

SVBGSA BOARD OF DIRECTORS

TIERED REGULATORY FEE POLICY

Amended June 29, 2023 (Reso No. 2023-06)

A Tiered Regulatory Fee Policy will provide for the development of definitions and methodologies to allocate Annual Budget expenses to be funded by the Fee to each Subbasin. Accordingly, the following shall govern the development of the SVBGSA's annual budget ("Annual Budget"), annual work plan ("Annual Work Plan"), and, if appropriate, a tiered fee structure for the SVBGSA's regulatory fee ("Fee") to cover expenses for the SVBGSA's regulatory activities ("Regulatory Activities") which include but are not limited to preparation and updating of Groundwater Sustainability Plans ("GSPs"), implementation of management actions and projects, and completion of compliance reporting and data expansion for each Subbasin.

1. The Annual Budget will be developed commensurate with the Annual Work Plan to achieve SGMA compliance, to conduct investigations and studies, to monitor data, to register and monitor wells and to obtain legal, financial, accounting, technical, engineering, and other services to carry out the Regulatory Activities of the SVBGSA.
2. Attachment 1, which may be updated from time-to-time by the Board of Directors, provides the definitions of Tier 1 (Salinas Valley Basin-Wide Costs) and Tier 2 (Subbasin Specific Costs) to guide budget development and determination of Tier 1 and Tier 2 costs for both the Annual Work Plan and annual review of the Fee.
3. The General Manager is authorized and directed to develop the Annual Work Plan to include, as necessary or appropriate, the determination of Tier 1 and Tier 2 categories of costs and shall provide technical information and data to support allocation of costs to the Tier 1 and Tier 2 categories.
4. The General Manager shall prepare an Annual Budget that evaluates GSP implementation progress and annual conditions in each Subbasin to avoid a determination by the State of California that there has been inadequate implementation of any SVBGSA-developed GSP.
5. The Fee review, which calculates the Fee for the following fiscal year, shall be performed after the Annual Work Plan and Annual Budget are adopted each year. The Fee review will account for actual expenses in the prior fiscal year for Tier 2 costs allocated to each subbasin, if any, and actual revenues received for Tier 2 costs by each subbasin, if any.
6. In the event that the Annual Budget must be revised during the fiscal year, and the Fee is insufficient to support the expenses of any subbasin under Tier 2, the Board may adopt a resolution allowing Tier 1 revenues to be used for the subbasin(s) requiring support under the condition that Tier 2 fees in the affected subbasin(s) will be raised to pay back such

financial support. The resolution will set forth all the conditions upon which such support may be provided.

7. In the budget process for each fiscal year, staff shall assess, based upon new or different data, whether: a) a component of a Tier 1 Fee should have been characterized as a Tier 2 Fee for one or more Subbasins; b) a Tier 2 Fee should have been characterized as a Tier 1 Fee, should have been spread across additional Subbasins, or restricted to fewer Subbasins; or c) that the Tier 2 Fee distribution across Subbasins should have been substantially different than as adopted. Staff shall report the results of its assessment as described above to the Board of Directors with recommendations, and the Board shall consider whether to adjust the Fee amounts in the following fiscal year by approving appropriate credits or surcharges to account for adjustments.
8. Adoption of a Tier 1 or Tier 2 Fee in any given Fiscal Year shall be based on the best available data known at the time, shall be specific to the Fiscal Year for which it is adopted, and is not intended to be determinative of how the Tier 1 or Tier 2 Fee may be set in future Fiscal Years to fund either management actions or projects.

Attachment 1

Annual Budget and Regulatory Fee Apportionment Process: Definitions for Tier 1 and Tier 2 Categories of Costs

The Salinas Valley Basin Groundwater Sustainability Agency (Agency) Board of Directors (Board) directed staff to develop a two-tiered approach for the Agency's annual work plan, budget, and regulatory fee beginning in FY 2023-24. Staff was directed to initiate a budget process that recognizes regulatory activities of common benefit to all subbasins and regulatory activities that benefit one or more, but not all, subbasins. The 2022 Groundwater Sustainability Plans for each subbasin provide guidance on management and implementation actions which appear in all the plans, and management actions and projects which may be specific to one or more, but not all, subbasins.

Cost allocation for purposes of establishing the annual budget and regulatory fee is not intended to be a determination of "special benefits" as used in a Proposition 218 process. Tier 1 costs are, and Tier 2 costs will be, charged to all chargeable parcels in the Subbasins for which the regulatory activities are being conducted pursuant to this Tiered Regulatory Fee Policy.

This attachment, which may be updated from time to time, provides the following definitions for the two-tiered budget process.

Definitions

Tier 1 – Salinas Valley Basin-wide Costs: This tier is for costs of activities that, in roughly equivalent measure, pertain to, impact, or are required by all subbasins as determined by the Board of Directors during the budget development process. This includes, but is not limited to, the Agency administration costs comprising agency staffing, financial administration (includes audit), grant preparation, general legal services (County Counsel and outside legal services), web hosting, professional travel and conferences, supplies, regulatory fee annual review, lobbying, MCWRA data services MOU, Basin-wide modeling updates, implementation actions that are Basin-wide and included in all adopted GSPs (for example, GEMS expansion and enhancement and the dry well notification system), compliance reporting and data expansion, data management system and web map hosting.

This tier also includes funding for a prudent cash flow reserve to be used to pay bills while funding is received from grants or GSA fees. As defined in the adopted cash flow reserve policy, the target reserve is \$600,000 by Fiscal Year 2026-27.

Tier 2 - Subbasin-Specific Costs: This tier is for costs of activities that pertain to, impact, or are required by only one or more, but not all, subbasins as determined by the Board of Directors and that directly or primarily are conducted for the benefit of those subbasins in some proportion. Subbasin-specific costs could include, but are not limited to, subbasin(s)-specific management actions and projects, engineering feasibility studies, stakeholder engagement processes, cost studies, benefit studies, and subbasin-specific litigation, etc.