Community Involvement**: Mission Springs Water District sought input and involvement from the community through the Water Rights Study Group. Comprised of members of the Desert Hot Springs community, the Group came together to learn about the issue and provide feedback to Mission Springs Water District as it moves forward to resolve these challenges to its long-held groundwater management duties that have been seized by DWA.

Findings

The Water Rights Study Group believes that Mission Springs Water District's loss of local control over the groundwater management in its service territory poses a significant threat to our community's future. Everyone within Mission Springs Water District's service area has now been stripped of their power to decide how that groundwater should be managed and protected.

After studying this issue for six weeks, the Water Rights Study Group recommends the following:

1. The Water Rights Study Group strongly urges our local legislators to take immediate action to protect local control and the voice of disadvantaged residents within Desert Hot Springs and the surrounding community by drafting legislation to restore Mission Springs Water District's ability to continue managing groundwater within its service boundaries. **Doing anything less harms our community, our economic development opportunities, our potential job growth, and our future quality of life.**
2. On the basis of social justice and equity, the Study Group believes that this action provides the best solution to prevent disparities impacting our community.
3. The Water Rights Study Group encourages DWA's Board of Directors to end its takeover of groundwater management authority within Mission Springs Water District boundaries.
4. The Water Rights Study Group believes that public engagement is critical to this process and recommends that Mission Springs Water District begin a public outreach program to inform the community about this critical issue and its potential impacts to our community. We, the residents of Desert Hot Springs, must understand what is at stake, and we must take action to protect the future of our community.