

Board of Directors Fiscal Year 2022-2023 Budget Memorandum

April 14, 2022

Honorable Chair and Members of the Board of the Salinas Valley Basin Groundwater Sustainability Agency Directors:

We are pleased to present a one-year Operating Budget for Fiscal Year (FY) 2022-2023 for the Salinas Valley Basin Groundwater Sustainability Agency (GSA). At the direction of the Budget & Finance Committee this one-year budget reflects the major change in the GSA's work into implementation and regulatory compliance reporting as required by the Sustainable Groundwater Management Act (SGMA). The Budget and Finance Committee approved the Operating Budget for FY 2022-2023 at their April 7, 2022 meeting and recommends Board of Directors approval of the budget. The proposed budget covers only GSA Regulatory Fee funded expenditures.

Major Priorities

The major priorities for Fiscal Year 2022-2023 are:

- Continuing work on key feasibility assessments and implementation actions in the 180/400-Foot Aquifer GSP utilizing funds from the Round 1 SGMA Implementation Grant
- Conducting the Deep Aquifer Study
- Convening the Subbasin Implementation Committees to review conditions in the subbasins and develop priorities
- Convening the Integrated Implementation Committee and completing the Integrated Implementation Plan for the GSA
- Through the Technical Services Agreement shared with Monterey County Water Resources Agency and the United States Geological Society, publication of models utilized for GSP development.
- In partnership with Monterey County Water Resources Agency and Marina Coast Water District GSA, the completion of a seawater intrusion model for the Monterey and 180/400-Foot Aquifer Subbasins

This budget reflects key new work ahead for the Agency including initiating implementation of the (5) 2022 Groundwater Sustainability Plans (GSPs), continued submittal of grant applications to support GSP implementation, and continued focus on

GSA communication. Implementation of the GSPs will require data collection to fill data gaps identified in the GSPs. While the GSA was successful in completing the preparation of the five remaining GSPs in FY 2021-2022, there is significant work in the next two years to meet SGMA requirements that data gaps be addressed for all subbasins. This work will assist the GSA in completing the five-year updates of the GSPs.

Over the past five years the GSA has successfully met and continues to meet the challenges presented by SGMA. Given that this is a new law that still contains many uncertainties, this is a remarkable accomplishment. It is essential to recognize that through this intense planning period, the Agency has developed and created an innovative and effective stakeholder-driven organization that has kept costs as low as possible while producing high-quality outcomes.

Highlights of FY 2022-23 Operating Budget

The proposed budget does not account for any grants. This budget is for the purpose of funding ongoing Agency operations from the GSA Regulatory Fee. This year the proposed budget begins to fund SGMA Ongoing Compliance activities of about \$300,000 annually; SGMA One-Time activities that will fluctuate from year to year; and sets aside \$120,000 annually through FY 2026-2027 to fund the GSA's cash flow reserve.

Presented below is a summary of the proposed budget for 2022-2023 with projections using a five-year planning horizon.

	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
Summary	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
GSA Regulatory Fee	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Normal Operating Expenses	(1,155,000)	(1,065,750)	(1,135,750)	(1,050,750)	(1,050,750)
SGMA Ccompliance, Data Mgmt & Expansion					
Ongoing Costs	(275,000)	(235,000)	(305,000)	(305,000)	(305,000)
One-Time Costs	(151,000)	(301,000)	(466,000)	(1,216,000)	(1,216,000)
Funding for Reserves	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
Annual Surplus (Deficit)	-	-	-	-	-
Rate Increase Over FY 21-22 Needed for a Balanced Bu	24.6%	26.2%	48.5%	97.2%	97.2%

Detailed discussion of each of the above sections takes place in the following pages.

Salinas Valley Basin Groundwater Sustainability Agency						
Proposed GSA Fee Budget						
FY 2022-23 and Projected next 4 years						
	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Amended	Proposed	Projected	Projected	Projected	Projected
	Budget	Budget	Budget	Budget	Budget	Budget
Revenue						
Use of Money and Property						
Investment Earnings	4,000	-	-	-	-	-
Total Use of Money and Property	4,000	-	-	-	-	-
Charges for Services						
GSA Fee	1,364,800	1,364,800	1,364,800	1,364,800	1,364,800	1,364,800
GSA Fee Increase		336,200	356,950	661,950	1,326,950	1,326,950
Total Charges for Services	1,364,800	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Miscellaneous						
Transfers In	150,000	-	-	-	-	-
Total Miscellaneous	150,000	-	-	-	-	-
Total Revenue	1,518,800	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Expenses						
Salaries and Benefits						
Board Stipends	14,200	14,200	14,200	14,200	14,200	14,200
Total Salaries and Benefits	14,200	14,200	14,200	14,200	14,200	14,200
Supplies						
Legal Notices & Ads	3,000	3,000	3,000	3,000	3,000	3,000
Office Supplies	1,500	1,500	1,500	1,500	1,500	1,500
Postage and Delivery	1,000	1,000	1,000	1,000	1,000	1,000
Printing and Reproduction	4,000	4,000	4,000	4,000	4,000	4,000
Total Supplies	9,500	9,500	9,500	9,500	9,500	9,500
Contract Services						
Administrative Service (includes stakeholder engagement)	1,013,960	891,000	891,000	891,000	891,000	891,000
Admin Svc - Grant Deduction	(255,630)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Grant Administration Services	15,000	15,000	15,000	15,000	15,000	15,000
Financing Plan Other Services	25,000	25,000	25,000	25,000	25,000	25,000
Grant Writing / Lobbying	50,000	70,000	70,000	70,000	70,000	70,000
Monitoring Assessment	2,000	-	-	-	-	-
180/400 Annual Reports	57,788	-	-	-	-	-
Seawater Intrusion (SWI) Model Expansion	121,702	-	-	-	-	-
Additional SVHMSVOM Model Simulations	38,650	-	-	-	-	-
Annual Reports	-	-	-	-	-	-
Total Contract Services	1,068,470	801,000	801,000	801,000	801,000	801,000
Other Consulting Services						
Legal Services	60,000	60,000	60,000	60,000	60,000	60,000
Outside Specialty Legal Svcs	60,000	30,000	30,000	30,000	30,000	30,000
External Audit	6,000	6,000	6,000	6,000	6,000	6,000
MCWRA Data Services MOU		40,000	40,000	25,000	25,000	25,000
USGS Technical Services MOU				85,000		
Communications Consultant (RGS)	15,000	-	-	-	-	-
Miscellaneous Grant Exp-Non Grant Eligible	119,309	-	-	-	-	-
Total Other Consulting Services	260,309	136,000	136,000	206,000	121,000	121,000
Outside Services						
Conferences / Training	3,550	3,550	3,550	3,550	3,550	3,550
Travel Expense	5,000	5,000	5,000	5,000	5,000	5,000
Meals and Meeting Expenses	2,500	2,500	2,500	2,500	2,500	2,500
Mileage Reimbursement	500	500	500	500	500	500
Membership Dues and Subscriptions	3,000	4,000	4,000	4,000	4,000	4,000
GSA Fee Appeal Refunds	5,000	5,000	5,000	5,000	5,000	5,000
Office Rent	3,000	3,000	3,000	3,000	3,000	3,000
Technology (GIS Data Management System)	40,000	40,000	40,000	40,000	40,000	40,000
Website Upgrade	11,000	8,000	8,000	8,000	8,000	8,000
Agenda Management Software	3,700	3,700	3,700	3,700	3,700	3,700
Document Management Software	26,000	12,300	12,300	12,300	12,300	12,300
Financial Management Software	26,870	13,500	13,500	13,500	13,500	13,500
Insurance Premium	4,000	4,000	4,000	4,000	4,000	4,000
Total Outside Services	134,120	105,050	105,050	105,050	105,050	105,050
Transfers In/Out						
Administration						
Transfers Out	534,912	89,250	-	-	-	-
Total Transfers In/Out	534,912	89,250	-	-	-	-
Total Normal Operating Costs	2,021,511	1,155,000	1,065,750	1,135,750	1,050,750	1,050,750
SGMA Compliance, Data Management & Expansion						
Ongoing Costs						
Annual Reports	280,000	230,000	190,000	230,000	230,000	230,000
Updating DMS & Web Map Hosting		25,000	25,000	30,000	30,000	30,000
Additional Annual Monitoring		20,000	20,000	45,000	45,000	45,000
SGMA Ongoing Costs	280,000	275,000	235,000	305,000	305,000	305,000
One-Time Costs						
New Monitoring Wells		-	150,000	150,000	150,000	150,000
GBMS Expansion (MCWRA)		50,000	50,000	135,000	135,000	135,000
Well Construction Evaluation/Documentation		20,000	20,000	-	-	-
Addressing Data Gaps in the HCM		81,000	81,000	81,000	81,000	81,000
Continued Project/Management Action Feasibility Studies		-	-	100,000	250,000	250,000
5-Year GSP Updates		-	-	-	600,000	600,000
SGMA One-Time Costs		151,000	301,000	466,000	1,216,000	1,216,000
Total Additional SGMA Compliance Costs	280,000	426,000	536,000	771,000	1,521,000	1,521,000
Funding for Reserves						
Cash Flow Reserves - Prudent		120,000	120,000	120,000	120,000	120,000
Contingency Reserves		-	-	-	-	-
Total Funding for Reserves		120,000	120,000	120,000	120,000	120,000
Total Appropriations	2,301,511	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Net Surplus (Deficit)	(782,711)	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage GSA Fee Increase to cover all costs		24.6%	26.2%	48.6%	97.2%	97.2%

ESTIMATED REVENUES

Historical Revenues

The first two fiscal years of the GSA 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>

The agricultural industry provided \$250,000 of the Monterey County Contribution each year. It was previously stated that consideration of repayment of all funds will be considered by the GSA Board once all GSPs are completed in 2022 and following state approval of the GSPs. State approvals of the 2022 GSPs is not expected during the FY 2022-2023. However due to the costs of GSP implementation for at least the next four years and the need to examine a GSA Regulatory Fee to meet those increased costs for the GSA, staff is recommending that repayment of the Monterey County Contribution continue to be deferred until such time as the GSA's expenses reach a stable point.

Groundwater Regulatory Fee Historical Revenues

GSA operations are funded by a GSA Regulatory Fee as authorized by SGMA and pursuant to the California Water Code. The Regulatory Fee must be no more than necessary to cover the reasonable costs of the governmental activity however a prudent reserve can be maintained by the Agency.

Below is a table of the estimated revenues from the Groundwater Regulatory Fee when the Groundwater Regulatory Fee established on March 14, 2019. The Groundwater Regulatory Fee remained the same for FY 2019-20 and 2020-21. For FY 2021-22 a 5% consumer price index increase was added to the fee.

Groundwater Sustainability Fee Calculations							
Customer	Fee	Basis	Basis Quantity		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
							\$ 1,200,000.00
<u>Notes:</u>							
(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 initial 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>

The Groundwater Regulatory Fee resolution provides for an annual review of the Groundwater Regulatory Fee. For FY 2020-21 it was decided not to request an increase while the Agency developed a better understanding of the actual revenues collected. Instead, the FY 2020-21 budget was approved with the use of \$284,350 from the existing fund balance of \$574,284 as of June 30, 2019.

Staff has identified the following revenues from the Groundwater Regulatory Fee in previous fiscal years:

1. For FY 19-20 the fee brought in \$1,322,056
2. For FY 20-21 it was projected that the GSA fee will result in \$1,300,000 in revenue.
3. For FY 21-22 it is projected that the GSA fee will result in \$1,364,800 in revenue

A recommendation from the Budget and Finance Committee was received on March 7, 2022 to recommend that the Board of Directors initiate an updated Fee Study to identify revenues resulting from a proposed 25% increase of the Groundwater Regulatory Fee to meet the FY 2022-2023 Operating Budget costs.

The actual amount to be generated will be based on a report prepared by Hansford Economics which considers irrigated acres and service connections in the basin area. The work for the proposed Groundwater Regulatory Fee increase analysis will be presented at the Advisory and Board levels and public noticing requirements will be followed for adoption. The approval of the Groundwater Regulatory Fee will come to the Board as a separate item for approval. The approved FY 2022-2023 appropriations amount is the basis for determining the GSA Regulatory Fee.

Proposed Groundwater Regulatory Fee Rate Considerations

As the GSA moves more into the compliance phase of SGMA, the Groundwater Regulatory Fee will need to be adjusted based on the expenditures needed for compliance. Below is a view of potential rate increases over the next five years. This rate increase reflects the work needed to complete annual reporting and compliance but also addresses data gaps through additional monitoring and expanding the Groundwater Extraction Management System (GEMS) as called for in the GSPs. These costs are outlined in Chapter 9 and 10 of the adopted GSPs. The table shows that the Groundwater Regulatory Fee would be required to increase by 97.2% in four (4) years. As projected, the increases would fluctuate with a 24.6% in 22-23, then a minimal increase of 1.5% in 2023-2024, followed by an increase of 22.3% in 2024-2025, then a 48.7% increase in 2025-2026 followed by no increase in the 5th year.

	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Rate Increase Over FY 21-22 Needed for a Balanced Budget	<u>24.6%</u>	<u>26.2%</u>	<u>48.5%</u>	<u>97.2%</u>	<u>97.2%</u>
Rate Increase Over Previous Year	<u>24.6%</u>	<u>1.5%</u>	<u>22.3%</u>	<u>48.7%</u>	<u>0.0%</u>

At the recommendation of the Budget & Finance Committee, the GSA Fee is proposed to be evenly increased at a 25% rate across the 5-year planning horizon through 2025-2026. The recommendation presented below reaches the 97.2% increased needed by 2025-2026 and helps achieve a Cash Flow Reserve appropriate for the Agency. Use of the Agency Groundwater Regulatory Fee to maintain a prudent reserve is allowable. The schedule calls for a 25% increase per year over the next 4 years as shown below:

	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Rate Increase Over FY 21-22 for a Smooth increase	<u>25.0%</u>	<u>50.0%</u>	<u>75.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Proposed Annual Rate Increase	<u>25.0%</u>	<u>25.0%</u>	<u>25.0%</u>	<u>25.0%</u>	<u>0.0%</u>

While the appropriations for FY 2022-2023 must be approved in April by the Board, the GSA has until July to approve the revised GSA Regulatory Fee to fund the approved appropriations. The GSA must hold a public hearing as part of the Groundwater Regulatory Fee increase process.

EXPENDITURES BUDGET HIGHLIGHTS

The GSA is a joint-powers agency governed by an 11-member board from various jurisdictions and stakeholders. Board members are paid a fixed fee for attending meetings. All operations take place by contract services. The following information provides background and the basis for the budget amounts.

Administrative Services - \$891,000

The biggest expense for most agencies is the cost of personnel. When the GSA was formed the Board decided to utilize contract management services provided by RGS after a rigorous selection process. Administration services account for 68% of the GSA budget. The GSA staff positions account for \$891,000 in expenses. The estimated service hours and costs included in the budget for the staff positions are as follow:

Position	Scheduled Hours	Estimated Annual Hours		RGS Hourly Rate	Estimated Cost
		2021-22	2022-23		
General Manager	35 hours per week	1,750	1,740	\$ 175.00	\$ 304,500
Deputy General Mgr.	35 hours per week	1,750	1,780	\$ 159.00	\$ 283,020
Senior Advisor to GM	30 hours per week	1,750	-	\$ 172.00	\$ -
Clerk of the Board	25 hours per week	1,250	1,270	\$ 90.00	\$ 114,300
Senior Finance Advisor	30 hours per month	360	340	\$ 143.00	\$ 48,620
Deputies Clerk of the Board	33 hours per month	400	400	\$ 75.00	\$ 30,000
Analyst	5 hours per week	260	-	\$ 85.00	\$ -
Total of assigned staff					\$ 780,440
RGS Admin Staff Costs					\$ 110,560
Total RGS Costs					\$ 891,000

Administrative services are budgeted to decrease \$122,960 (13.8%) in comparison to the Revised Budget for FY 2021-22. The decrease in costs reflects the reduction in staffing now that the GSPs are completed. This is one of the advantages of using RGS services – staffing can increase or decrease without going through a hiring or layoff process.

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. Therefore, should the GSA decide to terminate the RGS contract, there will be no unfunded liabilities for RGS Staff.

In addition to the assigned agency staffing costs, there is an additional \$110,560 in RGS Administrative Support for accounting services, IT support and senior management of Agency staff.

RGS also provides Grant Management Services which are budgeted for separately and paid for by the grants. Therefore, those costs are not included in this budget except for the cost of closing out the Proposition 68 grant which has to be paid by the GSA.

It should be noted that while the budget covers all staff costs, wherever possible staff costs are charged to grants. The budget reflects a \$200,000 allocation of staff costs to the new \$7.6 Round 1 SGMA Implementation Grant for the 180/400-Foot Aquifer Subbasin.

Legal Services - \$60,000

The legal services budget for the GSA General Counsel will continue to be capped at \$60,000 per the agreement with the County of Monterey. Thus far legal services have fallen well below budget projections however costs could increase at any time given the transition from GSP preparation to GSP implementation.

Grant Management Services - \$15,000

The grant management services budget pays for grant administration the various DWR grants which falls outside of the grant reimbursement process. While the Prop 68 planning grants finished in April 2022, there is extensive work required to close out the grants and obtain the retention amounts held by DWR.

Agency Financing Plan Consultant - \$25,000

This fee is to pay for the annual GSA Fee update that is required to submit the fee annually to the Auditor-Controller for placement on the tax roll and to assist with any appeals that are filed.

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 is required to determine any changes that may have occurred. This work is completed by Hansford Economics.

Grant Writing - \$40,000

Grant writing assistance has proved to be an invaluable expense. 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 GSA costs that need to be paid by constituents. Thus far the GSA has obtained the following GSP Preparation Grants:

\$1,500,000 Prop 1 Grant to prepare the 180-400 Foot Aquifer Basin GSP
\$2,500,000 Prop 68 Grant to prepare the remaining 5 subbasin GSPs
\$ 535,000 Prop 68 Grant to work with ASGSA on that management area
\$ 163,888 Prop 1 Grant through MCWD for Monterey Subbasin
\$ 250,000 Prop 68 Grant through MCWD for Monterey Subbasin
\$4,948,888 total planning grants received

The Agency has also applied and been approved for a \$7,600,000 SGMA Round 1 Implementation Grant for implementing the 180/400-Foot Aquifer Subbasin GSP. Once approved, this grant will be incorporated into the budget.

Lobbying - \$30,000

This line item pays for a contract for lobbying efforts at the State and Federal level at a rate of \$2,500 per month. State and federal stimulus and infrastructure bills are aligning well with the GSAs focuses. The GSA has already secured the \$7.6 million for the Round 1 Grant Implementation Grant and will work to develop additional grants and SGMA budget requests through our consultant.

Outside Specialty Legal Services - \$30,000

This line item is used to pay for outside legal services. This item is reduced from prior years anticipating that these services have required less expenditures than anticipated.

Communications \$15,000

This request is to continue final implementation of GSA communications and stakeholder outreach in launching GSP implementation. This will include focused outreach to the Langley and Monterey Subbasins as well as continuing to provide regular updates and presentations to Boards and community organizations as requested.

Updating Data Management System (DMS) and Web Map Hosting - \$25,000

The GSA maintains a SGMA required data management system (DMS) (*Ca Code of Regs (§ 352.6)*) that is capable of storing and reporting information relevant to the development and implementation of the GSP. The DMS is also required for submittal of data to the State of California Department of Water Resources (DWR).

The GSA's DMS 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 & Associates' secure web platform and is currently used by GSA staff, Montgomery staff, project partners and stakeholders to assist with the implementation of the GSPs. In the interest of transparency, the GSA is providing this wealth of information to the public by means of a Public Web Portal on the GSA's website. The public portal will include all data not covered by confidentiality agreements.

The cost to update the DMS and for making the data available to the public is \$25,000 over the course of the budget year. Staff considers the development and maintenance of the DMS essential to meeting SMGA requirements. While meeting the regulatory requirement, staff considers hosting the Web Map for public access to data a key component of transparency and a valuable tool to engage and inform stakeholders.

Records Management System - \$12,300

This the annual software maintenance costs for the GSA's new document management system.

Financial Management System - \$13,500

This is the annual software maintenance costs for the GSA's new financial management system.

MCWRA Technical Services MOU \$40,000

The MCWRA and GSA entered into a Technical Services MOU in 2018 (Resolution 2018-05). This is to pay for MCWRA staff time to transfer data that the GSA is required to report annually for SGMA compliance. This also includes MCWRA staff time to install additional monitoring equipment on existing wells. More generally, these funds enable GSA staff to consult with MCWRA about their data and ensure effective collaboration.

SGMA COMPLIANCE, DATA MANAGEMENT & EXPANSION

Annual Reports - \$230,000

Following California Code of Regulations Title 23 (§ 356.2) each Agency shall submit an annual report to the Department by April 1 of each year following the adoption of the Plan. There is a list of required components to be included in each annual report for the preceding water year for each subbasin where the Agency has full or shared jurisdiction.

Additional Annual Monitoring - \$20,000

The GSA relies on existing monitoring activities to the extent possible. These include MCWRA's monitoring programs; however, SGMA requires additional monitoring according to California Code of Regulations 354.34(B) which describes static groundwater elevation measurements to be collected at least two times per year, to represent seasonal low and seasonal high groundwater conditions. The GSA is funding MCWRA's additional monitoring for GSA SGMA compliance. This monitoring includes additional data collection to meet the biannual requirements and monitoring in areas outside of MCWRA's zones.

MCWRA Groundwater Elevation Monitoring System (GEMS) Expansion - \$50,000

Coordination with MCWRA to expand GEMS to subbasin boundaries, assess accuracy, methods and determine potential enhancements to GEMS program. This work begins with a review of existing ordinances and the development of a new ordinance for the expansion outside the MCWRA current program.

Well Construction Evaluation/Documentation - \$20,000

Provides the information to know whether monitoring network sufficiently covers all aquifer depths. Identification of additional data gaps, or verification that there is sufficient data. This work is to ensure the GSA is complying with California Code of Regulations

Title 23 (§ 354.34) which requires a sufficient density of monitoring wells to collect representative measurements for each principal aquifer.

Addressing Data Gaps in the Hydrologic Conceptual Model (HCM) - \$81,000

Following California Code of Regulations Title 23 (§ 354.14) each GSP shall include a descriptive hydrogeologic conceptual model of the basin based on technical studies and qualified maps that characterizes the physical components and interaction of the surface water and groundwater systems in the basin. The GSPs identify data gaps, that once filled, will improve the refinement and quantification of the groundwater system. This work includes aquifer properties tests to obtain data such as hydraulic conductivity and specific yield.

Project/Management Action Feasibility Studies, as needed – Grant funded for FY 22-23 and 23-24

Feasibility studies include preliminary work to gather data and conduct preliminary scoping for project and management actions. Dependent on feasibility studies, SVBGSA will secure funding and implement or enable implementation of Project/Management Actions to reach and maintain sustainability throughout the planning horizon.

5-Year GSP Updates - included in five year projected budget estimate

Following California Code of Regulations Title 23 (§ 356.4) each Agency shall evaluate its Plan at least every five years and whenever the Plan is amended and provide a written assessment to the Department. The assessment shall describe whether the Plan implementation, including implementation of projects and management actions, are meeting the sustainability goal in the basin, and must provide a list of required components.

Cash Flow Reserves

Up to now the GSA's cash flow has been managed by the use of surplus funds and delaying payments as needed. The GSA must now appropriate funds for a cash flow reserve. On March 7, 2022 the Budget and Finance Committee approved recommending a Cash Flow Reserve policy for Board adoption and directed staff to bring a formal cash flow reserve policy to the Board as part of this year's budget deliberations. The discussion below outlines the proposal as directed by the Budget and Finance Committee.

The cash flow reserve is needed for the following reasons:

- Four (4) month dry-period January through April when no GSA Fee revenue is received but bills must be paid.
- Eight (8) month dry-period May through December when no GSA Fee revenue is received but bills must be paid.
- DWR Grants are on a reimbursement basis, so expenses have to be paid upfront and then submitted for reimbursement on a quarterly basis, which then takes about a quarter to receive reimbursement

Staff talked to the County Auditor-Controller's office to see about obtaining a Dry-Period loan from the County. However, because the County does not hold the GSA's revenues, a dry-period loan is not an option for the GSA.

Operating Budget Reserve Amount

A reserve for the annual operating budget can be calculated as follows:

Annual Estimated Revenues	\$ 1,700,000	
6 months funding - minimum	\$ 850,000	July - Decemer
8 months funding - ideal	\$ 1,133,333	May - December

Property tax distributions which include the GSA fee are made in December and April. The six-month period covers the start of the fiscal year through December. The May through December period covers the longest dry-period of the Agency. At this point staff recommends starting with the 6-month period as the target amount. Once that point is reached the policy can be changed to 8-month period. This avoids a large increase in the rates for this specific purpose.

Grants Budget Reserve Amount

A reserve for grants cash flow can be difficult to calculate. Based on the GSP DWR Grants, the GSA was spending a monthly average of \$135,000 on grant expenses. The anticipated \$7.6 million grant which will be expended over 3 years will amount to average monthly expenditures of \$215,000. Staff recommends using a monthly amount of \$300,000 to calculate a reserve.

Cash Flow Reserve Proposed Funding Target

The table below shows the proposed funding target for the cash flow reserve over 5 years.

	Target	Year 1 FY 22-23	Year 2 FY 23-24	Year 3 FY 24-25	Year 4 FY 25-26	Year 5 FY 26-27
Cash Flow Reserves for Operations	850,000	170,000	170,000	170,000	170,000	170,000
Cash Flow Reserves for Grants/Contingencies	900,000	180,000	180,000	180,000	180,000	180,000
	<u>1,750,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

In the above scenario the cash flow reserve will be funded with annual increases over a 5-year period to reach the target amounts. Any savings in a fiscal year could be used to fund the reserve more expeditiously and is proposed as part of the Reserve Policy.

In order to fund the reserves at the amount stated above, the current GSA Fees would have to increase 12.5% for the Operations Cash Flow Reserve and 13.2% for the Grants Cash Flow Reserve.

In order to keep the rate increase at no more than 25% the recommended funding level is \$120,000 annually with a target of \$600,000 for the 5-year planning period.

Fund Balance

On June 30, 2021 the GSA had a fund balance of \$827,875. If the proposed budget is adopted, the fund balance would change as follows:

\$827,875 06/30/21 available fund balance
(782,711) FY 21-22 budgeted decrease in fund balance
\$ 45,164 06/30/22 estimated ending fund balance

Since the proposed budget calls for covering all budgeted costs, there will be no increases in the estimated fund balance.

CONCLUSION

The attached one-year Operating Budget for 2022-2023 reflects the next shift in the GSA's progression to meet SGMA requirements in implementing the GSPs. The focus for the GSA as reflected in the five year budget is to complete all necessary activities to be prepared for the GSP updates in 2027. These activities include an investment in data management, addressing data gaps through expanded monitoring, finalizing model development and public release of the models, and completing initial feasibility assessment and prioritization through stakeholder committees and the Board. With this comprehensive set of work completed, staff is preparing the GSA for a successful update of the GSPs and more importantly charting a course for compliance and sustainability to meet SGMA required timelines.

As of June 30, 2021, the GSA had a fund balance of \$827,875. FY 2021-2022 is expected to reduce that balance by \$782,711 down to \$45,164, which will stay at that level if rates are increased only sufficient to create a balanced budget.

Respectfully submitted,

Donna Meyers
General Manager

Roberto Moreno
Senior Advisor

ATTACHMENT: Attachment A-FY 2022-2023 Proposed GSA Fee Budget

**Salinas Valley Basin Groundwater Sustainability Agency
Proposed GSA Fee Budget
FY 2022-23 and Projected next 4 years**

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Amended Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Revenue						
Use of Money and Property						
Investment Earnings	4,000	-	-	-	-	-
Total Use of Money and Property	4,000	-	-	-	-	-
Charges for Services						
GSA Fee						
GSA Fee Increase	1,364,800	1,364,800	1,364,800	1,364,800	1,364,800	1,364,800
Total Charges for Services		336,200	356,950	661,950	1,326,950	1,326,950
Miscellaneous	1,364,800	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Transfers In		-	-	-	-	-
Total Miscellaneous	150,000	-	-	-	-	-
Total Revenue	150,000	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
Expenses						
Salaries and Benefits			-		-	
Board Stipends						
Total Salaries and Benefits						
Supplies	14,200	14,200	14,200	14,200	14,200	14,200
Legal Notices & Ads	14,200 3,000	14,200 3,000	14,200 3,000	14,200 3,000	14,200 3,000	14,200
Office Supplies	1,500	1,500	1,500	1,500	1,500	3,000
Postage and Delivery	1,000	1,000	1,000	1,000	1,000	3,000
Printing and Reproduction	4,000	4,000	4,000	4,000	4,000	4,000
Total Supplies	9,500	9,500	9,500	9,500	9,500	9,500
Contract Services						
Administrative Service (includes stakeholder engagement)	1,013,960	891,000	891,000	891,000	891,000	891,000
Admin Svc - Grant Deduction						(200,000)
Grant Administration Services	(255,630)	(200,000)	(200,000)	(200,000)	(200,000)	
	15,000	15,000	15,000	15,000	15,000	15,000

**Salinas Valley Basin Groundwater Sustainability Agency
Proposed GSA Fee Budget
FY 2022-23 and Projected next 4 years**

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Amended Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Financing Plan Other Services						
Grant Writing / Lobbying						
Monitoring Assessment						25,000
180/400 Annual Reports	25,000	25,000	25,000	25,000	25,000	70,000
Seawater Intrusion (SWI) Model Expansion	50,000	70,000	70,000	70,000	70,000	-
Additional SVIHM/SVOM Model Simulations	2,000	-	-	-	-	-
Annual Reports	57,788					
Total Contract Services	121,702					
Other Consulting Services	38,650					
Legal Services	1,068,470	801,000	801,000	801,000	801,000	801,000
Outside Specialty Legal Svcs		-	-	-	-	-
External Audit	60,000	60,000	60,000	60,000	60,000	60,000
MCWRA Data Services MOU	60,000	30,000	30,000	30,000	30,000	30,000
USGS Technical Services MOU	6,000	6,000	6,000	6,000	6,000	6,000
Communications Consultant (RGS)		40,000	40,000	25,000	25,000	25,000
Miscellaneous Grant Exp-Non Grant Eligible	15,000			85,000		
Total Other Consulting Services	119,309				-	
Outside Services						
Conferences / Training	260,309	136,000	136,000	206,000	121,000	121,000
Travel Expense						5,000
Meals and Meeting Expenses						3,550
Mileage Reimbursement	3,550	3,550	3,550	3,550	3,550	
Membership Dues and Subscriptions	5,000	5,000	5,000	5,000	5,000	4,000
GSA Fee Appeal Refunds	2,500	2,500	2,500	2,500	2,500	2,500
Office Rent	500	500	500	500	500	500
Technology (GIS Data Mangement System)	3,000	4,000	4,000	4,000	500	4,000
	5,000	5,000	5,000	5,000	5,000	3,000
	3,000	3,000	3,000	3,000	3,000	
	40,000	40,000	40,000	40,000	40,000	40,000

**Salinas Valley Basin Groundwater Sustainability Agency
Proposed GSA Fee Budget
FY 2022-23 and Projected next 4 years**

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Amended Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Website Upgrade						8,000
Agenda Management Software						
Document Management Software	11,000					
Financial Management Software		8,000	8,000	8,000	8,000	
Insurance Premium	3,700	3,700	3,700	3,700	3,700	3,700
Total Outside Services	<u>26,000</u>	<u>12,300</u>	<u>12,300</u>	<u>12,300</u>	<u>12,300</u>	<u>13,500</u>
Transfers In/Out	<u>26,870</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>	
Administration	4,000	4,000	4,000	4,000	4,000	4,000
Transfers Out	<u>184,120</u>	<u>109,850</u>	<u>109,850</u>	<u>109,850</u>	<u>109,850</u>	<u>109,850</u>
Total Transfers In/Out						
Total Normal Operating Costs	<u>534,912</u>	<u>89,250</u>				
	<u>534,912</u>	<u>89,250</u>	<u>1,065,750</u>	<u>1,135,750</u>	<u>1,050,750</u>	<u>1,050,750</u>
	<u>2,021,511</u>	<u>89,250</u>				
SGMA Compliance, Data Management & Expansion						
Ongoing Costs			-	-	-	-
Annual Reports						
Updating DMS & Web Map Hosting						
Additional Annual Monitoring	280,000	230,000	190,000	230,000	230,000	230,000
SGMA Ongoing Costs		<u>25,000</u>	<u>25,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
One-Time Costs	280,000	275,000	235,000	305,000	305,000	305,000
New Monitoring Wells	-					
GEMS Expansion (MCWRA)						
Well Construction Evaluation/Documentation			150,000	150,000	150,000	150,000
Addressing Data Gaps in the HCM		50,000	50,000	135,000	135,000	135,000
Continued Project/Management Action Feasibility Studies		20,000	20,000			
5-Year GSP Updates		81,000	81,000	81,000	81,000	81,000
SGMA One-Time Costs				<u>100,000</u>	<u>250,000</u>	<u>250,000</u>
				<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
				<u>1,216,000</u>	<u>1,216,000</u>	<u>1,216,000</u>
		<u>151,000</u>	<u>301,000</u>	<u>466,000</u>		
	-	-	-	-		
	-					

**Salinas Valley Basin Groundwater Sustainability Agency
Proposed GSA Fee Budget
FY 2022-23 and Projected next 4 years**

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027
	Amended Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget
Total Additional SGMA Compliance Costs						
	280,000	426,000	536,000	771,000	1,521,000	1,521,000
Funding for Reserves						
Cash Flow Reserves - Prudent						
Contingency Reserves		120,000	120,000	120,000	120,000	120,000
Total Funding for Reserves		120,000	120,000	120,000	120,000	120,000
Total Appropriations	-	120,000	120,000	120,000	120,000	120,000
Net Surplus (Deficit)	2,301,511	1,701,000	1,721,750	2,026,750	2,691,750	2,691,750
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GSA Fee Increase necessary to cover all costs	(782,711)	<u>24.6%</u>	<u>26.2%</u>	<u>48.5%</u>	<u>97.2%</u>	<u>97.2%</u>