

Salinas Valley Basin Groundwater Sustainability Agency (GSA)

Fee Study

Public Workshops

Purpose of New Fee

1. Keep local control and accountability for groundwater management.
2. Avoid State intervention and imposition of very high fees.

This new fee will:

- Fund operational (administrative) costs of running the GSA
- Fund preparation of the Groundwater Sustainability Plans (GSPs) (one for each basin); State grant will pay for some costs
- Fund a prudent reserve

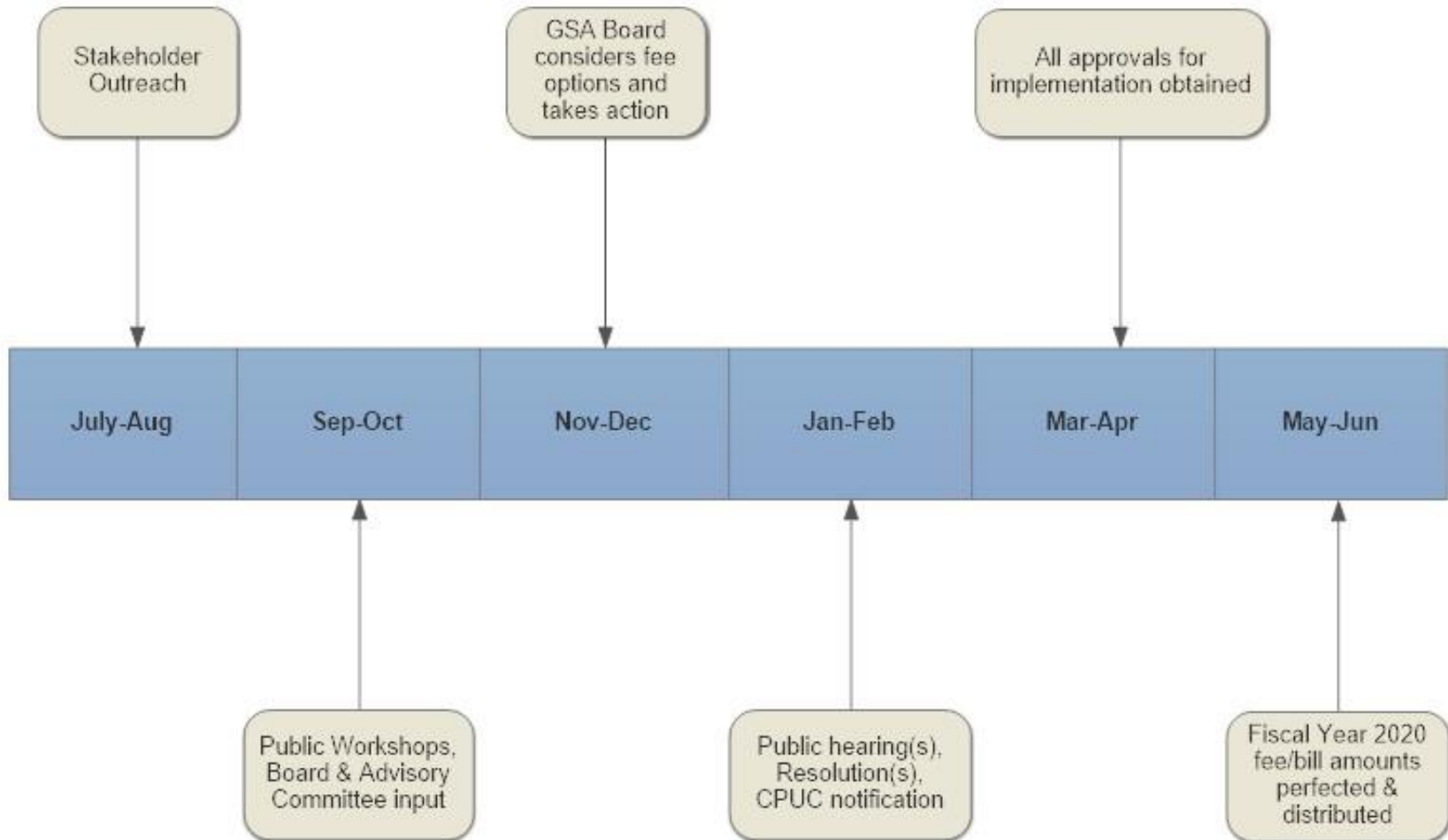
Fee Study Goals

1. Establish a fair fee structure
2. Obtain maximum buy-in from stakeholders.
3. Maintain transparency throughout the project.

Fee Implementation

- New fee will fund costs starting July 1, 2019
 - GSA fiscal year is July 1 to June 30
- Approvals must be completed by May 2019
- Fee is a regulatory fee per Sustainable Groundwater Management Act, Water Code 10730, adopted pursuant to California Constitution
- Ordinance to adopt the fee requires two readings

Project Timeline



Fee Options

Fee for GSA Administration & Half GSP Costs

*Other options are available for implementing programs and projects
after GSPs are developed*

Options

- Wellhead Fee
- Parcel Fee
- Per Acre Fee
- Per Connection Fee
- Extraction Fee

Considerations

- Simplicity/Understandability
- Equity
- Administrative Ease
- Revenue Stability
- Enforceability

Fee Options Considerations

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

Options	Simplicity / Understandability	Equity	Administrative Ease	Enforceability
Wellhead Fee	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 is unreliable ✖
Parcel Fee	For parcels associated with a well permit, connects to concept that all parcels benefit from groundwater availability	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 Fee	Simple	Ag and municipal water use is very different; not ✖ recognized	Relatively easy; could charge all parcels on factors that represent potential to use water	Enforceable
Per Connection Fee	Simple; only works for properties with water ✖ service	Different land uses have different ✖ water demands; not recognized	Water providers must submit # connections annually, otherwise receive bill based on publicly available data	Enforceable, but only for water service providers ✖
Extraction Fee	Understandable	Equitable; however, larger agricultural properties pay less ✖ per acre ✖	Pumpers report data twice OR transfer of data from ✖ MCWRA required; fees based on data at least one year old	Unenforceable; Relies on self-reporting until GSA is mature ✖ (several years)

Fee Structure Options (Hybrid Ideas)

#1: Connection Fee / per Irrigated Acre Fee Hybrid

Step 1: Allocate total annual cost (budget) to ag and municipal EITHER by a percentage split (from MCWRA published data) OR by estimated net extraction by applying CIMIS ET data to crop types. Municipal use is reported.

Step 2: Agricultural Users – Determine parcel fees for tax roll based on number of irrigated acres.

Step 3: Municipal Users - Determine parcel fees for tax roll OR hand bill water systems based on # connections.

#2: Pumping Fees Hybrid

Step 1: Every well (active & standby/inactive) gets same annual base fee; 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. Well owners unwilling to share pumping data pay an additional flat fee based on GSA-estimated net water use by applying evapotranspiration data to crop types.

Step 3: Fees would be applied to parcel the well is located on to be put on tax roll. Hand (direct) bill if well location not known. Water systems that provide service connection data *could* have fee applied to tax roll based on \$ due each system by # connections.

#3: Parcel Fee / Acreage Fee Hybrid

Step 1: Determine total acres using pumped groundwater, excluding de minimum extractors. Apply minimum fees to all these acres (regardless of land use).

Step 2: Parcels less than 2.5 acres with water service only pay minimum fee. *Note: Threshold can be changed*

Step 3: Parcels greater than 2.5 acres with water service and all irrigated acres pay based on a fee per acre. The fee is the same per acre whether municipal or ag use of land.

Fee Options Benefits and Drawbacks

Approach	Achieves	Benefits	Considerations and Drawbacks
#1 Connection Fee / per Irrigated Acre Fee Hybrid	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	Water systems have option to either provide data identifying which parcels receive water service to put on tax roll OR GSA can bill the system directly based on # connections; requires all parties agree to ag/muni percentage cost split for Step 1 OR Ag has to be comfortable with evapotranspiration values applied to grouped crop types. Equity concern not all muni. land uses have same water requirements but pay same fee.
#2 Pumping Fees Hybrid	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; higher administrative cost than #1, especially first year (timing concern); every year pumpers have to submit use reports to two agencies; greater chance of revenue fluctuation; Ag has to be comfortable with evapotranspiration values applied to grouped crop types if do not share pumping; needs methodology to determine how much revenue collected in minimum fees; Well data from Dep't Water Resources & 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 Parcel Fee / Acreage Fee Hybrid	Only ground-water users pay	Most administratively easy; Predictable revenue stream; excludes de minimus users; easily enforceable	Highly unlikely all properties served by small water systems (636) can be identified by GSA by May 1 – would <u>require</u> systems to identify which parcels receive water service OR bill water system with all connections @ same acreage @ minimum fee only. Little consideration in fee determination how much water is used by each parcel (equity concern). Needs basis for acreage threshold and methodology to determine how much revenue collected in minimum fees.

Joint Meeting of the SVBGSA Board and Advisory Committee

13 September 2018

Ranking Exercise

Table distributed to each Board and Advisory Committee member; asked to give points (1 to 5 with 5 being best) for each criteria

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

Direction to Fee Consultant

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

Hypothetical Fee Calculations

Fee Magnitude

Approach #1 Fee Calculation Illustration

Connection Fee / per Irrigated
Acre Fee Hybrid

			SVBGSA Budget	
			\$1.0 Million <i>Low Range</i>	\$1.5 Million <i>High Range</i>
			90/10	90/10
Step 1	Ag/Muni Split			
	Total Cost	a	\$1,000,000	\$1,500,000
	Agriculture	b = a*% to ag	\$900,000	\$1,350,000
	Municipal	c = a-b	\$100,000	\$150,000
Step 2	Agriculture	d = b	\$900,000	\$1,350,000
	Irrigated Acres	e	186,000	186,000
	Cost per Irrigated Acre per Year	f = d/e	\$4.84	\$7.26
Step 3	Municipal	g = c	\$100,000	\$150,000
	Number Connections	h	50,000	50,000
	Cost per Connection per Year	i = g/h	\$2.00	\$3.00

Needs refining!

Needs refining!

Approach #3 Fee Calculation Illustration

Parcel Fee / Acreage Fee Hybrid

SVBGSA Budget	
\$1.0 Million	\$1.5 Million
<i>Low Range</i>	<i>High Range</i>

Step 1	Number of acres served by water systems	a	30,000	30,000	Needs refining!
	Irrigated Acres	b	186,000	186,000	Needs refining!
	Total Acres Charged Minimum Fees	c = a+b	216,000	216,000	
Step 2	Total Cost	d	\$1,000,000	\$1,500,000	
	Percentage in Minimum Fees	e	30%	30%	
	Cost in Minimum Fees	f = d*e	\$300,000	\$450,000	
	Minimum Fee per Parcel	g = f/c	\$1.39	\$2.08	
Step 3	Remaining Cost	h	\$700,000	\$1,050,000	
	Total Acres Charged Minimum Fees	i = c	216,000	216,000	Needs refining!
	less acreage of parcels <2.5 acres in water systems	j	16,500	16,500	Needs refining!
	Net Acres	k = i-j	199,500	199,500	
	Estimated Cost per Acre	l = h/k	\$3.51	\$5.26	
	PARCEL FEE if Served by Water System and <2.5 acres		\$1.39	\$2.08	
	PER ACRE FEE if Served by Water System and >2.5 acres,				
	PER ACRE FEE per irrigated acre		\$4.90	\$7.35	

Fees for Properties with Connection to a Water Service

- Annual Fee per Assessor Parcel (APN)
 - If served by a water system that does not provide data to the GSA, the water system may recover fee differently

Approach 1: Flat annual fee per water connection/service

Approach 3: Flat annual fee if <2.5 acres;
Annual fee on per acre basis if >2.5 acres

Illustration of Fees for Properties with Connection to a Water Service

Multi-Family Apt complex = 1.4 acres \$2.00-\$3.00 OR \$1.39 - \$2.08	Community Center = 2.8 acres Approach 1: \$2.00 - \$3.00 OR Approach 3: \$13.71 - \$20.57	Home 0.3 ac. \$2.00-\$3.00 OR \$1.39 - \$2.08 City Park = 0.6 acres \$2.00-\$3.00 OR \$1.39 - \$2.08
Office building = 1 acre \$2.00-\$3.00 OR \$1.39 - \$2.08	Ag. Wash Facility = 4.8 acres Annual Fee Approach 1: \$2.00 - \$3.00 OR Approach 3: \$23.51 - \$35.26	

Illustration of Fees for Agriculture

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

Strawberries = 15 Acres

Annual Fee

Approach 1 = \$72.58 - \$108.87

Approach 3 = \$73.46 - \$110.20

Row Crops = 15 Acres

Annual Fee

Approach 1 = \$72.58 - \$108.87

Approach 3 = \$73.46 - \$110.20

Vineyard = 15 Acres

Annual Fee

Approach 1 = \$72.58 - \$108.87

Approach 3 = \$73.46 - \$110.20

Example Payment of State Fees

Collected by State Water Resources Control Board

Land and Water Use

Number of Wells	a	1
Crop Acreage	b	10 acres
Small Vegetable Crop Uses	c	2 acre feet per acre
Annual Water Extraction	$d = b * c$	20 acre feet per year

State Fees

Base Filing Fee	e	\$300 per well
Probationary Rate	f	\$40 per acre foot
Interim Plan Rate *	g	\$15 additional per acre foot

Annual Fee

Base Filing Fee	$h = a * e$	\$300 per well
Extraction Fee	$i = d * f$	\$800 based on water use

Total Annual Fee $j = h + i$ **\$1,100**

\$110-\$114 per acre

Total Annual Fee if Interim Plan $k = j + (d * g)$ **\$1,400**

* Interim plan necessary when local agencies unable to fix the issues that led to probation

Comparison with State Fees: Agriculture Examples

Budget \$1 Million both 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
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#1	\$4.84 per acre per year
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#3	\$4.90 per acre per year
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State Fees	\$90.00 per acre per year
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#1	\$4.84 per acre per year
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#3	\$4.90 per acre per year
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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)

Planning 💧 Funding 💧 Securing Our Groundwater Future

Out-of-Area Property Owners Outreach

Out-of-area property owners introductory postcard

- Distributed to more than 6,500 property owners



ATTENTION PROPERTY OWNERS

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

— READ MORE —>

Planning & Funding 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.

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.

HANSFORD
ECONOMIC CONSULTING

Water Systems Outreach

Postcard sent to all water systems in the SVBGSA boundaries

- Distributed to approximately 800

Planning Funding & Securing Our Groundwater Future

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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

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ECONOMIC CONSULTING

Fee Study on Website

- Fee Study tab at **svbgsa.org**
- Information easily accessible, Spanish translation available
- Map shows GSA service boundaries and properties within that may be charged a fee
- Subscribe to the e-mail list for notifications
- Email the fee study team at GSAFeeStudy@svbgsa.org