

**BOARD OF DIRECTORS REGULAR MEETING
AGENDA**

**FEBRUARY 14, 2019
3:00 PM**

SALINAS COUNCIL ROTUNDA, 200 LINCOLN AVENUE, SALINAS

- 1. Call to Order; Roll Call**
- 2. Pledge of Allegiance**
- 3. General Public Comment**

Members of the public may comment on matters within the jurisdiction of the agency that are not on the agenda. Public comments generally are limited to two (2) minutes per speaker; the Chair may further limit the time for public comments depending on the agenda schedule. Comments on agenda items should be held until the items are reached. To be respectful of all speakers and avoid disruption of the meeting, please refrain from applauding or jeering speakers.
- 4. Oath of Office - SVBGSA Board Director Steve McShane, City of Salinas Alternate**
- 5. Special Board Matters**
 - 5.a** Presentation on Basics of Hydrological Modeling – Derrick Williams, Montgomery and Associates, SVBGSA GSP consultant

[Modeling_101_SVBGSA_Board\[31513\].pptx](#)
- 6. Consent Items**

All matters listed under the Consent Agenda may be enacted by one motion unless a member of the Board, audience, or staff requests discussion or a separate vote.

 - 6.a** Approve January 10, 2019 regular meeting minutes.
[2019-01-10 Board Meeting Minutes.docx](#)
 - 6.b** Adopt Resolution approving Revisions to the Charter and By-Laws of the Advisory Committee
[6b SR 2-14-19 sr bylaw change Gep final\[31113\].docx](#)

6b, Resolution Advisory Comm Bylaws [31088].docx
6b, AC recommended Advisory Committee Charter-Bylaws Amend 1 compare 2-8-19.pdf
6b, AC recommended Advisory Committee Charter-ByLaws Amend 1 clean 2-8-19[31115].docx

- 6.c** Approve December 2018 Financial Reports
6c Staff_Report Dec 2018 Financial Report.docx
6c Dec_2018_Statement_of_Revenues_and_Expenses.pdf
6c Dec_2018_Balance_Sheet.pdf
6c_2018_Payment_and_Disbursements_Report.pdf

7. Scheduled Items

- 7.a** Consider approving Mid Year Budget Adjustments

7a- Staff_Report - Mid-Year_Budget_Adjustments_FY_2018-19.docx
7a SVBGSA_2018-19_Mid-Year_Budget_Adjustments.pdf
7a, Fund Balance_Reserves_Policy.pdf

- 7.b** Consider approving Audited Financial Statement for Fiscal Year Ended June 30, 2018

7b, Staff Report Audited Financial Statements Ending 6-30-18.docx
7b, Financial Statement and Auditors Report.pdf

- 7.c** Consider draft regulatory fee resolution and provide direction to staff to return for adoption on March 14, 2019

7c SR Regulatory Fees by Resolution [31112].docx
7c SVBGSA Fee Study Final Feb 4 2019[31110].pdf
7c fee_reso_final_draft_28754_.docx
Fee PP 180272 FEB 14 2019 Board mtg[31873].ppt

- 7.d** Consider authorizing staff to continue with the use of the Salinas Valley Integrated Hydrological Model to complete Groundwater Sustainability Plan (GSP) Development in the 180/400 Aquifer and subsequent GSPs in other subbasins.

7d, Hydrological Model Continued Use.docx
Montgomery and_Assoc Letter.pdf

8. General Manager's Report

9. Directors' Reports

10. Future Agenda Items

11. Closed Session

Pursuant to Government Code section 54956.9 (d) (2), the Board will meet in closed session with counsel to discuss one matter of significant exposure to litigation.

12. Adjournment

Accommodation, Meeting Viewing, Agenda Posting

Disability-related modification or accommodation, including auxiliary aids or services, may be requested by any person with a disability who requires modification or accommodation in order to participate in the meeting. Requests should be referred to Ann Camel, Clerk of the Board at camela@svbgsa.org or 831-471-7519 as soon as possible, but by no later than 5 p.m. two business days prior to the meeting. Hearing impaired or TTY/TDD text telephone users may contact the Agency by dialing 711 for the California Relay Service (CRS) or by telephoning any other service providers' CRS telephone number.

VIEWING MEETINGS

Live meetings are televised at www.youtube.com/thesalinaschannel . The recorded meeting schedule may be viewed at <http://tinyurl.com/salinas25>

AGENDA POSTING The meeting agenda was posted at the Salinas City Clerk's Office and City Hall Rotunda, Monterey County Offices at 1441 Schilling Place, Salinas, CA on February 8, 2019.

GROUNDWATER MODELING 101: UNPACKING THE BLACK BOX



February 14, 2019

Prepared for Salinas Valley Basin GSA

Outline

- Why do we model?
- What is a model?
- Why don't our models agree with each other?

Why We Model

Why Do We Use Models?

4

- Because groundwater is ... underground!
 - We can't observe groundwater directly
 - Information only available from sparse wells
 - We need a way to tell the story of what happens between the sparse wells

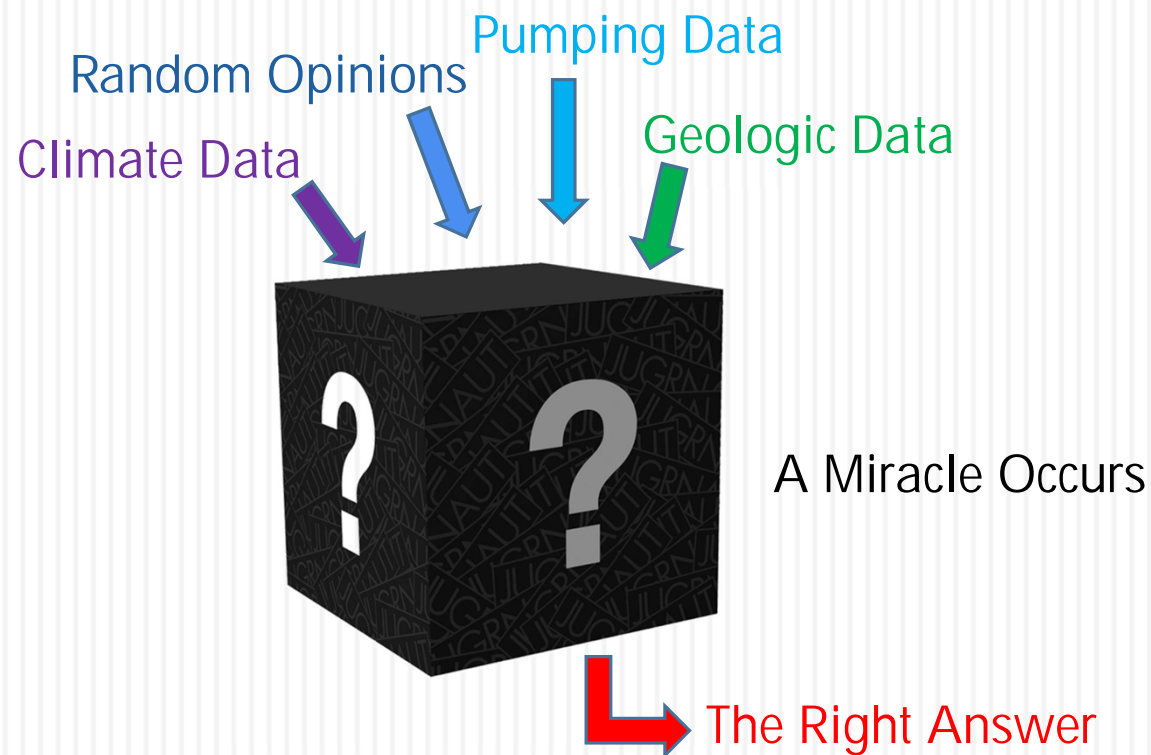
Why Do We Use Models?

- Models are the best tools available
 - Integrate sparse data
 - Keep us honest
 - Models can estimate future conditions

What is a Model?

Physically, What is a Model: Unpack the Black Box

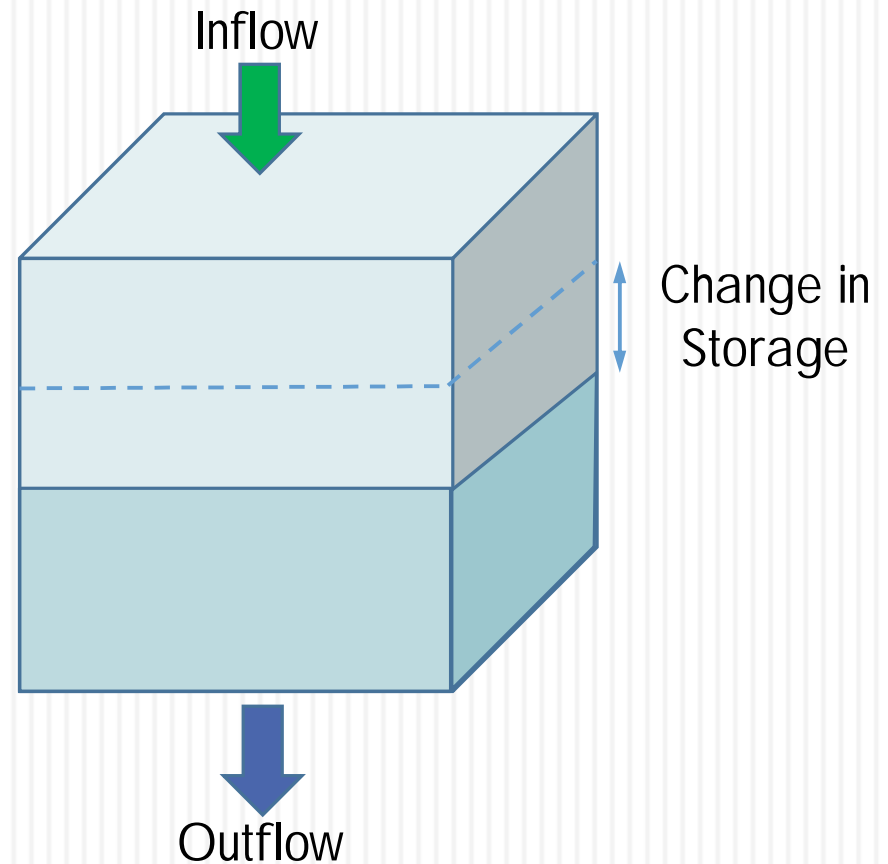
- The Common Viewpoint

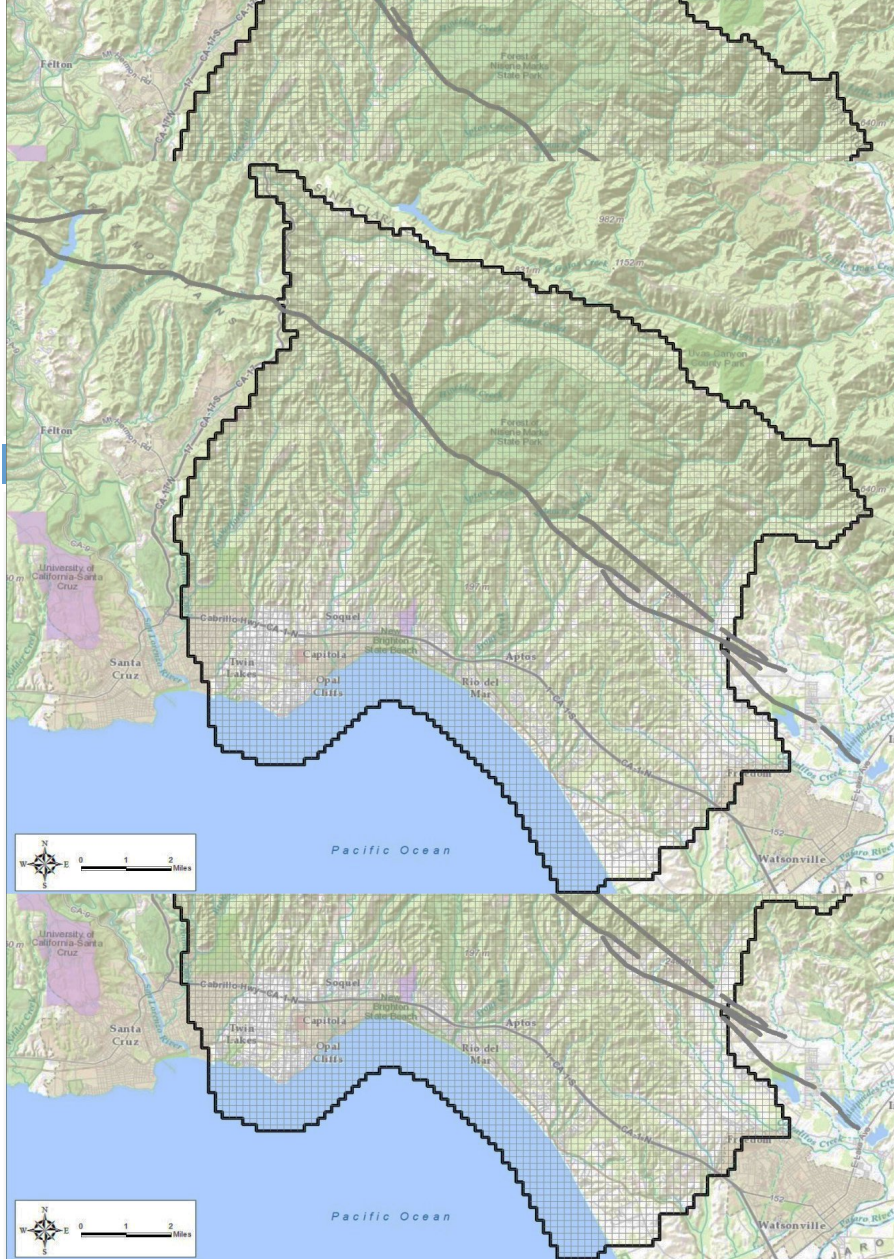


The Basic Water Budget of a Box

Pour water into the top of a box,
and let water seep out the bottom

- ▣ $\text{Inflow} - \text{Outflow} = \text{Change of Storage}$
- ▣ $\text{Change of Storage} \sim \text{Change in Groundwater Level}$





Linked Water Budgets



Photo By Zimoun - www.zimoun.ch, GFDL,
<https://commons.wikimedia.org/w/index.php?curid=21433292>

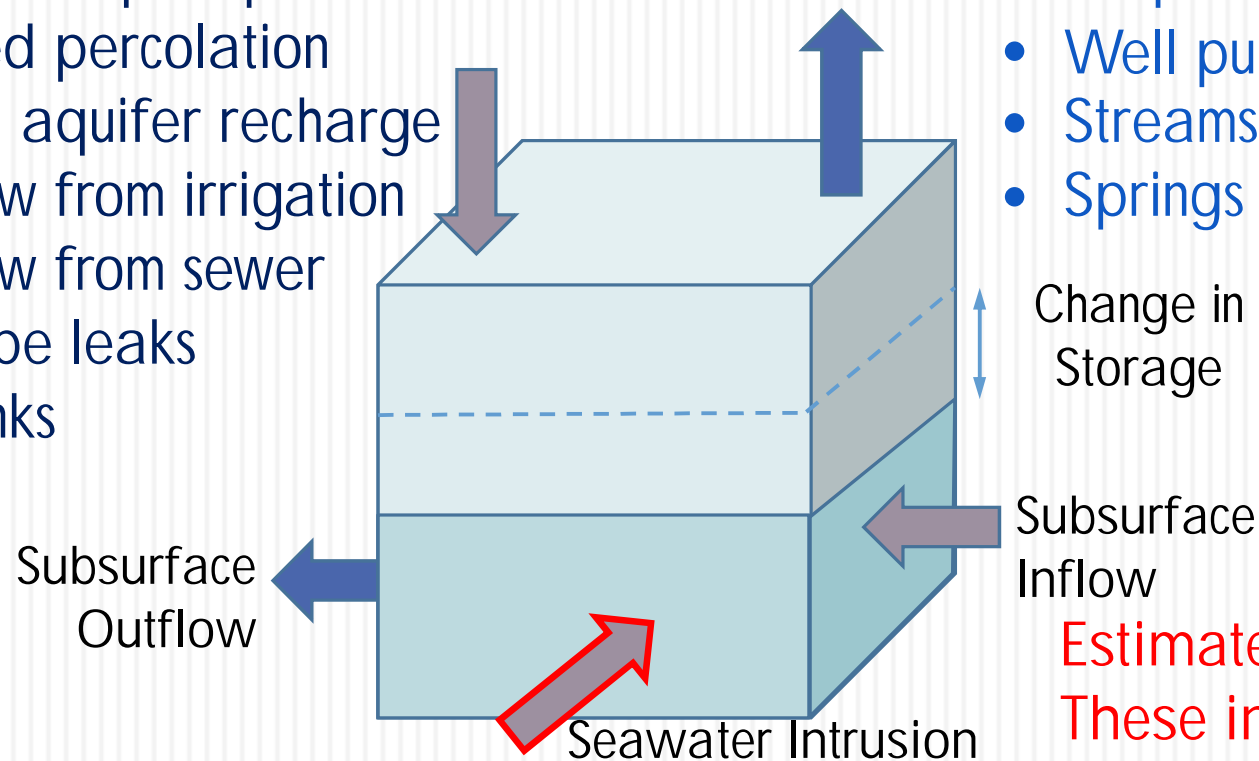
So Why Does it Seem So Complicated (Part 2)?

Inflow (Intermittent)

- Percolation of precipitation
- Streambed percolation
- Managed aquifer recharge
- Return flow from irrigation
- Return flow from sewer
- Water pipe leaks
- Septic tanks

Outflow (Continuous)

- Evapotranspiration
- Well pumping
- Streams and Creeks
- Springs



Estimates of All of
These in Every Cube

Conceptually, Models are Very Good Approximations of the Unseen Subsurface

11

- Models are the best tool available, but ...
 - ▣ Models are not perfect
 - ▣ Models are not reality
- Groundwater models are stories based on fact, similar to weather models



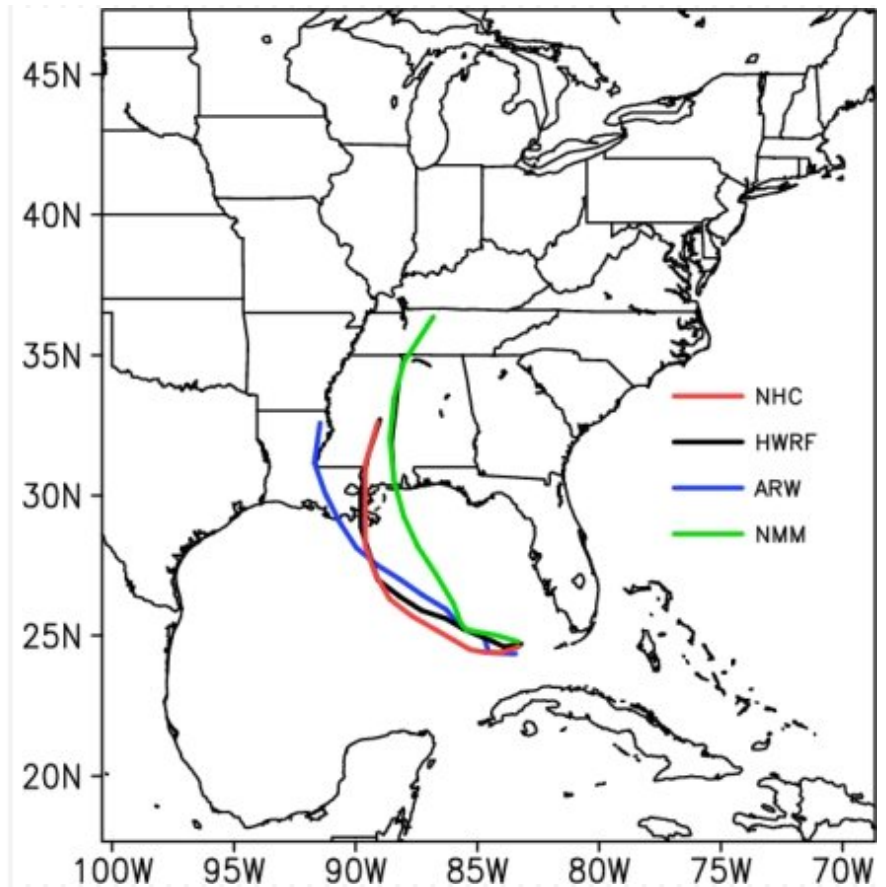
12

Why Don't Our Models Agree?

Models Often Agree More Than Disagree, But...

13

- Modeling is half art, half science
- Models are good interpretations of data; they are not the data themselves
- Often focus on issues that the model was only partially built for



Significant Messages

14

- Models are simply water budgets of small cubes, all linked together
- Models are the best available tool for estimating what happens underground
- Models tell stories based on facts – but models are not facts
 - ▣ Groundwater models are similar to weather models
 - ▣ Many stories can account for the same facts
 - ▣ All of these stories are good, and generally quite similar with some inconsistencies
- Models are not absolutely right or wrong. They are tools for interpreting data. Some are better for particular tasks than others

Questions?

**UNOFFICIAL MEETING MINUTES
BOARD OF DIRECTORS SPECIAL MEETING**

JANUARY 10, 2019

GONZALES COUNCIL CHAMBERS, 117 FOURTH STREET, GONZALES, CA

1. Call to Order

Chairperson McHatten convened the meeting at 3 p.m..

2. Roll Call

Present:

Chairperson Michael McHatten

Vice Chair Luis Alejo (arrived 3:25 p.m.)

Director Janet Brennan

Director Brenda Granillo

Director Joe Gunter

Director Bill Lipe

Director Steve McIntyre (arrived 3:08 p.m.)

Director Colby Pereira

Director Adam Secondo

Director Ron Stefani

Absent:

Director Lou Calcagno

Also Present: Gary Petersen, General Manager; Les Girard, Agency Counsel; Ann Camel Clerk

3. General Public Comment

4. Special Board Matters

4.a. Mr. Petersen introduced Interim Monterey County Water Resources Manager Shauna Lorange.

4b. Presentation on Groundwater Dependent Ecosystems (GDE)

Director McIntyre arrived at the meeting.

Melissa Rohde, The Nature Conservancy, presented a PowerPoint presentation outlining the (GSP) requirements for the groundwater dependent ecosystems element, including mapping, identifying potential effects due to groundwater conditions and monitoring. GDEs can provide access to additional funding opportunities. She recommended budgeting time and money for the analysis and to take advantage of the Nature Conservancy's free consulting to identify resources.

Director Alejo arrived at the meeting.

Ms. Rohde stated that the Conservancy is exploring whether they are able to use funding to remove Arundo. The Conservancy is reaching out to GSAs and hopes the GSA informs property owners about GDEs as they map them.

5. Consent Items

The Board voted to approve the Consent Agenda. AYES: Directors Alejo, Brennan, Granillo, Gunter, Lipe, Pereira, McIntyre, Secondo, Stefani, and Chair McHatten. Absent: Director Calcagno.

The Consent Agenda included the following items.

- 5.a. Approved December 13, 2018 regular meeting minutes
- 5.b. Approved November 2018 Financial Reports

6. Scheduled Items

- 6.a Provide direction on draft regulatory fee ordinance and schedule February 14, 2019 for ordinance introduction

Catherine Hansford, fee study consultant, showed a PowerPoint presentation. The report reflects the Board's direction from the October 11, 2018 meeting to return with the fee on a cost basis of \$1.2 million for fiscal year 2019-2020, with 90% allocated to agriculture and 10% to all other users. Agriculture would pay \$4.80 per irrigated acre and all other users would pay \$2.27 per service connection.

Director Secondo would like assurance that the methodology options would be reviewed by future Boards. Mr. Girard stated that the Board has greater ability to impose fees before adoption of the GSP than after. Changing the methodology after the GSP is adopted would be subject to a different methodology, but the fee ordinance could provide for such periodic review.

Director Granillo requested Ms. Hansford to share the map that reflects Cal Am as the service provider for Toro.

Director Brennan asked how to address areas that are still unresolved, e.g. Marina Coast. Mr. Girard responded that the fee would be imposed if the Agency and District do not reach agreement, similar to Arroyo Seco.

In response to Directors McIntyre and Lipe, Mr. Girard stated that the ordinance would include an appeal process that would allow property owners to challenge the amount of irrigated acres attributed to their property.

-In response to Director Pereira, Mr. Girard stated that in his opinion, since the regulatory fee does not require a vote by landowners, the Board may review the fee for increase or reduction at a noticed public hearing, so long as the methodology is not changed.

Ms. Hansford stated that there is the ability to update data sources within the methodology.

In response to Director Lipe, Mr. Girard stated that if the Board wants to create a class of beneficiaries based on surface versus groundwater, it could be changed during a noticed public hearing but it would be difficult to differentiate. Mr. Girard stated that Mr. Virsik's letter is correct in stating that the Forebay and Upper Valley are currently classified as medium priority, as is Langley. There is a proposal to reclassify to high priority which has not been determined, so the language can be changed.

Ms. Hansford confirmed that the Paso Robles area that would be part of the boundary modification is included in the fee study.

Nancy Isakson, Salinas Valley Water Coalition, stated there is an online final report dated 1/2019 that shows the Forebay as medium priority. The fee and the plan being developed should be consistent in use of area and data set.

Anne Myhre, irrigated land owner in San Ardo, stated they've been through this process in another area that used satellite imagery resulting in numerous appeals. She believes every irrigated acre benefits equally from the success of the GSA, and irrigated crops should not be differentiated from ag in general.

Norm Groot, Farm Bureau of Monterey County, recommended a reserve for uncollected fees.

Tom Virsik referred to his letter and stated that the DWR's 1/4/19 posting reflects the Forebay as a medium priority and the Upper Valley as no value because the basin boundary modification is still pending. He is looking at the Proposition 26 standards. His clients will sue the Agency if it is charging the fee improperly. His client's validation judgment is absent from the analysis.

Abby Taylor Silva would like the report to state that members contributions "could" be reimbursed instead of "will" be reimbursed, to allow review as to whether agriculture would be paying a larger portion than expected. She was present when member fees were being discussed, and there was no mandate for reimbursement. Landowners should receive a credit for Arundo eradication, which benefits the entire Valley.

Dave Morisoli, landowner, stated that he owns a 130 acre parcel but half is in the Salinas river and can't be farmed, so the whole parcel should not be taxed.

In response to Chair McHatten, Mr. Girard stated that he would have to confer with the Assessor, but he does not believe Monterey County retains penalties and interest on collected fees in exchange for paying both collected and uncollected fees. He believes the obligation to repay the member contributions is required at some point. Mr. Girard disagrees with Mr. Virsik on the application of validation judgment, because the judgment related to particular projects with specific benefits and assessments, and the WRA was a party to that. This is a very different regulatory fee, not a fee to pay for CSIP or the Salinas Valley Water project.

In response to Chair McHatten, Mr. Girard stated that in keeping with Monterey County's process as provided by the JPA, changes to the ordinance at introduction would require the ordinance to be reintroduced and delay adoption by one month. The ordinance would have to be received by the Controller by August 1, 2019. Changing language regarding member reimbursements to "could" is a change to the report, not to the ordinance.

In response to Director McIntyre, Mr. Girard stated that reimbursement of member dues does not need to be included in the ordinance. The reimbursement is part of the annual budget process.

Mr. Petersen stated that the member contribution reimbursement language does not state when or how reimbursement would be made, which is up to the Board.

In response to Director Brennan, Ms. Hansford stated that she can add the definition of an irrigated acre, which is how she calculated the fee. She can add some of the other land uses codes listed in the definitions. She would enhance the definition that some portion of the irrigated land may not be irrigated that year.

Mr. Girard stated that the Forebay and Upper Valley GSPs would be due by 2022 regardless of medium or high prioritization, because only the critically overdrafted basin GSPs are due by 2020. Any changes to the methodology should be in the form a motion, and they are seeking to bring this to the Board direction to introduce the ordinance at the February meeting.

The Board voted to direct preparation of the ordinance implementing the regulatory fee for introduction in February to include an appeal process, addressing the ability to change the methodology in the future, and to consider a bad debt reserve in addition to the 10% contingency fee. AYES: Directors Alejo, Brennan, Granillo, Gunter, Lipe, McIntyre, Pereira, Secondo, Stefani, and Chair McHatten. ABSENT: Director Calcagno.

6.b Review and approve for further public comment draft chapters 1-4 of the Salinas Valley Integrated Sustainability Plan and Chapter 4 of the 180/400-Foot Aquifer Sub Groundwater Sustainability Plan for a thirty-day public review period and provide appropriate comments or direction

Mr. Petersen stated that the draft Chapters have been considered by the Planning and Advisory Committees and are recommended for release for public comment. Derrik Williams presented a PowerPoint outlining the draft chapters. He noted that a list of references has been added. They took indicators from the Nature Conservancy and now have a map of potential GDEs pending future verification. The groundwater quality slide is based on natural groundwater but does not discuss nitrates or plumes, which will be in the Existing Conditions chapter. Comments include whether Chapter 4 adequately addresses the deep aquifer in the north Valley. Although there were concerns about how GDEs were presented, it is the approach by the Nature Conservancy and is more inclusive than exclusive. The basin bottom could be worked on in future years, but at this point, their approach is most pragmatic.

Tom Virsik referenced his September 2018 letter. Ordinance 3790 relating to wells in the Seawater Intrusion Project is important to note in the planning documents.

Mr. Girard stated that Ordinance 3790 is not an ordinance of the SVBGSA, and they would have to wait and see what the Plan says to see if there is a conflict with this ordinance.

The Board voted to release draft chapters 1-4 of the Salinas Valley Basin Integrated Sustainability Plan and Chapter 4 of the 180/400-Foot Aquifer Sub-basin Groundwater Sustainability Plan for a thirty-day public review period and provide any appropriate comments or direction. AYES: Directors Alejo, Brennan, Granillo, Gunter, Lipe, McIntyre, Pereira, Secondo, Stefani, and Chair McHatten. Absent: Director Calcagno.

7. General Manager’s Report

Mr. Petersen presented an updated calendar for review of the draft GSP calendars.

8. Directors Reports/Future Agenda Items

Director McIntyre would like to organize a Committee of the WRA and SVBGSA Board members to discuss jurisdictional items. He asked about the possibility of rescheduling the 1/24/19 Executive Committee meeting because he has a schedule conflict.

9. Adjournment

The meeting adjourned at 5 p.m..

APPROVED:

Michael McHatten, Chairperson

ATTEST:

Ann Camel, Clerk of the Board



BOARD OF DIRECTORS STAFF REPORT

MEETING DATE: February 14, 2019

AGENDA ITEM: 6b

SUBJECT: Adopt Resolution approving Revisions to the Charter and By-Laws of the Advisory Committee.

RECOMMENDATION:

The Salinas Valley Basin Ground Water Sustainability Agency (GSA) Advisory Committee recommends that the Board approve modifications to its Charter and By-Laws.

BACKGROUND:

Between 2015 and the formation of the GSA in 2017 a Stakeholder Group met for the purpose of developing the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) including the governance structure for the Joint Powers Authority (JPA) Board that governs the SVBGSA. One of the first actions of the JPA Board was to request that the Stakeholder Group transition into the Advisory Committee (Committee) that was included in the agreement forming the JPA.

The GSA Board in April of 2017 adopted a resolution converting the stakeholder group to the Advisory Committee. This is a formal designation that requires the Committee to conduct its activities in compliance with California's Open Meeting Law, Government Code Section 54950 et seq. – the "Brown Act".

In order to ensure compliance with the Brown Act, and to clarify roles and responsibilities, the Committee has developed a Charter and By-laws that identifies those areas where compliance with the Brown Act is required. The document also clarifies the membership structure and the process by which members or stakeholders are added to the Committee.

The document has served well the challenge of moving the Stakeholder Group to a more structured format while retaining the collaborative nature of the process. The document has also allowed for the Committee to meet its objective of providing a diverse base of representation to advise the Board on important decisions.

DISCUSSION:

In the nearly two years that the Charter and By-Laws have been in effect changes have occurred that require amendments to the By-Laws. The Charter allows for amendments to the documents at either the request of the Advisory Committee or the Board.

The changes requested from the Advisory Committee are focused on required attendance at meetings. Other changes being requested include designation of the General Manager as meeting facilitator and Chair, and allowing for two alternates for each primary seat. The language that was agreed upon is as follows for attendance.

Generally, the attendance changes require that designated members attend seven out of twelve meetings in a calendar year if they are to retain their seat. Additionally, the primary or alternate members cannot miss more than three consecutive meetings. The third meeting can be excused as determined by the General Manager. Any actions to remove members for lack of attendance will be voted on by the Advisory Committee and presented to the Board for final consideration.

Regarding the role of the General Manager as convener, facilitator and chair, this is a change that reflects the way meetings have been managed since September. This language simply captures the current situation.

All changes are included in the attached two documents, which include one “clean copy” and one edited copy of the Charter and By-laws. The Advisory Committee unanimously recommended approval of the changes to the Charter and By-laws.

FISCAL IMPACT:

There is no perceived fiscal impact from this action though it is possible that small financial benefits could be realized.

PREPARED BY:

Gary Petersen, General Manager SVBGSA

**Before the Board of Directors of the
Salinas Valley Basin Groundwater Sustainability Agency**

Resolution No.

Approving amendments to the Charter and By-Laws of the Advisory Committee of the Salinas Valley Basin Groundwater Sustainability Agency

WHEREAS, the Board of the Salinas Valley Basin Groundwater Sustainability Agency approved the Charter and By-Laws and Membership Structure of the Advisory Committee by adopting Resolution 003A on April 20, 2017; and

WHEREAS, at its January 17, 2019 meeting, the Advisory Committee recommended amendments to the By-Laws to include attendance requirements, designation of the General Manager as meeting facilitator and Chair, and increasing the number of alternates from one to two for each primary seat; and

WHEREAS, on February 14, 2019, the Board considered the Advisory Committee's recommended amendments to the Charter and Bylaws; NOW, THEREFORE,

BE IT RESOLVED, by the Board of Directors of the Salinas Valley Basin Groundwater Sustainability Agency that the attached amended Charter and By-Laws of the Advisory Committee is hereby approved.

PASSED AND ADOPTED on this 14th day of February, 2019 by the following vote,
to- wit:

AYES:

NOES:

ABSENT:

I, Ann Camel, Clerk of the Board of Directors of the Salinas Valley Basin Groundwater Sustainability Agency, hereby certify that the foregoing is the true original resolution of said Board of Directors duly adopted and entered in the minutes thereof.

Dated: February 14, 2019

Salinas Valley Basin Groundwater Sustainability Agency Advisory

Committee

Committee Charter and By-laws

~~V-2017-04-10~~

~~V-2017-04-03 Shared for Advisory Committee Review and Discussion on 4/7/2017-~~

~~The Salinas Valley Basin Groundwater Sustainability Agency Board of Directors will make the final decision to approve the Advisory Committee charter~~

~~Approved by SVBGSA JPA Board as final on April 20, 2017 as recorded in Minutes of that meeting.~~

Charge

The purpose of the Advisory Committee is to provide input and recommendations to the Board of Directors (“Board”) of the Salinas Valley Basin Groundwater Sustainability Agency (“Agency”). At the request of the Board, the Advisory Committee will provide input on groundwater sustainability plan development and implementation and Agency policies. The intent of the Committee is to provide community perspective and inclusive participation in the Agency.

The Advisory Committee will review and/or provide recommendations to the Board on groundwater-related issues that may include:

- Development, adoption or amendment of the Groundwater Sustainability Plan (“GSP”)
- Sustainability goals and objectives
- Monitoring programs
- Annual work plans and reports (including mandatory 5-year milestone reports)
- Modeling scenarios
- Inter-basin coordination activities
- Projects and management actions to achieve sustainability
- Community outreach
- Local regulations to implement Sustainable Groundwater Management Act (“SGMA”)
- Fee proposals
- General advisory

Brown Act, Open Process and Conflicts of Interest

1. Advisory Committee meetings are subject to the Brown Act. All meetings of the Advisory

Committee are open to the public. The Advisory Committee shall adopt a schedule and location for regular meetings, and meeting agendas shall be posted in compliance with the Brown Act.

2. The Board will maintain an interested parties list, develop an application process, and make appointments to the Advisory Committee from time-to-time.

3. Members of the Advisory Committee are subject to all applicable conflict of interest laws including Government Code section 1090 and the California Political Reform Act. The Board shall adopt a conflict of interest code for the Advisory Committee.

Roles and Responsibilities

Agency Board of Directors

The Board commits to the value of the Advisory Committee and will consider Advisory Committee recommendations when making its policy decisions.

Advisory Committee

The purpose of the Advisory Committee is to incorporate community and stakeholder interests into consensus recommendations on SGMA implementation in the Salinas Valley Groundwater Basin for the Board to consider in its decision-making process.

Advisory Committee members represent the diverse interests of GSA-eligible agencies and groundwater users. The criteria for Advisory Committee members are to:

- Serve as a strong effective advocate
- Work collaboratively with others
- Commit time needed for ongoing discussions
- Collectively reflect diversity of interests
- Maintain Committee size to support focused deliberations

Sub-Committees

The Advisory Committee may establish ad hoc sub-committees to come together periodically to manage a specific task. Sub-committees would develop options for the Advisory Committee to contemplate and refine before sharing with the Board. Sub-committees would be small and focused on a particular task. Participants could be, but do not need to be, members of the Advisory Committee, would have expertise related to the sub-committee's purpose, and would reflect a diversity of interests when possible. The Advisory Committee would define its scope and purpose.

An Engagement Sub-Committee could work with Agency staff and the facilitation team to develop and implement a communication and engagement plan. A Technical Sub-Committee could begin advising on development of the groundwater sustainability plan.

Facilitator

Role of the General Manager

The ~~facilitator~~ Agency General Manager will ~~remain impartial toward~~ facilitate the ~~content~~ conduct of ~~the issues under discussion~~ meetings. The ~~facilitator~~ General Manager will work with all the parties to ensure the process is credible, fair, and effective.

The ~~facilitator~~ General Manager will:

- Chair meetings of the Advisory Committee.
- In consultation with the staff, formulate the agenda and desired outcomes for the sessions, including developing a meeting work plan.
- Identify and synthesize points of agreement and disagreement.
- Assist in building consensus among participants.
- Work with members to ensure process and participation agreements are followed.

- Assure a fair, effective, and credible process, ~~but remain impartial with respect to the outcome of the deliberations.~~

If a Committee member has a concern about ~~bias, neutrality or the~~ performance of the ~~facilitator~~ General Manager, s/he should raise the concern first with ~~the facilitator~~ Legal Counsel and then the ~~General Manager or Legal Counsel~~ Chair of the Board of Directors.

Decision Making

To inform the Board's decision-making, the Advisory Committee will provide written recommendations on subjects that the Board assigns to the Advisory Committee. The recommendations will identify areas of agreement and disagreement.

The Advisory Committee will be consensus seeking. The Advisory Committee will strive to reach consensus on its recommendations. The definition of consensus spans the range from strong support to neutrality, to abstention, to "I can live with it," to "I will let this go forward." When unable to reach consensus on recommendations, the Advisory Committee will outline the areas of agreement and areas in which it does not agree, providing explanation to inform the Board's decision-making. Then, the Advisory Committee will forward this summary via the Agency staff to the Board. To comply with the Brown Act, the position of each Advisory Committee member on the points of consensus or summary will be noted in the Committee's records.

The Advisory Committee may request that one or more members present its recommendations to the Board, including areas of agreement and disagreement, consistent with Advisory Committee deliberations.

Membership

The initial membership of the Advisory Committee has been established as of March 9, 2017, by the Agency Board of Directors to include the members of the Collaborative Working Group (see Appendix A) The intent of the Advisory Committee is to provide broad participation and advice to the Board. Board members may serve on the Advisory Committee, but will encourage others to participate in the Advisory Committee to maximize participation from different interests and voices as outlined below. (Note, the number of Board Members serving on the Advisory Committee must be less than a Board quorum.) To facilitate effective meetings and manage group size, ~~is no set limit on membership on~~ the Committee will not exceed 25 members. Each seat has a primary representative and up to two (2) alternates. Members are required to keep their alternates informed of Committee proceedings so an alternate may substantively participate if in attendance for the member. Alternates may attend Committee meetings as members of the public if the member is present.

The Advisory Committee will manage its membership and composition, and the Agency Board of Directors may make appointments from time-to-time after receiving Advisory Committee recommendations and corresponding applications from interested parties to serve on the Committee. Organizations that hold seats on the Advisory Committee select their representatives (primary and alternate), which the Advisory Committee recommends to the Board for appointment. When an organization's representative is no longer able to serve, the organization will recommend a new representative to the Advisory Committee. If the organization withdraws from the Advisory Committee, the Advisory Committee will identify another organization and corresponding representative to fill that interest-based seat and recommend the organization to the Board for appointment. If a stakeholder seat, not affiliated with an organization becomes vacant, the Advisory Committee will solicit applications for the

seat and then make a recommendation for the stakeholder's replacement to the Board.

The Advisory Committee strives to include a range of interests in groundwater in the Salinas Valley and outlined in the Sustainability Groundwater Management Act. Advisory Committee members live in the Salinas Valley or represent organizations with a presence or agencies with jurisdiction in the Salinas Valley groundwater basin, including:

- All Groundwater Users
- Municipal Well Operators, Public Utilities Commission-Regulated Water Companies, and Private and Public Water Systems
- County and City Governments
- Planning Departments / Land Use
- Local Landowners
- Disadvantaged Communities
- Business and Agriculture
- Rural Residential Well Owners
- Environmental Uses
- Water Supply and Management Surface Water Users (if connection between surface and ground water)

The Advisory Committee, at this time, does not include representatives from:

- Tribes
- Federal Government

Due to the importance of the Committee’s role, attendance at and participation during Committee meetings is crucial. Primary members or their alternates must therefore attend a minimum of seven out of twelve consecutive meetings or be subject to removal. In addition, in the event that a seat occupied by a member is vacant for 3 consecutive meetings (i.e. neither the member nor any alternate attends), the member will be subject to removal; however, the member may be excused from the third consecutive meeting for good cause upon a vote of the Committee. Any such excused absence shall not count as an attended meeting; if the seat is vacant at the subsequent meeting, the member is subject to removal.

Upon the occurrence of a qualifying removal event, the ~~Commission-Committee~~ shall vote on the removal upon a motion and a second. Upon passage of the motion, ~~membership on the Committee is revoked~~the Committee shall recommend removal to the Board of Directors, and the removed member is not eligible for membership on the Committee for a period of one year.

Except as set forth herein, members may only be removed from the Committee for cause (meaning, for example, conduct detrimental to the Committee or the Agency, or conviction of serious crime or a crime involving fraud or financial impropriety), and then only upon a vote of the Board of Directors.

Organization and Functions

The ~~facilitator~~Agency General Manager will convene each meeting as service as the “chair” of the meeting. The ~~facilitator~~General Manager will preside over the conduct of Advisory Committee meetings in conformance with the posted agenda. A leader shall be chosen for any established sub-committees.

All Committee meetings shall provide for public comment in conformance with the Brown Act, including non-agenda public comment and public comment on individual agenda items. Public Comment will generally be limited to 3 minutes, but the time may be adjusted based upon meeting circumstances. Special and Emergency meetings need not provide for non-agenda public comment, but such comment may be allowed in the Advisory Committee's discretion.

Process Agreements

To conduct a successful process, the parties agree to the procedures that the Committee will use as well as define individual behaviors or ground rules.

- ✓ **Everyone agrees to negotiate in good faith.** All participants agree to participate in decision making, to act in good faith in all aspects of this effort and to communicate their interests during meetings. Good faith also requires that parties not make commitments they do not intend to follow through with, and that parties act consistently in the meetings and in other forums where the issues under discussion in these meetings are also being discussed.
- ✓ **Everyone agrees to address the issues and concerns of the participants.** Everyone who is joining in the Advisory Committee is doing so because s/he has a stake in the issue at hand. For the process to be successful, all the parties agree to validate the issues and

concerns of the other parties and strive to reach an agreement that takes all the issues under consideration. Disagreements will be viewed as problems to be solved, rather than battles to be won.

- ✓ **Agreements stand even if representatives change.** If an organization changes its representatives, organizations commit to a thorough debriefing of new representatives including with the facilitator. New representatives agree to uphold previous agreements reached.
- ✓ **Everyone agrees to inform their leadership and constituents about the outcome of the facilitated discussions.** Meeting scheduling will allow for participants to inform and seek advice from their leadership, constituents, attorneys, and scientific advisors about the discussions and negotiated outcomes. Participants can express conditional support to an agreement, but will need to solicit input and support in their organization or interest group caucus before reaching final agreement.
- ✓ **Everyone agrees to attend all the meetings to the extent possible.** Continuity of the conversations and building trust are critical to the success of the Advisory Committee. Participants are encouraged to turn off cell phones and focus on the issue at hand. Every effort will be made to accommodate the schedule of the participants. GSA staff or the facilitator will coordinate the meeting schedule.
- ✓ **Everyone agrees that parties can meet with other organizational or interest group members.** Advisory Committee members may find it helpful to caucus or meet with other organizations or interest group members and to consult with constituents outside of the meeting or to talk privately with other meeting participants. Participants or the facilitator can request a caucus. Participants agree to use caucuses as a tool to move agreements forward and explore topics of concern. The facilitator may attend and consult with parties during caucus discussions.

Participation Agreements

The facilitator and participants will work together to create a problem-solving environment and to implement these agreements to that aim.

Use Common Conversational Courtesy

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All ideas have value in this setting. We are looking for innovative ideas. The goal is to achieve understanding. Simply listen, you do not have to agree. If you hear something you do not agree with or you think is "silly" or "wrong," please remember that the purpose of the forum is to share ideas.

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Help others understand you and work to understand others.

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It will be tempting to analyze the motives of others or offer editorial comments. Please talk about *your own* ideas and thoughts. Avoid commenting on why you believe another participant thinks something.

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People’s time is precious; treat it with respect.

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Creative thinking and problem solving are essential to success. “Climb out of the box” and attempt to think about the problem in a new way.

Invite Humor and Good Will

Be Comfortable

Please feel help yourself to refreshments or take personal breaks. If you have other needs please inform the facilitator.

Communication & Media

Agency staff will serve as primary contacts for all communication, outreach and media. At the request of the Agency Board of Directors, or staff, the Advisory Committee may advise on outreach and community engagement.

Advisory Committee members reserve freedom to express their own opinions to media representatives, but not the opinions of others. The temptation to discuss someone else’s statements or position should be avoided. Participants can refer media inquiries to Committee members for individual comments.

If contacted by the press or an external party concerning the discussions, participants are asked to:

- Point out that they are not speaking on behalf of the Committee, unless specifically authorized by the Committee to do so.
- Present their views only and conscientiously refrain from expressing, characterizing, or judging the views of others.
- Avoid using the press as a vehicle for negotiation.

The facilitator will avoid speaking with the media.

Amendments

The Advisory Committee can recommend future changes to the charter and by-laws. The Board may amend the charter and by-laws when needed using its decision-making guidelines.

Salinas Valley Basin Groundwater Sustainability Agency Advisory Committee

Committee Charter and By-laws

Charge

The purpose of the Advisory Committee is to provide input and recommendations to the Board of Directors (“Board”) of the Salinas Valley Basin Groundwater Sustainability Agency (“Agency”). At the request of the Board, the Advisory Committee will provide input on groundwater sustainability plan development and implementation and Agency policies. The intent of the Committee is to provide community perspective and inclusive participation in the Agency.

The Advisory Committee will review and/or provide recommendations to the Board on groundwater-related issues that may include:

- Development, adoption or amendment of the Groundwater Sustainability Plan (“GSP”)
- Sustainability goals and objectives
- Monitoring programs
- Annual work plans and reports (including mandatory 5-year milestone reports)
- Modeling scenarios
- Inter-basin coordination activities
- Projects and management actions to achieve sustainability
- Community outreach
- Local regulations to implement Sustainable Groundwater Management Act (“SGMA”)
- Fee proposals
- General advisory

Brown Act, Open Process and Conflicts of Interest

1. Advisory Committee meetings are subject to the Brown Act. All meetings of the Advisory Committee are open to the public. The Advisory Committee shall adopt a schedule and location for regular meetings, and meeting agendas shall be posted in compliance with the Brown Act.
2. The Board will maintain an interested parties list, develop an application process, and make appointments to the Advisory Committee from time-to-time.

3. Members of the Advisory Committee are subject to all applicable conflict of interest laws including Government Code section 1090 and the California Political Reform Act. The Board shall adopt a conflict of interest code for the Advisory Committee.

Roles and Responsibilities

Agency Board of Directors

The Board commits to the value of the Advisory Committee and will consider Advisory Committee recommendations when making its policy decisions.

Advisory Committee

The purpose of the Advisory Committee is to incorporate community and stakeholder interests into consensus recommendations on SGMA implementation in the Salinas Valley Groundwater Basin for the Board to consider in its decision-making process.

Advisory Committee members represent the diverse interests of GSA-eligible agencies and groundwater users. The criteria for Advisory Committee members are to:

- Serve as a strong effective advocate
- Work collaboratively with others
- Commit time needed for ongoing discussions
- Collectively reflect diversity of interests
- Maintain Committee size to support focused deliberations

Sub-Committees

The Advisory Committee may establish ad hoc sub-committees to come together periodically to manage a specific task. Sub-committees would develop options for the Advisory Committee to contemplate and refine before sharing with the Board. Sub-committees would be small and focused on a particular task. Participants could be, but do not need to be, members of the Advisory Committee, would have expertise related to the sub-committee's purpose, and would reflect a diversity of interests when possible. The Advisory Committee would define its scope and purpose.

An Engagement Sub-Committee could work with Agency staff and the facilitation team to develop and implement a communication and engagement plan. A Technical Sub-Committee could begin advising on development of the groundwater sustainability plan.

Role of the General Manager

The Agency General Manager will facilitate the conduct of meetings. The General Manager will work with all the parties to ensure the process is credible, fair, and effective.

The General Manager will:

- Chair meetings of the Advisory Committee.
- In consultation with the staff, formulate the agenda and desired outcomes for the sessions, including developing a meeting work plan.
- Identify and synthesize points of agreement and disagreement.
- Assist in building consensus among participants.
- Work with members to ensure process and participation agreements are followed.

- Assure a fair, effective, and credible process.

If a Committee member has a concern about the performance of the General Manager, s/he should raise the concern first with Legal Counsel and then the Chair of the Board of Directors.

Decision Making

To inform the Board's decision-making, the Advisory Committee will provide written recommendations on subjects that the Board assigns to the Advisory Committee. The recommendations will identify areas of agreement and disagreement.

The Advisory Committee will be consensus seeking. The Advisory Committee will strive to reach consensus on its recommendations. The definition of consensus spans the range from strong support to neutrality, to abstention, to "I can live with it," to "I will let this go forward." When unable to reach consensus on recommendations, the Advisory Committee will outline the areas of agreement and areas in which it does not agree, providing explanation to inform the Board's decision-making. Then, the Advisory Committee will forward this summary via the Agency staff to the Board. To comply with the Brown Act, the position of each Advisory Committee member on the points of consensus or summary will be noted in the Committee's records.

The Advisory Committee may request that one or more members present its recommendations to the Board, including areas of agreement and disagreement, consistent with Advisory Committee deliberations.

Membership

The initial membership of the Advisory Committee has been established as of March 9, 2017, by the Agency Board of Directors to include the members of the Collaborative Working Group (see Appendix A) The intent of the Advisory Committee is to provide broad participation and advice to the Board. Board members may serve on the Advisory Committee, but will encourage others to participate in the Advisory Committee to maximize participation from different interests and voices as outlined below. (Note, the number of Board Members serving on the Advisory Committee must be less than a Board quorum.) To facilitate effective meetings and manage group size the Committee will not exceed 25 members. Each seat has a primary representative and up to two (2) alternates. Members are required to keep their alternates informed of Committee proceedings so an alternate may substantively participate if in attendance for the member. Alternates may attend Committee meetings as members of the public if the member is present.

The Advisory Committee will manage its membership and composition, and the Agency Board of Directors may make appointments from time-to-time after receiving Advisory Committee recommendations and corresponding applications from interested parties to serve on the Committee. Organizations that hold seats on the Advisory Committee select their representatives (primary and alternate), which the Advisory Committee recommends to the Board for appointment. When an organization's representative is no longer able to serve, the organization will recommend a new representative to the Advisory Committee. If the organization withdraws from the Advisory Committee, the Advisory Committee will identify another organization and corresponding representative to fill that interest-based seat and recommend the organization to the Board for appointment. If a stakeholder seat, not affiliated with an organization becomes vacant, the Advisory Committee will solicit applications for the seat and then make a recommendation for the stakeholder's replacement to the Board.

The Advisory Committee strives to include a range of interests in groundwater in the Salinas Valley and outlined in the Sustainability Groundwater Management Act. Advisory Committee members live in the Salinas Valley or represent organizations with a presence or agencies with jurisdiction in the Salinas Valley groundwater basin, including:

- All Groundwater Users
- Municipal Well Operators, Public Utilities Commission-Regulated Water Companies, and Private and Public Water Systems
- County and City Governments
- Planning Departments / Land Use
- Local Landowners
- Disadvantaged Communities
- Business and Agriculture
- Rural Residential Well Owners
- Environmental Uses
- Water Supply and Management Surface Water Users (if connection between surface and ground water)

The Advisory Committee, at this time, does not include representatives from:

- Tribes
- Federal Government

Due to the importance of the Committee's role, attendance at and participation during Committee meetings is crucial. Primary members or their alternates must therefore attend a minimum of seven out of twelve consecutive meetings or be subject to removal. In addition, in the event that a seat occupied by a member is vacant for 3 consecutive meetings (i.e. neither the member nor any alternate attends), the member will be subject to removal; however, the member may be excused from the third consecutive meeting for good cause upon a vote of the Committee. Any such excused absence shall not count as an attended meeting; if the seat is vacant at the subsequent meeting, the member is subject to removal.

Upon the occurrence of a qualifying removal event, the Committee shall vote on the removal upon a motion and a second. Upon passage of the motion, the Committee shall recommend removal to the Board of Directors, and the removed member is not eligible for membership on the Committee for a period of one year.

Except as set forth herein, members may only be removed from the Committee for cause (meaning, for example, conduct detrimental to the Committee or the Agency, or conviction of serious crime or a crime involving fraud or financial impropriety), and then only upon a vote of the Board of Directors.

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**BOARD OF DIRECTORS
STAFF REPORT**

MEETING DATE: February 14, 2019

AGENDA ITEM: 6c

SUBJECT: Receive December 2018 Financial Reports

RECOMMENDATION:

The Budget and Finance Committee recommends approval of the December 2018 financial reports.

BACKGROUND:

Section 10.2 of the Joint Exercise of Powers Agreement forming the Salinas Valley Basin Groundwater Sustainability Agency (“Agency”) states “The Agency shall maintain strict accountability of all funds and report all receipts and disbursements of the agency on no less than a quarterly basis.” Reports are being presented monthly.

DISCUSSION:

Attached are the following financial statements for the Agency through December 31, 2018:

- Statement of Revenue & Expense - Budget vs. Actual – December expenses were \$190,004. Year-to-date revenues exceed expenses by \$458,960.
- Balance Sheet – shows \$1,106,156 in cash, with equity of \$921,212.
- Payment & Disbursement Report – shows the detail of deposits and disbursements for the month of December with a net decrease in cash of \$34,065.

FISCAL IMPACT:

None.

ATTACHMENT(S):

Financial Statements as stated above

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Revenues and Expenses - Budget vs. Actual
 July 2018 through December 2018

	<u>Dec '18</u>	<u>Jul - Dec</u>	<u>FY19 Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense					
Income					
440000 · Member Contributions		1,145,000	1,145,000		100%
451000 · Prop 1 DWR Grant			1,500,000	-1,500,000	
Total Income	0	1,145,000	2,645,000	-1,500,000	43%
Expense					
520000 · Administrative Services	28,350	193,223	435,300	-242,077	44%
530000 · Groundwater Sustainability	155,886	433,979	1,653,155	-1,219,176	26%
530500 · Legal Services		13,598	60,000	-46,402	23%
532100 · Consulting Hydrologist (RGS)			54,000	-54,000	
532200 · Deputy Clerk of the Board (RGS)			10,800	-10,800	
532300 · Grant Management Services	2,959	7,538	40,000	-32,462	19%
540100 · Agency Financing Plan		13,626	117,145	-103,519	12%
540200 · Facilitation Services			30,000	-30,000	
540300 · Grant Writing / Lobbying			20,000	-20,000	
540400 · Outside Specialty Legal Svcs			40,000	-40,000	
540500 · Communications Consultant (RGS)			20,000	-20,000	
550200 · Conferences / Training		670	7,100	-6,430	9%
550300 · Dues and Subscriptions	273	1,662	3,000	-1,338	55%
550400 · External Audit			5,000	-5,000	
550600 · Insurance Premium	185	1,110	3,000	-1,890	37%
550700 · Legal Notices & Ads		511	10,000	-9,489	5%
550800 · Office Supplies			4,500	-4,500	
550900 · Postage and Delivery			3,000	-3,000	
551000 · Printing and Reproduction	76	3,494	10,300	-6,806	34%
551100 · Office Rent	250	1,500	3,000	-1,500	50%
551200 · Technology	590	6,563	13,000	-6,437	50%
551220 · Website Upgrade	89	8,974	8,250	724	109%
551250 · Agenda Management Software	306	1,834	3,600	-1,766	51%
551300 · Travel Expense		1,744	20,000	-18,256	9%
551400 · Bank Service Charges		169	500	-331	34%
551500 · Recruitments			2,000	-2,000	
551700 · PIO Services		630			
551800 · Meals and Meeting Expense	35	169	2,500	-2,331	7%
551810 · Mileage Reimbursement		608	1,000	-392	61%
551900 · Board Stipends	1,005	6,371	26,400	-20,029	24%
599000 · Contingency			57,000	-57,000	
Total Expense	190,004	697,973	2,663,550	-1,965,577	26%
Net Ordinary Income	-190,004	447,027	-18,550	465,577	-2,410%
Other Income/Expense					

	Dec '18	Jul - Dec	FY19 Budget	\$ Over Budget	% of Budget
Other Income					
702000 - Interest Income	1,832	11,933	200	11,733	5,967%
Total Other Income	1,832	11,933	200	11,733	5,967%
Net Other Income	1,832	11,933	200	11,733	5,967%
Net Income	-188,172	458,960	-18,350	477,310	-2,501%

Salinas Valley Basin Groundwater Sustainability Agency

Balance Sheet

As of December 31, 2018

ASSETS	
Current Assets	
Checking/Savings	
100100 · Rabobank Checking	3,014
100200 · Rabobank Money Market	215,359
100300 · CalTrust Medium Term Funds	887,783
Total Checking/Savings	1,106,156
Other Current Assets	
120005 · Prepaid Expense	3,255
Total Other Current Assets	3,255
Total Current Assets	1,109,411
TOTAL ASSETS	1,109,411
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
200000 · Accounts Payable	188,200
Total Accounts Payable	188,200
Total Current Liabilities	188,200
Total Liabilities	188,200
Equity	
320000 · Retained Earnings	462,251
Net Income	458,961
Total Equity	921,212
TOTAL LIABILITIES & EQUITY	1,109,412

Salinas Valley Basin Groundwater Sustainability Agency
Payment & Disbursement Report
December 2018

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Amount</u>
Bill Pmt -Check	12/11/2018	1177	Adam Secondo	Board stipend- October 6th Planning Committee meeting	-100.00
Bill Pmt -Check	12/11/2018	1178	County of Monterey	December SVBGSA Rent- 1441 Schilling Place, South Building, 1st Floor, Salinas, CA	-250.00
Bill Pmt -Check	12/11/2018	1179	Regional Government Servies	Invoice #9086 & 9087 for November services	-29,689.80
General Journal	12/13/2018	46	Rabobank	December Bank charge- Account analysis fee	-36.90
Bill Pmt -Check	12/26/2018	1180	Office of the County Counsel of Mont	For Legal Services Rendered November 1st to 30th 2018	-2,193.30
Bill Pmt -Check	12/26/2018	1181	U.S. Bank - CalCard	Nov CC- Google G Suite, RingCentral, Printing, add user Docusign, website events upd:	-1,820.77
Deposit	12/31/2018		Rabobank	Interest	25.29
					<u>-34,065.48</u>



BOARD OF DIRECTORS STAFF REPORT

MEETING DATE: February 14, 2019

AGENDA ITEM: 7a

SUBJECT: Mid-Year Budget Adjustments for FY 2018-19

RECOMMENDATION:

Consider approving the Mid-Year Budget Adjustments

BACKGROUND:

Half-way through the fiscal year most agencies will review the status of their budget and make any recommended budget changes to ensure they can meet all their obligations. Furthermore, by December 31, 2018 most agencies have completed the audit of the previous fiscal year and use this opportunity to discuss what do with any audited surpluses from the previous year.

DISCUSSION:

Use of Fund Balance

The fiscal year ended June 30, 2018 finished with an unassigned fund balance of \$462,251. The FY 2017-18 budget as approved will use \$18,350 from the unassigned fund balance, leaving a balance of \$443,901. In accordance with the Agency's financial policies regarding Fund Balance/Reserves (copy attached), staff recommends that \$440,000 be appropriated as the Operating Reserve, which for now will be used to provide funding during a potential dry period.

FY 2018-19 Budget Adjustments

The budget has enough appropriations (spending authority) to cover total expenses for the fiscal year, however some realignment between accounts is recommended as follows:

- Transfer \$10,800 in appropriations from account 532200 - Deputy Clerk of the Board to account 520000 – Administrative Services, which is where the Deputy Clerk is being paid from.
- Transfer \$54,000 in appropriations account 532100 - Consulting Hydrologist to account 520000 – Administrative Services to cover the cost of an Assistant General Manager. The Hydrologist has not been hired. Staff anticipates that there is a much higher need for an Assistant General Manager than there is for a Hydrologist.

During budget deliberations staff concluded that in the future there will be a need for an Assistant GM to assist with all the public outreach meetings and to become familiar with the

operations. This is a good first step in succession planning as the development and implementation of the GSP is a long-term project requiring additional staffing.

The attached Mid-Year Budget Adjustment worksheet shows the impact of the aforementioned adjustments as well as other minor adjustments.

FISCAL IMPACT:

None.

ATTACHMENT(S):

Mid-Year Budget Adjustment FY 2018-19

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

Salinas Valley Basin Groundwater Sustainability Agency
Mid-Year Budget Adjustments
FY 2018-19

	<u>Jul - Dec</u>	<u>FY19 Budget</u>	<u>\$ Over Budget</u>	<u>Budget Adjustments</u>	<u>Revised Budget</u>
Ordinary Income/Expense					
Income					
440000 · Member Contributions	1,145,000	1,145,000			1,145,000
451000 · Prop 1 DWR Grant		1,500,000	-1,500,000		1,500,000
Total Income	<u>1,145,000</u>	<u>2,645,000</u>	<u>-1,500,000</u>	0	2,645,000
Expense					
520000 · Administrative Services	193,223	435,300	-242,077	64,800	500,100
530000 · Groundwater Sustainability Plan	433,979	1,653,155	-1,219,176		1,653,155
530500 · Legal Services	13,598	60,000	-46,402		60,000
532100 · Consulting Hydrologist (RGS)		54,000	-54,000	-54,000	0
532200 · Deputy Clerk of the Board (RGS)		10,800	-10,800	-10,800	0
532300 · Grant Management Services (RGS)	7,538	40,000	-32,462		40,000
540100 · Agency Financing Plan	13,626	117,145	-103,519		117,145
540200 · Facilitation Services		30,000	-30,000		30,000
540300 · Grant Writing / Lobbying		20,000	-20,000		20,000
540400 · Outside Specialty Legal Svcs		40,000	-40,000		40,000
540500 · Communications Consultant (RGS)		20,000	-20,000		20,000
550200 · Conferences / Training	670	7,100	-6,430		7,100
550300 · Dues and Subscriptions	1,662	3,000	-1,338		3,000
550400 · External Audit		5,000	-5,000		5,000
550600 · Insurance Premium	1,110	3,000	-1,890		3,000
550700 · Legal Notices & Ads	511	10,000	-9,489		10,000
550800 · Office Supplies		4,500	-4,500		4,500
550900 · Postage and Delivery		3,000	-3,000		3,000
551000 · Printing and Reproduction	3,494	10,300	-6,806		10,300
551100 · Office Rent	1,500	3,000	-1,500		3,000
551200 · Technology	6,563	13,000	-6,437		13,000
551220 · Website Upgrade	8,974	8,250	724	750	9,000
551250 · Agenda Management Software	1,834	3,600	-1,766		3,600
551300 · Travel Expense	1,744	20,000	-18,256	-750	19,250
551400 · Bank Service Charges	169	500	-331		500
551500 · Recruitments		2,000	-2,000		2,000
551700 · PIO Services	630				0
551800 · Meals and Meeting Expenses	169	2,500	-2,331		2,500
551810 · Mileage Reimbursement	608	1,000	-392		1,000
551900 · Board Stipends	6,371	26,400	-20,029		26,400
599000 · Contingency		57,000	-57,000		57,000
Total Expense	<u>697,973</u>	<u>2,663,550</u>	<u>-1,965,577</u>	0	2,663,550
Net Ordinary Income	447,027	-18,550	465,577	0	

Salinas Valley Basin Groundwater Sustainability Agency Financial Policies

3 - FUND BALANCE/RESERVES

The Agency shall maintain a fund balance at a level sufficient to protect the Agency's creditworthiness as well as its financial position from unforeseeable emergencies.

A. Operating Reserve

The Agency shall strive to maintain an Operating Reserve sufficient to cover any dry periods in its revenue stream and, to provide sufficient reserves for unforeseen occurrences and revenue shortfalls. Operating expenditures for reserve purposes is defined as the total budget less capital project expenditures.

B. Use of Operating Reserve

The Operating Reserve shall be used only for its designated purpose - emergencies, non-recurring expenditures, or major capital purchases that can not be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective, restoration recommendations will accompany the decision to utilize said reserve.

F. Annual Review of Reserves

As part of the annual budget process, the Agency will review the target amount and the status of each of the reserves. This will be taken into account as part of the budget development. The goal is to reach the Operating Reserve amounts within a five year period but in no case later than 10 years.



BOARD OF DIRECTORS STAFF REPORT

MEETING DATE: February 14, 2019

AGENDA ITEM: 7b

SUBJECT: Receive Audited Financial Statements for fiscal year ended June 30, 2018

RECOMMENDATION:

The Budget and Finance Committee recommends approval of the Draft Audited Financial Statements.

BACKGROUND:

Government Code Section 6505 requires an annual audit of the accounts and records of the Agency by a certified public accountant. On May 10, 2018 the Board selected Badawi & Associates, CPAs to audit the Agency's books at a cost of \$5,000, since they already audit the records of Regional Government Services (RGS), which provides administrative services to the Agency. The Committee is being presented with a Draft copy of the audited financial statements. If everything looks fine, the final document will be presented to the Board.

DISCUSSION:

Fiscal year 2017-18 was the first fiscal year for the Agency. Below are some comments regarding the audit, highlighting the main points of the audit.

Auditor's Opinion

The auditors, Badawi & Associates, state on page 1 of the Auditor's Annual Financial Report ("Report") under Opinions, that the financial statements in the Report "present fairly, in all material respects" the City's financial position and results of operations for the fiscal year ended June 30, 2018. This is considered a clean opinion, no qualifications.

Statement of Net Position page 10 and Balance Sheet page 14 show a balance of \$462,251

The Statement of Net Position shows a total Net Position of \$462,251, the same as the Balance Sheet fund balance. In a typical governmental agency, these two financial statements have a different balance because the Statement of Net Position includes capital assets and long-term liabilities, which the Balance Sheet does not. In the case of the Agency the numbers are the same because the Agency has no capital assets or long-term liabilities. This is due in part to the fact that the Agency has no employees with long-term retirement costs and no assets since RGS provides all assets needed to manage the Agency. The \$462,251 represents how much was available in the General Fund to spend at June 30, 2018

Statement of Activities page 11 and Statement of Revenues, Expenditures and Changes in Fund Balance page 16, show a Net Change of \$462,251

In a typical governmental agency, these two financial statements show a different Net Change because the Statement of Activities includes depreciation and capitalized capital asset purchases, which the Balance Sheet does not. In the case of the Agency the numbers are the same because the Agency has no capital assets to depreciate.

The positive Change in Net Position of \$462,251 is the result of the result of the Agency receiving a full year of funding but not spending until later in the year, and once it started spending, it went with a lower cost alternative by using the services of RGS to provide full management services.

FISCAL IMPACT:

None.

ATTACHMENT(S):

Draft Annual Financial Statements and Independent Auditor's Reports

PREPARED BY:

Roberto Moreno, RGS Senior Advisor

Salinas Valley Basin Groundwater Sustainability Agency

*Financial Statements and Independent
Auditors' Reports*

For the year ended June 30, 2018

Salinas Valley Basin Groundwater Sustainability Agency
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 For the years ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Of the Salinas Valley Basin Groundwater Sustainability Agency
Carmel Valley, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Salinas Valley Basin Groundwater Sustainability Agency (Agency) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Salinas Valley Basin Groundwater Sustainability Agency
Carmel Valley, California
Page 2

Other Matters

Required Supplementary Information

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Oakland, California
February 8, 2019

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The Salinas Valley Basin Groundwater Sustainability Agency (Agency) is a Joint Powers Authority (JPA) established in 2017 under California's Sustainable Groundwater Management Act. The Agency was formed for the purpose of achieving groundwater sustainability in the Salinas Valley Groundwater Basin. The Agency is tasked with developing a comprehensive groundwater sustainability plan by 2020 and implementing the plan to achieve basin sustainability by 2040. This is the first year of financial operations.

The effort to comply with the Groundwater Management Act began in 2015 with a stakeholder assessment. The Joint Powers agreement went into effect on December 26, 2016, and the inaugural meeting of the initial Board of Directors was March 9, 2017. On August 10, 2017, the Agency Board approved a contract with Regional Government Services (RGS) for management services. The Permanent Board of Directors was sworn in on October 12, 2017. The JPA was formed by the County of Monterey, Water Resources Agency of the County of Monterey, City of Salinas, City of Gonzales, City of Soledad, City of King, Castroville Community Services District, and Monterey Regional Water Pollution Control Agency. It is governed by 11 Directors as follows: 1 from City of Salinas, 1 from South County Cities, 1 Other GSA Eligible Entity, 1 CPUC Regulated Water Co., 4 from Agriculture, 1 from Environment, and 1 member of the public.

All agency administration is outsourced to RGS which provides all staff and systems necessary for the operation of the Agency.

This section of the annual financial report presents our discussion and analysis of Agency's financial performance during the period from July 1, 2017 to June 30, 2018. Please read it in conjunction with Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Revenues for the year were \$1,146,210 of which the JPA member agencies contributed \$1,145,000, 100% of their commitments
- Total expenses of \$683,959 compare favorably to the budget of \$1,045,206.
- The Agency ended the year with a fund balance of \$462,251, which is the Net Income for the year.
- During fiscal year 2017-2018 the Agency was awarded a Prop 1 DWR Grant in the amount of \$1,500,000, of which nothing had been claimed as of June 30.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – *management's discussion and analysis* (this section), the *financial statements*, and *required supplementary information*.

The financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The Statement of Net Position and Statement of Activities are included along with Notes to the Financial Statements to clarify unique accounting policies and financial information.

The Statement of Net Position includes all of the agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Agency reports its activities as a governmental fund. A governmental fund uses the modified accrual accounting for its activities. The changes in net position presented on the Statement of Activities are on an accrual basis. For the current year, there were no reconciling differences between the Agency’s general fund and the Statement of Net Position and Statement of Activities.

	<u>2018</u>
Current Assets	
Cash and Investments	736,367
Accounts receivable	-
Prepaid expenses	3,185
Total Assets	<u>739,552</u>
Current Liabilities	
Accounts Payable	<u>277,301</u>
Total Liabilities	277,301
Net Position	
Unrestricted	<u><u>462,251</u></u>

Assets

The cash and investments balance reflect funds on deposit at the agency’s bank and invested at CalTrust. Investment balances are maximized to achieve the greatest amount of investment income while also preserving sufficient liquidity to meet routine obligations. Prepaid expense reflect the unamortized costs of items paid in full when purchased.

Liabilities

The only liabilities the agency has are routine monthly vendor invoices. Bills are paid twice per month and the balance showing represents invoices incurred during the fiscal year but not paid until the following month.

Agency has no long-term debt.

Net Position

Agency’s unrestricted net position are available to fund ongoing future expenses.

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

	2018
Operating Revenues:	
Member contributions	1,145,000
Investment income	<u>1,210</u>
Total Revenue	1,146,210
Operating Expenses:	
Administrative Services	266,068
Groundwater Sustainability Plan	288,654
Other expenditures	<u>129,237</u>
Total Operating Expenses	<u>683,959</u>
Operating Income (Loss)	462,251
Beginning Net Position	<u>-</u>
Ending Net Position	<u>462,251</u>

Revenues

The agency operating revenues reflect the member contributions budget of \$1,450,000 as well as investment earnings.

Expenses

The agency's operating expenses fall into three major categories: Administrative Services costs from RGS; Groundwater Sustainability plan vendor costs; and other expenses such as legal, grant writing, and other routine JPA operating expenses. The savings in budgeted expenditures is due to the fact that the agency did not begin expending funds until August 2018, and then began to spend slowly as the Agency geared up to full operations.

FINANCIAL CONTACT

Questions concerning the information provided in this discussion and analysis and MSA's financial statements should be addressed to:

Salinas Valley Basin Groundwater Sustainability Agency
Richard H. Averett, Treasurer
PO Box 1350
Carmel Valley, CA 93924
831-308-1508

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 736,367
Prepaid items	3,185
Total assets	<u>739,552</u>
LIABILITIES	
Accounts payable	277,301
Total liabilities	<u>277,301</u>
NET POSITION	
Unrestricted	462,251
Total net position	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities		
Governmental activities:						
Groundwater sustainability	\$ 683,959	\$ -	\$ 1,145,000	\$ 1,145,000	\$ 461,041	
Total primary government	<u>\$ 683,959</u>	<u>\$ -</u>	<u>\$ 1,145,000</u>	<u>\$ 1,145,000</u>	<u>461,041</u>	

General revenues:	
Investment income	1,210
Total general revenues	<u>1,210</u>
Change in net position	462,251
Net position - beginning of year	-
Net position - end of year	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Salinas Valley Basin Groundwater Sustainability Agency
Balance Sheet
General Fund
June 30, 2018

ASSETS

Cash and investments	\$ 736,367
Prepaid items	3,185
Total assets	\$ 739,552

LIABILITIES AND
FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	277,301
Total liabilities	277,301

Fund Balances:

Unassigned	462,251
Total fund balances	462,251
Total liabilities and fund balances	\$ 739,552

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Balance Sheet of the General Fund
to the Statement of Net Position
June 30, 2018

Total Fund Balances for the General Fund	<u>\$ 462,251</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
There were no reconciling differences for fiscal year 2018.	
Net Position of Governmental Activities	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

Salinas Valley Basin Groundwater Sustainability Agency
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the year ended June 30, 2018

REVENUES:

Member contributions	\$ 1,145,000
Investment income	1,210
Total revenues	<u>1,146,210</u>

EXPENDITURES:

Current - Groundwater sustainability:	
Administrative services	266,068
Groundwater sustainability plan	288,654
Other expenditures	129,237
Total expenditures	<u>683,959</u>
 Net change in fund balances	 462,251

FUND BALANCES:

Beginning of year	<u>-</u>
End of year	<u>\$ 462,251</u>

See accompanying Notes to Basic Financial Statements.

**Salinas Valley Basin Groundwater Sustainability Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the General Fund to the Statement of Activities
For the year ended June 30, 2018**

Net Changes in Fund Balances - General Fund \$ 462,251

Amounts reported for governmental activities in the Statement of Activities are different because:

There were no reconciling differences for fiscal year 2018.

Change in Net Position of Governmental Activities \$ 462,251

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Salinas Valley Basin Groundwater Sustainability Agency is a Local Agency tasked with the developing a comprehensive groundwater sustainability plan by 2020 and implementing the plan to achieve basin sustainability by 2040. The Agency Board is governed by an eleven-member Board of Directors. The Board meets monthly to implement the Sustainable Groundwater Management Act in the Salinas Valley Groundwater Basin. The following is a summary of the significant accounting policies of the Salinas Valley Basin Groundwater Sustainability Agency (the Agency) in conformity with accounting principles generally accepted in the United States of America.

A. Relationship to the Regional Government Services Authority

The Regional Government Services Authority provides administrative and accounting services for the Agency and acts in a fiduciary capacity for the Agency. The Agency's activities are accounted for in its own set of financial statements.

B. Basis of Accounting and Measurement Focus

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Government - wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. The Agency has no fiduciary activities. Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with requirements of GASB Statement No. 33.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government - wide Financial Statements, Continued

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term liabilities are recorded as a liability in the government-wide financial statements, rather than as another financial source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

Fund financial statements for the Agency's governmental fund are presented after the government-wide financial statements. These statements display information about the Agency's major fund.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Agency uses an availability period of 60 days.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Member contributions and investment income associated with the current period are considered to be susceptible to accrual. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

Unavailable revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the combined balance sheet and revenue is recognized.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term receivables are offset by nonspendable fund balance.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as government fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term liabilities are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

C. Activities in Major Fund

The following fund is presented as a major fund in the accompanying basic financial statements:

General Fund – all revenues have been accounted for in this fund. Expenditures of this fund include general operating expenses.

D. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. The Agency did not have any amount reported in this category as of June 30, 2018 as the Agency did not have any capital assets as of June 30, 2018.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments. The Agency did not have any amount reported in this category as of June 30, 2018.

Unrestricted – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Agency’s policy is to apply restricted net position first.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Fund Balances

Fund Financial Statements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classification of fund balances is as follows:

Nonspendable Fund Balances

These include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, e.g., the principal of an endowment fund. Examples of "not in spendable form" include inventory, prepaid amounts, long-term notes and loans, property held for resale and other items not expected to be converted to cash. However, if the proceeds from the eventual sale or liquidation of the items would be considered restricted, committed or assigned (as defined further on) then these amounts would be included in the restricted, committed or assigned instead of the nonspendable classification. A debt service reserve fund held by a trustee is an example of fund balance in nonspendable form that is classified as restricted instead of nonspendable since the reserve is eventually liquidated to make the final debt service principal payment.

Restricted Fund Balances

Restricted fund balances have externally enforceable limitations on use. The limitations on use can be imposed by creditors, grantors, or contributors as well as by constitutional provisions, enabling legislation, laws and government regulations.

Committed Fund Balances

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (Resolution) of the Board are classified as committed fund balances.

Assigned Fund Balances

Fund balance amounts for which the Board has expressed intent for use but not taken formal action to commit are reported as assigned under GASB 54.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. New Pronouncements

In 2018, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement did not apply to the Agency for the current fiscal year.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the Agency for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). The requirements of this statement did not apply to the Agency for the current fiscal year.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* - The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the Agency for the current fiscal year.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are reported as follows:

Cash on hand and in the banks	\$ 30,157
Money Market Account	205,176
CalTrust Funds	501,034
Total Cash and Investments	<u>\$ 736,367</u>
General Fund	<u>\$ 736,367</u>
Total Cash and Investments	<u>\$ 736,367</u>

A. Cash in Bank

The carrying amount of the Agency's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. California law also allows institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits.

B. CalTRUST Investment Pool

The Agency is a voluntary participant in the Investment Trust of California (CalTRUST), a public joint powers agency formed to pool and invest the funds of public agencies. CalTRUST invests in fixed-income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. Investment guidelines adopted by the board of Trustees may further restrict the types of investments that are held by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio.

C. Fair Value Measurements

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. None of the Agency's investments were subject to levelling disclosure. The Agency's investments were not subject to levelling disclosure.

Salinas Valley Basin Groundwater Sustainability Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years or More
Money Market Account	\$ 205,176	\$ 205,176	\$ -	\$ -	\$ -	\$ -
CalTrust Funds	501,034	501,034	-	-	-	-
Total	<u>\$ 706,210</u>	<u>\$ 706,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Concentration of Credit Risk

The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. There were no investments other than the State Investment Pool in any issuer that represents 5% or more of the City's total investments as of June 30, 2018.

Custodial Credit Risk

The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. None of the City's investments were subject to custodial credit risk.

REQUIRED SUPPLEMENTARY INFORMATION

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Salinas Valley Basin Groundwater Sustainability Agency
Notes to Required Supplementary Information, Budget Comparison Schedule
For the year ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The Agency adopted an annual budget prepared on the modified accrual basis for the General Fund, which is consistent with accounting principles generally accepted in the United States of America.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budet Positive (Negative)
	Original	Actual		
REVENUES:				
Member contributions	\$ 1,145,000	\$ 1,145,000	\$ 1,145,000	\$ -
Investment income	-	200	1,210	1,010
Total revenues	1,145,000	1,145,200	1,146,210	1,010
EXPENDITURES:				
Current - Groundwater sunstainability:				
Administrative services	382,224	255,500	266,068	(10,568)
Groundwater sustainability plan	228,000	424,006	288,654	135,352
Other expenditures	434,982	365,700	129,237	236,463
Total expenditures	1,045,206	1,045,206	683,959	361,247
REVENUES OVER (UNDER) EXPENDITURES	99,794	99,994	462,251	362,257
Net change in fund balances	99,794	99,994	462,251	362,257
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 462,251	

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BOARD OF DIRECTORS STAFF REPORT

MEETING DATE: February 14, 2019

AGENDA ITEM: 7c

SUBJECT: Consideration of Using a Resolution for Establishing Regulatory Fees, and Provide Direction Regarding the Fee Structure

RECOMMENDATION:

SVBGSA staff recommends that the SVBGSA Board approve using a resolution rather than an ordinance establishing regulatory fees for funding the SVBGSA operational costs, and provide direction regarding the fee structure.

BACKGROUND:

The Joint Powers Authority Agreement (Agreement) that formed the Salinas Valley Basin GSA (SVBGSA) reads in part:

Failure to be Financially Sustainable

In the event that the Agency does not take the necessary actions to create a sustainable revenue stream necessary to fully finance its operating budget by the end of Fiscal Year 2018 – 2019 this Agreement shall terminate and the Agency shall be dissolved, unless otherwise agreed to by amendment to this Agreement approved unanimously by all then-existing Members.

To address these matters the Board entered into an agreement with Hansford Economics to complete a fee study that could meet the criteria set forth in the Agreement. The timeline for developing fees is very short and significant progress has been made in developing methodologies for generating operational funding for the GSA.

DISCUSSION:

At the January 10, 2019 Board of Directors meeting staff was directed to prepare an ordinance for adopting the Groundwater Sustainability Fee to be introduced at the February meeting. Based on comments at the Board meeting, staff has concluded there is a high likelihood that any draft ordinance may need substantial revision, causing a delay in the introduction and adoption of the ordinance.

SGMA provides that the fee may be adopted by ordinance or resolution – the benefit of a resolution being that it only takes one reading. Agency Counsel had previously requested that the Executive Committee review the draft resolution and attachment,

provide comments, and forward to the full Board of Directors at the February Board meeting for further consideration, public comment, and revision. A final resolution would then be available for adoption in March.

The Executive Committee requested that the definition of irrigated acreage continue to be refined and that work be done on maps to improve understanding of the areas that will be included in fee collection.

FISCAL IMPACT:

Establishing a fee structure and determining a reimbursement schedule will have significant impact on the amount of funding required for operations and reimbursement.

ATTACHMENT(S): Resolution

PREPARED BY:

Gary Petersen, General Manager SVBGSA

**Salinas Valley Basin
Groundwater Sustainability
Agency**

2018 Regulatory Fee Study

February 4, 2019

FINAL

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ACRONYMS

CPUC – California Public Utilities Commission

DWR – California Department of Water Resources

ET – Evapotranspiration

GIS – Geographic Information System

GSA – Groundwater Sustainability Agency

GSP – Groundwater Sustainability Plan

JPA – Joint Powers Authority

MCWD – Marina Coast Water District

SVBGSA – Salinas Valley Basin Groundwater Sustainability Agency

SGMA – Sustainable Groundwater Management Act

FEE STUDY PREFACE

The Salinas Valley Basin Groundwater Sustainability Agency commissioned this study to establish a new regulatory fee sufficient to generate revenues that will support the typical annual operation costs of its regulatory program authorized by SGMA, including the development of groundwater sustainability plans, for which it is tasked. The fee study consultant team that prepared this report includes:

Catherine Hansford, HEC

Schaelene Rollins, J. Harrison PR

Bryan Ferri, KSN, Inc.

The analyses, opinions, and findings contained within this report are based on primary data collected through interviews and research, as well as many sources of secondary data available as of the date of this report. Updates to information obtained for this report could change or invalidate the findings contained herein. While it is believed that the secondary sources of information are accurate, this is not guaranteed.

This report should be utilized strictly for the purposes of the scope and objectives of the commissioned study. We appreciate working with staff in the development of this fee study and wish to thank the Board of Directors, Advisory Committee, and all of the stakeholders who helped shape the new Salinas Valley Basin Groundwater Sustainability Agency regulatory fee.

Catherine Hansford



Hansford Economic Consulting

Ph: 530 412 3676

catherine@hansfordecon.com

Section 1: EXECUTIVE SUMMARY

1.1 INTRODUCTION

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA or Agency) is a Joint Powers Authority (JPA) established in 2017 in fulfillment of California’s Sustainable Groundwater Management Act (SGMA)¹. SGMA provides for the local regulation of groundwater by requiring that all groundwater basins in the State of California be managed by a Groundwater Sustainability Agency (GSA). Bulletin 118, circulated by the California Department of Water Resources (DWR), identifies the groundwater basins and sub-basins to be managed, and designates their priority status. Groundwater sustainability plans (GSP) must be developed for high and medium-priority basins to demonstrate how sustainability will be achieved by the year 2040. Critically over-drafted basins must have a GSP prepared by January 1, 2020. High and medium priority basins not critically over-drafted must have GSPs prepared by January 1, 2022.

SGMA defines sustainable groundwater management as the management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results². The six undesirable results are:

1. Chronic lowering of groundwater levels,
2. Significant and unreasonable reduction of groundwater storage,
3. Significant and unreasonable seawater intrusion,
4. Significant and unreasonable degradation of water quality,
5. Significant and unreasonable land subsidence, and
6. Surface water depletions that have significant and unreasonable adverse impacts on beneficial uses of surface water.

The SVBGSA was formed to manage groundwater in seven hydrographic sub-basins of the Salinas Valley Basin: (1) Monterey, (2) 180/400 Foot, (3) East Side, (4) Forebay, (5) Langley, (6) Upper Valley, and (7) Paso Robles.

Portions of these hydrographic basins excluded from SVBGSA’s management are the jurisdictional boundaries of the Marina Coast Water District (MCWD) (a very small portion of the 180/400 Foot Aquifer and a small portion of the Monterey Aquifer) and the jurisdictional boundaries of the City of Greenfield (portion of the Forebay aquifer), both of which have formed separate GSAs³. In addition, federal lands are exempt from SGMA⁴.

¹ The SVBGSA is a completely separate entity from the Monterey County Water Resources Agency.

² Water Code 10721.

³ The SVBGSA and the MCWD GSA have been negotiating for a management area in the Monterey Aquifer that will be managed by the MCWD GSA; that portion of the MCWD in the 180/400 Foot Aquifer will be managed by the SVBGSA. The SVBGSA and the City of Greenfield GSA (called the Arroyo Seco GSA or ASGSA) are currently in discussions about creating a management area in and around the City of Greenfield that would be managed by the ASGSA.

⁴ Water Code 10720.3.

Currently, the Forebay sub-basin is designated as medium-priority. All of the other sub-basins are designated high-priority, and the 180/400 Foot and Paso Robles sub-basins are in critical overdraft.

In April 2018, the SVBGSA filed a boundary modification that would move the Paso Robles sub-basin, which currently straddles Monterey and San Luis Obispo counties, to the Monterey County (County) line. This change would add the portion of the Paso Robles sub-basin in Monterey County to the Upper Valley sub-basin. The Upper Valley sub-basin would maintain high-priority status without critical overdraft, and the SVBGSA would have six sub-basins to manage.

1.2 FEE SETTING AUTHORITY AND PURPOSE OF THE FEE STUDY

The SVBGSA has the authority to charge fees, conduct investigations, register wells, require reporting, and take other actions to sustainably manage the sub-basins. The JPA’s eight signatories agreed to fund the first two years (fiscal year 2017/18 and fiscal year 2018/19) of SVBGSA operations. The eight signatories are:

1. Monterey County	5. City of Soledad
2. Monterey County Water Resources Agency	6. King City
3. City of Salinas	7. Castroville CSD
4. City of Gonzales	8. Monterey One Water

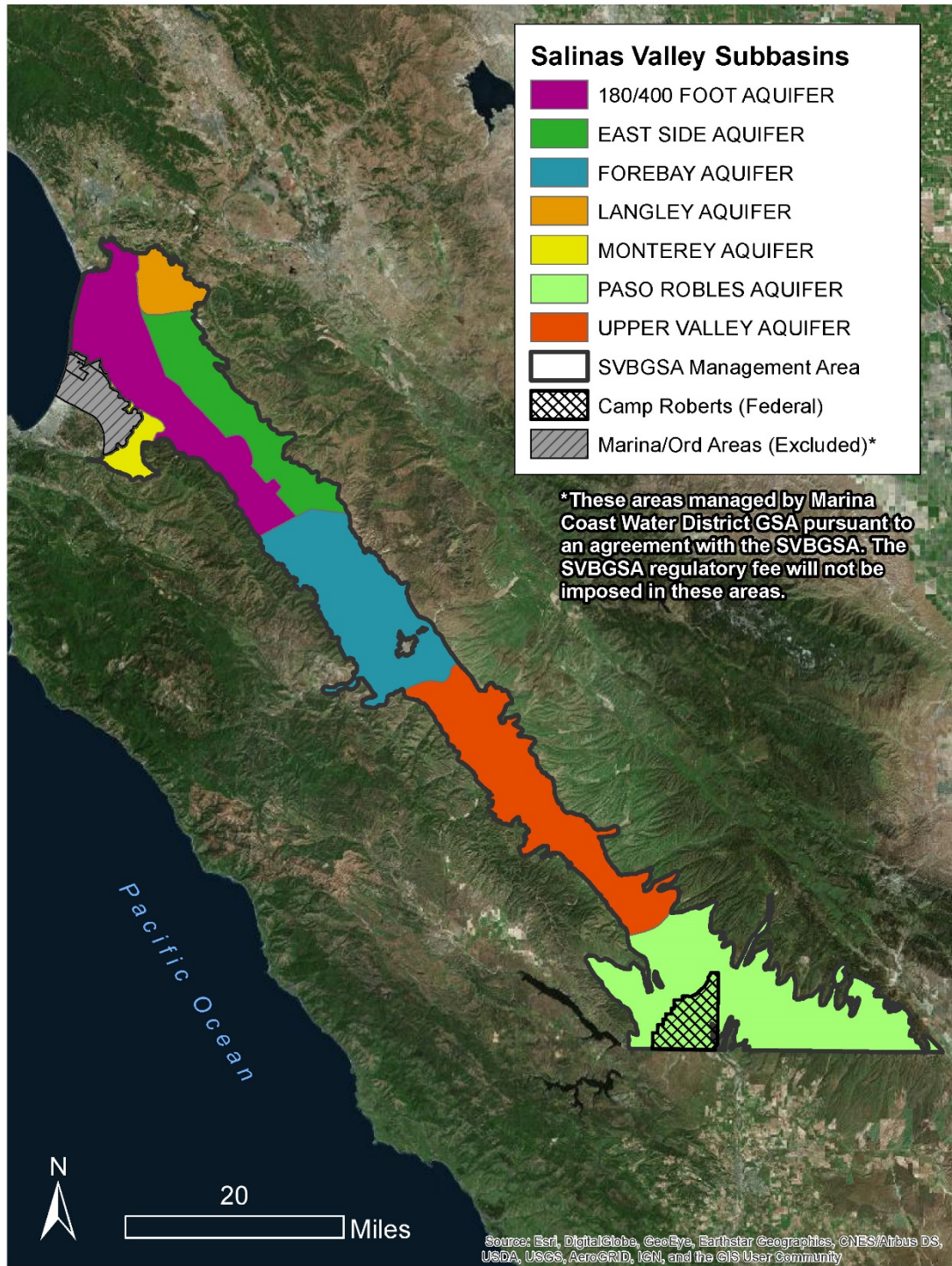
The member-funded budget for the SVBGSA is \$2.29 million for the first two fiscal years. Member contributions were agreed to, and they are not the same for all members. In addition, private-sector agricultural interests paid for \$500,000 of the County’s total \$1.34 million contribution. The member agencies have no obligation to contribute beyond these two fiscal years. A new regulatory fee, which is the subject of this report, will be imposed that will replace member contributions, and over time, could reimburse those initial contributors.

The SVBGSA regulatory fee will be imposed within the SVBGSA management area, which is illustrated in **Map 1** on the following page. A Geographic Information System (GIS) platform was developed as part of this study and is accessible at <https://arcg.is/SnKul>; this tool can be used to zoom into view areas of particular interest within the SVBGSA management area.

The SVBGSA’s regulatory fee will not be collected in the MCWD GSA management area (generally that portion of the Monterey sub-basin north of Highway 68); the MCWD GSA will collect fees in this area to pay for its regulatory costs. The MCWD GSA will manage those areas shown in gray with stripes on the map pursuant to an agreement with the SVBGSA. The SVBGSA’s regulatory fee will also not be collected within the jurisdictional boundaries of the City of Greenfield (the ASGSA), although, as mentioned in footnote 3, the ASGSA and the SVBGSA are in discussions concerning the creation of a management area that would be managed by the ASGSA. Implementation and collection of the SVBGSA’s regulatory fee in such case is yet to be determined. Until such time as an agreement is reached, the SVBGSA’s

regulatory fee will be imposed on properties in the unincorporated area outside the jurisdictional boundaries of the City of Greenfield.

Map 1
SVBGSA Groundwater Management Area



Map 2 on the next page shows federal lands exempt from the SVBGSA regulatory fee. In addition to Camp Roberts (Department of Defense) in the very southern portion of the County, there is property owned by the US Fish and Wildlife Service on the coast, and some small pockets of land owned by the Bureau of Land Management that are too small to show up on the map. Due to its large size, Camp Roberts is shown in all the maps in this report; however, all federal properties are excluded from the SVBGSA regulatory fee calculation and will not be charged the fee.

Water Code and Proposition 26

Water Code Sections 10730, 10730.1 and 10730.2 set forth the authority for the SVBGSA to set fees. The fee being considered in this report is a regulatory fee authorized by Water Code Section 10730 and it is exempt from voter approval, as it is not a tax pursuant to California Constitution Article XIII C (Proposition 26, Section 1(e)(3)⁵). The fee may be charged to pay for “reasonable costs” of a regulatory program. The fee must be proportional and related to benefits of the program.⁶

This report documents the methodology, public outreach, and Fiscal Year 2019/20 new SVBGSA regulatory fee proposed to fund the regulatory activities of the SVBGSA. The fee will only fund regulatory activities of managing groundwater to sustainability (such as GSP development), day-to-day administrative operations costs, and prudent reserves. All beneficiaries of groundwater sustainability will be charged the fee with the exception of federal lands, tribal lands, and de minimus users⁷. De minimus users are domestic well owners pumping less than two acre-feet per year per parcel; domestic use excludes any commercial activities⁸. Revenue from the fee will not be available to pay for other operational costs (such as providing water service) or for infrastructure or resource capital costs.

SVBGSA JPA Board Approval Requirements

In order for the regulatory fee to be implemented, there must be a Super Majority Plus Vote of the Board of Directors (Board). The eleven-member Board of Directors includes representatives of the JPA members as well as representatives of agriculture, the environment, rural residential areas and disadvantaged communities. A Super Majority Plus Vote means the affirmative vote of eight directors then present and voting at the meeting, and the affirmative vote of three of the four agricultural directors.

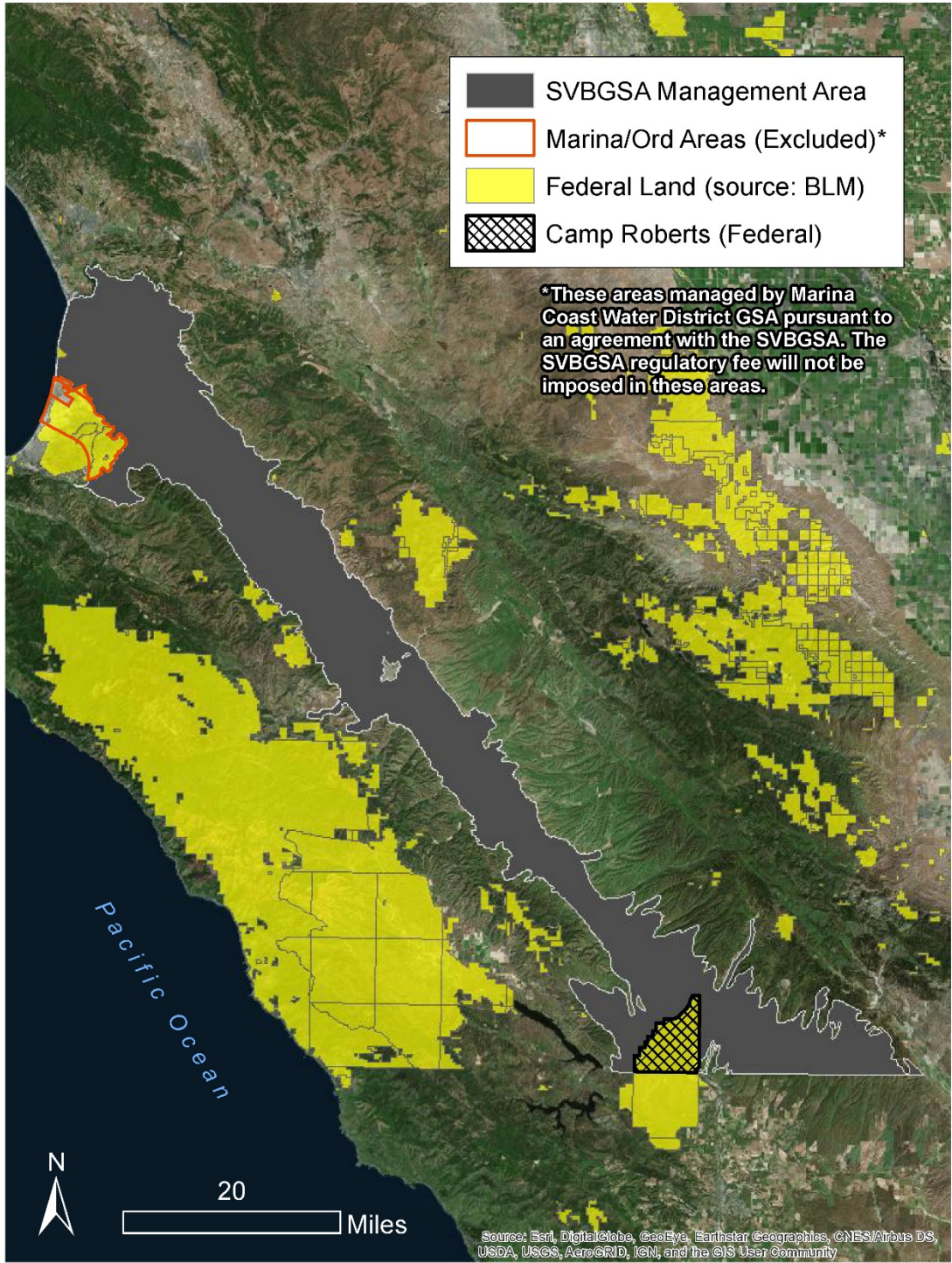
⁵ “As used in this Article, “tax” means any levy, charge, or exaction of any kind imposed by a local government, except the following: . . . (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof. . . .”

⁶ The fee might also be considered not a tax because it is a charge imposed for the specific service or benefit of providing for a sustainable groundwater basin (California Constitution Article XIII C, sections 1(c)(1) and 1(c)(2)).

⁷ Pursuant to Water Code Section 10730 (a), the SVBGSA shall not impose a fee on de minimus extractors because the agency has not regulated de minimus extractors.

⁸ Water Code section 10721(e).

Map 2
Federal Lands Exempt from the SVBGSA Regulatory Fee



If the SVBGSA fails to adopt a fee by June 30, 2019, the Agency is in jeopardy of dissolution. Section 11.10 of the Joint Powers Agreement, Section c) Failure to be Financially Sustainable states:

In the event that the Agency does not take the necessary actions to create a sustainable revenue stream necessary to fully finance its operating budget by the end of Fiscal Year 2018-2019 this Agreement shall terminate and the Agency shall be dissolved, unless otherwise agreed to by amendment to this Agreement approved unanimously by all then-existing Members. In the event of such termination and dissolution the process of dissolution shall begin on July 1, 2019, and proceed as set forth in Section 11.10 (a) (ii).

In the event of dissolution, groundwater sustainability activities for the SVBGSA management area will be conducted by the State Water Board and State intervention fees will be imposed on all groundwater extractors in the basins (or portions of basins) that were managed by the SVBGSA. State management is undesirable; by adopting the proposed regulatory fee, stakeholders will maintain local control of groundwater management of the Salinas Valley.

1.3 PROPOSED FEE

Table 1 presents the proposed SVBGSA regulatory fee for Fiscal Year 2019/20. The cost basis for the fee calculation is \$1.2 million. The cost includes annual regulatory activity operating expenses of SVBGSA (development of the GSPs, contract personnel to staff the Agency, legal counsel, and so forth). Agricultural beneficiaries are responsible for 90% of the Fiscal Year 2019/20 cost; All Other beneficiaries are responsible for 10% of the cost.

**Table 1
Proposed SVBGSA Regulatory Fee**

Sustainable Groundwater Beneficiary	Annual Fee FY 2019/20
Agricultural	\$4.79 per irrigated acre
All Other	\$2.26 per service connection

The SVBGSA will adopt the fee in 2019 by resolution; subsequent updates to the fee may also be adopted by resolution. The 2019 resolution will establish the fee for Fiscal Year 2019/20 and establish the San Francisco Consumer Price Index as the annual fee inflator; however, the inflator will not be applied automatically. An annual review of the fee level will take into consideration current cash and budget projections, as well as any changes in fee methodology or changes in base data set(s) upon which the annual fees are calculated. The SVBGSA Board has the ability to revise the fee whenever necessary by following procedures in the California Constitution.

SECTION 2: CUSTOMER BASE AND OUTREACH PROCESS

2.1 SVBGSA CUSTOMER BASE

The SVBGSA customer base is diverse. Groundwater supports economic activities from small domestic scale to large industrial scale. More than 240,000 persons permanently inhabit the Salinas Valley, from the largely rural landscape of the South County to the more urbanized North County. The population swells as seasonal workers come to harvest crops during certain periods of the year.

Table 2 on page 9 shows the population of places within the SVBGSA management area (note that it includes almost 8,500 people incarcerated at the Soledad State Prison and Correctional Training Facility). Source data for this table is the most current demographic information available from the US Census, which is the 2017 5-year American Community Survey, accessible at <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>.

Of the total population, approximately three-quarters is Hispanic, with some communities almost exclusively Hispanic. On average there are 3.86 permanent persons in housing units; however, this varies. The persons per unit is very high for Soledad because of the prisons; it is very low in Moss Landing. The Statewide average is 2.97 persons per unit⁹. Monterey County has 3.35 persons per unit on average. The high number of persons per unit is indicative of a predominantly agricultural community. The only counties in California with persons per unit greater than Monterey County are Merced, Tulare, and Imperial counties.

Many of the communities in the Salinas Valley are classified as Disadvantaged by the State¹⁰. **Map 3** on the next page shows Disadvantaged areas within the SVBGSA's management area. The SVBGSA has representatives of Disadvantaged communities on both the Advisory Committee and the Board of Directors.

The customer base of the SVBGSA is all beneficiaries of sustainable groundwater management within the sub-basins for which GSPs will be developed to address sustainability. Beneficiaries include individuals, businesses, and government agencies, including the State of California. Beneficiaries may also include wildlife, riparian habitat and other environmental users of water in the Salinas Valley; however, for purposes of the regulatory fee, the beneficiary must either be the owner of irrigated agricultural land or the recipient of water service by a publicly or privately-owned water system.

⁹ California Department of Finance E-5 Report for January 2018.

¹⁰ The State defines Disadvantaged as the community having a median household income less than 80% of the Statewide median household income.

Map 3
Disadvantaged Communities in SVBGSA's Management Area

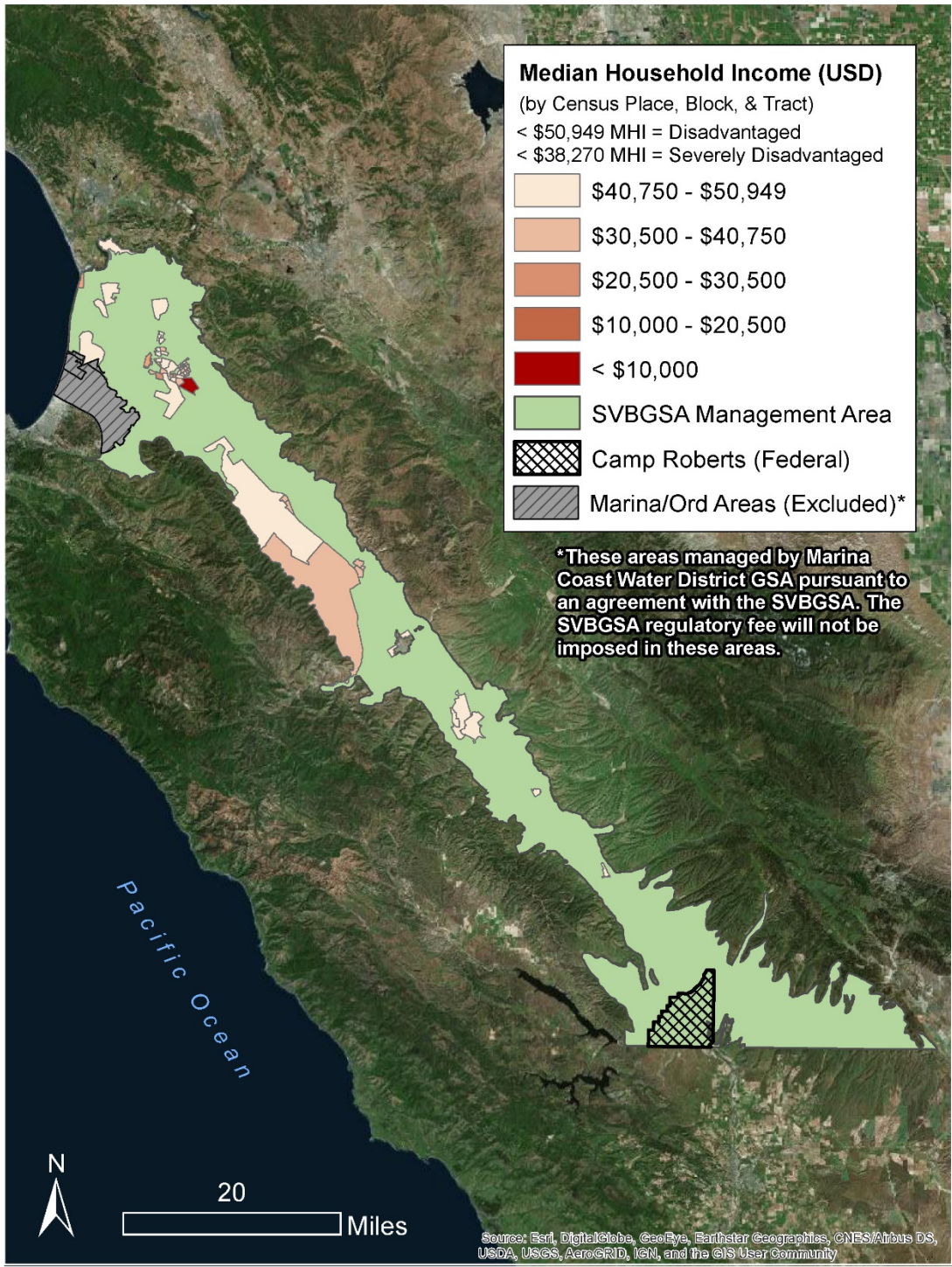


Table 2
Demographics of Communities in the SVBGSA Management Area

Census Place	Housing Units	Total Population	Persons per Unit	Hispanic Population	Percent Hispanic
Boronda	372	1,259	3.38	897	71%
Castroville	1,649	6,689	4.06	5,838	87%
Chualar	300	1,409	4.70	1,409	100%
Elkhorn	446	1,052	2.36	287	27%
Gonzales	2,033	8,462	4.16	7,947	94%
King City	3,349	13,721	4.10	12,433	91%
Moss Landing	53	55	1.04	21	38%
Pine Canyon	647	1,995	3.08	1,152	58%
Prunedale	6,279	20,928	3.33	11,478	55%
Salinas	42,253	156,811	3.71	121,133	77%
San Ardo	169	623	3.69	544	87%
San Lucas	90	346	3.84	273	79%
Soledad [1]	4,131	25,603	6.20	18,418	72%
Spreckels	232	562	2.42	65	12%
Total Salinas Valley	62,003	239,515	3.86	181,895	76%

Source: US Census Bureau 2017 5-Year ACS.

[1] Includes prisons.

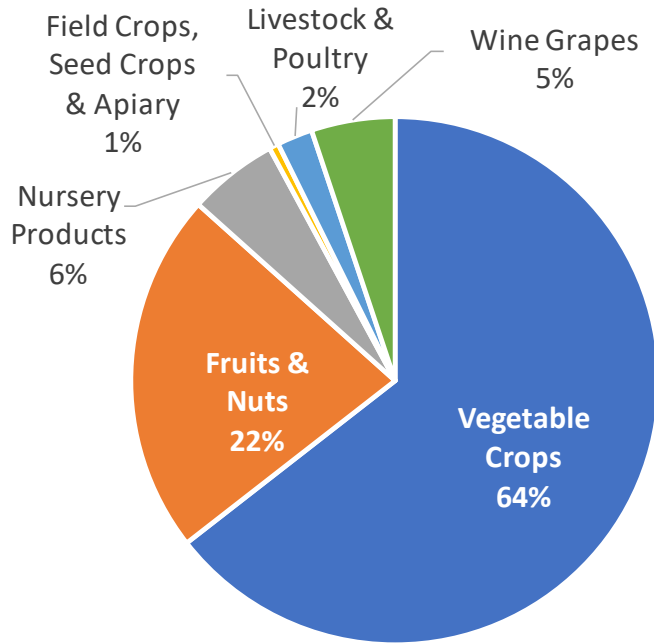
Industry

Economic activity in Monterey County is highly dependent on the availability of good quality water. The Salinas Valley is referred to as the “Salad Bowl of the World” due to its high-volume production of leafy greens.

Distribution of the County’s \$4.7 billion agricultural production value in 2017 is shown in **Figure 1** on the following page. Vegetable crops dominate agricultural production value.

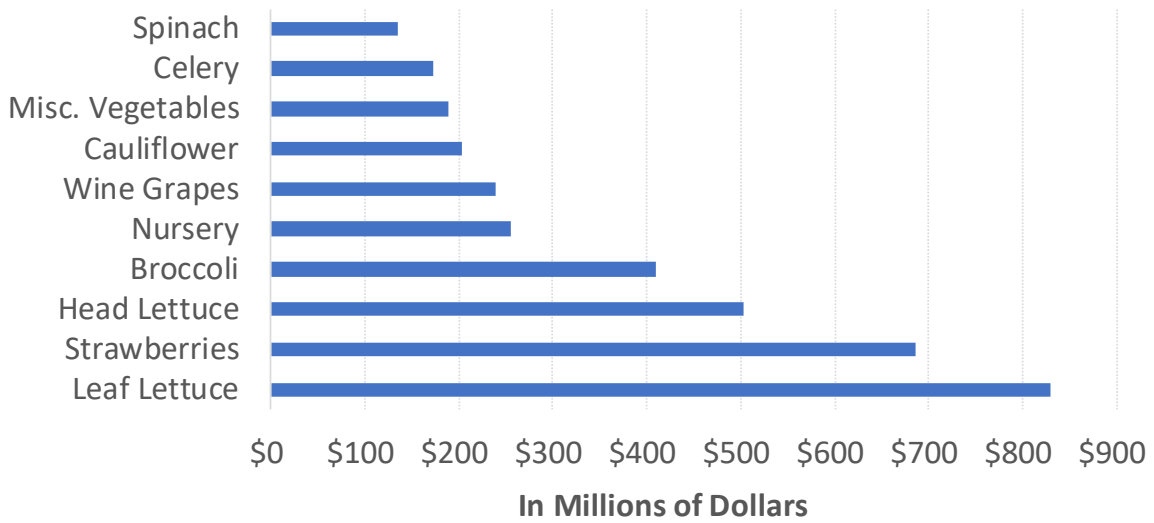
Figure 2 illustrates the top ten crops by production value in 2017. Lettuce and strawberries currently contribute the greatest crop production value to the County.

Figure 1
Agricultural Production Value



Source: Agricultural Commission 2017 Crop Report.

Figure 2
Top Ten Monterey County Crops by Production Value



In 2014, the Monterey County Agricultural Commission published a report “Economic Contributions of Monterey County Agriculture”. This report examines the linkages between farm activity and other economic activity in the County, and specifically looks at the broader notion of how agriculture sustains the County’s economy. Key findings of the report are:

- Agriculture provides a diversity that sustains economic stability within the County.
- Agriculture is promoting sustainability and prosperity by investing in technological innovation.
- Agriculture contributes \$8.1 billion to the local economy; of which, \$5.7 billion is direct output (representing 18.5% of the County’s total direct economic output), and \$2.4 billion is additional output by companies and individuals that provide supporting enterprises.
- In addition to crop production, there are linkage industries both supporting agricultural production and sorting, packaging and transportation of produce. Almost two-thirds of total employment in the County can be contributed in some way to agriculture through direct activity and multipliers of agricultural activity.

Not all, but most of the produce, is grown in the Salinas Valley. **Map 4** overlays the SVBGSA management area on top of the State’s map of important farmland to illustrate that the vast majority of the agricultural activity in the County takes place in the Salinas Valley, and most of that is included in the SVBGSA management area.

Table 3 on page 13 shows that the major employment centers within the SVBGSA management area are the City of Salinas, followed by Prunedale, and the City of Soledad (including the State prisons).

Table 4, also on page 13, shows that the agriculture, forestry, fishing and hunting industry sector generates almost one-third of total jobs in Monterey County. These jobs are directly generated by agricultural activities (in contrast to two-thirds of total employment being either directly or indirectly generated by agriculture discussed above). Accommodation and food services, and health care and social assistance are the second and third largest job-generating sectors, respectively, after agriculture, in Monterey County.

Map 4
SVBGSA Management Area and California's Important Farmland

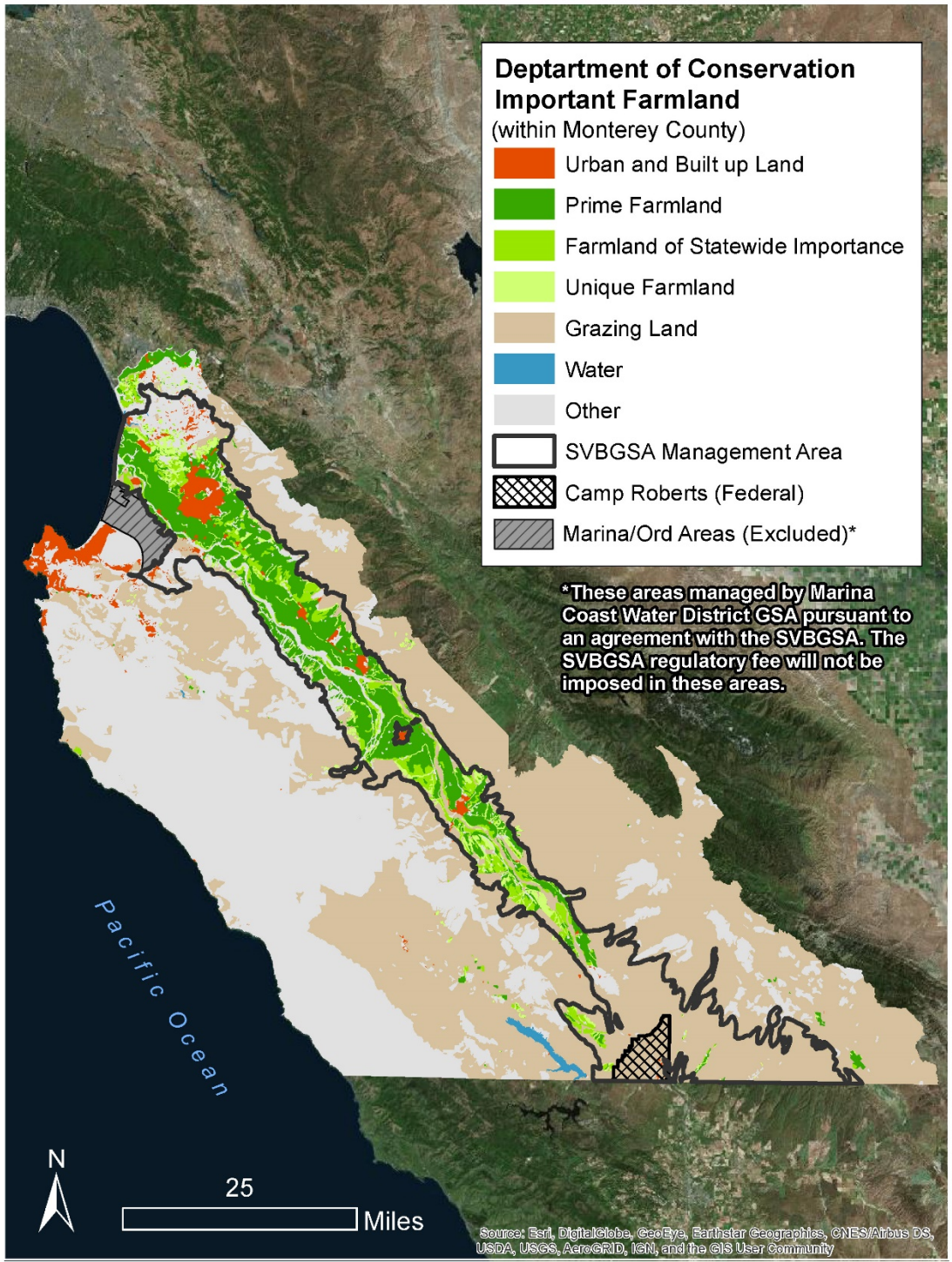


Table 3
Jobs by Census Place in Monterey County

Census Place	Inside SVBGSA		
	Management Area?	Jobs	Distribution
Salinas	yes	48,292	32%
Monterey	no	22,859	15%
Prunedale	yes	9,889	7%
Soledad	yes	6,490	4%
Seaside	no	5,770	4%
King City	yes	3,954	3%
Gonzales	yes	3,486	2%
Marina	no	3,419	2%
Pacific Grove	no	3,140	2%
Greenfield	no	2,973	2%
All Other Census Places	possibly	11,072	7%
Remainder County	possibly	30,521	20%
Total		151,865	100%

Source: onthemap.ces.census.gov, using 2015 American Community Survey data.

Table 4
Jobs by Industry Sector in Monterey County

NAICS Industry Sector	Jobs	Distribution
Agriculture, Forestry, Fishing & Hunting	41,094	27%
Accommodation & Food Services	16,684	11%
Health Care & Social Assistance	16,253	11%
Educational Services	13,058	9%
Retail Trade	12,075	8%
Public Administration	9,762	6%
Administration & Support, Waste Mang't & Remediation	5,875	4%
Professional, Scientific & Technicial Services	5,379	4%
Manufacturing	5,305	3%
Construction	5,088	3%
All Other Sectors	21,292	14%
Total	151,865	100%

Source: onthemap.ces.census.gov, using 2015 American Community Survey data.

2.2 STAKEHOLDER OUTREACH

Key stakeholders were identified at the outset of this fee study. The fee study consultant team met with representatives from agriculture, city managers, land owners and Monterey County Water Resources Agency (MCWRA) staff. A public outreach plan was developed to guide the development and extent of outreach activities. Key messages were developed to incorporate into outreach materials, and a uniform messaging platform was developed in concert with an update to the SVBGSA's website.

In-person meetings and telephone conversations were held with key stakeholders representing various beneficiaries of sustainable groundwater management. These included: the Salinas Basin Agriculture Water Association, the Farm Bureau and Grower Shipper Association, Monterey Vintners and Growers, Landwatch and the League of Women Voters; large water providers Castroville CSD, Alco Water, and Cal Water; representatives from the cities of Salinas, King City, Soledad, and Gonzales; Coast Keepers, the Environmental Justice Coalition for Water, and individual farmers/ranchers.

The SVBGSA had an email database of interested persons/parties to which more than 125 contacts were added. The email database has been used to provide updates on the fee study, as well as to inform interested parties of upcoming public workshops and ways to be heard.

Initial public outreach efforts started in July 2018 with an email notification regarding the fee study. The email achieved a 40% open rate, which is considered high. Goals for the fee study were described as:

1. Establish a fair fee structure that the SVBGSA can adopt.
2. Secure a fee structure adopted with maximum buy-in from stakeholders.

In addition, a key tenant in developing the regulatory fee structure has been to maintain transparency throughout the project.

A concern raised multiple times in outreach efforts was that there are many absentee landowners in the Salinas Valley who would not be aware of the new regulatory fee unless they were contacted directly. To reach these landowners, more than 6,500 postcards were distributed to property owners with mailing addresses outside of the SVBGSA management area.

Another concern was that there are hundreds of small water systems, particularly in the north portion of the County, that would not be aware of the new regulatory fee unless they had signed up to receive notifications. A postcard was sent to approximately 800 water systems within the SVBGSA management area. The postcard provided information on how to stay informed, and advised of four public workshops that could be attended in September and October of 2018 to learn more about the fee study, and provide input.

Appendix A of this report provides copy of the following public outreach materials:

- Introduction to the GSA Fee Study,
- Out-of-Area Property Owners Postcard,
- Water Systems Outreach Postcard, and
- Notice of Public Workshops.

For the four public workshops, display advertisements were placed in regional newspapers and in online calendars, an e-blast was sent to the email subscribers, notice was posted on the SVBGSA's internet website, and all materials were translated into Spanish.

The public workshops were held in Soledad, Castroville, Salinas and King City in September and October 2018. Translation service from English to Spanish was provided at every workshop. Information was provided about SGMA and the SVBGSA's mission and role in developing groundwater management plans. The fee study presentation included background, various fee structures under consideration, feedback received from interested parties/stakeholder groups, and direction provided by the SVBGSA Board of Directors (Board) and Advisory Committee. In total, there were 72 attendees at the public workshops; some attendees went to all four public workshops. Common discussion items included:

- The fee is for administration of the GSA, not for any current or future project, and for most, will be very minimal.
- The fee recognizes and charges all beneficiaries (such as municipal, agricultural, commercial, industrial, government and environmental) of groundwater sustainability.
- All beneficiaries of groundwater sustainability within the SVBGSA management area, whether in the north or south, will be charged using the same methodology; fees will be uniform by type of beneficiary.
- Beneficiaries who contribute back to the groundwater supply through groundwater recharge, recycled water, return to local creeks and streams and so forth will be charged the same fee. While providing a credit to these beneficiaries is a valid consideration, given the timing and anticipated fee amounts, these concerns may be taken up in the future, most likely at project stage rather than as part of the regulatory fee.
- Property owners who pay a water provider for service will either pay the fee with property taxes or with their utility bills; if the latter, the water provider will pay the regulatory fee directly to the SVBGSA.

- A sunset or cap to the fee is not feasible unless an alternative funding source is identified and secured; however, the fee level will be reviewed annually. Changes to the methodology for calculating the fee may be made as data availability and reliability evolves.

Other opportunities the public had to provide input included the SVBGSA meetings that have included discussion about the regulatory fee. The fee study consultant team attended, and made presentations, at the August 16th 2018 Advisory Committee meeting, the September 13th 2018 Joint Advisory Committee and Board of Directors meeting, and the October 11th 2018 Board meeting. The draft fee study was presented and discussed at the January 10th 2019 Board meeting.

Section 3: METHOD OF APPORTIONMENT

3.1 DATA SOURCES

The SVBGSA is in its infancy and, as such, it has not yet created datasets that are available to work with for purposes of establishing the fee. This fee study creates one of the first comprehensive datasets that the SVBGSA holds, and it is digitally compiled in both Microsoft Office applications and ArcGIS.

California law generally provides that a fee calculation need only rely upon the best available data at the time the fee is calculated. The fee calculations herein rely on the best available data sources as of the time of this fee study (2018). Key data sources to develop the Fiscal Year 2019/20 fee include:

- Monterey County Assessor Parcel Database,
- Monterey County GIS Data,
- Monterey County Health Department Small Water Systems Database,
- Monterey County Water Resources Agency 2015 Groundwater Extraction Summary Report,
- Department of Water Resources Land Use Viewer (<https://gis.water.ca.gov/app/CADWRLandUseViewer/>),
- Department of Water Resources Water Management Planning Tool (<https://gis.water.ca.gov/app/boundaries/>); and,
- California Environmental Health Tracking Program (cehtp.org/p/water_tool) published by the State Water Boards.

The following additional data sources were not used for the Fiscal Year 2019/20 fee calculation, as they were reasonably determined not to be the best available for that purpose. Some were utilized in development of this fee study, and could potentially be used in future fee calculations.

- Drinking Water Watch – Public Water System Facilities (State Water Boards data),
- Service connection data provided by municipal and private water providers,
- Department of Water Resources Disadvantaged Communities mapping tool,
- Monterey County Agricultural Commissioner’s Office Annual Crop Reports,
- Evapotranspiration Crop Coefficients published by the University of San Luis Obispo Irrigation Training and Research Center.
- California Department of Conservation Farmland Mapping and Monitoring Program (<https://www.conservation.ca.gov/dlrp/fmmp>) - this data is not designed for parcel-specific planning purposes due to its scale and the ten-acre minimum land use mapping unit.
- USDA National Agricultural Statistics Service CropScape (<https://nassgeodata.gmu.edu/CropScape/>) – provides information on crops grown annually, but does not indicate irrigated acres.

3.2 FEE METHODOLOGY

Three fee structure approaches were developed based on stakeholder input. The three approaches are each hybrid structures of commonly used water-related fee structures (such as a per acre-foot fee, a per well fee, a parcel charge, or per customer fee). A hybrid approach was found to be necessary given certain drawbacks of using only one way to structure the fee.

Presentations to the Advisory Committee and Board of Directors describing each of the three developed fee approaches are provided in **Appendices B** and **C** of this report.

Appendix B is the presentation provided at the joint meeting of the SVBGSA Board of Directors and Advisory Committee, September 13, 2018¹¹. At that meeting, each of the members present were asked to rank the three approaches using certain criteria. Criteria used to rank the three fee structures, and weighting given to each were:

1. Equity (50%)
2. Enforceability and Confidence in Data (20%)
3. Simplicity (10%)
4. Revenue Stability / Predictability (10%)
5. Administrative Ease (10%)

In total, 9 of the 11 Board members and 16 of the 26 Advisory Committee members completed the ranking. Approach 1 garnered 46% of the points, approach 3 garnered 30%, and approach 2 garnered 24%. While approach 1 had the highest rank, there was some concern that approach 3 was not fully understood; therefore, the Board requested greater clarity on both approaches 1 and 3 at the next Board meeting. **Appendix C** is the presentation to the Board on October 11, 2018¹².

A description of the three approaches is provided here.

Approach 1: Acreage Fee for Agricultural Users and Connection Fee for All Other Users

Many stakeholders were vocal that agricultural water users are vastly different from other users of water in the Salinas Valley and that needs to be accounted for in the fee structure. This fee structure allows for the difference in water use to be incorporated into the cost allocation without paying a fee based on extraction. First, the total cost would be split between Agricultural Users and All Other Users (which are served by water systems). The cost allocation would be based on published data for the entire Salinas Valley, and it could be updated every year based on a formula such as the rolling 5-year average of gross pumping. If a published data source could not be agreed upon, the SVBGSA would use best

¹¹ There was a computational error in Slide 27 that was discussed during the meeting. The State Fees for the example with 2 wells should be \$93.50 per acre per year, rather than \$90.00 per acre per year.

¹² The example fee calculation for approach 3 was revised slightly between the September and October meetings to better reflect the intent of the approach.

available records of municipal pumping, and estimate agricultural pumping by applying evapotranspiration (ET) values to crop types.

The agricultural per irrigated acre fee would be determined using mapping software (GIS). The sophistication of GIS is continually evolving; as such, the database used to establish the fee could be updated over time. Total cost allocated to Agricultural Users would be divided by the number of irrigated acres to calculate the fee. Fees would be collected with property tax bills.

All other beneficiaries of groundwater management are served by water systems. All properties with a water service connection would pay the regulatory fee. There would be no exceptions to this. If, for example, a property has both a service connection from a water provider and a domestic (private) well, the property would still be subject to the SVBGSA fee. For purposes of the fee, a water service connection uses the same definition as California Health and Safety Code Section 11675 (s):

[A] service connection [is] the point of connection between the customer's piping or constructed conveyance and the water system's meter, service pipe, or constructed conveyance.

The definition encompasses facilities with the ability to deliver water to the property, whether the property takes water from that pipe or not. An inactive service connection (one not currently taking water) would be subject to the fee because the water provider's infrastructure is ready to deliver water at any time. A cost per connection would be determined by dividing the All Other Users cost by the total number of service connections. Costs would be allocated to each water system by multiplying the cost per service connection by the number of connections (active and inactive) the water system maintains. Fees would be collected either with property tax bills or directly from water systems.

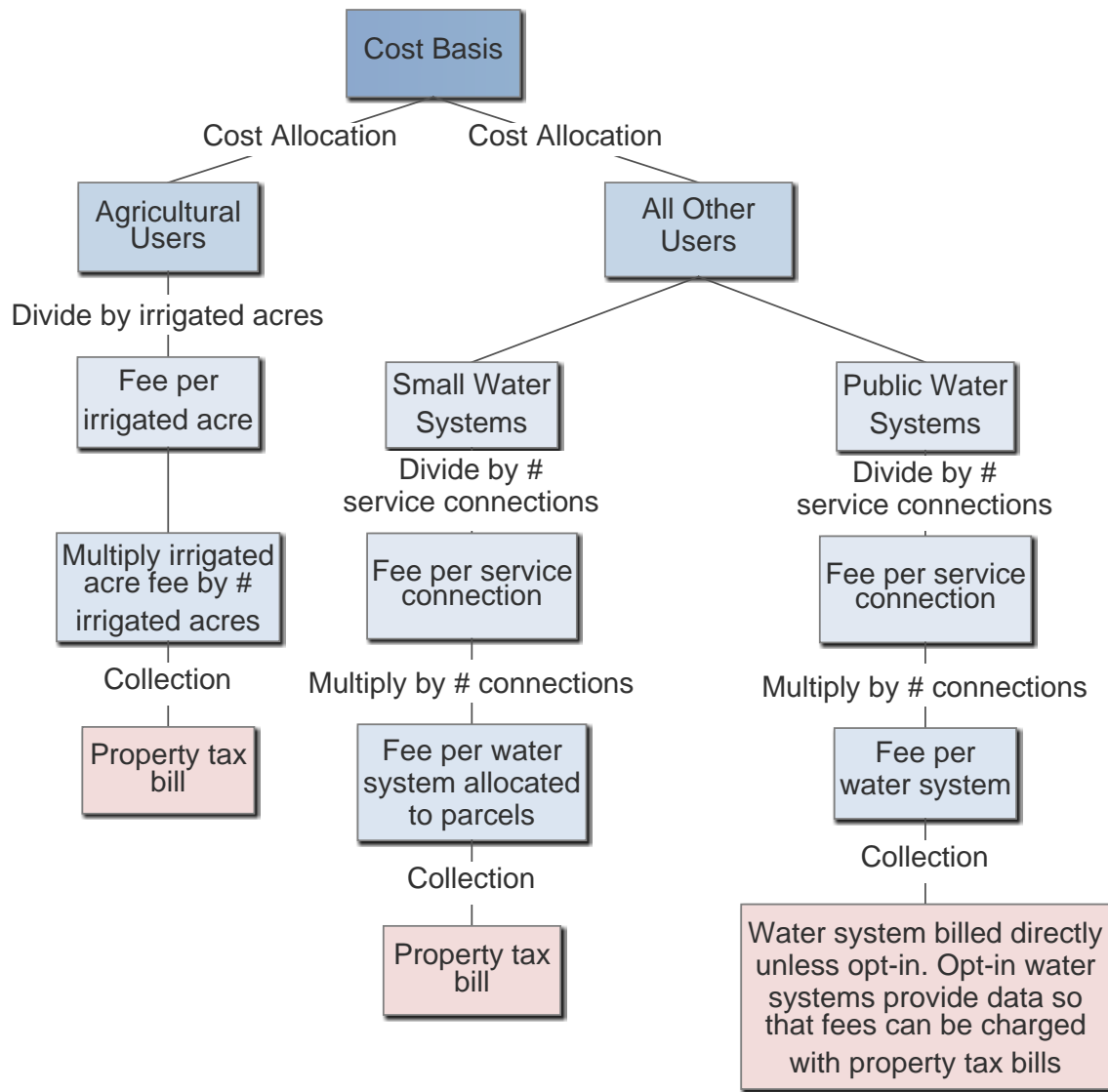
Approach 1 is illustrated in **Figure 3** on the next page.

Benefits: This approach recognizes the difference in water use between Agricultural and All Other Users and it provides some flexibility in that it can be updated within its original framework with technological advances and new data sets. All beneficiaries of groundwater management would pay the fee. Under this fee approach, Public Water Systems¹³ that cannot provide datasets showing parcels served and the number of service connections associated with each parcel would be billed directly by the SVBGSA for their cost share. The water system can in turn recoup this cost from their customers. Small Water Systems (2 to 14 connections) would pay the regulatory fee with property tax bills, which avoids sending hundreds of direct bills as well as increasing the collection rate and decreasing the need for delinquency procedures for the SVBGSA.

¹³ Public Water Systems is a classification of water system types as described in greater detail in Section 4 of this report.

Considerations and Drawbacks: If Public Water Systems would rather have their customers pay the fee directly with property tax bills, they will have to provide an annual database to the SVBGSA listing properties with a service connection(s), which is more work for the water systems. The cost allocation methodology in step 1 between Agriculture and All Other Users may be a point of debate from year to year; however, the fee structure allows the methodology and/or data sources used to perform the calculation to change over time. Another consideration is that charging water system beneficiaries per service connection does not account for varying water demands by different land use types.

Figure 3
Approach 1 Fee Steps



Approach 2: Extraction-Based Fee Structure

This approach is similar to the State intervention fee structure described in Section 4 of this report. Every well capable of pumping, whether currently pumping or not (standby, active, inactive, but not an abandoned sealed well for example) would pay the same annual base charge. De minimus users would be exempt, as they are in all three approaches. Well owners would pay per reported acre-foot extracted for the prior 12-month reporting period. If a well owner was unwilling to provide pumping data, they would be subject to an extraction fee based on SVBGSA-estimated pumping. Estimated extraction would be calculated using the best available data on crop type and California Irrigation Management Information System Evapotranspiration rates (CIMIS ET data) to calculate water use, with an adjustment factor for non-consumptive water use¹⁴. The fees would be applied to the parcel the well is located on and collected with property tax bills.

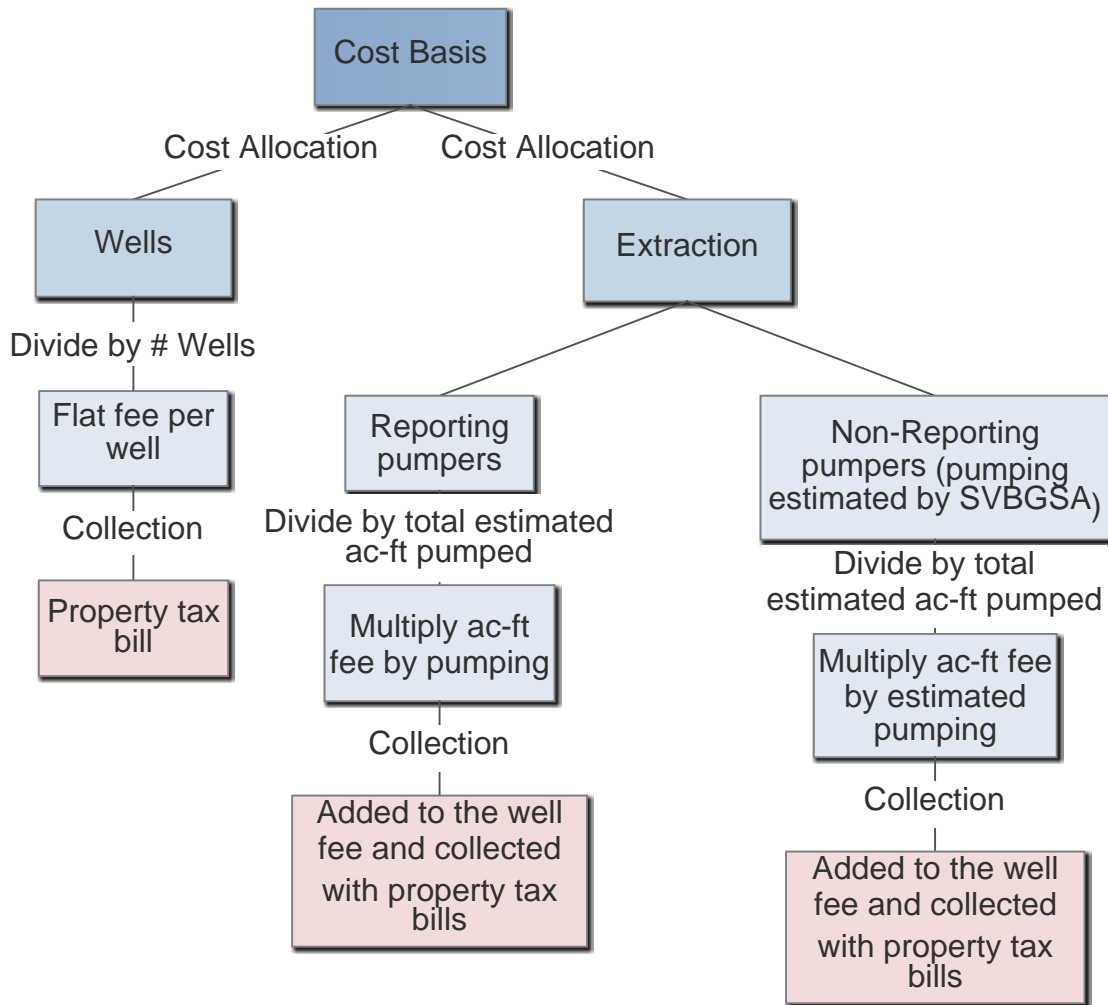
Approach 2 is illustrated in **Figure 4** on the next page.

Benefits: Extraction has the most direct relationship to groundwater sustainability; all beneficiaries of groundwater sustainability are charged the same way, and the amount of water used by different types of users is accounted for. Some agricultural interests expressed a desire to have the choice to report water extraction, which this achieves, and all wells capable of impacting the aquifer pay something even if they are not currently pumping.

Considerations and Drawbacks: The current system of self-reporting is not trusted by all stakeholders. For those extractors choosing not to provide extraction data, the SVBGSA-estimate of pumping may not be very accurate as it relies on crop type information from either the land owner or a data source such as the Agricultural Commissioner (which data is based on pesticide permit information and not necessarily the actual crop(s) grown), or USDA crop data obtainable from the CropScape GIS platform, and application of ET data for grouped crop types that will not accurately reflect actual crops harvested because multiple crops may be grown on the same land over a year. The estimates would not account for the micro-climate of that land, or account for the actual weather conditions experienced in the preceding twelve months at that location. In short, this approach is riddled with potential data shortcomings that would shake confidence in the reasonable relationship demonstration of the fee. In addition, this fee structure has a legal hurdle in that it would likely require a majority protest adoption to remain in effect after the first GSP is complete (less than one year after adoption of the fee). In addition, revenue would not be as predictable under this approach as under approaches 1 and 3 because pumping can vary from year to year and the fee is based on the prior-year's pumping.

¹⁴ Water applied to landscapes is consumptive and non-consumptive. The consumptive portion is what the plants utilize and what evaporates; the non-consumptive portion passes through the soils and rocks, returning to a water body. Because well owners reporting extraction would be reporting gross pumping, an estimate of pumping based on evapotranspiration must be adjusted for non-consumptive uses.

Figure 4
Approach 2 Fee Steps



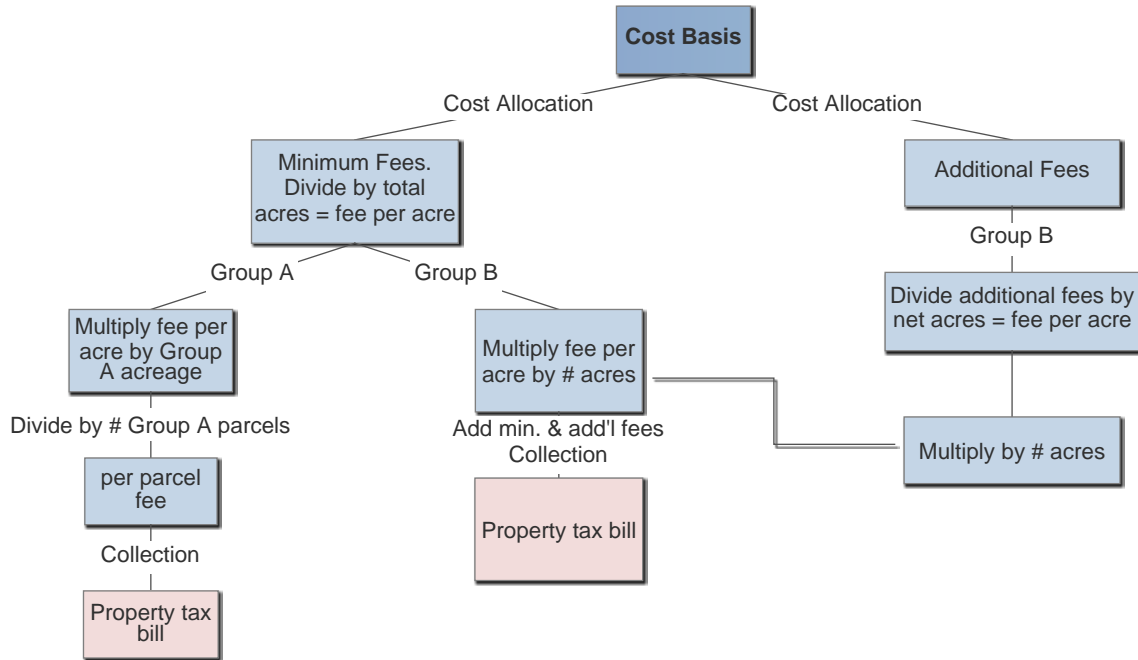
Approach 3: Acreage and Parcel Fee Hybrid Structure

Properties benefiting from groundwater extraction facilities would be grouped into Group A and Group B. Group A includes all parcels smaller than 2.5 acres served by a water system. The parcel size could be altered; the intention is to capture properties likely to use similar water quantity. Group B includes all other parcels benefiting from groundwater extraction facilities (agricultural irrigated properties and parcels greater than 2.5 acres in size served by a water system). Group A properties would pay a parcel fee. Group B properties would pay a per acre fee if served by a water system, and a per irrigated acre fee if the property has an agricultural use.

Approach 3 is illustrated in **Figure 5** on the following page.

Benefits: This approach achieves the goal of having all groundwater management beneficiaries pay and it provides a predictable revenue stream. It is easily enforceable and revenue collection is all performed by Monterey County because all fees would be placed on the property tax roll. Administrative costs would not necessarily be lower than under the alternative fee approaches because the parcel database would have to be updated every year to account for parcel splits and new service connection additions to water systems.

**Figure 5
Approach 3 Fee Steps**



Considerations and Drawbacks: While this fee structure approach provides a reasonable relationship between the amount of the fee and activities it will fund, it is the least equitable of the three approaches because there is little consideration in the determination of the fee how much water is used by beneficiaries of groundwater sustainability. Equity was given the greatest weighting in the ranking criteria. This approach requires Public Water Systems to provide a list annually of which parcels receive water system service (the County Health Department maintains this list for Small Water Systems). There is additional work for the water systems to provide a list of parcels they serve every year. Under approach 1, provision of this list is optional.

3.3 FEE METHODOLOGY SELECTION

Approach 1 was selected by the Board of Directors at the October 11, 2018 Board meeting. The consensus was that Approach 1 provides the greatest equity between the beneficiaries of sustainable groundwater management, it is the easiest to understand, and it is the simplest to calculate and collect. In addition, portions of the methodology can be modified over time. In particular, Step 1, which allocates the total cost between Agricultural Users and All Other Users, can be readily modified over time. The methodology could also be modified in the future to account for varying water demands by beneficiaries served by water systems, if deemed warranted.

At the October 11, 2018 Board meeting, Directors expressed a desire to keep the door open on items such as working toward an extraction-based fee; allowing for a potential low-income discount in the future, and incorporation of return flow calculations into the fee. It was noted that the fee can be “fine-tuned” over time with annual reviews.

Section 4: FEE CALCULATION

4.1 COST BASIS OF FEE

The cost basis of the fee for Fiscal Year 2019/20 is \$1.2 million. Operating expenses of the SVBGSA excluding development of the GSPs is estimated at approximately \$955,000. Operating expenses include contract personnel of Regional Government Services (the SVBGSA has no employees), legal services, consultant services (development of the GSP, grant writing, facilitation, communications, financial services), office rent and related supplies costs, dues and insurance, and other related operations costs. New costs that will be incurred include payment to the Monterey County Auditor-Controller for collection of the regulatory fee on the secured property tax roll. Professional services costs are anticipated to remain at approximately \$100,000 per year; although the fee study will be complete there will be costs associated with placing the fee on the property tax roll each year, or mailing direct bills and handling payments, and updating the fee; hydrological studies, mapping services, and other professional costs that will be incurred by the SVBGSA.

Net revenues of approximately \$250,000 are anticipated each year for the next five years. Given that the SVBGSA has only been in existence for 18 months, the estimates of costs and net revenues are best estimates at this time; actual costs and net revenues will likely vary from these estimates over time.

The JPA states that members shall be repaid for their first two years of contributions; however, the process of how repayment shall be made is a Board decision. At the October 11, 2018 Board meeting, a recommendation was made to wait until the GSPs are complete to commence initial member contribution reimbursements. Because the agency does not yet have years of cost history on which to base a decision, it is better to wait until the SVBGSA has a good handle on its annual expenses and cash flow to commence reimbursements. If cash flow is more than sufficient, the Board could start reimbursements sooner, such as after the first GSP is complete. On October 11, 2018 the Board agreed to both a) base the fee on \$1.2 million and b) wait until the GSPs are complete to commence initial member contribution reimbursements.

Table 5 on the following page shows the cost basis and projected net revenues for the SVBGSA for the next five fiscal years. Note that the actual cash balance of the SVBGSA at the end of fiscal year 2018/19 will be much higher than shown due to the timing of payments to the consultants developing the GSPs.

**Table 5
Projected Costs and Net Revenues**

Revenues and Expenses	Fiscal Year							
	2017/18 first year	2018/19 second year	Escalator	2019/20 Year 1	2020/21 Year 2	2021/22 Year 3	2022/23 Year 4	2023/24 Year 5
Revenues			<i>assumption</i>			Projected		
Member Contributions [1]	\$1,145,000	\$1,145,000		\$0	\$0	\$0	\$0	\$0
Fees/Charges for Services [2]			2.75%	\$1,200,000	\$1,233,000	\$1,266,908	\$1,301,747	\$1,337,546
DWR Grant for GSP Development	\$1,500,000	\$0		\$0	\$0	\$0	\$0	\$0
Subtotal Revenues	\$2,645,000	\$1,145,000		\$1,200,000	\$1,233,000	\$1,266,908	\$1,301,747	\$1,337,546
Expenses								
Administrative Services [3]	\$275,500	\$560,100	3.00%	\$576,903	\$594,210	\$612,036	\$630,397	\$649,309
Groundwater Sustainability Plan	\$1,924,006	\$140,000		\$0	\$0	\$0	\$0	\$0
Legal Services	\$60,000	\$100,000	3.00%	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927
Professional Services	\$187,000	\$98,000	3.00%	\$100,940	\$103,968	\$107,087	\$110,300	\$113,609
Supplies	\$22,600	\$37,900	2.50%	\$38,848	\$39,819	\$40,814	\$41,835	\$42,880
Board Stipend	\$22,500	\$26,400	2.50%	\$27,060	\$27,737	\$28,430	\$29,141	\$29,869
Miscellaneous	\$81,625	\$105,600	2.50%	\$108,240	\$110,946	\$113,720	\$116,563	\$119,477
Subtotal Expenses	\$2,573,231	\$1,068,000		\$954,991	\$982,769	\$1,011,360	\$1,040,786	\$1,071,072
Net Revenues	\$71,769	\$77,000		\$245,010	\$250,231	\$255,547	\$260,961	\$266,474
Non-Operating Income (Expenses)								
Interest Income	\$200	\$200		\$200	\$200	\$200	\$200	\$200
County Fee Collection (estimate) [4]	\$0	\$0		(\$3,000)	(\$3,083)	(\$3,167)	(\$3,254)	(\$3,344)
Subtotal Non-Operating Income (Expenses)	\$200	\$200		(\$2,800)	(\$2,883)	(\$2,967)	(\$3,054)	(\$3,144)
Total Net Revenue	\$71,969	\$77,200		\$242,210	\$247,348	\$252,580	\$257,907	\$263,330
Estimated End of Fiscal Year Cash Balance [5]	\$71,969	\$149,169		\$391,379	\$638,727	\$891,307	\$1,149,214	\$1,412,543

Source: SVBGSA and HEC.

[1] JPA Member Contributions:	FY 2017/18	FY 2018/19	Total	[2] Annual inflator is the average annual increase in the San Francisco Consumer Price Index for the past 20 years.
Monterey County	\$420,000	\$420,000	\$840,000	
Agricultural Interests	\$250,000	\$250,000	\$500,000	
Water Resources Agency	\$20,000	\$20,000	\$40,000	[3] Includes all RGS services.
City of Salinas	\$330,000	\$330,000	\$660,000	
City of Gonzales	\$20,000	\$20,000	\$40,000	[4] Monterey County charges 0.25% of the total amount placed on the tax roll.
City of Soledad	\$35,000	\$35,000	\$70,000	
King City	\$30,000	\$30,000	\$60,000	
Castroville CSD	\$20,000	\$20,000	\$40,000	[5] Actual balance differs largely because of timing of GSP payments.
MontereyOneWater	\$20,000	\$20,000	\$40,000	
Total Budget	\$1,145,000	\$1,145,000	\$2,290,000	

4.2 FEE CALCULATIONS

The fee calculations are based on Approach 1, as described in Section 3 of this report. The fee calculations include the entire SVBGSA management area shown in **Map 1** on page 3.

Step 1: Allocate the total cost basis between Agricultural Users and All Other Users.

Cost allocation for Fiscal Year 2019/20 is based on data published by the MCWRA. The MCWRA collects data from groundwater extractors with discharge pipe inside diameter of 3" or greater. While the dataset does not capture all pumping within the SVBGSA's management area, it does capture the vast majority of it. DWR reports total pumping of 626,262 acre-feet in the six sub-basins managed by SVBGSA (excluding the Paso Robles sub-basin portion in Monterey County). MCWRA data reports total pumping from extractors required to report to them of approximately 500,000 acre-feet (depending on the year reported), which is about 80% of DWR's estimate of pumping. Acknowledging that the datasets are not directly comparable because they cover different geographies and MCWRA's data is collected only from a subset of all extractors; nevertheless, MCWRA data is the best local data available from a large sample of all extractors. The MCWRA data is considered sufficiently representative of pumping in the SVBGSA management area for purposes of allocating cost between Agricultural Users and All Other Users.

Table 6 below provides MCWRA pumping data for the last most currently available five years of data. Agriculture's percentage of total reported pumping ranges between 90% and 93%. DWR data shown in **Table 7**, corroborates this ratio, with almost 94% of pumping estimated to be for agricultural purposes. Given that neither data set can be perfect (many wells are not metered), the proposed fee is calculated by allocating 90% of cost to Agricultural Users and 10% of cost to All Other Users. The SVBGSA has the ability to update the cost allocation percentage by Super Majority Plus vote of the Board.

Table 6
Monterey County Water Resources Agency Pumping Data

Year	Total Pumping	Agricultural Pumping	Ag. as % of Total Pumping
	ac-ft	ac-ft	
2011	448,584	404,110	90.1%
2012	489,240	446,619	91.3%
2013	508,205	462,873	91.1%
2014	524,487	480,160	91.5%
2015	514,714	478,113	92.9%
Avg. Annual	497,046	454,375	91.4%

Source: MCWRA Annual Groundwater Extraction Reports.

Table 7
California Department of Water Resources Pumping Data

Subbasin Name	Irrigated Acres	Total		
		Groundwater Pumped ac-ft	Agricultural Pumping ac-ft	Urban Pumping ac-ft
180/400 Foot	51,847	165,364	158,393	6,971
East Side	31,352	112,591	95,235	17,356
Forebay	56,058	181,989	176,266	5,723
Upper Valley	45,272	154,213	151,446	2,767
Langley	1,387	5,700	4,254	1,446
Monterey	477	6,405	1,451	4,954
Total	186,393	626,262	587,045	39,217
Share of Pumping			93.7%	6.3%

Source: California DWR - <https://data.cnra.ca.gov/dataset/sgma-basin-prioritization-2018>

Step 2: Agricultural Users Fee Calculation.

The Agricultural Users’ allocated cost is divided by the total number of irrigated acres in the SVBGSA management area. The total number of irrigated acres in the SVBGSA’s management area is determined using mapping software (GIS). Currently, there are two data sources that can be used to identify irrigated acres:

1. Monterey County Assessor Database Land Use Codes 4C (Row Crops), 4D (Field Crops, Alfalfa, Pasture), 4F (Vineyards), 4G (Orchards – fruits or nuts), 4K (Agricultural Preserves – Irrigated, Row Crop), and 4N (Agricultural Preserve – Vineyard, Orchard).
2. DWR’s 2014 Crop Mapping Land Use Codes V (Vineyard), T (Truck Nursery and Berry Crops), P (Pasture), Y (Young Perennials), C (Citrus and Subtropical), G (Grain and Hay Crops), and D (Deciduous Fruits and Nuts).

The difference in total irrigated acres between the two data sources is quite large. The Assessor’s database query returns 250,457 irrigated acres. The DWR database query returns 191,244 irrigated acres. The discrepancy of approximately 59,200 acres appears to be from the following factors (1) DWR’s crop mapping does not extend to the edges of the SVBGSA management area, (2) DWR’s database uses remote imagery to deduce what is being grown; at this time ground-level reconnaissance has only been conducted for the Central Valley, and (3) the Assessor will classify a parcel according to whatever the majority use of the parcel is; therefore, some land that is not irrigated will be included.

Table 8 summarizes the irrigated acreage totals by data source. Both data sets include irrigated acres within what is now the Paso Robles sub-basin to the County line.

Table 8
Irrigated Acres Data Sources

Land Use Code	Description	Irrigated Acres
Assessor Data		
4C	Row Crop	95,685
4D	Field Crops Alfalfa, Pasture	2,271
4F	Vineyards	32,759
4G	Orchards (fruits and nuts)	571
4K	Ag. Preserves, Irrigated, Row Crop	76,728
4N	Ag. Preserves, Vineyard, Orchard	42,443
Assessor - Total Irrigated Acres		250,457
DWR Data		
V	Vineyard	48,774
T	Truck Nursery and Berry Crops	138,911
P	Pasture	482
Y	Young Perennial	31
C	Citrus and Subtropical	2,464
G	Grain and Hay Crops	229
D	Deciduous Fruits and Nuts	352
DWR - Total Irrigated Acres		191,244

DWR staff were asked about the differences in these datasets; their response was that while their dataset is possible to use, it may not be advisable. Specifically, in the DWR dataset, the land use types correspond to detected agriculture which may not necessarily indicate irrigated acres. They advise the analyst calculating the fee to look at the land use classifications and determine if that classification is typically irrigated or not and use that determination to inform the irrigated acreage count. DWR staff strongly recommend that if their dataset is used, it should be updated with further statewide surveys that contain more detailed and regional ground-truthing (there is no estimated timeline when these will become available).

To establish the fee for Fiscal Year 2019/20, this study uses the Assessor’s parcel database land use codes¹⁵ with acreage for each parcel provided by the County’s GIS files. A 10% margin for error is included in the fee calculation to account for potential refinements to the database prior to the list of parcels being placed on the property tax roll.

¹⁵ Every parcel is assigned a land use code. (1) is Residential, (2) is Multi-family, (3) is Rural including improved and unimproved parcels, open space and other uses, (4) is Agricultural, (5) is Commercial, (6) is Industrial, (7) is Institutional, (8) is Miscellaneous and (99) is other – not buildable.

It is important to note that the number of irrigated acres upon which the fee is calculated for each parcel may not be the same as the acres of the parcel stated on a property tax bill because the GIS calculated number of acres may not exactly match that of a legal description or map provided to the County for the Assessor's roll. The County's GIS data is provided "as is".¹⁶

For purposes of the SVBGSA Regulatory Fee, an Irrigated Acre is defined as,

"All real property classified as Monterey County Assessor land use codes 4C, 4D, 4F, 4G, 4K, and 4N, whether the acre belonging to the Assessor Parcel Number upon which the regulatory fee is imposed is or is not currently irrigated."

The calculated fee per irrigated acre will be applied to each of the Assessor Parcels (APNs) with irrigated acreage. Agricultural properties that will not be charged the fee have Assessor parcel database land use codes 4A, 4B, 4E, 4H, 4J, 4L, and 4M. **Table 9** on the following page shows total acreage of all parcels classified as Agricultural by the County using County GIS data. Almost half of all Agricultural land will not be charged the fee.

There are some parcels that straddle the SVBGSA management area boundaries. For these parcels, the entire acreage of the parcel will be charged the per acre fee because the entire irrigated parcel benefits from management of the groundwater resource. Also, note that the fee will be charged to irrigated parcels even if those parcels use surface (riparian) water because it can be demonstrated that surface water users benefit from a sustainable groundwater basin in that the supply of surface water is not depleted if the groundwater basin is in balance.

Given the discrepancy in total irrigated acreage between the two datasets, it is recommended that over time a better dataset be obtained, as may be available with technological advances in satellite imagery, or ground-truthing by DWR, for example.

¹⁶ The County of Monterey (COUNTY) makes no warranties, express or implied, including without limitation, any implied warranties of merchantability and/or fitness for a particular purpose, regarding the accuracy, completeness, value, quality, validity, merchantability, suitability, and/or condition, of the GIS data.

Users of COUNTY's GIS data are hereby notified that current public primary information sources should be consulted for verification of the data and information contained herein. Since the GIS data is dynamic, it will by its nature be inconsistent with the official COUNTY assessment roll file, surveys, maps and/or other documents produced by the County Office of the Assessor, the County Surveyor, and/or other relevant County Offices.

Table 9
Assessor Database Agricultural Properties in SVBGSA Management Area

Land Use		
Code	Description	Acres
Lands Charged Regulatory Fee		
4C	Row Crop	95,685
4D	Field Crops Alfalfa, Pasture	2,271
4F	Vineyards	32,759
4G	Orchards (fruits or nuts)	571
4K	Agricultural Preserves, Irrigated, Row Crop	76,728
4N	Ag. Preserve Vineyard, orchard	42,443
Total Irrigated Acres		250,457
Lands NOT Charged Regulatory Fee		
4A	Grazing, Etc.	58,388
4B	Dry Farming	17,344
4E	Feed Lots	144
4H	Agricultural Preserves: Grazing, Brush, Dry Farming	161,168
4J	Waste Land Hunting or Rec. Use only	1,911
4L	Open Space Easements - eligible for subvention	312
Total Acres NOT Charged Regulatory Fee		239,268
Total Agricultural Acres		489,724

Step 3: All Other Users Fee Calculation.

The cost share for All Other Users is divided by the total number of service connections to determine the fee per service connection. Service connection data is obtained for two classifications of water systems: (1) for Small Water Systems and (2) for Public Water Systems.

A summary of Small Water Systems and Public Water Systems subject to the regulatory fee is presented in **Table 10** on the next page. There are approximately 58,950 service connections in the SVBGSA management area.

Table 10
Summary of Water Systems Subject to the Regulatory Fee

Water Systems in SVBGSA	Number of Water Systems	Percent of Total Systems	Service Connections	Percent of Total Connections
Small Water Systems (2-14 connections)	675	81%	2,996	5%
Public Water Systems [1]				
Less than 200 Connections	143	17%	3,563	6%
At Least 200 Connections	11	1%	52,396	89%
Subtotal Public Water Systems	154	19%	55,959	95%
Total Water Systems in SVBGSA	829	100%	58,955	100%

[1] Cal-Water's systems (4) are counted as one, and Cal-Am's water systems (4) are counted as one.

Small Water Systems

Drinking Water Protection Services of the County's Health Department regulates Local and State Small Water Systems with 2 to 14 connections as promulgated in Monterey County Code Chapter 15.04, and per California Code of Regulations (Section 64211). The Small Water Systems dataset is only periodically updated when the County has staff availability to perform the research. The dataset reports permitted connections, which is defined in County Code Section 15.04 as "a connection to any habitable structure, any commercial structure with a bathroom or breakroom that serves employees or the public, or parcel which uses potable water from a water system for domestic use and not exclusively for agricultural purposes. Service connection does not include a connection to a guesthouse."

Permitted connections includes both active and inactive connections. It is appropriate that all permitted connections pay the fee because a permitted connection has the ability to take extracted groundwater at any time; the property is therefore a beneficiary of SVBGSA's groundwater management activities. The Small Water Systems database identifies the water system name and APNs served by each water system, as well as the total number of service connections. This database can be used to place the calculated fee on the property tax roll. There is potential for a few Small Water Systems' service connections to be incorrectly attached to the parcels within their water system (if the County's database is correct then service connections would not be incorrectly attached between water systems); however, cross-checking data with the number of buildings on parcels, as described in the Assessor's database, should keep potential mismatches low. Some of the Small Water Systems serve the State of California. The State cannot be charged a fee on the tax roll; therefore, one bill will be sent directly to the State for its fees. The State's Small Water Systems fee for Fiscal Year 2019/20 is less than \$50.00.

There are about 675 Small Water Systems within the SVBGSA management area with about 3,000 service connections; they comprise about 80% of the total number of water systems, but only 5% of the total number of service connections.

Public Water Systems

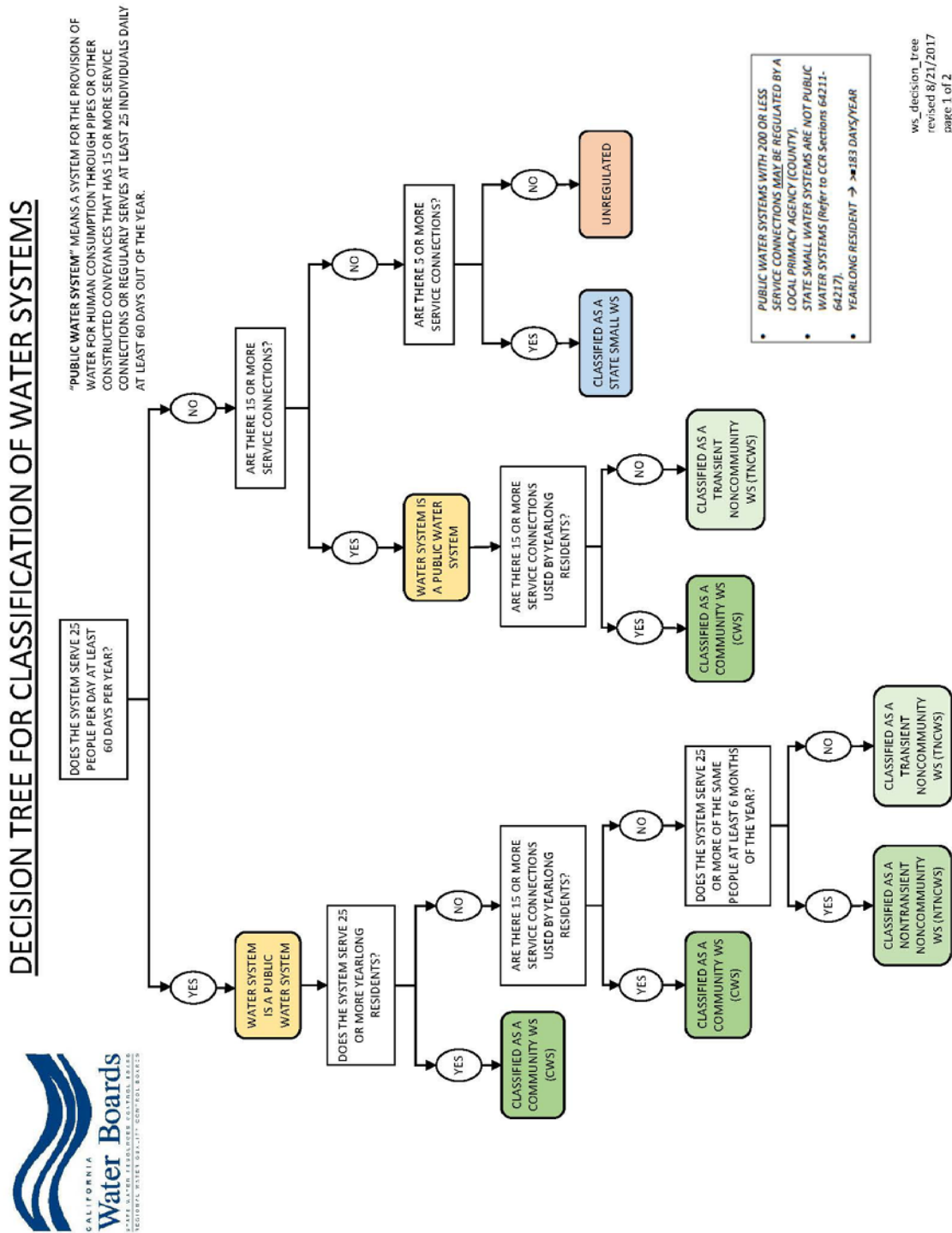
All other water systems are Public Water Systems regulated by the County if they have fewer than 200 connections, the California Public Utilities Commission if they are privately owned, or they are managed by a government agency (special district or city). The database of number of service connections for Public Water Systems was obtained from the California Environmental Health Tracking Program, Water Systems Geographic Reporting Tool, a collaboration of the California Department of Public Health and the Public Health Institute, published by the California State Water Resources Control Board Drinking Water (also accessible as the Water System Service Area Boundaries Dataset <https://data.cnra.ca.gov/dataset/drinking-water-water-system-service-area-boundaries>).

This dataset is compiled from data submitted by water systems, districts, and state agencies, and although it is regularly updated, CEHTP advises that the data may not reflect the most recent boundaries of the Public Water Systems. While the dataset provides total number of service connections, it does not associate service connections with APNs. The number of service connections can range from 1 upwards because of the classification system established by the State Water Boards. For example, a system that serves at least 25 people per day for at least two months of the year is a Public Water System, but there may be fewer than 15 service connections to serve them if they are transient (not yearlong residents).

Figure 6 on the following page shows the State's decision tree for classification of water systems.

There are 154 Public Water Systems within the SVBGSA management area; they comprise about 20% of the total number of water systems, and 95% of the total number of service connections. The Public Water Systems will have to be direct-billed by the SVBGSA unless the water system provides a list of APNs and associated number of service connections, either in a Microsoft Office or GIS file format. There may be some water systems that provide service to a few parcels outside of the SVBGSA's service territory; however, all of the service connections and the parcels they connect are served by the water system and they are all beneficiaries of groundwater management so they will all be subject to the fee.

Figure 6
State Water Systems Classification System



ws_decision_tree
revised 8/21/2017
page 1 of 2

Following the methodology for Approach 1 previously described, the calculated fees for Fiscal Year 2019/20 are \$4.79 per irrigated acre and \$2.26 per service connection. **Table 11** shows the calculation of the regulatory fee. Note that the calculated fees are rounded to the nearest whole cent.

Table 11
Regulatory Fee Calculation

Step	Item	Calculation	Cost
Step 1	Total Cost	a	\$1,200,000
	Agriculture	$b = a \times 90\%$	\$1,080,000
	All Other Users	$c = a - b$	\$120,000
Step 2	Agricultural Beneficiaries	d = b	\$1,080,000
	Irrigated Acres	e	250,457
	Allowance for Errors	$f = e \times 10\%$	25,046
	Irrigated Acres in Fee Calculation	$g = e - f$	225,411
	Cost per Irrigated Acre per Year	$h = d / g$	\$4.79
Step 3	All Other Beneficiaries	i = c	\$120,000
	Number of Service Connections	j	58,955
	Allowance for Errors	$k = j \times 10\%$	5,896
	Service Connections in Fee Calculation	$l = j - k$	53,060
	Cost per Connection per Year	$m = c / l$	\$2.26

Regulatory Fee Collection

The regulatory fee will either be collected directly by the SVBGSA by directly billing the beneficiaries of groundwater sustainability, or by placing the fee on the property tax roll, in which case the Monterey County Treasurer-Tax Collector will collect the fee. Fee revenues will be disbursed to the SVBGSA upon receipt by the County.

The fee will be placed on the property tax roll for all irrigated acres. For all other beneficiaries, which are served by water systems:

- **For Small Water Systems**, the fee will be placed on the property tax roll with the exception of State of California owned parcels with water service from a Small Water System. The State will be direct-billed the total amount of the fee for all parcels served by a Small Water System.
- **For Public Water Systems**, the fee will be placed on the property tax roll if the water system provides a list of parcels or GIS files with water service connections. Note, if a parcel has more than one service connection (for example a connection to serve a

building and a separate irrigation connection) this must be identified. If a list is not provided by the water system by June 1 each year, the SVBGSA will directly bill the water system using the number of connections reported most recently by either a) California Environmental Health Tracking Program, or b) annual filings to the Monterey County Water Resources Agency (provided directly from the water system to SVBGSA).

4.3 FEE IMPACTS

Table 12 shows the total fee collection estimate from all water systems. Note that the fee revenue amount is greater than the total cost allocated to All Other Users because a 10% margin for error is also included in the fee calculation for number of service connections. Errors in the database may be found prior to distribution of bills, or may be discovered once the water systems have been billed.

Table 12
Water Systems Estimated Fiscal Year 2019/20 Revenues

Public Water System	Number of Connections	Estimated FY 2019/20 Revenue
	<i>Fee per Connection</i>	<i>\$2.26</i>
Small Water Systems	2,996	\$6,771
Public Water Systems		
Less than 200 Connections	3,563	\$8,052
At Least 200 Connections	52,396	\$118,415
Subtotal Public water Systems	55,959	\$126,467
Total Water Systems in SVBGSA	58,955	\$133,238

Table 13 on the next page shows total estimated fee revenues from Public Water Systems with more than 200 connections as of the date of this report. Actual bills may differ as data is refined prior to billing. These fees comprise 95% of the total All Other Users costs.

During the public meetings when discussing the fee, low-income households’ ability to pay the fee was raised. When advocacy groups learned of the amount of the potential fee, that concern was alleviated; rather, the focus remained on equity, and on future potential fee escalation.

Table 13
Larger Public Water Systems Estimated Fiscal Year 2019/20 Revenues

Public Water System	Number of Connections	Estimated FY 2019/20 Revenue
	<i>Fee per Connection</i>	<i>\$2.26</i>
Public Systems		
Gonzales	1,930	\$4,362
Castroville CSD	2,051	\$4,635
Soledad	3,669	\$8,292
Mutual Systems		
Normco (Prunedale)	272	\$615
Investor-Owned Systems (CPUC Regulated)		
Spreckels Water Company	327	\$739
Little Bear Water Company	705	\$1,593
Cal-Am Water Company		
Ralph Lane	30	\$68
Chualar	192	\$434
Ambler Park	402	\$909
Toro	418	\$945
Subtotal Cal-Am	1,042	\$2,355
Alisal Water Corporation	8,871	\$20,048
Cal Water		
Oak Hills	887	\$2,005
Salinas Hills	1,652	\$3,734
King City	2,701	\$6,104
Salinas	23,312	\$52,685
Subtotal Cal Water	28,552	\$64,528
State-Owned Systems		
Salinas Valley State Prison	2,208	\$4,990
Soledad Correctional Training Facility	2,769	\$6,258
Subtotal State-Owned	4,977	\$11,248
Public Water Systems >200 Connections	52,396	\$118,415

Data sources: California Environmental Health Tracking Program.

State Fees Comparison

The California State Water Boards will intervene when an area is unwilling or unable to sustainably manage their basin or sub-basin(s). If the SVBGSA fails to produce the GSPs necessary for its jurisdiction, for example by failing to adopt a new fee by July 1, 2019 (thereby invoking Section 11.10 Section c) of the JPA), the State would declare the basins probationary. Probationary basin status requires all groundwater extractors to file extraction reports for each well with the State Water Boards annually. Each extraction report must be accompanied by a fee. The current State intervention fees are provided below in **Table 14**.

**Table 14
State Water Board Intervention Fees Water Year 2019**

Fee Category	Annual Fee	Applicable Parties
Base Filing Fee	\$300 per well	All extractors required to report.
Unmanaged Rate	\$25 per acre-foot if NOT metered, \$10 per acre-foot if metered	Extractors in unmanaged areas.
Probationary Rate	\$40 per acre-foot	Extractors in probationary basins
Interim Plan Rate	\$55 per acre-foot	Extractors in probationary basins where the Board determines an interim plan is required.
De minimis Fee	\$100 per well	A well owner that extracts two acre-feet or less per year for domestic purposes in a probationary basin, if the Board decides these extractions are significant.
Late Fee	25% of total fee per month	Extractors that do not file reports by the due date.

A comparison of fees for agricultural beneficiaries of groundwater sustainability under the State and proposed new SVBGSA fee is provided in **Table 15** on the following page. Under the State’s fee structure, the fee per irrigated acre is variable, depending on water extraction quantity and number of wells. Under the SVBGSA fee structure, all irrigated acres pay the same fee for sustainable groundwater management.

The SVBGSA’s fee structure does not follow the State’s fee structure because of a lack of confidence in the data that would be necessary for such a fee calculation. See discussion of data shortcomings in Approach 2 on page 21.

Table 15
Comparison of State and SVBGSA Fees per Irrigated Acre

Land and Water Use		Farm A	Farm B	
Crop Type		<i>small vegetables</i>	<i>strawberries</i>	
Number of Wells	a	1	2	
Irrigated Acres	b	10	80	acres
Small Vegetable Crop Uses	c	2.00	2.15	acre feet per acre
Annual Water Extraction	d = b*c	20	172	acre feet per year
State Fees				
Base Filing Fee	e	\$300	\$300	per well
Probationary Rate	f	\$40	\$40	per acre foot
Annual Fee				
Base Filing Fee	g = a*e	\$300	\$600	
Extraction Fee	h = d*f	\$800	\$6,880	
Total Annual Fee	i = g+h	\$1,100	\$7,480	
State Fee per Irrigated Acre		\$110.00	\$93.50	
SVBGSA Fee per Irrigated Acre		\$4.79	\$4.79	

Section 5: FEE IMPLEMENTATION

The calculated fee is a regulatory fee adopted pursuant to SGMA (Water Code section 10730). That section provides:

Permit fees and fees on groundwater extraction or other regulatory activity [may be imposed] to fund the costs of a groundwater sustainability program, including, but not limited to, preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

To adopt the new fee, the SVBGSA Board must hold at least one public meeting. Prior to the public meeting, notice must be provided as follows:

- (1) Publicize once a week for 2 weeks at least 14 days ahead of the meeting, (2) post notice on the agency's website, (3) send by mail to any interested party who files written request for notice of agency meetings on new or increased fees.
- (2) The notice must include time and place of meeting, general explanation of the item, and a statement that the data upon which the proposed fee is based is available (this must be made available to the public at least 20 days prior to the meeting).

The new fee must be adopted by resolution or by ordinance; the SVBGSA will adopt the fee by resolution. The resolution will establish the regulatory fee for Fiscal Year 2019/20 and establish the San Francisco Consumer Price Index as the annual fee inflator; however, the fee will be reviewed annually (the inflator will not be applied automatically). The annual review of the fee level will take into consideration current cash and budget projections, as well as any changes in fee methodology or changes in base data set(s) upon which the annual fees are calculated due to changes in source data. The SVBGSA Board has the ability to revise the fee whenever necessary by following procedures in the California Constitution.

In order for the calculated fees to be implemented, there must be a Super Majority Plus Vote of the Board of Directors. A Super Majority Plus Vote means the affirmative vote of eight directors then present and voting at the meeting, and the affirmative vote of three of the four agricultural directors. After adopting the fee, the SVBGSA must continue with the following actions to implement the fee for Fiscal Year 2019/20, and each fiscal year thereafter:

1. The SVBGSA shall notice the California Public Utilities Commission (CPUC) of the fee by way of letter to the Director of the Water Division immediately following adoption of the fee, before the fee is imposed. This is a one-time, non-recurring action.

2. The SVBGSA shall provide notice to all Public Water Systems that the list of parcels and number of connections to each parcel is due no later than June 1 or the water system will receive one bill due by November 1.
3. The SVBGSA shall provide the Monterey County Auditor-Controller's office all required documentation authorizing placement of the fee on the property tax roll, and shall provide the list of Assessor Parcel Numbers and fee amounts to be placed on the Fiscal Year 2019/20 roll no later than August 1.
4. The SVBGSA shall mail out bills to water systems and the State of California paying their fees directly to the Agency by August 1.

APPENDIX A

PUBLIC OUTREACH MATERIALS



Salinas Valley Basin

Groundwater Sustainability Agency

GSA FEE STUDY

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) is currently in the process of determining a funding mechanism to support the operations of the SVBGSA. Under the Sustainable Groundwater Management Act, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

The SVBGSA has contracted a firm to explore fee structure options. The firm is working to determine a fee structure that meets the following two goals:

- Establish a fair fee structure that the GSA board of directors can adopt.

- Secure a fee structure adopted with maximum buy-in from interested parties and community-at-large.

Join the Conversation!

The SVBGSA wants the community to be involved! Join the [Fee Study Update mailing list](#) to receive project updates and stay informed about upcoming public workshops. Sharing this email with other interested parties is also encouraged. For questions, email GSAfeestudy@svbgsa.org.

Learn more by visiting www.SVBGSA.org
or send an email to GSAfeestudy@SVBGSA.org

**Planning 💧 Funding 💧 Securing
Our Groundwater Future**

ATTENTION PROPERTY OWNERS

Salinas Valley
Basin Groundwater
Sustainability Agency
explores fee options
that may affect
property owners.

— READ MORE →

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) was formed in 2017 to address the statewide mandate of measuring and securing future groundwater supplies under the Sustainable Groundwater Management Act (SGMA). SGMA requires that certain groundwater basins form Groundwater Sustainability Agencies (GSAs) to manage groundwater supplies and develop groundwater management plan(s) to meet future sustainability requirements.

Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

SVBGSA is in the process of determining a funding mechanism to support agency operations and has contracted a fee consultant to explore fee structure options. Depending on the fee structure established, the fee may be added to property tax bills or billed separately. The SVBGSA expects to have a permanent fee in place by July 1, 2019.

STAY INFORMED!

This mailer is to notify property owners with property inside the Salinas Valley Basin, but who reside out of it, about the fee study and to provide information about how to stay updated. Visit www.svbgsa.org/GSAFeeStudy/FAQ for more detailed information. Join the Fee Study Update mailing list at <https://bit.ly/2A6Yszp> to receive project updates and stay informed about upcoming public workshops. For questions, email GSAfeestudy@svbgsa.org.

Planning & Funding & Securing Our Groundwater Future

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) was formed in 2017 to address the statewide mandate of measuring and securing future groundwater supplies under the Sustainable Groundwater Management Act (SGMA). SGMA requires that certain groundwater basins form Groundwater Sustainability Agencies (GSAs) to manage groundwater supplies and develop groundwater management plan(s) to meet future sustainability requirements.

Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

You have received this postcard because your water system is located within the SVBGSA service territory. Properties serviced by your water system may be subject to a new fee that will appear on the 2019-20 fiscal year property tax bill.

STAY INFORMED

- Visit www.svbgsa.org/GSAFeeStudy/
- Join the Fee Study Update mailing list at <https://bit.ly/2A6Yszp> to receive project updates
- Email questions or comments to GSAfeestudy@svbgsa.org
- Attend an upcoming workshop

SEP
18

5:30 p.m. to 7:30 p.m.
Soledad City Council Chambers
248 Main Street, Soledad

SEP
19

5:30 p.m. to 7:30 p.m.
Castroville Community Service District Building
11499 Geil Street, Castroville
(Please do not park inside fenced area)

OCT
02

5:30 p.m. to 7:30 p.m.
Salinas Rotunda
200 Lincoln Avenue, Salinas

OCT
03

5:30 p.m. to 7:30 p.m.
King City Council Chambers
212 S. Vanderhurst Avenue, King City



NOTICE OF PUBLIC WORKSHOPS

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) invites the public to attend upcoming workshops about a fee study currently in progress for the agency. The public is encouraged to attend to learn about potential fee structures and ask questions.

The SVBGSA is conducting the fee study as part of its effort to comply with the statewide mandate to measure and secure future groundwater supplies under the Sustainable Groundwater Management Act (SGMA). Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plans, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve. Public involvement is an important part of the process.

WORKSHOP SCHEDULE

**SEP
18**

Tuesday, 5:30 p.m. to 7:30 p.m.
Soledad City Council Chambers: 248 Main Street, Soledad

**SEP
19**

Wednesday, 5:30 p.m. to 7:30 p.m.
Castroville Community Service District Building: 11499 Geil Street, Castroville
(Please do not park inside fenced area)

**OCT
02**

Tuesday, 5:30 p.m. to 7:30 p.m.
Salinas Rotunda: 200 Lincoln Avenue, Salinas

**OCT
03**

Wednesday, 5:30 p.m. to 7:30 p.m.
King City Council Chambers: 212 S. Vanderhurst Avenue, King City

**Planning  Funding  Securing
Our Groundwater Future**

APPENDIX B

SEPTEMBER 13, 2018 PRESENTATION TO THE SVBGSA
JOINT MEETING OF THE ADVISORY COMMITTEE AND
BOARD OF DIRECTORS

Salinas Valley Basin Groundwater Sustainability Agency

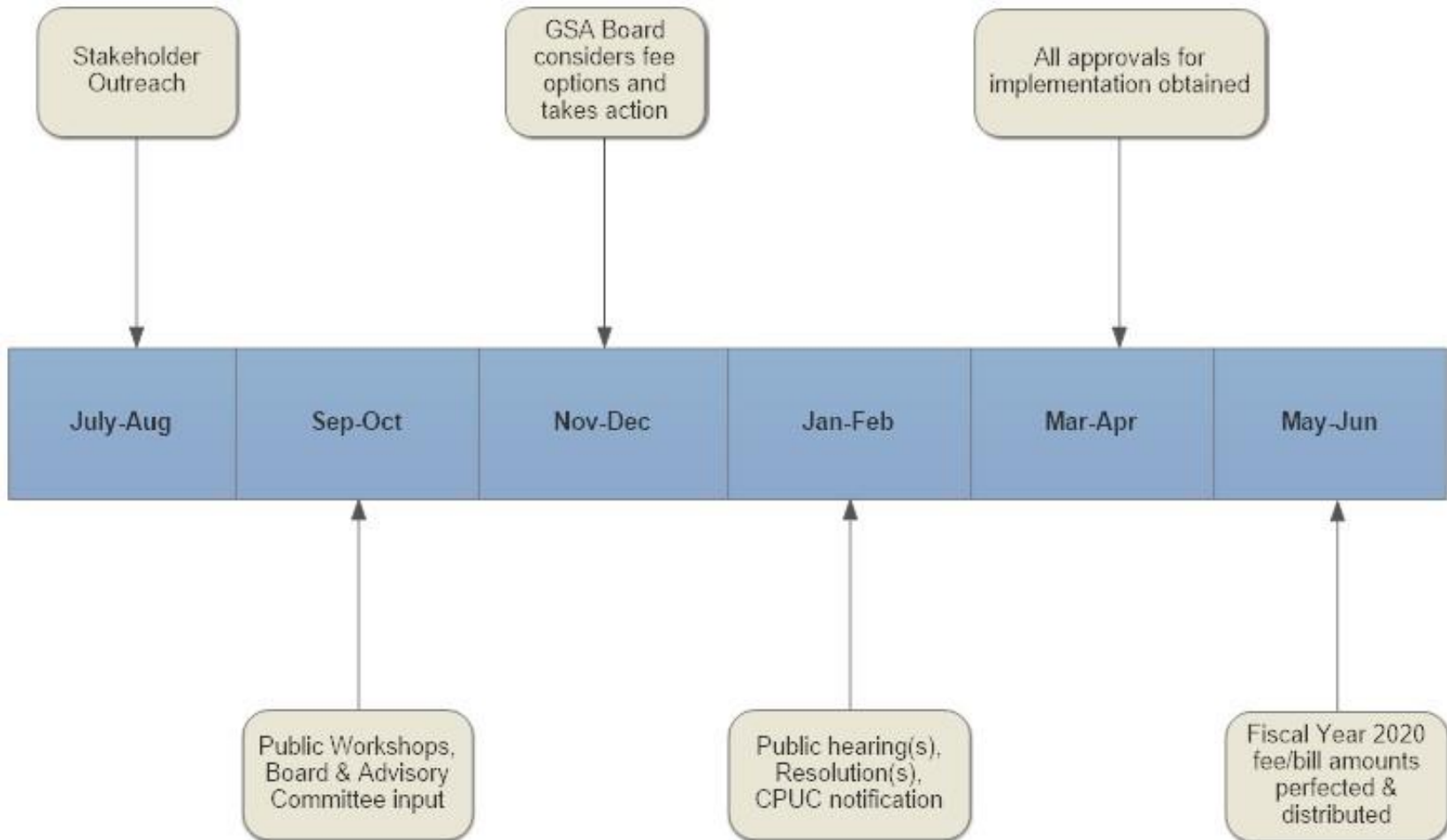
Fee Study

**Joint Meeting of the SVGBSA
Board of Directors and Advisory Committee**

September 13, 2018

Progress & Timeline

50% Budget Expended; Project on Track



Fee Goals

1. Establish a fair fee structure that the SVBGSA can adopt.
2. Secure a fee structure adopted with maximum buy-in from stakeholders.
3. Maintain transparency throughout the project.

Outreach

Laying the Foundation

- Initial Stakeholder Briefings
 - Met with representatives from agriculture, city manager, land owner and MCWRA
- Public Outreach Plan
 - Fluid document that outlines outreach activities
- Key Messages
 - Uniform messaging to incorporate into outreach materials
- Database development
 - Over 125 additional contacts to initial GSA email database; 448 subscribers to date

Key Messages / Branding

- Design templates
 - Branded identity for GSA, GSP and Fee Study to use in print and electronic materials
- Universal Tagline for GSA, GSP and Fee Study

**Planning  Funding  Securing
Our Groundwater Future**

Fee Study on Website

Added GSA Fee Study tab to website; developed content; includes mapping feature showing data (continually updated)

GSA Fee Study

[Why a Fee Study](#)

[Fee Study FAQ](#)

[Funding Options](#)

[Public Involvement](#)

Why a Fee Study?

Under the Sustainable Groundwater Management Act, GSAs have the authority to collect fees to fund the operational costs of the GSA and of a groundwater sustainability program. Costs include preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a judicious reserve.

The GSA has contracted a firm to explore options and determine funding options that are fair for the community and provide the revenue needed for the GSA to operate.

Who is Affected?

Groundwater users within the **boundaries** established by the Salinas Valley Basin Groundwater Management Agency.



Initial Outreach Efforts

Fee study introductory email July 25

- Resulted in 14 new subscribers
- 40% open rate



GSA FEE STUDY

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) is currently in the process of determining a funding mechanism to support the operations of the SVBGSA. Under the Sustainable Groundwater Management Act, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

The SVBGSA has contracted a firm to explore fee structure options. The firm is working to determine a fee structure that meets the following two goals:

Establish a fair fee structure that the GSA board of directors can adopt.

Secure a fee structure adopted with maximum buy-in from interested parties and community-at-large.

Join the Conversation!

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Learn more by visiting www.SVBGSA.org
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Planning 💧 Funding 💧 Securing
Our Groundwater Future

Outreach to Interested Parties

Purpose: Introduce fee study and create dialogue to discuss fee options

- Salinas Basin Agriculture Water Association
- Joint Meeting with Farm Bureau/Grower Shipper Water Committees
- Monterey Vintners & Growers
- Landwatch/League of Women Voters
- Large Water Providers: Castroville CSD, Alco Water, Cal Water
- Cities of Salinas, King City, Soledad and Gonzales
- Other Interested Parties: Monterey County Ag Commissioner, Coast Keepers, farmers/ranchers

Out-of-Area Property Owners Outreach

Out-of-area property owners introductory postcard

- Distributed to more than 6,500 property owners
- Correction postcard for East Garrison (MCWD service area)



ATTENTION PROPERTY OWNERS

Salinas Valley
Basin Groundwater
Sustainability Agency
explores fee options
that may affect
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— READ MORE —>

Planning & Funding Our Groundwater Future

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Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

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Water Systems Outreach Efforts

Postcard sent to all water systems in the SVBGSA boundaries

- Distributed to approximately 800

Planning Funding Securing
Our Groundwater Future

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Salinas Rotunda
200 Lincoln Avenue, Salinas

OCT 03 5:30 p.m. to 7:30 p.m.
King City Council Chambers
212 S. Vanderhurst Avenue, King City

Public Outreach – Fee Study Workshops



- Display ads placed in area papers and online calendars
- Translated for Spanish media outlets
- E-blast to email subscribers
- Posted to website

NOTICE OF PUBLIC WORKSHOPS

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) invites the public to attend upcoming workshops about a fee study currently in progress for the agency. The public is encouraged to attend to learn about potential fee structures and ask questions.

The SVBGSA is conducting the fee study as part of its effort to comply with the statewide mandate to measure and secure future groundwater supplies under the Sustainable Groundwater Management Act (SGMA). Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plans, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve. Public involvement is an important part of the process.

WORKSHOP SCHEDULE

- SEP 18** Tuesday, 5:30 p.m. to 7:30 p.m.
Soledad City Council Chambers: 248 Main Street, Soledad
- SEP 19** Wednesday, 5:30 p.m. to 7:30 p.m.
Castroville Community Service District Building: 11499 Geil Street, Castroville
(Please do not park inside fenced area)
- OCT 02** Tuesday, 5:30 p.m. to 7:30 p.m.
Salinas Rotunda: 200 Lincoln Avenue, Salinas
- OCT 03** Wednesday, 5:30 p.m. to 7:30 p.m.
King City Council Chambers: 212 S. Vanderhurst Avenue, King City

Fee Options

Legal Basics

1. California Constitution (Props 218 and 26) place limits on ability to levy fees, charges, assessments, and taxes.
2. SVBGSA can levy a “special tax” – requires 2/3 electorate vote.
3. Prop 218 permits assessments with property owner vote but must pay for “special benefits,” not general operations – used for projects.
3. Prop 218 permits “property related” fees and charges with majority protest proceeding – GSA fees not “property related.”

Legal Basics

5. Props 218 and 26 permit fees to pay the “reasonable costs” of a regulatory program.
 - a. SGMA is a regulatory program.
 - b. Fee must be proportional and related to benefits of the program.
 - c. SGMA (section 10730) specifically allows regulatory fees both pre- and post-GSP adoption.
 - d. SGMA (section 10730.2) requires partial majority protest proceeding for extraction based fees post-GSP.

6. Prop 26 permits fees to pay for “a specific government service or product provided directly to the payor that is not provided to those not charged.”
 - a. GSA provides the service of managing groundwater to sustainability.
 - b. Cannot exceed reasonable cost.

Fee Implementation

Collection Options	Parameters	Stakeholder Feedback	Legal Constraints
Regulatory and Government Service Fees	Proposition 26; SGMA Code 10730 & 10730.2	Split opinions on whether everyone in GSA boundaries should pay or just those using groundwater, but more support for the latter	Uses full authority of SGMA; must tie to benefits of the regulatory program or service provided
<i>Other Options Considered – Not Moving Forward With:</i>			
Voluntary Agreements	Only for municipal water providers	Can recoup costs from ratepayers, advantage for LIRA customers; however, want the GSA to be the collecting agency	Legally strong; infeasible to have multiple agreements to manage (hundreds of small water systems)
Property Related Fees	Proposition 218	Generally favorable if adopt via majority protest proceeding	GSA is not a water provider at this time so not applicable (extraction fee is not “property related”)
Special Taxes	Special District authority	A lot of support for concept of everybody pays but no support for the effort required to implement	Legally strong; however, may be difficult as must be passed by two-thirds of voters at general election (Nov.)

Basis for the Fee for GSP Development & GSA Administration

Other options are available for implementing programs and projects after the GSP is developed

Options

- Wellhead Charge
- Parcel Charge
- Per Acre/Per Connection Charge
- Extraction Charge

Considerations

- Simplicity/Understandability
- Equity
- Administrative Ease
- Enforceability

Fee Collection Considerations

In the table below, an ✖ denotes an issue (may be surmountable or not)

Options	Simplicity / Understandability	Equity	Administrative Ease	Enforceability
Wellhead Charge	Ties to users of groundwater; could be confusing if GSA implements a fee for registering wells	No connection to amount of water ✖ used; may not be using standby/other wells	Relatively easy; charge parcels with wells	Enforceable; however, ✖ available data very unreliable
Parcel Charge	Only connects to concept of everybody pays (requires special tax) ✖	Different land uses have different water demands; not recognized	Relatively easy; could charge all parcels on factors that represent potential to use water	Enforceable
Per Acre/Per Connection Charge	Simple & understandable	Ag and municipal water use is very different; charges to be allocated proportionately	Relatively easy; need water providers to submit # connections annually, otherwise receive bill based on publicly available data ✖	Enforceable; need to cross-check ag. water providers not billed as municipal
Extraction Charge	Understandable	Equitable	Pumpers report data twice OR transfer of data from MCWRA required; ✖ charges based on data at least one year old	Unenforceable; Relies on self-reporting until ✖ GSA is mature (several years)

Fee Structure Options

#1: Different Fees Municipal & Ag

Step 1: Allocate total annual cost (budget) to ag and municipal EITHER by a 90/10 split (from MCWRA published data) OR by estimated extraction - ag water use estimated using Ag Commissioner and CIMIS ET data. Municipal use is reported.

Step 2: Municipal Users - Determine parcel charges for tax roll OR hand bill based on # connections.

Step 3: Agricultural Users – Determine parcel charges for tax roll based on number of irrigated acres.

#2: Based on Pumping

Step 1: Every well (active & standby/inactive) gets same annual base charge; exclude properties not part of a ranch and not served by a water system smaller than 2.5 acres to exclude de minimus users.

Step 2: Municipal well owners and agricultural well owners providing pumping data pay per acre foot extracted.


Step 3: Well owners unwilling to share pumping data pay an additional flat charge based on GSA-estimated use using Ag Commissioner and CIMIS ET data.

Step 4: Fees would be applied to parcel the well is located on to be put on tax roll unless parcel served by a water system that provides service connection data (fees could be applied to tax roll based on \$ due each system by # connections). Hand bill if well location not known.

#3: Based on Acreage

Every parcel using groundwater pays a charge per acre regardless of land use. Parcels less than 2.5 acres where a water connection exists or is available from a water system pays a minimum charge regardless of actual acreage. Properties not served by a water system or where a water connection is unavailable pay if the property is greater than 2.5 acres; any smaller parcel is assumed a de minimus user and does not pay a fee.

Fee Options Benefits and Drawbacks

Approach	Achieves	Benefits	Considerations and Drawbacks
#1 Different Fees for Municipal & Ag	Only ground-water users pay; allows for different fee structure for muni & ag; accounts for how much water is used by muni & ag	Can be achieved with current available data sets; excludes de minimus extractors; predictable revenue stream; easily enforceable	Requires water systems to provide GIS data to determine which parcels receive water system water service OR billed directly based on # connections; requires all parties agree to 90% ag / 10% muni. cost split for Step 1 OR Ag has to be comfortable with ET values applied to grouped crop types
#2 Based on Pumping	Only ground-water users pay; accounts for how much water is used by muni & ag; users charged same way	Gives (agriculture) groundwater users choice to report; inactive/standby wells pay something; should exclude de minimus extractors	Pumping self reporting; Requires water systems to provide GIS data to determine which parcels receive water system water service; higher administrative cost than #1, especially first year to set up; every year pumpers have to submit use reports to two agencies; greater chance of revenue fluctuation; Ag has to be comfortable with ET values applied to grouped crop types for flat charges if do not share pumping; Well data from DWR & Env. Health not correlating (data accuracy concerns); <i>may require a majority protest adoption to continue this fee after the GSP is complete.</i> 
#3 Based on Acreage	Only ground-water users pay	Most administratively easy; Predictable revenue stream; should exclude de minimus users; easily enforceable	Requires water systems to provide GIS data to determine which parcels receive water system water service; Equity concern not all property uses same amount of water – there is no consideration in fee determination how much water is used by each parcel

Other Stakeholder Ideas / Input

- Fee based on maximum output of well (fee tiers based on well size)
 - *Available current data sets will not allow for this – too many data gaps*
- Fee credit if property is contributing back to water supply. For example, agricultural wash facilities' water is recycled and supplied to properties to combat seawater migration.
 - *Probably better addressed at the project stage, not for administrative fee*
- The environment should be allocated a portion of costs. For example, riparian open space should contribute toward the cost.
 - *Probably better addressed at the project stage, not for administrative fee*

Hypothetical Fee Calculations

Fee Magnitude

GSA Budget

Expenses approximately \$1 Million / Year = Fee Revenue Needed

GSA Executive Committee/Board to decide on budget for fee

- Administrative Services
- Groundwater Sustainability Plan
- Legal & Professional Services
- Board Stipend
- Supplies & Miscellaneous
- Repayment of first 2 years of contributions

Fee structure will allow for increases based on an escalator

- Use the Bay Area CPI (consistent with Monterey County)
- Not automatically applied – requires annual review by Board

Approach #1

Step 1	Total Cost	\$1,000,000	
	Agriculture	\$900,000	90%
	Municipal	\$100,000	10%
Step 2	Municipal	\$100,000	
	Number Connections	50,000	Approx. needs refining!
	Cost per Connection	\$2.00	
Step 3	Agriculture	\$900,000	
	Irrigated Acres	186,000	Approx. needs refining!
	Cost per Irrigated Acre	\$4.84	

Approach #2

Step 1	Total Number of Wells	1,500	Approx. needs refining!
	Total Cost	\$1,000,000	
	Percentage in Minimum Charges	30%	
	Cost in Minimum Charges	\$300,000	
	Minimum Charge per Well	\$200.00	
Step 2	Remaining Cost	\$700,000	
	Pumping (Acre Feet)	454,000	Approx. needs refining!
	Charge per Acre Foot	\$1.54	

Approach #3

Step 1	Number of acres served by water system and not by water system if >2.5 acres	216,000	Approx. needs refining!
	Total Cost	\$1,000,000	
	Percentage in Minimum Charges	30%	
	Cost in Minimum Charges	\$300,000	
	Minimum Charge per Parcel	\$1.39	
Step 2	Remaining Cost	\$700,000	
	Estimated Acres served by water systems less acreage of parcels <2.5 acres in water systems	30,000	Approx. needs refining!
	Estimated Acres irrigated by Ag	16,500	Approx. needs refining!
	Net Acres	186,000	Approx. needs refining!
	Estimated Cost per Acre	199,500	
		\$3.51	
	Est. Parcel Charge for Properties <2.5 acres served by water system	\$1.39	
	Est. Acreage Charge for all other properties excl. those <2.5 not on water system	\$4.90	

Fee Comparison: Agriculture Examples

Assumptions

Number of Wells	1
Crop Acreage	10 acres
Small Vegetables	2 acre feet per acre
Annual Water Extraction	20 acre feet per year

Assumptions

Number of Wells	2
Crop Acreage	80 acres
Strawberries	2.15 acre feet per acre
Annual Water Extraction	172 acre feet per year

State Fees	\$110.00 per acre per year	State Fees	\$90.00 per acre per year
#1	\$4.84 per acre per year	#1	\$4.84 per acre per year
#2	\$23.08 per acre per year	#2	\$5.81 per acre per year
#3	\$4.90 per acre per year	#3	\$4.90 per acre per year

Fee Comparison: Single Family Home Example

Assumptions

Municipal Water Provider	Castroville CSD
Lot Size	0.20 acres

State Fees - unknown - passed on by water provider

	ANNUAL FEE
#1	\$2.00
#2	\$0.97
#3	\$1.39

Ranking Exercise

- Ranking table distributed to each Board and Advisory Committee member (37)
- Tables to be collected and points tallied
- Ranking results provided

Criteria Descriptions and Weighting Worksheet

Criteria	Description	Weighting
Equity	How well does the fee capture users of the groundwater and spread the costs equitably?	50%
Enforceability & Reliance on Data	How easy is it for the SVBGSA to enforce the fee? How often is the data updated? How reliable is it?	20%
Simplicity	How easy is the fee to explain to the public?	10%
Revenue Stability / Predictability	How predictable is fee revenue given the fee structure?	10%
Administrative Ease	How challenging is it to determine the fee each year and send to the auditor?	10%
	Total	100%

September 13, 2018

Joint Meeting of SVBGSA Board and Advisory Committee

Fee Study Approaches Ranking Matrix Results

Approach	Points	% of Points	Rank
1	107	46%	1
3	71	30%	2
2	57	24%	3

Next Steps

Following public workshops, need Board direction and approval:

- Annual budget for fee calculation
- Fee methodology

Contact Information

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APPENDIX C

OCTOBER 11, 2018 PRESENTATION TO
THE SVBGSA BOARD OF DIRECTORS

Salinas Valley Basin
Groundwater Sustainability Agency
(GSA)

Fee Study

Oct 11 Board Meeting

Public Workshops Summary

Attendance	Soledad	Castroville	Salinas	King City
	16	15	27	14

- Castroville and King City good representation of small water systems
- Soledad, Salinas and King City good representation of agriculture
- No concerns about the level of the fee today, but concerns it could escalate dramatically in the future
- Received some comments, but not a major concern that non-ag users would have the same fee per connection regardless of land use under Option 1 (made by larger water systems)
- Option 3 is not equitable (comments from small water systems)
- An extraction fee is not feasible now but should remain an option for the future when it is feasible
- Some concern de minimus users will not have a fee

Public Workshops Questions Raised

- Can there be a sunset or cap set on the fee?

The GSA will need some form of on-going operational revenue, so a sunset or cap should only be set if an alternative source is identified and secured

- Can there be a hybrid of options 1 and 3; particularly, can there be a minimum fee under option 1?

Adds complexity, equity would have to be evaluated. Could add a step to establish a minimum fee before the cost split in Step 1

- Would recycled water customers be charged the fee?

The fee is applied to customers / properties using groundwater. Some of those customers may also be using recycled water. An exclusive user of recycled water will not be charged the fee for recycled water; however, the property may use both gw and recycled water, in which case the fee (for gw only) will apply.

Public Workshops Questions Raised

- Will industrial users such as oil extractors & golf courses be charged the fee?

Yes – per connection under Option 1; per acre under Option 3

- Are there any exemptions to paying the fee and how are environmental uses treated?

Applicable at project level; difficult to identify and assess a fee on environmental users. For this fee every gw user except de minimus users pays.

- Why isn't potential litigation cost included in the annual budget?

No looming litigation now; may be a consideration in future budgets

- How is agricultural property that uses water provided by a water system charged the fee?

Per irrigated acre; the connection is deducted from the water system number of connections

September 13, 2018

Joint Meeting of SVBGSA Board and Advisory Committee

Fee Study Approaches Ranking Matrix Results

Approach	Points	% of Points	Rank
1	107	46%	1
3	71	30%	2
2	57	24%	3

Direction to Fee Consultant

- Bring greater detail of Options 1 and 3 back to the Board October 11
 - Cost allocation method between ag & other users for Option 1; including consideration of return flow
 - Clarification on Option 3
- Further consideration of impacts to Disadvantaged Communities
- Greater description of how revenue will be collected

Common to Both Options 1 and 3

- **Only groundwater users pay**
- **Achievable with available data sets**
- **Exclude de minimus extractors**
- **Predictable revenue stream**
- **Enforceable**

Option 1: Irrigated Acre Fee (Agriculture) Connection Fee (All Other Users)

Step 1: Allocate total annual cost (budget) between Group A (Agriculture) & Group B (All Other Users)

- Percentage split such as 90/10
Methodology could be from MCWRA published data (gross pumping) OR
another methodology that accounts for net water use (return flow)

Step 2: Agriculture Fee Calculation

- Use mapping software (GIS) to determine irrigated acres
- Divide allocated cost by total # irrigated acres

Step 3: All Other Users Fee Calculation

- Use Environmental Health OR Water Systems' provided data to determine # connections
- Divide allocated cost by total # connections

Option #1 Fee Calculation

DRAFT

Connection Fee / per Irrigated Acre Fee Hybrid

	<i>Agriculture / Other Users Split</i>		<i>90 / 10</i>	
Step 1	Total Cost	a	\$1,200,000	
	Agriculture	b = a*% to ag	\$1,080,000	
	Municipal	c = a-b	\$120,000	
Step 2	Agriculture	d = b	\$1,080,000	
	Irrigated Acres	e	186,000	Needs refining!
	Cost per Irrigated Acre per Year	f = d/e	\$5.81	
Step 3	All Other Users	g = c	\$120,000	
	Number Connections	h	50,000	Needs refining!
	Cost per Connection per Year	i = g/h	\$2.40	

Option 3: Acreage Fee (Ag. & Water System Parcels >2.5 Ac.) Parcel Fee (Water System Parcels <2.5 Ac.)

Step 1: Group properties using pumped groundwater

- Use mapping software (GIS) to identify properties & calculate acres
 - Group A parcels with acres <2.5 acres served by a water system
 - Group B all other parcels

Step 2: Calculate minimum fees for all fee-payers

- Multiply total cost (budget) by % to be collected in minimum fees
- Divide minimum fee cost by total acres (Group A + Group B)
- This is Group A's annual fee

Step 3: Calculate additional fees for Group B

- Divide remaining cost by Group B total acres
- Group B's fee is the minimum fee plus additional fees

Option #3 Fee Calculation

DRAFT

Parcel Fee / Acreage Fee Hybrid

Step 1	Number of acres served by water systems	a	30,000	Needs refining!
	Irrigated Acres	b	186,000	Needs refining!
	Total Acres Charged Minimum Fees	c = a+b	216,000	
Step 2	Total Cost	d	\$1,200,000	
	Percentage in Minimum Fees	e	50%	
	Cost in Minimum Fees	f = d*e	\$600,000	
	Minimum Fee per Acre	g = f/c	\$2.78	
Step 3	Remaining Cost	h	\$600,000	
	Total Acres Charged Minimum Fees	i = c	216,000	Needs refining!
	less acreage of parcels <2.5 acres in Water Systems	j	16,500	Needs refining!
	Net Acres	k = i-j	199,500	
	Estimated Fee per Acre	l = h/k	\$3.01	
	PER ACRE FEE if Served by Water System and >2.5 ac., PER ACRE FEE per Irrigated Acre	m = g+l	\$5.79	
Step 4	Cost Share for Parcels charged the Parcel Fee	n = j*g	\$45,833	
	Number of Parcels <2.5 acres served by Water System	o	52,000	Needs refining!
	PARCEL FEE if Served by Water System and <2.5 acres	p = n/o	\$0.88	

Illustration of Fees for Properties with Connection to a Water Service

<p>Multi-Family Apt complex = 1.4 acres</p> <p>Option 1: \$2.40 OR Option 3: \$0.88</p>	<p>Community Center = 2.8 acres</p> <p>Option 1: \$2.40 OR Option 3: \$16.21</p>	<p>Home 0.3 ac. \$2.40 OR \$0.88</p>
		<p>City Park = 0.6 acres \$2.40 OR \$0.88</p>
<p>Office building = 1 acre</p> <p>Option 1: \$2.40 OR Option 2: \$0.88</p>	<p>Ag. Wash Facility = 4.8 acres</p> <p>Annual Fee Option 1: \$2.40 OR Option 3: \$27.79</p>	

Illustration of Fees for Agriculture

*All irrigated acres pay the same per acre under option 1
and the same per acre under option 3*

Strawberries = 15 Acres

Annual Fee

Option 1 = \$87.15

Option 3 = \$86.85

Row Crops = 15 Acres

Annual Fee

Option 1 = \$87.15

Option 3 = \$86.85

Vineyard = 15 Acres

Annual Fee

Option 1 = \$87.15

Option 3 = \$86.85

Fee Options Benefits and Drawbacks

Option	Benefits	Considerations and Drawbacks
<p>#1 Connection Fee / per Irrigated Acre Fee Hybrid</p>	<ul style="list-style-type: none"> • Different fee structure for agriculture and other land uses • Accounts for difference in water use 	<ul style="list-style-type: none"> • Requires agreement on percentage cost split for Step 1 (could fluctuate year to year) OR complicated & potentially contentious calculation of use incorporating return flow. • Equity concern not all municipal and other land uses have same water requirements but pay same connection fee.
<p>#3 Parcel Fee / Acreage Fee Hybrid</p>	<ul style="list-style-type: none"> • All fee calculations independent of water system data (still need service boundaries) 	<ul style="list-style-type: none"> • All properties using groundwater pay the same per acre regardless of land use (equity concern). • Needs basis for acreage threshold and methodology to determine how much revenue is collected in minimum fees; can be set so that cost allocation mimics step 1 under Option 1 (90% agriculture).

Fee Collection

Collection Vehicle	Option 1	Option 3
<p>Fee Collected with Property Taxes</p>	<p>All irrigated acres (data source – Assessor);</p> <p>Properties served by water systems 2-14 connections and properties served by larger water systems that provide connection data annually (data source – water provider)</p>	<p>All irrigated acres (data source – Assessor);</p> <p>All properties served by water systems (data source – Assessor & Dep't of Water Resources)</p>
<p>Direct Bill mailed by GSA</p>	<p>Water systems 15+ connections that do NOT provide connection data annually</p> <p><i>Optional</i> – Available to all water systems (data source – Environmental Health OR water provider)</p>	<p><i>Optional</i> – Available to all water systems (data source – Assessor & Dep't of Water Resources)</p>

Fee Revisions

- SVBGSA Board has ability to revise the fee whenever needed by following procedures in the California Constitution
- Recommend annual fee review with consideration of:
 - Budget projection
 - Potential application of Bay Area CPI (consistent with Monterey County)
 - Updating fee methodology or changing the base data set(s) upon which annual fees are calculated due to changes in access to data (different sources, better accuracy and so forth)

Timing of Revenues

- Revenues from fees placed on property tax bills disbursed to SVBGSA December, April, and May
- Direct bills mailed June 1, 2019
 - Need to establish when bills are due
 - Can bills be paid in two installments
 - Delinquent bills can be submitted to Auditor-Controller to be collected with property taxes if the water system itself owns property
- Timing of receipt of revenue may require short term funding mechanism (“dry period loan”)

Option 1, Step 1: Cost Allocation

Monterey County Water Resources Agency Data

- *Collected from extractors with 3"+ discharge pipes*
- *Different service territory (excl. Paso Robles basin to the County line; includes other GSA areas such as Greenfield and Marina Coast)*

Year	Total Pumping	Agriculture Pumping	Ag. as % of Total Pumping
2011	448,584	404,110	90.1%
2012	489,240	446,619	91.3%
2013	508,205	462,873	91.1%
2014	524,487	480,160	91.5%
2015	514,714	478,113	92.9%
Avg. Annual	497,046	454,375	91.4%

Return Flow

Agriculture

- Could be calculated by applying evapotranspiration rates to crop types to estimate water use and comparing to pumped data – **issues:** effort / resources to calculate, crop rotations validity of ET rates applied, accounting for different geographies (different ET rates for same plant type); how to handle CSIP customers (only portion of water used is gw)

Other Users

- **Municipal:** Could apply return flow estimates (percentages) by land use – **issues:** effort/resources to calculate; developing local data entails computation working with water & wastewater providers; doesn't account for water conservation activities in one area over another; some water is recycled to agriculture
- **Industrial:** May be unique users that need special studies by hydrologist; for example, oil fields return flow

Disadvantaged Communities / Low-Income Households

Not an issue at any public workshop once the level of the fee was understood.

- Can be established separately by resolution; not a critical decision at this time

Considerations

- Qualifying Process – need third party verification, cost could be greater than the fee
- Regulatory Fee – may be legal to have discounts if can demonstrate reasonable relationship and rough proportionality for all payees
- If water providers pay directly (do not put fees on property tax bill for their customers), may be potential relief not requiring any SVBGSA action

Recommendations

Developed with SVBGSA Staff

Determine Budget for Fiscal Year 2019/20 Fee

RECOMMENDATION: BASE THE FEE ON \$1.2 MILLION & WAIT UNTIL GSPs ARE COMPLETE TO COMMENCE INITIAL MEMBER CONTRIBUTION REIMBURSEMENTS

- Agency is in infancy; better to wait to have good handle on annual expenses and cash flow
- Fee levels will be evaluated annually; Board could start reimbursements sooner, such as after the first GSP is complete, if deemed prudent at that time

Select Fee Methodology

RECOMMENDATION: SELECT OPTION 1 AS A GROUNDWATER USE FEE (A REGULATORY FEE UNDER SGMA) & DOCUMENT ITEMS IN THE FEE REPORT THAT SHOULD BE PERIODICALLY REVISITED

- Option 1 greatest equity between groundwater users
- Option 1 simplest to calculate and collect
- Option 1 easiest to understand
- Step 1 cost split start at 90/10
 - Based on established local data source
 - Can be updated easily
- Imperfections can be corrected over time with annual reviews
- Keep the door open on items such as working toward an extraction based fee, low-income discount, and return flow calculations

**Before the Board of Directors of the
Salinas Valley Basin Sustainable Groundwater Management Agency**

Resolution No.

Charging a Groundwater Sustainability Fee)

[Recitals] NOW, THEREFORE,

BE IT RESOLVED, by the Board of Directors of the Salinas Valley Groundwater Sustainability Agency as follows:

1. There is hereby charged a Groundwater Sustainability Fee (“Fee”) on the terms and conditions set forth in Attachment A, attached hereto and incorporated herein by reference.
2. The General Manager is authorized and directed to annually request that the Monterey County Auditor – Controller and Board of Supervisors to collect the Fee in the same manner as ad valorem property taxes pursuant to Water Code section 10730 (d) and as more fully described in Attachment A, and provide the Auditor – Controller with the required information no later than August 1 of each year.
3. Should the Fee not be able to be collected in the same manner as ad valorem property taxes for any reason, the General Manager is hereby authorized and directed to cause the direct billing of the Fee as more fully set forth in Attachment A.
4. Upon adoption of this resolution, the General Manager is authorized and directed to notice the California Public Utilities Commission (CPUC) of the Fee by way of letter to the Director of the Water Division.
5. The General Manager and Agency Counsel are hereby authorized and directed to take such other and further steps as may be necessary or appropriate to implement the intent and purposed of this resolution.

PASSED AND ADOPTED on this ___ day of _____, _____, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

I, Ann Camel, Clerk of the Board of Directors of the Salinas Valley Basin Groundwater Sustainability Agency, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Directors duly made and entered in the minutes thereof of Minute Book_____ for the meeting on _____.

Dated:

Ann Camel, Clerk of the Board of Directors of the Salinas Valley Basin
Groundwater Sustainability Agency,
County of Monterey, State of California

ATTACHMENT A

SALINAS VALLEY BASIN GROUNDWATER SUSTAINABILITY AGENCY

GROUNDWATER SUSTAINABILITY FEE

SECTION 1. DEFINITIONS

1.1 “Agricultural Fee” means the Fee charged to those parcels of property containing Irrigated Acres.

1.2 “Basin” means the Salinas Valley Groundwater Basin as set forth in Bulletin 118 of the California Department of Water Resources, as may be amended from time-to-time.

1.3 “Connection” means a connection between the customer’s piping or constructed conveyance and the water system’s meter, service pipe, or constructed conveyance.

1.4 “Connection Fee” means the Fee charged to Small Water Systems, Public Water Systems, or the owner of any real property with a Connection.

1.5 “De minimis extractor” means a person who extracts, for domestic purposes, two acre-feet or less per year.

1.6 “Fee” means the Groundwater Sustainability Fee charged as set forth herein.

1.7 “General Manager” means the General Manager of the SVBGSA.

1.8 “Irrigated Acre” or “Irrigated Acres” means all real property classified as Monterey County Assessor Land Use Codes 4C, 4D, 4F, 4G, 4K, and 4N, whether the acre belonging to the Assessor Parcel Number upon which the Regulatory Fee is imposed is or is not currently irrigated.

1.9 “Jurisdictional Area” means the those parcels of real property within the Basin and those parcels of real property adjacent to the Basin that use groundwater or surface water derived, extracted, or otherwise obtained from within the Basin excluding therefrom the area within the jurisdictional boundaries of the Marina Coast Water District, the City of Greenfield, and any area for which the SVBGSA has entered into a Management Agreement that provides that the Fee shall not be charged within such area, or any portion thereof.

1.10 “Person” means the owner of property charged the Agricultural Fee, or a Public Water System, Small Water System, or the owner of real property with a Connection, charged the Connection Fee.

1.11 “Public Water System” means a system for the provision of water for human consumption through pipes or other constructed conveyances that has 15 or more connections or regularly serves at least 25 individuals daily at least 60 days out of the year.

1.12 “Small Water System” means a water system with 2 to 14 connections that is regulated by the County Health Department pursuant to Monterey County Code Chapter 15.04.

ATTACHMENT A

1.13 “SVBGSA” means the Salinas Valley Basin Groundwater Sustainability Agency.

ATTACHMENT A

SECTION 2. ESTABLISHMENT OF FEE

2.1 There is hereby charged within the Jurisdictional Area a Groundwater Sustainability Fee pursuant to Section 10730 of the California Water Code, and as more fully set forth herein.

2.2 Each parcel of real property that contains Irrigated Acres shall be charged the Agricultural Fee of \$4.79 per Irrigated Acre per year.

2.3 Each Public Water System and Small Water System shall be charged the Connection Fee of \$2.26 per Connection per year.

2.4 The fee shall be payable to the SVBGSA as follows:

2.4.1 The SVBGSA shall determine those real properties that include Irrigated Acres and shall annually request the Monterey County Auditor – Controller and Board of Supervisors to collect the Agricultural Fee in the same manner as ad valorem property taxes pursuant to Water Code section 10730 (d), and shall provide the required information to the Auditor – Controller no later than August 1 of each year.

2.4.2 The SVBGSA shall annually request the Monterey County Auditor – Controller and Board of Supervisors to collect the Connection Fee for Small Water Systems in the same manner as ad valorem property taxes pursuant to Water Code section 10730 (d), and shall provide the required information to the Auditor – Controller no later than August 1 of each year.

2.4.3 The SVBGSA shall request each Public Water System to provide a list of parcels or GIS files with Connections. If a list is provided by June 1 of each year, the SVBGSA shall request the Monterey County Auditor - Controller to collect the Connection Fee for the Public Water System in the same manner as ad valorem property taxes pursuant to Water Code section 10730 (d), and shall provide the required information to the Auditor – Controller no later than August 1 of each year.

If a list is not provided by a Public Water System by June 1 each year, the SVBGSA will directly bill the Public Water System no later than August 1 of each year using the number of Connections reported most recently by either a) California Environmental Health Tracking Program, or b) annual filings to the Monterey County Water Resources Agency, said bill to be due and payable no later than November 1 of each year.

2.4.4 If any Person fails to pay the Fee as charged, the Person shall pay interest to the SVBGSA at the rate of 1 percent per month on the delinquent amount of the Fee and a 10-percent penalty, pursuant to Water Code section 10730.6.

ATTACHMENT A

2.4.5 In addition to the interest and penalty set forth in Section 2.4.4, the Board of Directors may elect to utilize any of the remedies available to it for failure to pay the Fee as set forth in Water Code section 10730.6.

2.5 De Minimis Extractors and the Federal Government are exempt from the Fee.

SECTION 3. APPEAL

3.1 Should a Person wish to contest the number of Irrigated Acres upon which the Agricultural Fee is charged, or the number of Connections upon which the Connection Fee is charged, the Person shall first be required to pay the Fee as charged. Within thirty (30) days following payment of the Fee, the Person may file an appeal with the SVBGSA, on a form approved by the General Manager, setting forth the basis upon which the appeal is made. The appeal will be considered timely filed if, within the time allowed, 1) the form is postmarked, United States first class mail, 2) delivered to the General Manager or Clerk of the Board of Directors by electronic mail, or 3) personally delivered to the General Manager.

3.2 Within thirty (30) days of filing the appeal, the General Manager shall meet with the Person to discuss the basis of the appeal. The General Manager is authorized to grant the appeal, in whole or in part, or deny the appeal. The determination shall be made no later than fifteen (15) days following the meeting, and shall be in writing and delivered to the Person in the same manner as the filing of the appeal.

3.3 If the Person who filed the appeal is dissatisfied with the determination of the General Manager, the Person may file an appeal to the Executive Committee within fifteen (15) days of delivery of the determination, following the procedures for filing of an appeal as set forth in Section 3.1, above.

3.4 The appeal will be placed on the agenda for the next available Executive Committee meeting occurring no less than fifteen (15) days of the filing of the appeal. The Executive Committee shall receive evidence, and hear from the appellant and staff regarding the merits of the appeal. The Executive Committee is authorized to grant the appeal, in whole or in part, or deny the appeal. The determination of the Executive Committee shall be memorialized in a minute order of the Committee and shall be final, with no further appeal to the full Board of Directors.

SECTION 4. PERIODIC REVIEW

4.1 Annually during the budget process, the Board of Directors shall review the Fee to determine if the Fee is sufficient to cover expenses, consistent with the California Constitution. The Board of Directors may increase or decrease the Fee as necessary or appropriate in compliance with the California Constitution.

4.2 At least every five (5) years, the Board of Directors shall perform a comprehensive review of the Fee and its methodology to determine if the methodology for calculating and charging the Fee continues to be appropriate or should be changed. The Board of Directors may authorize the retention of a consultant to assist with the review, and shall hold at

ATTACHMENT A

least 1 public meeting to receive testimony from the public regarding the Fee. Any change in the methodology for calculating and charging the Fee shall be subject to the requirements of the California Water Code and the California Constitution.

Salinas Valley Basin
Groundwater Sustainability Agency
(GSA)

Final Regulatory Fee Study

February 14, 2019 Board Meeting

Who Will Pay the Regulatory Fee?

- All beneficiaries of sustainable groundwater management in the SVBGSA management area
- 2 Groups of Beneficiaries: Agriculture & All Other
 - Agriculture pays per Irrigated Acre – no exceptions; includes land irrigated with surface water
 - All Other pays per Service Connection – no exceptions; includes beneficiaries that may also have a private well and beneficiaries not actively taking water through the service connection

Exempt: De Minimus Extractors, Federal Properties

Administrative Changes from the Draft Report

- Forebay Aquifer corrected from high-priority to medium-priority basin
- Reimbursements to initial funding contributors could be from the regulatory fee rather than will be from the regulatory fee
- Definition of Irrigated Acres added
- Addition of a table identifying Agricultural acres charged the fee and Agricultural acres not charged the fee
- State of California APNs with Small Water System connections were identified; fees payable by the State must be direct-billed by SVBGSA
- The fee will be adopted by resolution (rather than by ordinance)

Fee Calculation Changes from the Draft Report

- The number of Irrigated Acres increased by 409 acres due to parcel changes that have occurred since the original data was pulled in September 2018 (parcel splits and combinations) – reduced the fee by ONE CENT
- In the process of assigning all the Small Water Systems connections to Assessor Parcel Numbers, three connections were added – reduced the fee by ONE CENT

Reimbursement to Initial Funding Contributors

Page 2 of the Report

Because the reimbursements could come from another funding source in the future, the language was changed to:

“A new regulatory fee, which is the subject of this report, will be imposed that will replace member contributions, and over time, could reimburse those initial contributors.”

Irrigated Acres Defined

“All real property classified as Monterey County Assessor land use codes 4C, 4D, 4F, 4G, 4K, and 4N, whether the acre belonging to the Assessor Parcel Number upon which the regulatory fee is imposed is or is not currently irrigated.”

County GIS data is used to determine the number of Irrigated Acres per APN.

The number of Irrigated Acres upon which the fee is calculated for each parcel may not be the same as the acres of the parcel stated on a property tax bill because the GIS calculated number of acres may not exactly match that of a legal description or map provided to the County for the Assessor’s roll.

Agricultural Land – Assessor Code 4

Land Use		
Code	Description	Acres
Lands Charged Regulatory Fee		
4C	Row Crop	95,685
4D	Field Crops Alfalfa, Pasture	2,271
4F	Vineyards	32,759
4G	Orchards (fruits or nuts)	571
4K	Agricultural Preserves, Irrigated, Row Crop	76,728
4N	Ag. Preserve Vineyard, orchard	42,443
Total Irrigated Acres		250,457
Lands NOT Charged Regulatory Fee		
4A	Grazing, Etc.	58,388
4B	Dry Farming	17,344
4E	Feed Lots	144
4H	Agricultural Preserves: Grazing, Brush, Dry Farming	161,168
4J	Waste Land Hunting or Rec. Use only	1,911
4L	Open Space Easements - eligible for subvention	312
Total Acres NOT Charged Regulatory Fee		239,268
Total Agricultural Acres		489,724

Acres in
SVBGSA
Management
Area Only

Final Fee Report

Calculated Fee Schedule for Fiscal Year 2019/20

Sustainable Groundwater Beneficiary	Annual Fee FY 2019/20	
Agricultural	\$4.79	Per Irrigated Acre
All Other	\$2.26	Per Service Connection

Fee Implementation

- Direct staff to publicize the public meeting introducing the regulatory fee resolution with a date of March 14th
 - On Agency website and 2 weeks in local newspapers

Following adoption of the fee:

- Notify CPUC of the regulatory fee prior to imposing the fee
- Notify Public Water Systems data is due no later than June 1 if the water system wishes to “opt-in” to have the fee placed on the property tax roll
- Provide the Auditor-Controller authorization documentation and data no later than August 1 for fees collected with property tax bills
- Mail bills to Public Water Systems that have not opted-in, and the State of California, by August 1



BOARD OF DIRECTORS STAFF REPORT

MEETING DATE: February 14, 2019

AGENDA ITEM: 7d

SUBJECT: Discussion and Status of Use of the Salinas Valley Integrated Hydrological Model (SVIHM) for GSP Development in the 180/400 Aquifer.

RECOMMENDATION:

SVBGSA staff recommends that the SVBGSA Board authorize staff to continue with the use of the Salinas Valley Integrated Hydrological Model (SVIHM) to complete GSP Development in the 180/400 Aquifer and subsequent GSPs in other subbasins.

BACKGROUND:

E.L. Montgomery & Associates (M&A) is contracted with the SVBGSA to prepare a Groundwater Sustainability Plan (GSP) for the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA). Based on direction from SVBGSA, M&A is developing two reports in 2019: An Integrated Sustainability Plan (ISP) that will cover six subbasins within the Salinas Valley Basin, and a GSP for the 180/400-Foot Aquifer Subbasin. The GSPs for the remaining five subbasins will be prepared in 2020 and 2021.

In the M&A proposal, it was specifically assumed that the groundwater model being developed by the United States Geological Survey (USGS) for the County of Monterey would be available for:

- Developing the historical basin-wide groundwater budget
- Developing the current basin-wide groundwater budget
- Developing the future basin-wide groundwater budget
- Developing the future basin-wide groundwater budget under climate change
- Establishing the effects of various projects or groundwater management activities
- Establishing the list of projects and activities needed to achieve sustainability
- Demonstrating sustainability under likely climate change
- Establishing that various sustainability criteria can be met simultaneously

- Establishing interim milestones for each of the six sustainability indicators

The USGS model is commonly called the Salinas Valley Integrated Hydrologic Model (SVIHM). The USGS is developing two versions of it, a calibrated historical model and a future model that simulates future conditions.

DISCUSSION:

In late December it became clear that timing was going to be an issue with delivery of the SVIHM for use in development of the GSP for the 180/400 -Foot Subbasin aquifer. In fact, M&A was informed by Monterey County Water Resources Agency (MCWRA) and the USGS that the historical SVIHM would not be available because the model's calibration was not complete.

The availability of the future model is directly dependent on calibration of the historical model and therefore the availability of the future model appeared to be very uncertain. The future model is fundamental for developing future water budgets and assessing the effects of various projects or groundwater management activities. M&A noted in a letter of October 8, 2018, the delays in gaining access to the model have already impacted the schedule for delivering draft report chapters. It is clear from both letters that M&A might not be able to meet the January 2020 State-mandated deadline for completing the 180/400-Foot Aquifer Subbasin GSP if they continue to wait for the SVIHM to be made available.

The delivery of the model for use was further impacted by the Federal Government "shut down" which prevented the USGS from further refinements of the model.

In working through this issue Staff and M&A have remained focused on submitting an acceptable GSP for the 180/400-Foot Aquifer Subbasin to DWR by January 31, 2020. Additionally, M&A are committed to submitting GSPs for the other subbasins in the Salinas Valley to DWR by January 31, 2022.

Without the SVIHM, M&A has considered a variety of plans to meet these deadlines by using alternate approaches for analyses. However, the alternate approaches will have two direct impacts on our GSP process and schedule that you need to be made aware of:

- Significant technical analysis of water budgets, projects, and management actions have been, and will continue to be, delayed such that the period available for SVBGSA and public discussion of these issues will be compressed in 2019 relative to an ideal schedule, and
- The technical analyses that will be included in the January 2020 submittal of 180/400-Foot Aquifer Subbasin GSP will only be preliminary and will require potentially significant modification after the GSP is submitted.

M&A has provided a letter (attached) that goes into detail on alternative approaches to addressing this need for information. Generally, there are two possible approaches that include:

1. Using data from existing reports to develop initial estimates of water budgets and project impacts for the ISP and developing a simplified model of the 180/400-Foot Subbasin for the GSP. These initial estimates will be refined, and the projects appropriately modified, once we have access to the SVIHM. The advantage of this approach is that it is relatively simple and straightforward. The disadvantage is that the initial GSP for the 180/400-Foot Aquifer Subbasin will include many rough approximations, and additional effort may be necessary in the future to revise the projects in the 180/400-Foot Aquifer Subbasin GSP.
2. Using the groundwater model developed by Tim Durbin to estimate water budgets and project impacts. Under this approach, we will use the Durbin model to develop the 180/400-Foot Aquifer Subbasin GSP; and we will still use the SVIHM when it becomes available to verify and modify the conclusions reached by the Durbin model. The advantage to this approach is that the initial water budget and project impact estimates provided by the Durbin model may be more accurate and closer to the final project impacts than the first approach. The disadvantage to this approach is that we have not reviewed the Durbin model and are unfamiliar with its capabilities and limitations.

Staff and M&A presented this issue to the Executive Committee on January 24th, 2019. The discussion with the Committee took place prior to a conversation with DWR about the model and the situation. Consequently, the Executive Committee declined to take a position on the use of a model until the DWR meeting outcomes were known. Further the Committee requested that the conversation be advanced to the Board for consideration after the meeting with DWR.

Staff and M&A participated in a teleconference with DWR on Friday the 25th of January. During this meeting Staff and M&A confirmed that a plan could be completed for the 180/400-Foot Aquifer Subbasin utilizing the first approach which relies on existing information without using another, different hydrological model. DWR also indicated that since the model was going to be eventually used for GSP's on the Salinas Valley there were no issues with grant expenditures.

Subsequent to this teleconference and with the reopening of the Federal Government GSA Staff has been informed that the use of the Salinas Valley Integrated Hydrological Model (SVIHM) for GSP Development in the 180/400 Aquifer is now possible and that the historical model is currently available. Follow-up meetings with the USGS and MCWRA have confirmed that the model is available based on work that was completed on the model by outside consultants during the federal government shutdown.

Given the availability of the model, the ability to complete the current GSP using the model along with existing information, and the knowledge that the 180/400 Subbasin GSP will require revisiting after the other plans are completed: staff recommends staying the course and working with the SVIHM for development of all GSP's.

FISCAL IMPACT:

There is currently no fiscal impact from this discussion.

ATTACHMENT(S): Montgomery and Associates Letter of January 4, 2019.

PREPARED BY:

Gary Petersen, General Manager SVBGSA

January 04, 2019

Mr. Gary Petersen
General Manager
Salinas Valley Basin Groundwater Sustainability Agency
P.O. Box 1350
Carmel Valley, CA 93924

Subject: Revised GSP Approach to Accommodate Delayed Model Access:
Salinas Valley Basin Groundwater Sustainability Plans

Dear Mr. Petersen:

E.L. Montgomery & Associates (M&A) is contracted to prepare a Groundwater Sustainability Plan (GSP) for the Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA). Based on direction from SVBGSA, M&A is developing two reports in 2019: An Integrated Sustainability Plan (ISP) that will cover six subbasins within the Salinas Valley Basin, and a GSP for the 180/400-Foot Aquifer Subbasin. The GSPs for the remaining five subbasins will be prepared in 2020 and 2021.

In our proposal, we specifically assumed that the groundwater model being developed by the United States Geological Survey (USGS) for the County of Monterey would be available to us for:

- Developing the historical basin-wide groundwater budget
- Developing the current basin-wide groundwater budget
- Developing the future basin-wide groundwater budget
- Developing the future basin-wide groundwater budget under climate change
- Establishing the effects of various projects or groundwater management activities
- Establishing the list of projects and activities needed to achieve sustainability
- Demonstrating sustainability under likely climate change
- Establishing that various sustainability criteria can be met simultaneously
- Establishing interim milestones for each of the six sustainability indicators

The USGS model is commonly called the Salinas Valley Integrated Hydrologic Model (SVIHM). The USGS is developing two versions of it, a calibrated historical model and a future model that simulates future conditions.

We have been informed by Monterey County Water Resources Agency (MCWRA) and the USGS that the historical SVIHM is not available because the model's calibration is not

complete. MCWRA has indicated that the model calibration will not be completed and available before mid-January 2019 at the earliest. Based on our experience with large complex flow models, particularly those that include a calibration of groundwater-surface water interaction, it is very difficult to predict when the calibration process will be finished.

The availability of the future model is directly dependent on calibration of the historical model and therefore the availability of the future model is also very uncertain. The future model is fundamental in our proposal for developing future water budgets and assessing the effects of various projects or groundwater management activities. As we noted in our October 8, 2018 letter, the delays in gaining access to the model have already impacted our schedule for delivering draft report chapters. We will be unable to meet the January 2020 State-mandated deadline for completing the 180/400-Foot Aquifer Subbasin GSP if we continue to wait for the SVIHM to be made available.

Our focus remains on submitting an acceptable GSP for the 180/400-Foot Aquifer Subbasin to DWR by January 31, 2020. We additionally are committed to submitting GSPs for the other subbasins in the Salinas Valley to DWR by January 31, 2022. Without the SVIHM, M&A is developing plans to meet these deadlines by using alternate approaches for our analyses. However, the alternate approaches will have two direct impacts on our GSP process and schedule:

- Significant technical analysis of water budgets, projects, and management actions have been, and will continue to be, delayed such that the period available for SVBGSA and public discussion of these issues will be compressed in 2019 relative to an ideal schedule, and
- The technical analyses that will be included in the January 2020 submittal of 180/400-Foot Aquifer Subbasin GSP will only be preliminary and will require potentially significant modification after the GSP is submitted.

This letter outlines two potential alternate approaches for developing the technical analyses needed in 2019 to develop the ISP and the 180/400-Foot Aquifer Subbasin GSP. Each approach must address all of the requirements of the GSP for developing water budgets and roughly estimating the impacts of various projects and management actions in the 180/400-Foot Aquifer Subbasin. While these alternate approaches are not as efficient or effective as using the SVIHM, we believe they will allow us to complete the GSP and submit it to the State in January 2020.

The two potential approaches include:

1. Using data from existing reports to develop initial estimates of water budgets and project impacts for the ISP, and developing a simplified model of the 180/400-Foot Subbasin for the GSP. These initial estimates will be refined, and the projects appropriately modified, once we have access to the SVIHM. The advantage of this approach is that it is relatively simple and straightforward. The disadvantage is that

the initial GSP for the 180/400-Foot Aquifer Subbasin will include many rough approximations, and additional effort may be necessary in the future to revise the projects in the 180/400-Foot Aquifer Subbasin GSP.

2. Using the groundwater model developed by Tim Durbin to estimate water budgets and project impacts. Under this approach, we will use the Durbin model to develop the 180/400-Foot Aquifer Subbasin GSP; and we will still use the SVIHM when it becomes available to verify and modify the conclusions reached by the Durbin model. The advantage to this approach is that the initial water budget and project impact estimates provided by the Durbin model may be more accurate and closer to the final project impacts than the first approach. The disadvantage to this approach is that we have not reviewed the Durbin model and are unfamiliar with its capabilities and limitations.

EXISTING DATA/SIMPLIFIED MODEL APPROACH

The existing data and simplified model approach relies on published information to:

- Develop estimated historical groundwater budgets for each Subbasin.
- Identify water requirements for projects and actions, such as halting seawater intrusion, etc.
- Develop future water budgets based on the water requirements of various projects and actions as well as future climatic conditions.

Although this approach contains significant uncertainties, it will allow us to maintain the project schedule and provide a conceptual-level overview of future conditions. One difficulty is that the analysis for the ISP under this approach will not cover the entire Salinas Valley. Much of the data used in this approach will be derived from MCWRA. Parts of the Langley Subbasin and Upper Valley Subbasin are not actively monitored by MCWRA.

The following sections provide additional information about each component of our approach.

DATA SOURCES FOR GROUNDWATER BUDGETS

We propose to use the following available processed and reported data from MCWRA:

- Total annual agricultural and urban pumping quantities for each Subbasin based on reported pumping rates from well owners. These compiled data are available for 1995 through 2015 and are reported annually by the Monterey County Water Resources Agency (MCWRA) in an annual *Groundwater Extraction Summary Report*.

- Estimated cumulative change in groundwater water level (GWL) for the Subbasins monitored by MCWRA. These data are provided in a spreadsheet from MCWRA. The data are not published in any annual report, although the Agency did publish it in its data reports from the 1960s to the mid-1990s, and summary charts have been presented at Board of Directors and at committee meetings. These calculated values provide a single representative GWL value for each subbasin.
- Subbasin areas and representative storage coefficients used to covert annual GWL changes to groundwater storage changes will be extracted from Table 4-4 of the *State of the Salinas River Groundwater Basin* report (Brown and Caldwell, 2015).
- Estimated average annual groundwater flow between Subbasins will be extracted from Table 4-4 of the *State of the Salinas River Groundwater Basin* report (Brown and Caldwell, 2015).

HISTORICAL AND CURRENT GROUNDWATER BUDGETS

Historical groundwater budgets must cover at least 10 years of recent data. Based on the periods of available data, 1995-2011 will be used to develop the historical groundwater budget. The years 2012 through 2015 will be used to estimate the current water budget. Until the SVIHM becomes available, the historical and current groundwater budgets will only be accurate at the level of the existing data.

FUTURE GROUNDWATER BUDGETS

DWR has developed guidelines on how to incorporate climate change into future water budgets without a groundwater model. These guidelines are included in *Guidance for Climate Change Data Use During Groundwater Sustainability Plan Development* (DWR, 2018). We tentatively plan on directly following the approach outlined in this guidance.

ANALYSIS OF PROJECTS AND ACTIONS

Projects and actions will require moving existing water supplies, importing new water supplies, or reducing pumping. Additionally, each project or management action will add to the Valley's ability to achieve sustainability.

Conceptual-level estimates will be made of new water supplies or demands and the impact of each project on groundwater levels. The methodology used will depend on the project/action under consideration. Our proposed approach is twofold:

1. Address water transfers and water movement around the entire Salinas Valley using existing water budget calculations. These calculations will only provide the most generalized water budget numbers for subbasins other than the 180/400-Foot Aquifer Subbasin.

2. Develop a simplified model of the 180/400-Foot Aquifer Subbasin that can provide reasonable estimates of the impact of various projects Subbasin. The M&A team has already looked into this option, and has identified a reasonable and cost-effective approach for developing this model. The simplified model will be based on the North Marina Groundwater Model developed by Geosciences Support Services and Hydrofocus for the Monterey Peninsula Water Supply Project (MPWSP); and the SVIGSM model that was updated by LSCE in 2015 for the MPWSP. This simplified model will not have all of the attributes of the USGS' SVIHM, however it will have the following attributes:
 - a. the model will cover the entire 180/400-Foot Aquifer Subbasin
 - b. the model will simulate all-important hydrostratigraphic layers including the shallow aquifer, the shallow aquitard, the 180-Foot aquifer, the 180/400-foot aquitard, the 400-foot aquifer, the deep aquitard, and the deep aquifer.
 - c. Aquifer properties will be derived from the existing models.
 - d. Boundary conditions will be derived from the existing models, allowing us to reasonably estimate the amount of groundwater flowing horizontally into and out of the Subbasin from neighboring Subbasins.

This model will allow us to estimate the quantity of water needed for an extraction barrier in the Subbasin, the likely sustainable yield of the Subbasin, and the impact of any water importation or recharge projects in the Subbasin.

Following this approach, the quantity of water supplied or required by each project or action included in the GSP will be estimated. The water supply requirement for each project or action will be added to the future water budgets for each Subbasin to determine how the water budget for each Subbasin is affected. This approach will be presented in the GSP as an interim approach that will be revised upon receipt of the SVIHM. At that time, the historical, current, and future water budgets will be re-calculated using the SVIHM and the GSP will be updated.

We recognize that this conceptual-level water budget approach contains inherent uncertainties, including:

- Inability to quantify complex processes in detail, *e.g.* seawater intrusion, stream depletion, *etc.*
- Annual averages used for all Subbasins except the 180/400-Foot Aquifer Subbasin may not accurately reflect peak conditions that occur at the end of the wet or dry season. The model used for the 180/400-Foot Aquifer Subbasin will provide reasonable seasonal fluctuations.
- Location-dependent impacts or benefits cannot be assessed; the water budgets for all Subbasins except the 180/400-Foot Aquifer Subbasin are only applicable to whole Subbasins.

The uncertainties associated with the use of this approach will be acknowledged and documented in the GSP. The GSP will also specify how the use of the SVIHM will help address the uncertainties identified with this approach.

DURBIN MODEL APPROACH

For purposes of this discussion, we assume that the Durbin model has capabilities similar to those of the SVIHM. In particular, we assume that the Durbin model can provide the following:

- Complete water budget for each subbasin.
- Estimate of streamflow gains and losses in each subbasin
- Estimate of seawater intrusion rates at the northern end of the 180/400-Foot Aquifer Subbasin.
- Impacts from changing climates.
- Impacts from reducing pumping and/or importing water from outside of the subbasin.

If the Durbin model has all these capabilities, we can proceed in a manner similar to our original approach using the SVIHM. Once the SVIHM becomes available, we will refine our projects, management actions, and water budgets using the SVIHM. One advantage of this approach is that the SVBGSA and the Arroyo Seco GSA will proceed over the next year using a consistent model.

Using the Durbin model will require a number of activities including:

- We will need to obtain permission to use this model from the owner of the Durbin model. This will likely be a short-term agreement to evaluate the model, assess its capabilities, and work with the model owner to run needed simulations.
- We will need to abide by any confidentiality agreements currently in place for the data in the Durbin model and the output from the Durbin model.
- We will need to quickly assess the reliability and accuracy of the model.
- We will need to hire, as a subconsultant, a hydrogeologist who is already familiar with the Durbin model. This will likely mean we need to retain a subconsultant who is already under subcontract to the Arroyo Seco GSA.

CONCLUSIONS

Although it is preferable to use the SVIHM if it were available, decisions must be made now regarding water budgets and which projects and actions to include in the GSP. Our alternate

approaches provide a basis for evaluating various projects and actions and moving forward with the completion of the GSP.

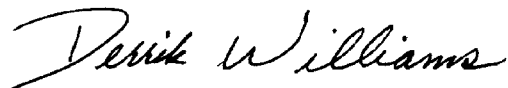
These alternate approaches for estimating water budgets and analyzing projects will allow us to meet the current project schedule of delivering a GSP for the 180/400-Foot Aquifer Subbasin and the valley-wide Integrated Sustainability plan by January 2020. At the present time, it is unclear whether this same approach will be required for the remaining GSPs. We will continue to monitor the status of the SVIHM and advise the SVBGSA as additional information becomes available.

We suggest that we closely coordinate our efforts with DWR if we use either of these alternate approaches. It will be in our best interest if DWR knows that the GSP we are submitting on January 31, 2020 is an interim GSP that will be modified as the SVIHM becomes available. We can work with DWR to ensure that the 180/400-Foot Aquifer GSP meets all the basic requirements of the legislation and regulations, even if we plan to modify and refine the GSP in the future.

After we cooperatively decide which alternative approach to take, M&A will provide an updated cost estimate for completing the current GSP and ISP. This cost estimate will furthermore include the estimate for completing the GSPs that must be prepared in 2021 and 2022 and that were not envisioned in our original proposal.

We continue to be grateful for the opportunity to assist SVBGSA with this plan. Please contact me with any questions about this issue or if there is any way that Montgomery can further assist in this matter.

Sincerely,



Derrik Williams
E.L. MONTGOMERY & ASSOCIATES