

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

## 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

<b>Step 1</b>	Number of acres served by water systems	a	30,000	Needs refining!
	Irrigated Acres	b	186,000	Needs refining!
	<b>Total Acres Charged Minimum Fees</b>	<b>c = a+b</b>	<b>216,000</b>	
<b>Step 2</b>	Total Cost	d	\$1,200,000	
	<b>Percentage in Minimum Fees</b>	e	<b>50%</b>	
	Cost in Minimum Fees	f = d*e	\$600,000	
	<b>Minimum Fee per Acre</b>	<b>g = f/c</b>	<b>\$2.78</b>	
<b>Step 3</b>	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	
	<b>Estimated Fee per Acre</b>	<b>l = h/k</b>	<b>\$3.01</b>	
	<b>PER ACRE FEE if Served by Water System and &gt;2.5 ac., PER ACRE FEE per Irrigated Acre</b>	<b>m = g+l</b>	<b>\$5.79</b>	
<b>Step 4</b>	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!
	<b>PARCEL FEE if Served by Water System and &lt;2.5 acres</b>	<b>p = n/o</b>	<b>\$0.88</b>	

# Illustration of Fees for Properties with Connection to a Water Service

<p><b>Multi-Family Apt complex = 1.4 acres</b></p> <p>Option 1: \$2.40 <b>OR</b> Option 3: \$0.88</p>	<p><b>Community Center = 2.8 acres</b></p> <p>Option 1: \$2.40 <b>OR</b> Option 3: \$16.21</p>	<p><b>Home 0.3 ac.</b> \$2.40 <b>OR</b> \$0.88</p>
		<p><b>City Park = 0.6 acres</b> \$2.40 <b>OR</b> \$0.88</p>
<p><b>Office building = 1 acre</b></p> <p>Option 1: \$2.40 <b>OR</b> Option 2: \$0.88</p>	<p><b>Ag. Wash Facility = 4.8 acres</b></p> <p><b>Annual Fee</b> Option 1: \$2.40 <b>OR</b> 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><b>#1</b> Connection Fee / per Irrigated Acre Fee Hybrid</p>	<ul style="list-style-type: none"> <li>• Different fee structure for agriculture and other land uses</li> <li>• Accounts for difference in water use</li> </ul>	<ul style="list-style-type: none"> <li>• Requires agreement on percentage cost split for Step 1 (could fluctuate year to year) OR complicated &amp; potentially contentious calculation of use incorporating return flow.</li> <li>• Equity concern not all municipal and other land uses have same water requirements but pay same connection fee.</li> </ul>
<p><b>#3</b> Parcel Fee / Acreage Fee Hybrid</p>	<ul style="list-style-type: none"> <li>• All fee calculations independent of water system data (still need service boundaries)</li> </ul>	<ul style="list-style-type: none"> <li>• All properties using groundwater pay the same per acre regardless of land use (equity concern).</li> <li>• 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).</li> </ul>

# 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 &amp; 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 &amp; 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)*

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

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# 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