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Technical Memorandum

DRAFT

To: Piret Harmon, General Manager, Salinas Valley Basin GSA

From: Catherine Hansford, HEC **Date:** May 30, 2023

Subject: Tiered Fee Approach Analysis for FY 2024

Background

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA or Agency) Groundwater Sustainability Fee (Fee) was adopted by Resolution 2019-03 on March 14, 2019. The Fee structure and amount set for fiscal year (FY) 2020, the first year that the Fee was implemented, was based on work conducted between April and December 2018, involving numerous stakeholder meetings and public workshops, as well as a joint meeting of the SVBGSA Board of Directors (Board) and Advisory Committee. The final Fee Study report, dated March 5, 2019, contains detail of the considerations and steps taken to determine the most appropriate fee structure for the Agency's funding needs.

The Fee is paid by all beneficiaries of sustainable groundwater management in the SVBGSA management area, where beneficiary is defined as the owner of irrigated agricultural land or the recipient of water service by a publicly or privately-owned water system. De minimis users as defined in Water Code 10721(e), tribal lands, and federally-owned properties are exempt from the Fee. To date, the Fee has funded the day-to-day operations of the Agency, and those Sustainable Groundwater Management Act and Groundwater Sustainability Plan related activities that are generally common to all subbasins in the SVBGSA's jurisdiction.

At its May 12, 2022 Board meeting, staff was directed to request a proposal from HEC to review the Fee for FY 2024, specifically with regards to sustainable groundwater management program implementation costs that pertain only to one, or certain, but not all, subbasins. HEC's contract with SVBGSA was executed on February 1, 2023 and specifically includes these services:

- Research, analyze, and present options for charging a regulatory fee(s) to one, or multiple, subbasins,
- Provide outreach services for garnering input on the various fee options,
- Assist staff with adoption and implementation of any new and/or revised regulatory fee(s).

On February 9, 2023 the Board adopted Resolution 2023-01 establishing a policy that allocates the budget for SVBGSA's annual work plan into two tiers, and allows for development of Tier 1 fees to fund the regulatory activities of Salinas Valley Basin-wide costs, and Tier 2 fees to fund Subbasin-specific costs.

The purpose of this memorandum is to present the FY 2024 regulatory fee options developed and presented to the public, summarize the feedback received from a wide variety of stakeholders, and provide recommendations for implementation.

Fiscal Year 2024 Work Plan and Budget

The Agency's adopted (April 14, 2023) FY 2024 budget comprises $2.34 million appropriated for Tier 1 activities, and $1.17 million appropriated for Tier 2 activities. **Table A-1** in Attachment A provides greater detail of the administrative activities in Tier 1. **Table A-2** in Attachment A provides greater detail of the Sustainable Groundwater Management Program activities, which are included in Tier 1 and Tier 2.

A summary of Tier 1 and Tier 2 activities and costs, which was developed by SVBGSA staff for FY 2024 is shown in **Table 1**.

Table 1
FY 2024 Work Plan Activities Funded by the Regulatory Fee

Expense Category	FY24 Work Plan Cost Estimate	less other revenue sources: Multi-Land Repurposing	Round 1 DWR Grant	Permitting Fees	FY24 Fee-Funded Costs
Tier 1 Costs					
Administration	$994,625	($100,000)		($2,500)	$892,125
Prudent Reserves [1]	$220,000				$220,000
Tier 1 Project & Management Actions					
Data Expansion & SGMA Compliance	$355,000				$355,000
Interested Parties Outreach	$427,500				$427,500
Management Actions	$222,000				$222,000
Contract Administration	$120,000				$120,000
Total Tier 1 Costs	**$2,339,125**	**($100,000)**	**$0**	**($2,500)**	**$2,236,625**
Tier 2 Project and Management Actions					
Agriculture	$131,750				$131,750
Municipal Users	$0				$0
Both Agriculture and Municipal Users	$1,036,750		($93,834)		$942,916
Total Tier 2 Costs	**$1,168,500**	**$0**	**($93,834)**	**$0**	**$1,074,666**
Total Work Plan Costs Estimate	**$3,507,625**	**($100,000)**	**($93,834)**	**($2,500)**	**$3,311,291**

Source: SVBGSA May 19, 2023. summ

[1] Includes first year of five-year funding of cash flow reserves ($120,000 per year) and litigation reserves ($100,000 per year).

The Agency received a $100,000 of the Multi-Land Repurposing grant, and $2,500 of anticipated well-permitting fees to offset Tier 1 administration costs. The net $2.24 million Tier 1 costs would be funded by the Groundwater Sustainability Fee. A small portion of the Department of Water Resources (DWR) Sustainable Groundwater Management (SGM) Round 1 Grant funds is also used to offset the

cost of certain Tier 2 activities in the 180/400 Foot Aquifer Subbasin, leaving $1.07 million to be funded by the Groundwater Sustainability Fee.

In total, the Groundwater Sustainability Fee needs to raise $3.31 million for Tier 1 and Tier 2 activities in FY 2024. The Fee is charged on a per Irrigated Acre basis for agricultural properties, and on a per Connection basis for all other groundwater users. Definitions of Irrigated Acres and Connection are provided below.

Definitions

Irrigated Acres - "All real property classified as Monterey County Assessor land use codes 4C, 4D, 4F, 4G, 4K, and 4N, whether the acre belonging to the Assessor Parcel Number upon which the regulatory fee is imposed is or is not currently irrigated."
Note: County GIS data is used to determine the number of Irrigated Acres per APN, not County Assessor records.

Connection – "A connection between the customer's piping or constructed conveyance and the water system's meter, service pipe, or constructed conveyance."
Note: A property can have more than one service connection. Connections are counted for Public Water Systems and Small Water Systems.

Tier 1 Fee Analysis

The Fee calculation follows the methodology of the 2019 adopted Fee, which includes three steps.

Step 1: Determine the Tier 1 Costs. The Tier 1 fee-funded costs include SVBGSA administration, prudent reserves, and Sustainable Groundwater Management Program Tier 1 activities included in the FY 2024 Work Plan net the Multi-Land Repurposing grant and well-permitting fees. The total Fee basis of $2.30 million includes total cost of $2.24 million plus an allowance for land use changes between FY 2023 and FY 2024 and uncollectable revenues ("bad debt"), which, based on actual revenues collected in the first three years of collections, is estimated at 2.5% for Agriculture, and 6.0% for All Other fee payors.

Step 2: Determine the number of Irrigated Acres and Connections. The number of Irrigated Acres and Connections to be included in the calculation is based on the FY 2023 Fee database.

Step 3: Calculate the Tier 1 Fee per Irrigated Acre and Connection. The calculation of the Tier 1 Fee is shown in **Table 2**. The total cost is allocated 90% to Agriculture, and 10% to All Others. Agriculture's cost share is divided by the number of Irrigated Acres. All Others' cost share is divided by the number of Connections. The 90%/10% split received consensus support from the Advisory Committee and Board of Directors joint committee meeting that was held in 2018 as part of the Fee development. **Table A-3** in Attachment A shows the data upon which the split was based. In 2018, when the Fee was being developed, the years of data considered were 2011-2015. Subsequent years of data, 2016-2021, continues to support the 90%/10% split as reasonable.

The calculated Tier 1 fee is $8.28 per Irrigated Acre and $3.90 per Connection for FY 2024.

Table 2
Tier 1 Fee Calculation

Tier 1 Item	Agriculture 90%	All Other 10%	Total
Tier 1 Costs	$2,012,963	$223,663	$2,236,625
Tier 1 Fee Basis [1]	**$2,065,000**	**$238,000**	**$2,303,000**
Irrigated Acres / Connections	249,831	61,149	
Tier 1 Cost per Irrigated Acre / Connection	**$8.28**	**$3.90**	

Source: SVBGSA and FY2023 fee calculations. T1alloc

[1] Includes an allowance for uncollectable revenue (bad debt) and land use changes, which based on historical collections is 2.5% for Agriculture, and 6.0% for All Other.

Tier 2 Fee Analysis

The Tier 2 fees are also collected per Irrigated Acre and Connection; however, two cost allocation alternatives to share the costs between Agriculture and All Others were developed for consideration. The first alternative continues to use the 90%/10% split between Agriculture and All Others for the Tier 2 costs in each subbasin, with the exception of one fee-funded cost that is the cost responsibility of Agriculture only. The second alternative uses historical groundwater pumping by Agriculture and All Others to allocate the Tier 2 costs in each subbasin. The fee calculations for both alternatives are presented.

1. Tier 2 90%/10% Previously adopted Fee Methodology

Step 1: Determine the Tier 2 Costs. The Tier 2 fee-funded costs include Sustainable Groundwater Management Program Tier 2 activities included in the FY 2024 Work Plan net activities funded by the DWR SGM Round 1 grant for 180/400 Foot activity costs. **Table 3** shows all of the Tier 2 activities, estimated costs, and cost allocation to the six subbasins under SVBGSA's management. The cost allocation to each subbasin is documented in Montgomery and Associates' May 30, 2023 memorandum, "Salinas Valley Basin GSA Tiered Fee Calculation". There are four activities, investigative in nature, that are apportioned to multiple subbasins. The detail of cost allocations for these four activities are provided in Attachment A, **Tables A-4, A-5, A-6** and **Table A-7**.

If a Tier 2 fee is adopted, the methodology to determine the fee each year should allow for a) costs to be spread only to Irrigated Acres, b) only Connections, and/or c) Irrigated Acres and Connections. By allowing for these three different cost allocations, Work Plan activities that are only the cost responsibility of Agriculture can be paid for only by Irrigated Acres, and activities that are only the cost responsibility of All Others can be paid for only by Connections. For fiscal year 2024, Agriculture's share of the Deep Aquifer Study costs is only apportioned to Irrigated Acres. This cost was originally to be borne jointly by the Salinas Basin Water Alliance and the Salinas Valley Water Coalition; however, since not all payments have materialized, the cost will be funded through the Tier 2 fee. Any payments that have been received to date will be refunded to the payor(s).

Table 3
Tier 2 Cost Allocation by Subbasin

Tier 2 Project and Management Actions	SUBBASIN						Total
	Eastside	Langley	Forebay	Monterey	180/400 Foot	Upper Valley	
Agriculture and All Other Users							
Assess Groundwater Benefits of Salinas River Stream Maintenance Programs	$0	$0	$131,669	$1,691	$70,231	$146,408	**$350,000**
Conduct Demand Management Dialogue Process	$29,834	$29,833	$29,833	$29,833	$0	$29,833	**$149,166**
Assess Seawater Intrusion Model, Phase 1: 180/400	$0	$0	$0	$0	$50,000	$0	**$50,000**
Refine Sustainability Strategy: Eastside	$15,000	$0	$0	$0	$0	$0	**$15,000**
Refine Sustainability Strategy: Langley	$0	$15,000	$0	$0	$0	$0	**$15,000**
Scope CSIP Expansion, Initial Phase (Blue Plan It)	$0	$0	$0	$0	$10,000	$0	**$10,000**
Establish SMC Technical Advisory Committee: Forebay	$0	$0	$25,000	$0	$0	$0	**$25,000**
Establish SMC Technical Advisory Committee: Upper Valley	$0	$0	$0	$0	$0	$25,000	**$25,000**
Conduct Deep Aquifer Study - SVBGSA Share	$10,460	$1,168	$9,351	$715	$67,556	$0	**$89,250**
Prepare/Submit Annual Reports and Data Management	$42,900	$42,900	$42,900	$42,900	$0	$42,900	**$214,500**
Total Agriculture and All Other Users	**$98,194**	**$88,901**	**$238,753**	**$75,139**	**$197,787**	**$244,141**	**$942,916**
Agriculture Users Only							
Deep Aquifer Study - Agriculture Share	$15,441	$1,724	$13,804	$1,055	$99,726	$0	**$131,750**
Total Agriculture Users Only	**$15,441**	**$1,724**	**$13,804**	**$1,055**	**$99,726**	**$0**	**$131,750**
All Tier 2 Costs	**$113,636**	**$90,625**	**$252,557**	**$76,194**	**$297,513**	**$244,141**	**$1,074,666**

Source: SVBGSA and Montgomery and Associates, May 22, 2023. T2summ

Tier 2 costs range from about $76,200 in the Monterey Subbasin to about $297,500 in the 180/400-foot Subbasin for FY 2024. Costs by subbasin could vary widely from year to year as the work plan evolves to meet the needs of the six subbasins.

The Tier 2 costs are increased by an allowance for bad debt and land use changes to determine the total Fee basis by subbasin, as shown in **Table 4**.

Step 2: Determine the number of Irrigated Acres and Connections. The number of Irrigated Acres and Connections by subbasin is summarized in Attachment A, **Table A-8**.

There are many parcels that straddle subbasins. For the FY 2024 regulatory fee(s), an Agriculture parcel straddling subbasins was assigned to the subbasin in which the majority of the parcel is situated. For an All Others parcel, associated connection(s) were assigned to the subbasin in which the majority of the parcel is situated. For water systems paying for all their connections in one bill (the water system chose not to provide the data to place the fee on the tax roll), all of their connections are included in the subbasin in which the majority of the water system is situated.

Step 3: Calculate the Tier 2 Fee per Irrigated Acre and Connection. The total Fee basis by subbasin is allocated between Agriculture and All Others in **Table 5** under the Board adopted fee methodology.

Table 4
Tier 2 Fee Basis by Subbasin: 90%/10% previously adopted Fee Methodology

Subbasin	Agriculture Only 100%	Agriculture & All Other Costs		
		Agriculture 90%	All Other 10%	Subtotal Ag & All Other
	Fee Basis includes allowance for bad debt & land use changes [1]			
Eastside	*a*	*b*	*c*	*d = b+c*
Tier 2 Costs	$15,441	$88,375	$9,819	$98,194
Tier 2 Fee Basis	**$15,837**	**$90,641**	**$10,446**	**$101,087**
Langley				
Tier 2 Costs	$1,724	$80,011	$8,890	$88,901
Tier 2 Fee Basis	**$1,768**	**$82,063**	**$9,458**	**$91,520**
Forebay				
Tier 2 Costs	$13,804	$214,878	$23,875	$238,753
Tier 2 Fee Basis	**$14,158**	**$220,388**	**$25,399**	**$245,787**
Monterey				
Tier 2 Costs	$1,055	$67,625	$7,514	$75,139
Tier 2 Fee Basis	**$1,082**	**$69,359**	**$7,993**	**$77,352**
180/400 Foot				
Tier 2 Costs	$99,726	$178,009	$19,779	$197,787
Tier 2 Fee Basis	**$102,283**	**$182,573**	**$21,041**	**$203,614**
Upper Valley				
Tier 2 Costs	$0	$219,727	$24,414	$244,141
Tier 2 Fee Basis	**$0**	**$225,361**	**$25,972**	**$251,334**
All Subbasins				
Tier 2 Costs	$131,750	$848,624	$94,292	$942,916
Tier 2 Fee Basis	**$135,128**	**$870,384**	**$100,310**	**$970,694**

Source: SVBGSA, Montgomery & Assoc., and HEC May 22, 2023. 2basis

[1] Allowance for uncollectable revenue (bad debt) and land use changes of 2.5% for Agriculture, and 6.0% for All Other Users.

Table 5
Tier 2 Costs Allocation: 90%/10% previously adopted Fee Methodology

Subbasin	Agriculture 100%	Agriculture 90%	All Other 10%	Subbasin Totals
Eastside	*a*	*b*	*c*	*d = a+b+c*
Tier 2 Fee Basis	$15,837	$90,641	$10,446	$116,924
Irrigated Acres / Connections	34,040	34,040	25,773	
Fee per Acre / Connection	**$0.47**	**$2.66**	**$0.41**	
Langley				
Tier 2 Fee Basis	$1,768	$82,063	$9,458	$93,289
Irrigated Acres / Connections	4,310	4,310	3,495	
Fee per Acre / Connection	**$0.41**	**$19.04**	**$2.71**	
Forebay				
Tier 2 Fee Basis	$14,158	$220,388	$25,399	$259,944
Irrigated Acres / Connections	73,281	73,281	9,163	
Fee per Acre / Connection	**$0.19**	**$3.01**	**$2.77**	
Monterey				
Tier 2 Fee Basis	$1,082	$69,359	$7,993	$78,435
Irrigated Acres / Connections	734	734	3,060	
Fee per Acre / Connection	**$1.47**	**$94.47**	**$2.61**	
180/400 Foot				
Tier 2 Fee Basis	$102,283	$182,573	$21,041	$305,897
Irrigated Acres / Connections	63,778	63,778	15,761	
Fee per Acre / Connection	**$1.60**	**$2.86**	**$1.34**	
Upper Valley				
Tier 2 Fee Basis	$0	$225,361	$25,972	$251,334
Irrigated Acres / Connections	73,688	73,688	3,897	
Fee per Acre / Connection	**$0.00**	**$3.06**	**$6.66**	

Source: SVBGSA and FY2023 fee calculations. T2base

Tier 1 and Tier 2 fees per Irrigated Acre and per Connection are added in **Table 6** to determine the total fee per Irrigated Acre and per Connection for each subbasin in fiscal year 2024. The fees are rounded to two cents for placement on the tax roll.

- **Irrigated Acre Fee.** Total fees by subbasin range from $11.34 (Upper Valley) to $27.74 (Langley), with the exception of Monterey, which is $104.24.

- **Connection Fee.** Total fees by subbasin range from $4.32 (Eastside) to $10.58 (Upper Valley).

Table 6
Summary of Tier 1 and Tier 2 Fees by Subbasin: 90%/10% previously adopted Fee Methodology

Subbasin	Tier 1 Fee	Tier 2 Fee	Total Fees
Eastside		[1]	
Per Irrigated Acre	$8.28	$3.14	$11.42
Per Connection	$3.90	$0.42	$4.32
Langley			
Per Irrigated Acre	$8.28	$19.46	$27.74
Per Connection	$3.90	$2.72	$6.62
Forebay			
Per Irrigated Acre	$8.28	$3.22	$11.50
Per Connection	$3.90	$2.78	$6.68
Monterey			
Per Irrigated Acre	$8.28	$95.96	$104.24
Per Connection	$3.90	$2.62	$6.52
180/400 Foot			
Per Irrigated Acre	$8.28	$4.48	$12.76
Per Connection	$3.90	$1.34	$5.24
Upper Valley			
Per Irrigated Acre	$8.28	$3.06	$11.34
Per Connection	$3.90	$6.68	$10.58

Source: SVBGSA and HEC May 2023. T2basetot

[1] Includes an allowance for uncollectable revenue (bad debt) and land use changes of 2.5% for Agriculture, and 6.0% for All Other Users.

2. Tier 2 Fee Analysis: Alternative Fee Setting using Pumping by Subbasin

Under this alternative fee-setting methodology, Step 1: Determine the Tier 2 Costs, and Step 2: Determine the number of Irrigated Acres and Connections are the same as previously described under the **1. Tier 2 Board-adopted Fee Methodology.** The fee calculations differ in Step 3.

Step 3: Calculate the Tier 2 Fee per Irrigated Acre and Connection. The Tier 2 costs are spread between Agriculture and All Others in each subbasin using groundwater pumping data that is specific to each subbasin. Attachment A, **Table A-9** provides the historical groundwater pumping data for Agriculture and All Others since 2011 in acre-feet. **Table A-10** provides Agriculture's average annual share of total pumping by subbasin for both the 2011-2021 time period, and the last five years.

Total Fee basis by subbasin is allocated between Agriculture and All Others in **Table 7** under the alternative fee-setting methodology using the 5-year rolling average of historical pumping by subbasin. The 5-year rolling average pumping was selected over the historical average annual pumping since 2011 because of the impact of two new agricultural wells reflected in the data beginning 2018 in the

Corral de Tierra (Monterey subbasin) area, and the variation in Agriculture's share of total pumping in the Langley area from year to year. As shown in **Table A-10**, for the other four subbasins, using the long-term average versus the 5-year rolling average for cost allocation does not make any difference because Agriculture consistently dominates groundwater pumping. But in Monterey, where pumping by All Others is greater than by Agriculture each year, and in Langley where the larger water user group is typically Agriculture, but may be All Other groundwater users in some years, the addition or decommissioning of any type of well (agriculture or municipal) can significantly impact the percentage split between the two user groups.

Table 7
Tier 2 Costs Allocation: Alternative Fee Methodology using Pumping by Subbasin

Subbasin	Agriculture 100%	Agriculture %	All Other %	Subbasin Totals
	a	*b*	*c*	*d = a+b+c*
Eastside		**84%**	**16%**	
Tier 2 Fee Basis	$15,837	$84,717	$16,370	$116,924
Irrigated Acres / Connections	34,040	34,040	25,773	
Fee per Acre / Connection	**$0.47**	**$2.49**	**$0.64**	
Langley		**59%**	**41%**	
Tier 2 Fee Basis	$1,768	$53,604	$37,916	$93,289
Irrigated Acres / Connections	4,310	4,310	3,495	
Fee per Acre / Connection	**$0.41**	**$12.44**	**$10.85**	
Forebay		**95%**	**5%**	
Tier 2 Fee Basis	$14,158	$233,834	$11,952	$259,944
Irrigated Acres / Connections	73,281	73,281	9,163	
Fee per Acre / Connection	**$0.19**	**$3.19**	**$1.30**	
Monterey		**32%**	**68%**	
Tier 2 Fee Basis	$1,082	$24,573	$52,779	$78,435
Irrigated Acres / Connections	734	734	3,060	
Fee per Acre / Connection	**$1.47**	**$33.47**	**$17.25**	
180/400 Foot		**90%**	**10%**	
Tier 2 Fee Basis	$102,283	$182,937	$20,677	$305,897
Irrigated Acres / Connections	63,778	63,778	15,761	
Fee per Acre / Connection	**$1.60**	**$2.87**	**$1.31**	
Upper Valley		**97%**	**3%**	
Tier 2 Fee Basis	$0	$244,250	$7,084	$251,334
Irrigated Acres / Connections	73,688	73,688	3,897	
Fee per Acre / Connection	**$0.00**	**$3.31**	**$1.82**	

Source: SVBGSA, groundwater pumping records, and FY2023 fee calculations. T2Sc1

Tier 1 and Tier 2 fees per Irrigated Acre and per Connection are added in **Table 8** to determine the total fee per Irrigated Acre and per Connection for each subbasin in fiscal year 2024. The fees are rounded to two cents for placement on the tax roll.

- **Irrigated Acre Fee.** Total fees by subbasin range from $11.24 (Eastside) to $43.24 (Monterey).
- **Connection Fee.** Total fees by subbasin range from $4.54 (Eastside) to $21.16 (Monterey).

Table 8
Summary of Tier 1 and Tier 2 Fees by Subbasin: Alternative Fee Methodology using Pumping by Subbasin

Subbasin	Tier 1 Fee	Tier 2 Fee	Total Fees
Eastside			
Per Irrigated Acre	$8.28	$2.96	$11.24
Per Connection	$3.90	$0.64	$4.54
Langley			
Per Irrigated Acre	$8.28	$12.86	$21.14
Per Connection	$3.90	$10.86	$14.76
Forebay			
Per Irrigated Acre	$8.28	$3.40	$11.68
Per Connection	$3.90	$1.32	$5.22
Monterey			
Per Irrigated Acre	$8.28	$34.96	$43.24
Per Connection	$3.90	$17.26	$21.16
180/400 Foot			
Per Irrigated Acre	$8.28	$4.48	$12.76
Per Connection	$3.90	$1.32	$5.22
Upper Valley			
Per Irrigated Acre	$8.28	$3.32	$11.60
Per Connection	$3.90	$1.82	$5.72

Source: SVBGSA and HEC May 2023. T2Sc1tot

[1] Includes an allowance for uncollectable revenue (bad debt) and land use changes of 2.5% for Agriculture, and 6.0% for All Other Users.

Public Outreach Efforts

The fee calculations under the two alternative methodologies presented above, and without a tiered fee structure, were summarized in a presentation that was shared with the Budget and Finance Committee, the Implementation Committees for each of the six subbasins, the Monterey County Farm Bureau Water and Land Use Subcommittee, the Salinas Valley Water Coalition, and the Salinas Valley Water Alliance. In addition, the findings of the fee calculations were shared and discussed with the

Arroyo Seco GSA, Grower-Shipper Association, Castroville CSD, San Lucas Water District, Cal Water, Cal Am, CHISPA (develops, sells, owns and manages affordable housing), The League of United Latin American Citizens (LULAC), and Alta Tierra Water System #1. Several other organizations were contacted that did not respond directly to the invite to meet (however, some of these were in attendance as subbasin Implementation Committee members and did provide input at the public meetings).

Some clear points that came out of the meetings were (grouped into Costs, Costs Allocation, and Fee Calculation):

A) **Costs.** A need for greater transparency in development of costs for the annual Work Plan; greater explanation of why Work Plan activities are determined as either Tier 1 or Tier 2 activities; better naming of activities to reflect the work being done in the Work Plan; and, justification of application of any grant or other revenue sources applied to total costs to determine the net amount to be funded by the regulatory fee(s).

B) **Costs Allocation.** For apportionment of Tier 2 activities: more developed reasoning for the allocation of costs among subbasins sharing activity costs in Tier 2 fees.

C) **Fee Calculation.** In the short-term, the annual fee amounts are less of a concern than the fee calculations methodology. In the long-term, the annual fee amounts are a concern, particularly to residents of Disadvantaged communities. There are several items that are too complex to address in the fee setting for fiscal year 2024 but need to be addressed in the upcoming 5-year fee review[1]. The fee(s) must be based on defensible, fair or reasonable relationship(s) between the payors' burdens on, or benefits received from, the Work Plan activities.

Attachment B provides additional detail of the public outreach efforts, including materials developed and dates of public meetings, for the public outreach effort.

Fee Analysis and Public Outreach Efforts Conclusions

This memorandum concludes by first examining what the Fee would need to be in FY 2024 if the costs of the regulatory fee-funded activities in the work plan continued to be collected in the same manner as it has been to date, with all costs considered as Tier 1 costs.

Table 9 shows the Agency's historical Fee levels and the calculated Fee schedule without a tiered fee approach for FY 2024 based on a total Fee basis of $3.41 million. The total Fee basis includes the budget need of $3.31 million plus an allowance of $0.10 million for bad debt and land use changes. The fee per Irrigated Acre would need to increase from $5.03 to $12.24. The fee per Connection would need to increase from $2.37 to $5.78.

[1] Description of these activities is provided on pages 12 and 13 of this memorandum.

Table 9
Historical and Calculated Fee Fiscal Year 2024 Without a Tiered Approach

Fee Application	Fiscal Year Ending				
	2020	**2021**	**2022**	**2023**	**2024**
	actual	*actual*	*actual*	*actual*	*calculated*
Irrigated Acre	$4.79	$4.79	$5.03	$5.03	**$12.24**
Connection	$2.26	$2.26	$2.37	$2.37	**$5.78**

Source: HEC, May 2023. hist

The feedback from the public outreach effort guides the recommendations for a tiered fee structure for FY 2024. There was no support voiced in the public outreach effort for the Tier 2 costs to be allocated in the same manner as the Tier 1 costs within each subbasin; or stated another way, no support for Tier 2 costs to be split 90%/10% between Agriculture and All Other user groups. If a tiered fee is adopted for FY 2024, the consensus from interested parties obtained during the public outreach effort was that it should be based on the 5-year rolling annual pumping average.

Table 10 summarizes the calculated fees under a tiered fee approach using the 5-year rolling annual pumping average by subbasin.

Table 10
Summary of Fees by Subbasin

Subbasin	AGRICULTURE		ALL OTHER USERS	
	Tier 1: GW Sustainability Fee	**Tier 2:** SVBGSA Subbasin Fee	**Tier 1:** GW Sustainability Fee	**Tier 2:** SVBGSA Subbasin Fee
	Annual Fee per Irrigated Acre		**Annual Fee per Connection**	
Eastside	$8.28	$2.96	$3.90	$0.64
Langley	$8.28	$12.86	$3.90	$10.86
Forebay	$8.28	$3.40	$3.90	$1.32
Monterey	$8.28	$34.96	$3.90	$17.26
180/400 Foot	$8.28	$4.48	$3.90	$1.32
Upper Valley	$8.28	$3.32	$3.90	$1.82

Several items came up as a result of conducting public outreach this year that cannot be addressed for fiscal year 2024, but that should be explored/addressed in the upcoming 5-year fee review. These include:

1. Other ways to handle straddled parcels and straddled water systems between subbasins that may be considered more equitable than the ways it is being addressed in the fiscal year 2024 regulatory fees.
2. Whether it is important to address movement of water from its origin to another subbasin in the regulatory fee. If so, determine if there is a way to reasonably address imports and exports

of water either inside and outside of the SVBGSA management area, or between subbasins or between portions of subbasins.

3. The applicability and feasibility of charging the fee on an extraction basis (this would require a Proposition 218 protest procedure per Water Code 10730.2 because GSPs have been adopted in all subbasins).
4. Regulating de minimis users and charging them the regulatory fee(s). If there is good reason to regulate them, does this apply in all subbasins? Does it apply to all costs, or only Tier 1 costs or only Tier 2 costs under a tiered fee approach?
5. Discounted fees for properties (financed by Low Income Housing Tax Credits) that are restricted to low-income tenants, for which the fee most likely cannot be passed on to the tenants.
6. Determining whether it is appropriate to address prescriptive rights to water in over-drafted subbasins in regulatory fees.
7. Assessing whether the Tier 1 fee calculation should be modified, still using the subbasin pumping data, to actual pumping data based on the 5-year rolling average, rather than rounding to a 90%/10% split.
8. Whether properties paying the regulatory fee(s) in the Arroyo Seco Management Area portion of the Forebay subbasin should pay the same amount(s) as the rest of the Forebay subbasin; and if not, how that would be handled.
9. Making a multi-year forecast of expenditures and accounting for the projection when setting fees for the next year.

FY 2024 Fee Implementation

The deadline, set by the Monterey County Auditor-Controller's office, is to have all paperwork submitted by August 1, 2023 to have fees placed on the FY 2023/24 tax roll. In order to make this deadline, SVBGSA's regulatory fee(s) must be adopted no later than the June 29th, 2023 Board meeting. The Board may adopt one fee, or seven fees, depending on whether it approves continuation of the Fee without tiers or with tiers. If a tiered fee structure is approved, the Auditor-Controller's office requires a separate resolution approving each of the seven fees, so that revenues from each subbasin are accurately documented, collected, and disbursed to SVBGSA.

Based on the fee-setting alternatives presented, and the input received from the public outreach efforts in April and May 2023, the recommended alternatives for the Board's consideration to fully fund the FY 2024 Work Plan without legal consideration[2] are:

1. No Tiering FY 2024. The Groundwater Sustainability Fee is set at $12.24 per Irrigated Acre and $5.78 per Connection.

2. New Fee Structure with Tiering FY 2024. The Groundwater Sustainability Fee is set at $8.28 per Irrigated Acre and $3.90 per Connection.

[2] Legal arguments have been presented by interested parties in support, and against, a tiered fee structure. The SVBGSA Board must weigh the legal arguments presented, and their own Counsel's opinion, in addition to the information provided in this memorandum when deciding on the fee structure and amounts for fiscal year 2024.

The Eastside Subbasin Groundwater Sustainability Fee is set at $2.96 per Irrigated Acre and $0.64 per Connection.

The Langley Subbasin Groundwater Sustainability Fee is set at $12.86 per Irrigated Acre and $10.86 per Connection.

The Forebay Subbasin Groundwater Sustainability Fee is set at $3.40 per Irrigated Acre and $1.32 per Connection.

The Monterey Subbasin Groundwater Sustainability Fee is set at $34.96 per Irrigated Acre and $17.26 per Connection.

The 180/400 Foot Subbasin Groundwater Sustainability Fee is set at $4.48 per Irrigated Acre and $1.32 per Connection.

The Upper Valley Subbasin Groundwater Sustainability Fee is set at $3.32 per Irrigated Acre and $1.82 per Connection.

Consultant recommendations for fee resolutions under a tiered fee approach include:

a) a provision stating that the SVBGSA will establish separate funds for tracking Tier 1 and Tier 2 subbasin allocated expenditures and revenues,

b) a provision that the SVBGSA will conduct reviews of the Tier 1 and Tier 2 cost allocation, and Tier 2 cost allocation between subbasins twice each fiscal year[3],

c) specifying that the Board has discretion to direct accounting for any adjustments (credits or debits between funds) in the fees for the following fiscal year based on findings of the reviews, and

d) allowing for general reserves (not reserves for specific purposes), which are collected in the Tier 1 fee, to be used for any SVBGSA purpose, including as a loan for an activity which is to be recouped with Tier 2 fee(s), provided a resolution is adopted that establishes loan repayment terms between the Tier 2 fund(s) and the Tier 1 fund.

[3] HEC recommends November as a mid-year check and March prior to adoption of the following fiscal year budget, which must occur in April, per the Joint Powers Agreement.

ATTACHMENT A

SVBGSA TIERED FEE APPROACH ANALYSIS

SUPPORT TABLES

Table A-1
SVBGSA FY2024 Fee Analysis **DRAFT**
Administration and Reserves Work Plan Budget

Work Plan Line Item	FY2024 Work Plan Est. Cost
Administration Expenses	
Board Stipends	$14,200
Legal Notices & Ads	$3,000
Office Supplies	$1,500
Postage and Delivery	$1,000
Printing and Reproduction	$4,000
Administrative GM Service	$862,000
SGMA Grant Deductions	($284,875)
Groundwater Management Deductions	($393,800)
RGS Clerk Services	$234,500
RGS Finance Admin Services	$212,000
RGS Administrative Staff Support	$17,000
Financing Plan Other Services	$52,350
Lobbying Services	$15,000
Legal Services	$60,000
Outside Specialty Legal Svcs	$40,000
On-Call Engineering Services	$10,000
Audit Services	$12,000
Communications Consultant	$20,000
MCWRA Data Services MOU	$40,000
Conferences / Training	$3,550
Travel Expense	$5,000
Meals and Meeting Expenses	$2,500
Mileage Reimbursement	$500
Dues and Subscriptions	$4,000
IRWM Member Contribution	$2,500
GSA Fee Appeal Refunds	$5,000
Office Rent	$3,000
Website Upgrade	$8,000
Agenda Management Software	$3,700
Document Management Software	$16,000
Financial Management Software	$13,500
BidNET Online Solicitation Annual Fee	$3,000
Bank Charges	$500
Insurance Premium	$4,000
Total Administration	**$994,625**
Reserves	
Cash Flow Reserve (target $600,000)	$120,000
Litigation Reserve (target $500,000)	$100,000
Total Reserves	**$220,000**

Sources: SVBGSA March 14, 2023.

Table A-2
SVBGSA FY2024 Fee Analysis
Sustainable Groundwater Management Program Budget

DRAFT

Work Plan Item	SVBGSA Budget Category	FY24 Cost Estimate	Round 1 Grant	Fee-Funded COST
Tier 1: Data Expansion & SGMA Compliance		**$355,000**	**$0**	**$355,000**
Expand Groundwater Extraction Monitoring	Data Expansion	$50,000		$50,000
Refine Hydraulic Conceptual Model (HCM)	Data Expansion	$100,000		$100,000
USGS Technical Services Agreement - SVBGSA Annual Fee	Data Expansion	$85,000		$85,000
USGS Cooperative Agreement Oversight	Data Expansion	$25,000		$25,000
Groundwater Model Maintenance	Data Expansion	$95,000		$95,000
Tier 1: Interested Parties Outreach		**$427,500**	**$0**	**$427,500**
Support SVBGSA Public Meetings and Workshops: Board of Directors, Executive Committee, Budget Finance Committee, Advisory Committee, Implementation Committees	Outreach	$95,000		$95,000
Support Coordination with Partner Agencies, Water Quality Coordination Group & Land Use Jurisdiction Coordination Program	Outreach	$80,000		$80,000
Coordinate Tech Support Meetings and Stakeholder Engagement	Outreach	$215,000		$215,000
Coordinate Groundwater Technical Advisory Committee	Outreach	$37,500		$37,500
Tier 1: Management Actions		**$222,000**	**$0**	**$222,000**
Develop and Support Website for Central Coast Ag Water BMPs	Management	$50,000		$50,000
Refine Sustainability Strategy and Project Assistance: All Basins	Management	$80,000		$80,000
Conduct Technical Reviews and Provide Technical Services	Management	$92,000		$92,000
Tier 1: Contract Administration		**$120,000**	**$0**	**$120,000**
Administer Sustainable Groundwater Management Program	Contract Admin	$120,000		$120,000
Tier 2: SGMA Compliance and Project & Management Actions (PMAs)		**$1,168,500**	**$93,834**	**$1,074,666**
Assess Groundwater Benefits of Salinas River Stream Maintenance Programs	Management	$350,000		$350,000
Conduct Demand Management Dialogue Process	Management	$200,000	$50,834	$149,166
Assess Seawater Intrusion Model, Phase 1: 180/400	Data Expansion	$50,000		$50,000
Refine Sustainability Strategy: Eastside	Management	$15,000		$15,000
Refine Sustainability Strategy: Langley	Management	$15,000		$15,000
Scope CSIP Expansion, Initial Phase (Blue Plan It)	Management	$10,000		$10,000
Establish SMC Technical Advisory Committee: Forebay	Management	$25,000		$25,000
Establish SMC Technical Advisory Committee: Upper Valley	Management	$25,000		$25,000
Conduct Deep Aquifer Study - SVBGSA Share	Management	$89,250		$89,250
Conduct Deep Aquifer Study - Agriculture Share	Management	$131,750		$131,750
Prepare/Submit Annual Reports and Data Management	Data Expansion	$257,500	$43,000	$214,500
Other: SGM Program Activities Funded by DWR Round 1 Grant		**$360,000**	**$360,000**	**$0**
Develop Deep Aquifer Management Actions: 180/400	Management	$40,000	$40,000	$0
Develop Well Registration Program: 180/400	Data Expansion	$210,000	$210,000	$0
Plan and Implement Groundwater Model Updates: 180/400	Data Expansion	$100,000	$100,000	$0
Plan and Carry out Outreach to Underrepresented Communities and Domestic Well Owners: 180/400	Outreach	$10,000	$10,000	$0
TOTAL ESTIMATED FY24 COSTS		**$2,653,000**	**$453,834**	**$2,199,166**

Sources: SVBGSA May 19, 2023.

program

Table A-3
SVBGSA FY2024 Fee Analysis **DRAFT**
MCWRA Groundwater Extraction Reports

Calendar Year	Total Pumping	Agricultural Pumping	Ag. as % of Total Pumping
	ac-ft	ac-ft	
2011	448,584	404,110	90.1%
2012	489,240	446,619	91.3%
2013	508,205	462,873	91.1%
2014	524,487	480,160	91.5%
2015	514,714	478,113	92.9%
2016	479,374	445,110	92.9%
2017	471,011	432,059	91.7%
2018	475,301	433,396	91.2%
2019	450,423	410,912	91.2%
2020	466,103	425,605	91.3%
2021	486,258	445,705	91.7%
Avg. Annual	**483,064**	**442,242**	**91.5%**

Source: MCWRA Annual Groundwater Extraction Reports.

Table A-4
SVBGSA FY2024 Fee Analysis
Assess Groundwater Benefits of Salinas River Stream Maintenance Programs Costs

DRAFT

Subbasin	Acre-Feet per Year [1]	Share of Total	Estimated Cost
180/400	38,249	20.1%	$70,231
Eastside	0	0.0%	$0
Langley	0	0.0%	$0
Monterey	921	0.5%	$1,691
Forebay	71,709	37.6%	$131,669
Upper Valley	79,736	41.8%	$146,408
Total	**190,615**	**100.0%**	**$350,000**

Source: Montgomery and Associates, May, 2023. river all

[1] Average annual Salinas River recharge to each subbasin (excludes tributaries and Aroyo Seco).

Table A-5
SVBGSA FY2024 Fee Analysis
Deep Aquifer Study Costs Allocation

DRAFT

Subbasin	Deep Aquifers Area (ft^2)	% of Deep Aquifer Area	Net % of Area [1]	SVBGSA Cost	Agriculture Cost
180/400	3,648,573,701	66%	75.7%	$67,556	$99,726
Eastside	564,939,710	10%	11.7%	$10,460	$15,441
Langley	63,083,737	1%	1.3%	$1,168	$1,724
Forebay	505,019,345	9%	10.5%	$9,351	$13,804
Monterey (Corral)	38,601,811	1%	0.8%	$715	$1,055
Monterey (Ord)	583,822,515	11%	0.0%	$0	$0
Seaside	109,758,846	2%	0.0%	$0	$0
Total	**5,513,799,666**	**100%**	**100.0%**	**$89,250**	**$131,750**

Source: Montgomery and Associates, May, 2023. deep all

[1] Area excluding Monterey (Ord), which is managed by Marina Coast Water District, and the Seaside subbasins.

Table A-6
SVBGSA FY2024 Fee Analysis
Conduct Demand Management Dialogue Process Cost Allocation **DRAFT**

Subbasin	Basin Wide DM (Steps 1, 3, 4, & 5)	Basin Wide Support	180/400 Focused Workshops	Total	Grant Funding	Net Costs Funded by Fees
180/400	$26,500	$3,334	$21,000	$50,834	$50,834	$0
Eastside	$26,500	$3,334		$29,834		$29,834
Langley	$26,500	$3,333		$29,833		$29,833
Forebay	$26,500	$3,333		$29,833		$29,833
Monterey	$26,500	$3,333		$29,833		$29,833
Upper Valley	$26,500	$3,333		$29,833		$29,833
Total	**$159,000**	**$20,000**	**$21,000**	**$200,000**	**$50,834**	**$149,166**

Source: Montgomery and Associates, May, 2023. dm all

Table A-7
SVBGSA FY2024 Fee Analysis **DRAFT**
Annual Reports and Data Management Cost Allocation

Subbasin	Reports & Data Management Costs	Grant Funding	Net Costs Funded by Fees
180/400	$43,000	$43,000	$0
Eastside	$42,900	$0	$42,900
Langley	$42,900	$0	$42,900
Forebay	$42,900	$0	$42,900
Monterey	$42,900	$0	$42,900
Upper Valley	$42,900	$0	$42,900
Total	**$257,500**	**$43,000**	**$214,500**

Upper Valley reports

Table A-8
SVBGSA FY2024 Fee Analysis
DRAFT
Irrigated Acres and Connections by Subbasin Fiscal Year 2023

Subbasin	Irrigated Acres	Connections
Eastside	34,040	25,773
Langley	4,310	3,495
Forebay	73,281	9,163
Monterey	734	3,060
180/400 Foot	63,778	15,761
Upper Valley	73,688	3,897
Total	**249,831**	**61,149**

Source: FY 2023 fee database and GIS analysis May 2023. acres

Table A-9
SVBGSA FY2024 Fee Analysis
Groundwater Pumping Estimates by Subbasin

DRAFT

Year	180/400		EASTSIDE		FOREBAY		LANGLEY		MONTEREY [1]		UPPER VALLEY	
	Agriculture	Urban	Agriculture	Urban	Agriculture	Urban	Agriculture	Urban	Agriculture	Urban	Agriculture	Urban
	Data from the MCWRA except the Monterey Subbasin data, which was developed for the Corral de Tierra Subbasin GSP by Montgomery Associates --- All figures in Acre-Feet											
2010	99,042	10,892	64,550	15,979	136,932	6,948	181	145	not available		114,668	4,227
2011	98,250	12,917	64,346	15,374	135,464	6,804	155	153	not available		105,828	4,112
2012	107,916	12,727	73,008	13,178	149,364	7,514	311	196	not available		117,153	3,969
2013	115,490	13,599	73,928	14,673	153,162	7,882	504	165	85	912	125,643	3,635
2014	113,805	13,885	80,084	13,740	164,463	6,731	298	157	89	823	120,424	3,792
2015	119,870	10,978	81,335	11,692	156,338	6,234	548	131	130	589	119,000	3,494
2016	109,427	11,020	71,697	10,991	153,544	4,856	260	118	118	841	109,748	2,991
2017	101,594	10,968	69,905	13,079	152,372	6,754	445	181	199	907	107,501	3,407
2018	103,200	12,581	65,835	13,713	150,135	7,303	261	132	637	876	112,283	3,418
2019	105,084	12,086	63,862	11,973	135,971	7,374	175	127	364	995	105,245	3,430
2020	106,481	12,306	68,443	13,067	138,213	7,590	146	124	497	805	111,731	2,827
2021	114,452	12,002	68,766	13,246	142,758	7,644	93	123	369	724	119,267	2,987

Source: MCRWA for all basins except Monterey. Monterey (Corral de Tierra) pumping data is a combination of SWRCB data and MCRWA GEMS data, provided by Montgomery and Associates. all pump

[1] Corral de Tierra only (excludes Marina Coast Water District's management area of the Monterey Subbasin).

Table A-10
SVBGSA FY2024 Fee Analysis
Agriculture's Share of Total Groundwater Pumping by Subbasin **DRAFT**

Year	Eastside	Langley	Forebay	Monterey [1]	180/400 Foot	Upper Valley
			Agricultural Pumping as a Percentage of Total Pumping			
2011	81%	50%	95%	not available	88%	96%
2012	85%	61%	95%	not available	89%	97%
2013	83%	75%	95%	9%	89%	97%
2014	85%	65%	96%	10%	89%	97%
2015	87%	81%	96%	18%	92%	97%
2016	87%	69%	97%	12%	91%	97%
2017	84%	71%	96%	18%	90%	97%
2018	83%	67%	95%	42%	89%	97%
2019	84%	58%	95%	27%	90%	97%
2020	84%	54%	95%	38%	90%	98%
2021	84%	43%	95%	34%	91%	98%
2011-2021 Average	**84%**	**63%**	**95%**	**23%**	**90%**	**97%**
2017-2021 5-Yr Avg.	**84%**	**59%**	**95%**	**32%**	**90%**	**97%**

Source: MCRWA for all basins except Monterey. Monterey (Corral de Tierra) pumping data is a combination of SWRCB data and MCRWA GEMS data, provided by Montgomery and Associates.

[1] Corral de Tierra only (excludes Marina Coast Water District's management area of the Monterey Subbasin).

ATTACHMENT B

PUBLIC OUTREACH EFFORT

DESCRIPTION AND MATERIALS

(STILL BEING DEVELOPED)