



# Salinas Valley Basin

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## Groundwater Sustainability Agency

### **REPORT TO THE BOARD OF DIRECTORS**

**MEETING DATE:** September 14, 2017

**AGENDA ITEM:** 10

**SUBJECT:** Timeline for Operational and Capital Improvement Financing Mechanism Options

**RECOMMENDATION:** Receive Report on Timeline for Agency Operational and Capital Improvement Funding Measures

### **FISCAL IMPACT**

There is no cost to receiving the report. This report presents a timeline for future operational financing mechanism decisions that are crucial for the Agency's continued ability to perform its mission beyond June 30, 2019, but also includes a discussion of capital improvement financing options.

### **DISCUSSION & ANALYSIS**

The Agency has operational funding through June 30, 2019. Section 10.3 (b) of the JPA Agreement states that the Board will approve the annual budget 60 days prior to the end of each fiscal year. In order to approve the fiscal year 2019-20 budget, the Agency must have a funding mechanism for operations in place by April 30, 2019.

The Agency has the authority to levy taxes, assessments, charges and fees as provided in SGMA or as otherwise provided by law. These funding mechanisms are available for both operations as well as capital projects; however, the traditional method of capital improvement funding is either a benefit assessment or special tax. The Agency must decide well in advance of April 30, 2019 what funding mechanism it will use to finance operations beyond June 30, 2019; capital project funding can be decided on a case-by-case basis.

Regional Government Services (RGS) has been retained by the Agency to provide full management services. A top priority is to present the Board various funding options, so the Board can make informed decisions about what funding options will work best for the Agency.

Because of the short timeframe (19 months, Oct-2017 thru Apr-2019) to have a funding mechanism in place, staff would like to begin by laying out a calendar for accomplishing this

major task. Below is a draft calendar of events leading to having a funding plan in place by April 2019 for budget approval.

| Date                  | Task   |
|-----------------------|--|
| <b>October 2017</b>   | Board reviews funding measures available   |
| <b>Nov – Dec 2017</b> | RFP process for consultants to prepare operational funding plan and options      |
| <b>Jan – Feb 2018</b> | Consultant prepares operational funding measures plan including impact on payers |
| <b>Mar – Apr 2018</b> | Board deliberates on revenue sources including public outreach                   |
| <b>May-Jul 2018</b>   | Board decides on preferred revenue source  |
| <b>Aug-Dec 2018</b>   | Implement preferred revenue source for effective date of 7/01/19                 |

As is evident from the calendar above, staff recommends having an operational financing plan in place by December 2018, 15 months from this month. Depending on the revenue generating measure(s) selected, the payers will most likely need time to incorporate the additional expense into their plans for recovering the fees/taxes charged by the Agency (i.e., water companies may need to get approval for a rate increase from the CPUC).

At the October meeting, staff will present a summary of the revenue measures available for both operations and capital improvements, along with some pros and cons for each option. Options for speeding up the process will also be discussed. If the Board can narrow its financing options in October, this will speed up the development of the financing plan. The objective is to allow as much time as possible for the Board to deliberate on the funding measures and the impact on the payers. The calendar will be further refined based on any decisions made at the October Board meeting.

## **BACKGROUND**

Section 10.4 of the Joint Exercise of Powers Agreement (“JPA Agreement”) forming the Salinas Valley Basin Groundwater Sustainability Agency (“Agency”) provides financing through June 30, 2019. The funding is from contributions from the agencies forming this Agency. There is presently no funding beyond June 30, 2019.

## **ATTACHMENT(S)**

None.