

April 11, 2019

Honorable Chair and Members of the Board of the Salinas Valley Basin Groundwater Sustainability Agency (GSA)

We are pleased to present the Proposed Budget for Fiscal Year 2019-20. The operating appropriations of \$1,191,000 are funded by \$1,200,000 in GSA fees and \$1,000 in investment earnings. This is expected to generate a surplus of \$10,000.

Fiscal Year 2019-20 is the third fiscal year of the Agency and the first year that the Agency will be funded by Groundwater Sustainability Regulatory Fees. During the fiscal year the Agency will continue to work on the Groundwater Sustainability Plan (GSP) which is due January 2020 for the 180-400 aquifer. During this time, we will continue to develop information on which to refine future projections but remain focused on our primary directive of delivering Groundwater Sustainability Plans that are compliant with State of California regulations.

### **Highlights of FY 2019-20 Budget**

Agency staff continues to work with Department of Water Resources (DWR) staff to begin collecting on the \$1.5 million Prop 1 grant for the development of the GSP. Establishing grant compliance is a lengthy process but once it begins the Agency will receive grant monies on a regular basis.

At the end of fiscal year 2018-19 any remaining contracts (i.e. rate study and GSP) will be brought forward to 2019-20 along with the funding sources (i.e. remaining cash and Prop 1 grant). These items will then be incorporated into the 2019-20 budget.

The largest budget increase is \$123,900 in Regional Government Services (RGS) management services. This increase is due to adding a Deputy General Manager position. This position is being hired instead of a Hydrologist which was budgeted in 2018-19. Work on the GSP is proceeding well without the hydrologist and a Deputy General Manager is needed to support stakeholder and community meetings as we begin to prepare GSPs for five subbasins simultaneously. This position is also begins the development of a succession plan while creating organizational capacity to begin planning for GSP implementation and funding.

On the next page is a summary of the proposed budget followed by a more detailed discussion of the major changes.

<b>Salinas Valley Basin Groundwater Sustainability Agency</b>						
<b>Proposed Budget</b>						
<b>FY 2019 - 2020</b>						
	<b>2017-18 Actual</b>	<b>01/31/19 YTD Actual</b>	<b>2018-19 Budget</b>	<b>2019-20 Proposed</b>	<b>Increase (Decrease)</b>	<b>% of budget</b>
<b>Revenue</b>						
440000 · Member Contributions	1,145,000	1,145,000	1,145,000		(1,145,000)	
440001 - GSA Fee				1,200,000	1,200,000	
702000 · Interest Income	1,210	13,656	200	1,000	800	
451000 · Prop 1 DWR Grant			1,500,000		-1,500,000	
<b>Total Revenue</b>	<b>1,146,210</b>	<b>1,158,656</b>	<b>2,645,200</b>	<b>1,201,000</b>	<b>(1,444,200)</b>	<b>100.0%</b>
<b>Expense</b>						
520000 · Administrative Services	266,070	228,148	500,100	624,000	123,900	52.0%
530000 · Groundwater Sustainability Plan	288,654	496,803	1,653,155	141,500	(1,511,655)	11.8%
530500 · Legal Services	21,844	13,598	60,000	60,000	-	5.0%
532300 · Grant Management Services (RG)	4,211	9,774	40,000	20,000	(20,000)	1.7%
540100 · Agency Financing Plan	22,855	13,626	117,145	25,000	(92,145)	2.1%
540200 · Facilitation Services			30,000	30,000	-	2.5%
540300 · Grant Writing / Lobbying	27,720		20,000	20,000	-	1.7%
540400 · Outside Specialty Legal Svcs			40,000	40,000	-	3.3%
540500 · Communications Consultant (RG)	4,875	630	20,000	20,000	-	1.7%
550200 · Conferences / Training	1,649	670	7,100	7,100	-	0.6%
550300 · Dues and Subscriptions	400	1,662	3,000	3,000	-	0.2%
550400 · External Audit			5,000	5,500	500	0.5%
550500 · Auditor-Controller Collection Fee				3,000	3,000	0.2%
550600 · Insurance Premium	2,219	1,294	3,000	3,000	-	0.2%
550700 · Legal Notices & Ads	591	743	10,000	10,000	-	0.8%
550800 · Office Supplies	574		4,500	4,500	-	0.4%
550900 · Postage and Delivery	110		3,000	3,000	-	0.2%
551000 · Printing and Reproduction	3,359	3,539	10,300	10,300	-	0.9%
551100 · Office Rent	2,050	1,750	3,000	3,000	-	0.2%
551200 · Technology (GIS Data Managemen	3,170	7,169	13,000	40,000	27,000	3.3%
551220 · Website Upgrade		8,974	8,250	2,000	(6,250)	0.2%
551250 · Agenda Management Software	612	2,140	3,600	3,700	100	0.3%
551300 · Travel Expense	2,102	1,744	20,000	20,000	-	1.7%
551400 · Bank Service Charges	208	220	500	500	-	0.0%
551500 · Recruitments	9,551		2,000	2,000	-	0.2%
551800 · Meals and Meeting Expenses	353	169	2,500	2,500	-	0.2%
551810 · Mileage Reimbursement	1,414	608	1,000	1,000	-	0.1%
551900 · Board Stipends	20,116	7,581	26,400	26,400	-	2.2%
599000 · Contingency (5%)			57,000	60,000	3,000	5.0%
<b>Total Expense</b>	<b>684,707</b>	<b>800,842</b>	<b>2,663,550</b>	<b>1,191,000</b>	<b>-1,472,550</b>	<b>99.2%</b>
<b>Revenues Over Expenditures</b>	<b>461,503</b>	<b>357,814</b>	<b>-18,350</b>	<b>10,000</b>	<b>28,350</b>	<b>0.8%</b>
<b>Beginning Fund Balance</b>	<b>-</b>		<b>461,503</b>	<b>443,153</b>		
<b>Estimated Ending Fund Balance</b>	<b>461,503</b>		<b>443,153</b>	<b>453,153</b>		

## **ESTIMATED REVENUES**

### **Historical Revenues**

The first two fiscal years of the Agency were funded by member agency contributions of \$1,145,000 as shown below.

Agency	FY 2017-18	FY 2018-19	Total
County of Monterey	\$ 670,000	\$ 670,000	\$ 1,340,000
City of Salinas	330,000	330,000	660,000
City of Soledad	35,000	35,000	70,000
City of King	30,000	30,000	60,000
City of Gonzales	20,000	20,000	40,000
Water Resources Agency	20,000	20,000	40,000
Monterey One Water	20,000	20,000	40,000
Castroville CSD	20,000	20,000	40,000
	<u>\$ 1,145,000</u>	<u>\$ 1,145,000</u>	<u>\$ 2,290,000</u>

It is important to note that the agricultural industry provided \$250,000 of the Monterey County Contribution each year. Consideration of repayment of all funds will be considered by the GSA Board once all GSPs are completed.

### **Groundwater Sustainability Fee (SBVGSA Regulatory Fee) FY 2019-20**

Below is a table of the estimated revenues from the Groundwater Sustainability Fee that the GSA Board approved on March 14, 2019.

Groundwater Sustainability Fee Calculations							
Customer	Fee	Basis	Quantity	Basis	Allowance for errors (3)	Basis for Fee	Estimated Fee Revenue (4)
Agriculture	\$ 4.79	per irrigated acres	250,457	(1)	(25,046)	225,411	\$ 1,080,000.00
All Other	\$ 2.26	per service connection	58,955	(2)	(5,896)	53,059	\$ 120,000.00
							<u>\$ 1,200,000.00</u>
<b>Notes:</b>							
(1) per table 9 - Agricultural Properties, of the GSA Fee Study							
(2) per table 10 - Water Systems, of the GSA Fees study							
(3) per table 11 - Regulatory Fee Calculation, of GSA Fee Study							
(4) rounded to the nearest 1,000							

The complete Fee Study approved by the GSA Board can be found on the SVBGSA website at <https://svbgsa.org/wp-content/uploads/2019/02/SVBGSA-Fee-Study-Final-Feb-4-2019.pdf>

## **EXPENDITURES BUDGET HIGHLIGHTS**

### **Administrative Services - \$624,000 (52%)**

Management Services provided by RGS account for 52% of the budget.

The Agency staff positions make up \$597,000 in expenses. The estimated service hours and costs included in the budget for the staff positions are as follow:

Position	Estimated Annual Hours	RGS Hourly Rate	Estimated Cost
General Manager	1,620 (31 hours per week)	\$168.10	\$ 272,000
Deputy General Mgr.	1,560 (30 hours per week)	\$150.00	\$ 234,000
Senior Advisor	300 (25 hours per month)	\$139.40	\$ 42,000
Clerk of the Board	360 (30 hours per month)	\$ 94.30	\$ 34,000
Deputy Clerk	240 (20 hours per month)	\$ 61.50	\$ 15,000

It should be noted that the above RGS estimated costs pay not only for the full cost of the employees, but also pay for RGS overhead. Unlike a typical government agency, which has escalating unfunded retirement liabilities and post-retirement liabilities for health insurance costs, the RGS billing rate pays all employee costs. Consequently, should the Agency decide to terminate the RGS contract, there will be no unfunded liabilities for the employees.

In addition to the assigned agency staffing costs, there is an additional \$27,000 in RGS Administrative Support for accounting services, IT support and senior management of Agency staff.

Administrative services are budgeted to increase \$123,900 in 2019-20. While all staffing costs are budgeted to increase 2.5% per the RGS contract, the majority of the increase is due to the addition of the Deputy General Manager at the end of fiscal year 2018-19. The Deputy General Manager position was funded in 2018-19 from the \$54,000 budgeted for a Hydrologist. Work on the GSP is proceeding well without the hydrologist and an Deputy General Manager is needed to support stakeholder and community meetings as we begin to prepare GSPs for five subbasins simultaneously. This position is also representing the development of a succession plan while creating organizational capacity to begin planning for GSP implementation and funding. Though both the GM and Deputy GM positions are fully funded in the budget, it is expected that after a transition and training period that the GM hours will decrease as the work load is redistributed.

### **Ground Water Sustainability Plan (GSP) - \$141,500**

The GSP development contract with Errol L. Montgomery & Associates, Inc. (Montgomery) is fully funded in the FY 2018-19 budget. Whatever funding is not used

during FY 2018-19 will be re-appropriated in FY 19-20 along with the corresponding grant funding in accordance with the Agency financial policies.

The additional appropriations of \$141,500 in FY 2019-20 are to pay \$16,401 for the cost of the USGS Water Model that the Agency agreed to pay in Resolution No.2018-09 and the potential reimbursement of up to \$125,000 to the Water Resources Agency, which the GSA agreed to pay for their services in Resolution No. 2018-05. This line item also provides funding for additional studies or third-party reviews that may be required to establish the plans.

### **Legal Services - \$60,000**

The legal services budget will continue to be capped at \$60,000 per the agreement with the County. Thus far legal services have fallen well below budget projections however costs could increase at any time given the litigious nature of this work

### **Grant Management Services - \$20,000**

The grant management services budget is being decreased to \$20,000 for FY 2019-20. Now that the Agency has submitted its first invoice for the Prop 1 Grant for the development of the GSP, the costs of managing the grant should decrease.

### **Agency Financing Plan Consultant - \$25,000**

While the initial GSA Fees study will be completed in FY 18-19, this budget item is for the annual update that will be required to submit the fee annually to the Auditor-Controller for placement on the tax roll.

The cost includes GIS work to join Assessor Parcel Numbers with the County GIS data and County's Small Water Systems Database, as well as accessing data from the Public Water Systems database from State Water Resources Control Board. Once the database is prepared, cross referencing with existing databases will be required to determine any changes that may have occurred. Additional effort will also be required to refine datasets to more accurately assess fees.

### **Facilitation Services - \$30,000**

This line item will be used to pay the Consensus Building Institute (CBI) or other organizations for facilitation services. The grant that has been paying for CBI has been expended but it is expected that some level of facilitation services will still be required as the GSA continues work on the GSPs.

### **Grant Writing/Lobbying - \$20,000**

The GSA has been very successful in obtaining grants to pay for facilitation services and GSP preparation services. The GSA will continue to look for grants in order to minimize the rates that will need to be paid by constituents.

### **Technology (GIS Data Management System) - \$40,000**

Montgomery's scope of work for developing the GSP includes developing a data management system (DMS) that is capable of storing and reporting information relevant to the development or implementation of the GSP. The DMS is also required for submittal of data to the State of California Department of Water Resources (DWR) once DWR develops a suitable platform.

Montgomery has developed a DMS that includes a custom database for hydrologic data, such as well information, groundwater levels, and groundwater extraction. This is referred to as the HydroSQL database. Additionally, the DMS includes an EnviroData database for water quality data. The DMS is hosted on Montgomery's secure web platform and is currently used by Montgomery staff and its project partners to assist with the development of the GSP.

In the interest of transparency, the Agency is interested in providing this wealth of information to the public by means of a Public Web Portal on the Agency's website. The public portal will include all data not covered by confidentiality agreements.

The cost to make the data available to the public is \$9,000 for the portal setup and training and \$29,000 for data updates and hosting over the course of the budget year. Staff considers this an important expenditure as the ability to make this information available to the public will increase our success in the planning efforts.

### **All Other Accounts**

All other accounts basically remain unchanged.

### **Fund Balance**

At June 30, 2018 the Agency had a fund balance of \$462,251. The FY 2019-20 Proposed Budget anticipates a year-end surplus of \$10,000 in revenues over expenditures. When this is added to the June 30, 2018 fund balance, the Agency anticipates a June 30, 2020 fund balance of \$482,251.

### **Use of Reserves.**

The Agency Fund Balance Reserves Financial Policies state "The Agency shall strive to maintain an Operating Reserve sufficient to cover any dry periods in its revenue stream...". Since the GSA Regulatory Fee of \$1,200,000 will be collected on the tax roll in December and April, the Agency can expect a six-month dry period, which means the Agency should plan on a reserve of \$600,000. The anticipated fund balance of

\$482,251 will still be \$117,749 short of the Operating Reserve Goal. This shortage will be taken into account in the development of the FY 20-21 budget. The Operating Reserve policy states “The goal is to reach the Operating Reserve amounts within a five-year period...”

## **CONCLUSION**

The budget as presented funds all required operating expenditures and leaves a surplus of \$10,000. Since this is the third year of operations for the GSA, it is anticipated that there will be changes in the budget throughout the year. The first significant budget adjustment should occur in October of 2019 when the 2018-19 financial statements are finalized and we know how much savings is available to carry forward into FY 2019-20.

The Board of Directors’ approval of this budget will allow the GSA to continue working on the GSP, the purpose for which the GSA was formed.

Respectfully submitted,

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