

Tiered Fee Approach Analysis

Tier 1 “Groundwater Sustainability Fee”

- Pays for regulatory activities attributed to annual costs incurred for all six subbasins
 1. Administration Expenses (such as staffing, Board stipends, documents management, audit services, website upgrade, subscriptions)
 2. Prudent Reserves (general and litigation reserves)
 3. Sustainable Groundwater Management program activities that are common to all subbasins (USGS cooperative agreement, GEMS expansion)

Tier 2 “SVBGSA Name of Subbasin Fee”

- Pays for Sustainable Groundwater Management program activities that are attributed to regulatory activities in one or more, but not all subbasins

Fee-Funded Costs FY2024

Expense Category	FY24 Work Plan Cost Estimate	less other revenue sources			FY24 Fee-Funded Costs
		Multi-Land Repurposing	Round 1 DWR Grant	Permitting Fees	
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.

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

Tier 1 Cost Allocation Basis

Uses the current, Board-approved methodology to allocate SVBGSA management area Tier 1 costs by historical Salinas Valley pumping, as reported by Monterey County Water Resources

Total Tier 1 FY2024 Costs (rounded)	\$2,237,000	Tier 1 Fee	
Agricultural Users (90%)	\$2,013,000	\$8.28	Per Irrigated Acre
All Other Users (10%) *	\$224,000	\$3.90	Per Connection

* Small Water System and Public Water System users. De minimis users have not been regulated by the SVBGSA and are therefore excluded in the cost allocation.

Tier 2 Step 1: Cost Allocation to Subbasins

- Provided by independent experts; for FY 2024, provided by Montgomery & Associates for:

Activity	Subbasin Allocation Basis
Deep Aquifer Study	Area of deep aquifers
Conduct Demand Management Dialogue Process	Equal split to each subbasin (180/400 Foot efforts paid by Round 1 grant)
Assess GW Benefits of Salinas River Stream Maintenance Programs	Average Annual Salinas River recharge to each subbasin (excludes tributaries & Arroyo Seco)
Annual Reports	Equal split to each subbasin (180/400 Foot report paid by Round 1 grant)

Tier 2 Costs Allocation Summary

Subbasin	FY2024 Tier 2 Fee-Funded Costs (rounded)
Eastside	\$114,000
Langley	\$91,000
Forebay	\$253,000
Monterey (Corral de Tierra)	\$76,000
180/400 Foot	\$298,000
Upper Valley	\$244,000
Total Fee-Funded Tier 2 Costs	\$1,075,000

Tier 2 Steps 2: Subbasin Costs Allocation

Two methodologies presented

1. 90/10 split applied to Tier 2 costs within each subbasin
2. Historical subbasin pumping split applied to Tier 2 costs within each subbasin
 - 2011-2021 average annual pumping OR
 - 2017-2021 5-yr rolling average of pumping data

Consensus was to use the **5-yr rolling average pumping data for Tier 2 cost allocation**, primarily due to variations in pumping year to year by the Monterey and Langley Subbasins.

Historical Pumping by Subbasin

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).

Parcels and Water Systems Straddling Subbasins – Tier 2 Costs FY2024 Fee

1. Irrigated Acre Parcel
 - Assigned to the Subbasin in which the majority of the parcel is situated
2. Parcel served by a Water System on the Tax Roll
 - Assigned to the Subbasin in which the majority of the parcel is situated
3. Water System paying for all Connections (not on the Tax Roll)
 - Charged the fee per connection for the Subbasin in which the majority of the water system is situated

Calculated Tiered Fees 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

- Tier 1 fee costs allocated 90% to Agriculture and 10% to all other users
- Tier 2 fee costs allocated by rolling 5-yr average pumping in each subbasin
- Fees include an allowance for uncollectable revenue and land use change of 2.5% for agriculture and 6.0% for all other users.

Fiscal Year 2024 Fee Schedule Options

1. Adopt a tiered fee structure for FY 2024

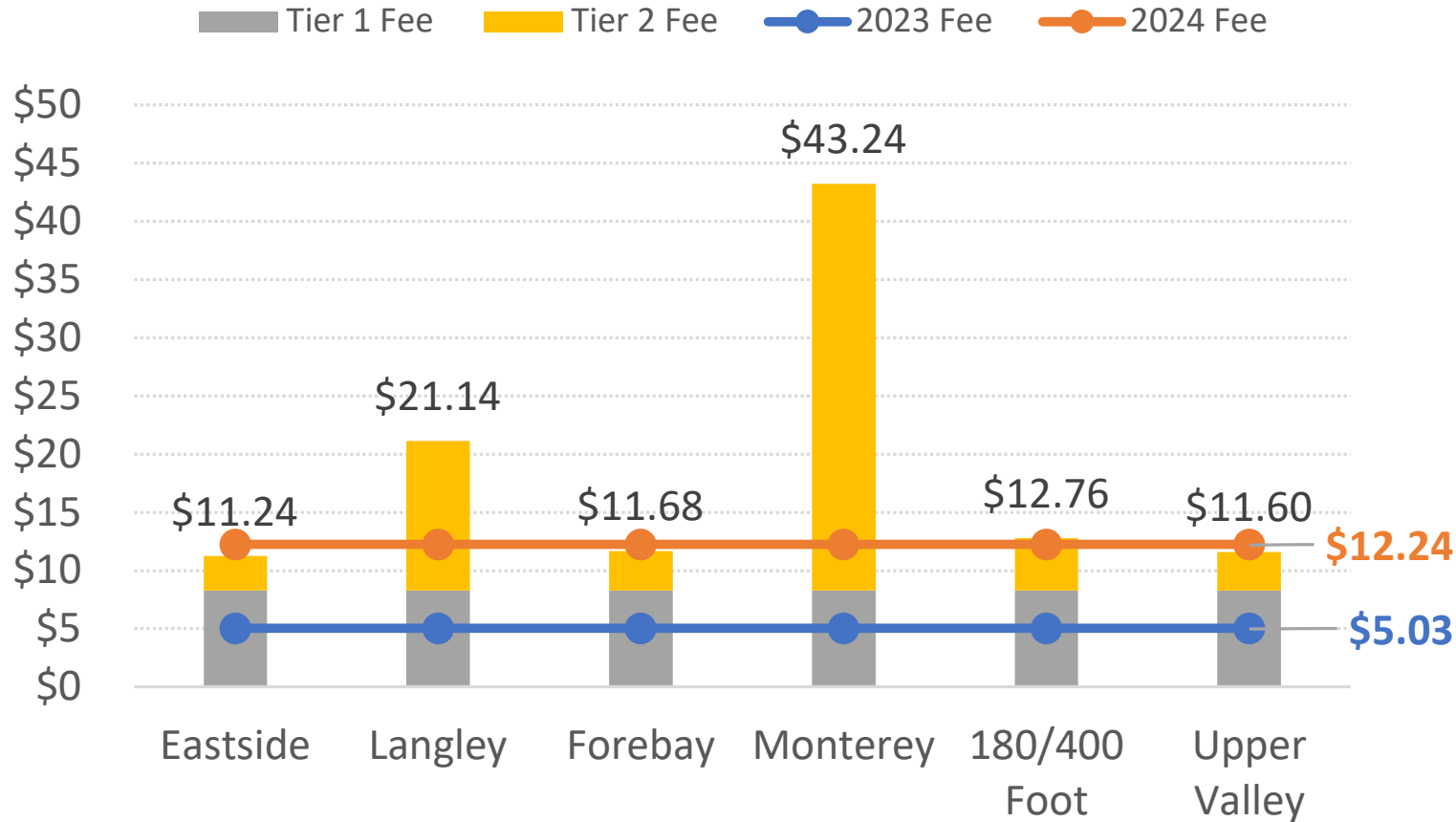
- Requires 7 resolutions to be adopted
- 2 fees will show on the FY2024 property tax bill in every subbasin

2. Do not adopt tiered fee structure for FY 2024

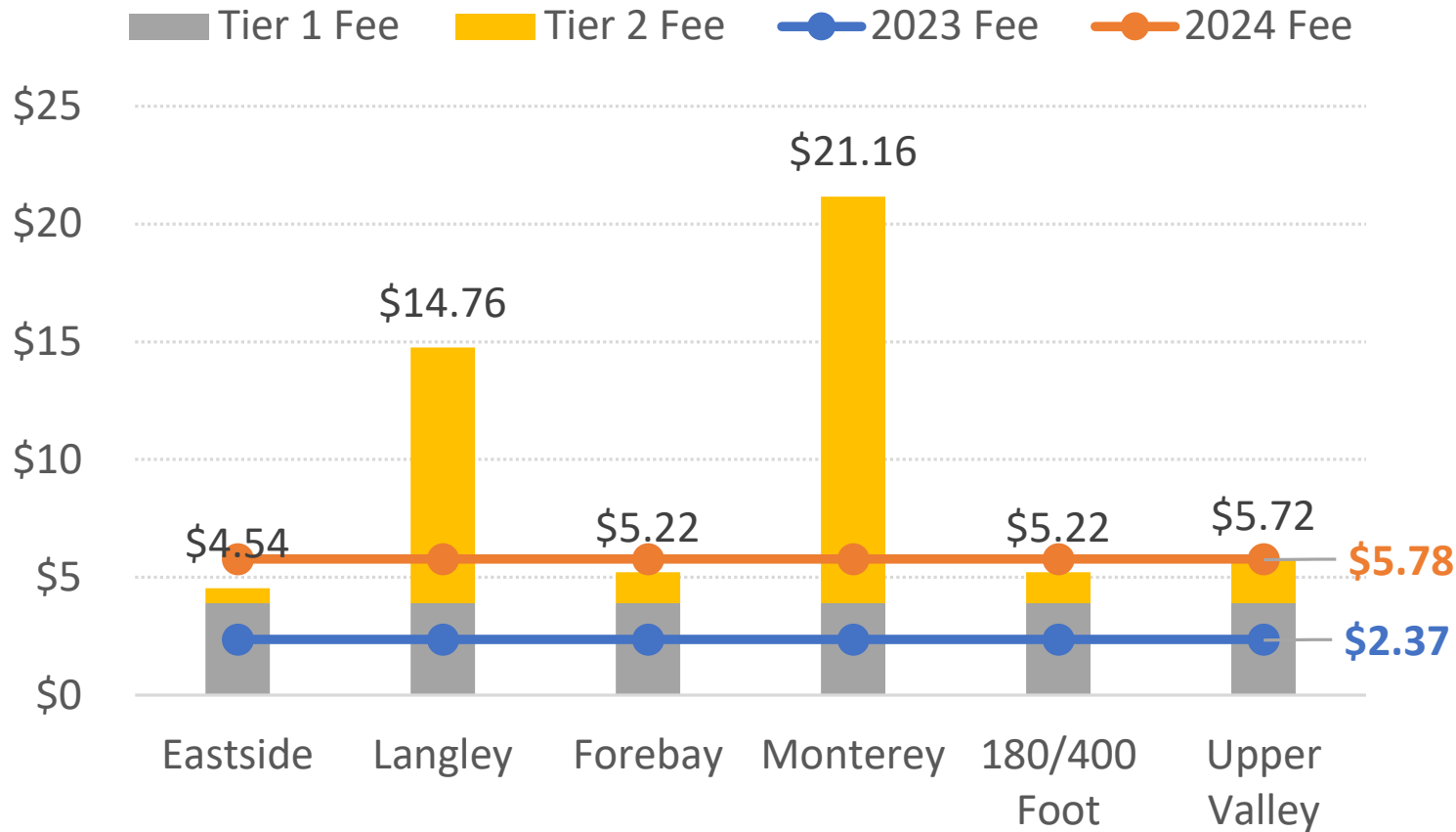
- Increase the FY 2023 fee to support the adopted budget

Fee Application	Fiscal Year Ending				
	2020	2021	2022	2023	2024
	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>actual</i>	<i>calculated</i>
Irrigated Acre	\$4.79	\$4.79	\$5.03	\$5.03	\$12.24
Connection	\$2.26	\$2.26	\$2.37	\$2.37	\$5.78

Total Annual Fee Options for FY 2024 for Agriculture - per Irrigated Acre



Total Annual Fee Options for FY 2024 for All Others - per Connection



Outreach Efforts in April-May-June

The fee calculations were presented to and discussed with:

- Salinas Valley Water Coalition
- Salinas Valley Water Alliance
- Farm Bureau Water and Land Use Subcommittee
- Grower Shipper Association
- Castroville CSD, San Lucas Water District, Cal Water
- Cal Am, Alta Tierra Water System #1
- CHISPA (develops, owns, sells, and manages affordable housing)
- The League of United Latin American Citizens (LULAC)
- Arroyo Seco GSA
- SVBGSA Budget and Finance Committee
- SVBGSA Advisory Committee
- Separate and joint meetings of the SVBGSA six subbasin Implementation Committees

Outreach Materials

- Water Systems Postcard – about 900 mailed April 26 in English. The information was posted on the website in Spanish.
- Fee Study Website Content
- Social Media Post and Email Blast in English and Spanish
 - Emails sent via the SVBGSA email list serve and the Farm Bureau newsletter.

Items to Consider in 5-Year Review to occur in Fiscal Year 2024

1. Parcels and water systems straddling subbasins
2. Water imports/exports between subbasins and outside the SVBGSA management area
3. Regulating and charging the fee(s) to de minimis users – a property served by its own well for non-commercial use *
4. Applicability and feasibility of charging on an extraction basis

* Water Code § 10721 (e) defines “de minimis extractor” to mean “a person who extracts, for domestic purposes, two acre-feet or less per year.”

Items to Consider in 5-Year Review to occur in Fiscal Year 2024

5. Discounted fees for properties restricted to low-income residents
6. Appropriateness of addressing prescriptive rights in over-drafted subbasins in regulatory fees
7. Assessing revision of Tier 1 fee calculation from 90/10 to rolling 5-year average
8. Regulatory fees in the Arroyo Seco Management Area
9. Multi-Year forecast of expenditures to set fees