



## SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

Thursday, March 21, 2019 - 7:00 p.m.

Simpkins Family Swim Center

979 17th Avenue, Santa Cruz, California

### AGENDA

1. **Call to Order**
2. **Roll Call**
3. **Public Comments**
4. **Consent Agenda (Page 4)**
  - 4.1 Approve Minutes from November 15, 2018 Board Meeting (No Memo)
  - 4.2 Accept Audited 2017/18 Financial Statements
  - 4.3 Acknowledge Member Agency Board Appointments
  - 4.4 Authorize Contract Amendment to Include Applicable Grant Conditions
  - 4.5 Approve Meeting Schedule for 2019
5. **General Business (Page 51)**
  - 5.1 Review Budget for Fiscal Year 2018-2019 and Preliminary Budget for 2019-2020
  - 5.2 Approve Revised Email Policy
6. **Informational Updates (Page 69)**
  - 6.1 Treasurer's Report
  - 6.2 Notice of Intent to File Amended CEQA Petition
  - 6.3 Outreach Reports (Oral)
  - 6.4 Board Member Reports (Oral)
  - 6.5 Groundwater Sustainability Plan Advisory Committee (Oral)
  - 6.6 Groundwater Sustainability Plan Advisory Committee Meeting Summaries from December 2018 and January 2019
  - 6.7 Staff Reports (Oral)
    - 6.7.1 Updates from the City of Santa Cruz and Soquel Creek Water District
    - 6.7.2 Coordination with neighboring basins
    - 6.7.3 Reminder on Annual Form 700 Filing Requirement
    - 6.7.4 Groundwater Sustainability Planning Grant Updat

**7. Written Communications and Correspondence (Page 96)**

7.1 Email communication from G.Lindstrum, dated March 10, 2019, and response

**8. Future Agenda Items**

**9. Adjournment**

## **SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY (MGA)**

### **Guidance for Public Input during MGA Board Meetings**

All information furnished to the MGA Board of Directors with this agenda is provided on the MGA website located here: <http://www.midcountygroundwater.org/committee-meetings>.

### **Submittal of Written Correspondence and Informational Materials**

Submittal of written correspondence, informational materials, or handouts must be received by 5:00 pm on the Monday of the week prior to the scheduled board meeting (10 days prior to the meeting) to be included in the meeting materials for board review (commonly referred to as the board packet). Due to holidays and other factors there may be instances when even the above deadline is not adequate. Submittals received after the deadline but prior to the start of the board meeting will be included in the meeting materials for the next board meeting. Submittals received after the deadline may not have time to reach board members or be read by them prior to the consideration of an item. Materials may also be submitted in-person immediately preceding the start of a board meeting by giving those materials directly to the Board Chair. Organized groups wishing to make a presentation are asked to contact Laura Partch at [lparch@cfsc.org](mailto:lparch@cfsc.org) or 831.662.2053 prior to the meeting. Soquel Creek Water District serves as the designated administrative headquarters of the MGA. Written correspondence and materials may be directed to: Santa Cruz Mid-County Groundwater Agency, c/o Soquel Creek Water District, Attention: Emma Olin, Executive Secretary/Board Clerk, 5180 Soquel Drive, Soquel, CA 95073.

### **Public Comments**

#### **Non-Agenda Items**

At the outset of the meeting, during the time set aside for public comment, members of the public can comment on any item not on the agenda as long as it is related to the subject matter of the MGA. Each speaker will be limited to a single presentation of up to three minutes. The maximum time set aside for public comment will be 15 minutes total for all speakers. Time limits may be increased or decreased at the Board Chair's discretion. Those wishing to speak should come to the front of the room and be recognized by the Board Chair. Speakers must address the entire board: dialogue will not be permitted either between speakers and board members or amongst board members.

#### **Items on the Agenda**

Comments may also be given during the remainder of the meeting pertaining to each agenda item. For items listed on the agenda, the board will deliberate and take action after speakers have concluded their remarks. Each speaker will be limited to up to three minutes per agenda item. The maximum time set aside for public comment will be 15 minutes total for all speakers. Time limits may be increased or decreased at the Board Chair's discretion. Additional comments may be given at the Board Chair's discretion related to specific items listed on the agenda. Additional public comment will not be allowed during the board's deliberation unless the Board Chair specifically calls on someone in the audience.

### **Disability Access**

The meeting room is wheelchair accessible. Please contact Laura Partch at [lparch@cfsc.org](mailto:lparch@cfsc.org) or 831.662.2051 if you need assistance in order to participate in a public meeting or if you need the agenda and public documents modified as required by Section 202 of the Americans with Disabilities Act.



## SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

Thursday, November 15, 2018 - 7:00 p.m.

Simpkins Family Swim Center

979 17th Avenue, Santa Cruz, California

### DRAFT MINUTES

**1. Call to Order: 7:00 p.m.**

**2. Roll Call**

Board members present: Mr. Abramson, Mr. Baskin, Mr. Benich, Ms. Christensen (Alternate for Chair La Hue), Dr. Daniels, Mr. Kennedy, Mr. Kerr, Ms. Matthews, Ms. Violante (Alternate for Supervisor Friend).

Board members absent: Supervisor Friend, Mr. LaHue, Supervisor Leopold.

Staff present: Mr. Bracamonte, Mr. Duncan, Ms. Menard, Ms. Partch, Ms. Pruitt, Ms. Ryan, Ms. Schumacher, Ms. Strohm.

Others present: Two members of the public.

**3. Oral Communications**

Becky Steinbruner requested a Santa Cruz Mid-County Groundwater Agency (MGA) policy for political endorsements by MGA board members and stated concerns regarding Agenda Items 4.3 and 5.1.

**4. Consent Agenda**

4.1 Approve Minutes from September 20, 2018 Meeting

4.2 Accept Treasurer's Report

4.3 Affirm Use of Soquel Creek Water District Protocol for Manager Authority on Contract Task Budget Management

MOTION: Mr. Baskin; Second: Mr. Kennedy. To approve the consent calendar with a technical correction to the September 20, 2018 minutes. Motion approved unanimously (with the following abstentions: Mr. Benich, Ms. Christensen, Mr. Marani, Ms. Violante).

## 5. General Business

### 5.1 Board Discussion and Direction to Staff and the Groundwater Sustainability Plan (GSP) Advisory Committee on the Board's Thinking about the MGA's Role in Developing and Implementing Projects and Management Actions to Achieve Basin Sustainability and How the Advisory Committee Should Deal with Projects and Management Actions as it Works on Developing Advice to the Board on the Content of GSP Sections 4 and 5.

Staff reported the Advisory Committee's input on the GSP includes which management actions and projects should be included in Section 4 (list of projects), and which projects seem to be moving into Section 5 (the implementation plan). Staff has recommended that the Board have substantive discussions on three issues:

- To revisit earlier conversations on the role of the MGA and whether the MGA might get involved in projects. The role was previously discussed in a broad manner by the Groundwater Sustainability Agency (GSA) formation committee around late 2015 and early 2016. The Joint Powers Agreement (JPA) allows the MGA to get involved with projects, and the bylaws state that the board would revisit this issue after the GSP is done. Board input on this issue would provide context for how Sections 4 and 5 should be handled in terms of the roles of the member agencies, the role of the board, and what should be in the GSP.
- Any direction from the board on projects to be included in Section 4 of the GSP. The ongoing list of member agency projects is provided in Attachment 2 (also referred to during the meeting as Attachment B). Staff recommends that all the projects in Attachment 2 be included in Section 4 to keep options open and create fallback opportunities.
- Any direction from the board on projects it specifically wants included in Section 5 for implementation of the GSP.

The accompanying staff report represents the consensus of the various managers on the executive team.

### **Board Comments, Questions, and Staff Responses:** (Staff comments and responses are identified as bulleted items)

On page 24, the "questions raised in Section E below", where is Section E?

- This is the "Discussion Questions for MGA Board" in the middle of page 28.

Does staff see a significant difference in the way the board might treat projects as opposed to management actions?

- Management actions includes a range of items, such as moving pumping inland, which the City of Santa Cruz (City) and the Soquel Creek Water District (District) have already done in some instances. They could include programs for small water systems, domestic well owners, or de minimis pumpers, such as conservation support services, or they could be ideas that have not yet been considered and are not on the current list of projects.

If everything were kept within the management of the member agencies, are there items that would not be covered?

- These would mostly be handled through the County of Santa Cruz (County), such as the water conservation messaging.

How firmly should the Board direct the Advisory Committee, since the Advisory Committee is going through the process of developing the GSP, and the board has not been through that process?

- That is an important item for discussion. What is driving this discussion is that if the board has strong inclinations about what should be included in the GSP, these should be communicated to the Advisory Committee. Otherwise the GSP may not be what the board wants or needs. Since there are several individuals present tonight that serve on both the board and the Advisory Committee their input is welcomed.

**Invitation for Public Questions** (none received, return to board discussion)

Assuming that the MGA is not going to be doing or managing projects, the MGA does have primary oversight responsibility of the GSP and achieving sustainability and cannot leave this to the member agencies. The state requires the board to lay out what it thinks will make the basin sustainable, as well as to describe how that will be done in the GSP.

It may not be appropriate to start with a rigid approach that the MGA should not do any projects. Since the MGA is responsible for the entire basin, it may have a role in projects that would benefit the entire basin, such as levying fees against non-de minimis well owners, or groundwater recharge.

Whether the MGA would administer these projects remains up for discussion.

The MGA might take on little projects, for example monitoring for subsidence or stream interaction, which the MGA needs to monitor and the individual agencies

may not want to otherwise do this on their own, especially since these basin monitoring reports need to come from the MGA.

The board approach has been for the MGA not to become a bureaucracy that deals with billing and collection from private well owners, and to leave the major work on the major projects to the member agencies. It was recommended that the board not bind the Advisory Committee, but communicate its inclination that the MGA will be a basin-planning agency that looks to member agencies for project development, implementation, and financing of management actions and/or projects to achieve basin sustainability. The board may consider smaller projects when appropriate for private pumpers, including possible financing mechanisms. Also to direct the Advisory Committee to be as inclusive as possible with regard to the list of possible projects in Section 4.

The Advisory Committee may need some definition of what “planning” means for the GSP. There may be overlap between what the City and the District do, as well as overlapping effects on the basin as seen in the groundwater model. Either the board or the Advisory Committee needs to define the process for making sure the GSP is more than just what the City and the District decide to do. The board doesn’t want to tie the hands of the Advisory Committee but it seems the Committee does need some direction on how to proceed.

On the role of the MGA, agreement that it is basically planning, with perhaps a role on smaller “orphan” projects?

For this discussion, it would be helpful to have input from the financial and rate planning consultants (Raftelis) to provide a better understanding on budget and financing schemes to support the sustainability efforts.

- We expect additional information from the rate planning consultants working under the County’s Stressed Basins grant award will be coming in January.

Assuming the board agrees to generally stay away from projects, leaving projects on the list does not create an inference that the agency will do them. The board would, however, need to review and approve potential projects.

The role of the MGA needs to include funding. There may be funding available specifically for GSPs, which would be available to the MGA but not the member agencies.

Agreement that the MGA will be the basin-planning agency and could play a role in funding? Consensus reached, motion to follow.

Next is board direction to the Advisory Committee on projects and management actions to be included in the GSP.

- Two questions are presented in the Staff Report near the top of Page 27. The board could let the Advisory Committee do its work and bring the GSP to the board. Alternatively, the board could provide direction to the Advisory Committee based on the work so far. There are a range of possibilities.

Regarding Page 24, 1.b, and the possible role for the MGA in funding, would that be generating funding for projects initiated by the MGA, or by anybody in the basin?

- It is not defined. The GSA formation committee discussed the possibility of broad-scale financial collection from, for example, those who were not part of a municipal water agency, to fund what may need to be done to achieve sustainability. Instead of asking the County to do it outside the water purveyor boundaries, the MGA would have the authority to do that. The MGA has the authority to do this, but it was only raised as a possibility.

This is the agency authority as defined in SGMA?

- Yes. The JPA has all the conveyed powers of the County and the other member agencies, and can basically do anything the County can do within the realm of the groundwater sustainability planning process.

Are there staff comments for what should be included in Sections 4 and 5?

- The Pajaro Valley Water Management Agency (PVWMA) was in a similar situation and was unsure how to best address the issues in their basin, so they identified possible projects, selected their top three to start, and have been evaluating progress.
- It is difficult to get a water project done in this region. The MGA also can play an important role in helping to inform and educate the public about the actions necessary to bring the basin into sustainability with the goal of conveying how specific water projects can help this happen.
- With regard to whether to go narrow or broad on including projects in the GSP, the State has clearly said that agencies seeking funding support for a specific project benefitting groundwater, it should be included in the GSP.

Part of the direction is for the Advisory Committee to consider all projects identified “so far”, but other language says that the Advisory Committee should consider “any other ideas that might come to light”. Limiting board direction to projects that have already been considered would be helpful for the Advisory Committee.

The board does not want the Advisory Committee going back to square one since there has been so much work and opportunity for public input along the way of

developing, nor is there time to go back given the deadline to have the GSP completed in the next year.

- Also, there is no doubt that sea water intrusion is threatening our basin that needs to be addressed.

Proposed motion. First, on the role of the MGA, that the MGA will be the basin-planning agency and could play a limited role in funding projects. On the issue of management actions and projects to include in Section 4 of the GSP, to include projects under consideration by the District and the City.

That language may be too limiting in Section 4. The staff recommendation was to be as inclusive as possible in Section 4. It was requested that the board direct the Advisory Committee to consider the projects set out in Attachment B, but not limit the language to the projects of the City and District.

Recommended that for Section 4, the board direct the Advisory Committee to be inclusive regarding the projects and management actions in Attachment B.

- This provides a basis to start from. There may be a few things that become viable due to new funding sources, such as for outreach to the domestic wells.
- All the agencies are represented in the projects identified in Attachment B, and for water conservation as a management action, everyone is involved.

Agreement to direct the Advisory Committee to be inclusive in the projects and management actions to be described in Section 4, including, but not limited to, the projects and management actions identified in Attachment B.

Is Section 5 designed to be a deeper dive, a paring down of the projects?

- Section 5 sets a path forward for what appear to be viable projects at this time, such as Pure Water Soquel, City water transfers, water exchanges, and aquifer storage and recovery (ASR) types of projects. Until these are found not to be viable, they should be included in the implementation planning section of the GSP. If something doesn't work out, there are projects in Section 4 to fall back on. Section 5 will then be updated every 5 years.

The list of projects in Section 5 would include Pure Water Soquel, river water transfers, ASR, year-round in lieu, and managed aquifer recharge or stormwater capture.

Anything else to add to this list as priorities in Section 5?

- The terminology might change, but that list seems complete.

The list does not need to be specific since none of the projects are ready to go.

- The board might say “projects like these, but not limited to.”

For the first part of the motion, the MGA will be the basin-planning agency and could play a limited role in funding projects and/or management actions. Section 4 will be inclusive of, but not limited, the projects and management actions identified in Attachment B. Section 5 will focus on identified projects that are currently in process, including, but not limited to, Pure Water Soquel, river water transfers, in-lieu, ASR, and managed aquifer recharge.

The Advisory Committee will need to come up with the specifics for implementation of the GSP; the board is not intending to micromanage the work of the Advisory Committee.

**Public Comments:**

Tom Wyner of Cabrillo College and member of the Advisory Committee stated that the board does seem to be micromanaging the Advisory Committee. Projects are moving forward while the Committee is debating sustainable levels and approvals. By the time the Advisory Committee renders judgment, he contends the ship may have already sailed before the work of the Advisory Committee is completed.

MOTION: Mr. Baskin; Second: Mr. Kennedy. To acknowledge the Board’s current sense of the MGA’s role as the basin-planning agency that could play a limited role in funding projects and/or management actions. Section 4.0 [Projects and Management Actions to Achieve Sustainability Goal] of the MGA’s Groundwater Sustainability Plan will include, but not be limited to, all projects and management actions presented in Attachment B (Agenda Item 5.1.2, Working Draft Water Supply Augmentation Options for the Santa Cruz Mid-County Groundwater Basin). Section 5.0 [Plan Implementation] of the MGA’s Groundwater Sustainability Plan will focus on those member agency programs and projects that are currently being implemented or are in development including, but not limited to, river water transfers, in lieu recharge, Pure Water Soquel, aquifer storage and recovery, and managed aquifer recharge. Motion approved unanimously.

## **6. Informational updates.**

### **6.1 Summary Tables**

Staff summarized highlights from two graphs created by Montgomery & Associates. One includes high-level modeling assumptions and includes pumping demands by the member agencies and non-municipal pumpers. There are comments that the District's demand projections may have been too aggressive. As for sea-level rise projections, instead of a 1.5 foot rise, it may be closer to a 2.3 foot rise.

The other table looks at modeling scenarios. These include the return from septic tanks and how much goes down into the aquifers to benefit water levels. They did a modeling run to see the effect of reducing the septic returns from 90% to 50% and it did not have much effect. They also did a modeling run to simulate reduced municipal pumping by 1,500 acre feet; the modeling shows that did not solve the Aromas shortage problems, so that gives a sense of the magnitude of the issue. These show the challenges facing the basin.

### **6.2 GSP Advisory Committee Update**

The GSP Advisory Committee is starting to see the results of the groundwater modeling for specific management actions, such as possible ASR. The Committee is realizing that this is a complicated process and proposed projects will have different effects on different layers of the aquifer and the key aquifer layers, such sources of drinking water. The decision matrix is going to be complicated. It is beginning to be clear the basin will need more of a water supply, so the GSP will need to put weight on proposals for augmented supply, and understand how they interact. The Advisory Committee is getting to a level of specificity on the various proposals and their impact, and is interested in feedback from the MGA Board on what level of detail will need to be included in the GSP.

The modeling runs provide the best information available and are useful. The modeling runs show how ASR could impact the basin, how sustainability criteria are defined, and over what period of time it is measured. The motion passed tonight makes clear that there has to be a symbiotic relationship between the GSP and the projects of the different agencies. The challenge will be to make all of this come together, and the GSP is where that will happen.

### **6.3 GSP Advisory Committee Summaries**

No board discussion.

### **6.4 Outreach Report**

MGA had a station at the Water Harvest Festival in October, where the public had an opportunity to learn about groundwater and see a visual representation of a groundwater model.

### **6.5 Board Member Reports**

The District previously submitted a Phase 1 application for a Proposition 1 grant to the State Water Resources Control Board for the Pure Water Soquel project, and the District has now been invited back to submit a Phase 2 application. The District is producing an application. The maximum grant award is \$50 million.

### **6.6 Staff reports:**

The Santa Margarita Groundwater Agency is hosting a series of workshops for their community at Felton Community Hall in January, February and March. Although this is a different basin, the sessions cover pertinent topics that may be of interest.

**Board member question:** How is the MGA doing in terms of the schedule and deadlines?

- The Advisory Committee is about where it needs to be, and should finish its work by June 2019.
- Staff is wrapping up all available pieces of Section 2 and expects to have the remaining information for Section 2 (that are not related to Sections 4 and 5) from Montgomery and Associates by the end of 2018. Section 3 is primarily the work of the Advisory Committee, and progress on that section is ongoing. The regulations require a significant amount of detail and basin coordination.

**Board member question:** Does staff need assistance with this?

- This is an ongoing conversation. The GSP is essentially on target, and staff have a sense of what DWR needs. Since there had already been a great deal of work on the basin, there is that much more information to present to DWR.
- The GSP is in good shape, but this is a non-linear process and the work demands will speed up at the end. There is still a lot to be done, but the MGA is probably ahead of many other groundwater sustainability agencies.

The GSP planning grant award from DWR has been executed. We will begin reporting to DWR in 2019. The MGA is able to request grant reimbursement for prior, eligible GSP development expenses.

DWR is stressing getting the GSP completed by the deadline, to do the best job possible, but recognize that there will future opportunities to update and improve upon the initial GSP.

At the next Advisory Committee meeting on December 12, Brian Lockwood, the general manager of the PVWMA, will be giving a presentation on work in our neighboring basin.

**7. Future addenda items:**

Discussions on possible fee options is planned for early 2019. Staff will send out a survey for board members to rate their priority objectives for designing possible fee structures.

Board member request for a presentation to the board on the groundwater model before the GSP is presented to the board.

**8. Adjournment at 8:10**

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 4.2

Title: Audited 2017/18 Financial Statements

Attachments:

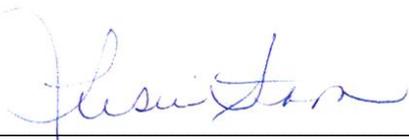
1. Santa Cruz Mid-County Groundwater Agency Annual Financial Report for the Fiscal Years Ended June 30, 2018 and 2017
2. Santa Cruz Mid-County Groundwater Agency Management Report, June 30, 2018

Attached for the Board's review is the Agency's Annual Financial Report for fiscal year 2017/18, as well as the Management Report prepared by Fedak & Brown, LLP. The financial report is prepared in accordance with Government Accounting Standards. The Agency received an unqualified opinion, meaning the financial statements present fairly, in all material respects, the financial position of the Santa Cruz Mid-County Groundwater Agency as of June 30, 2018, and the results of its operations and its cash flows are in conformity with generally accepted accounting principles.

Recommended Action:

1. By MOTION, accept the Financial Report for the period ending June 30, 2018.

By



\_\_\_\_\_  
Leslie Strohm  
Treasurer  
Santa Cruz Mid-County Groundwater Agency



# **Santa Cruz Mid-County Groundwater Agency**

## **Annual Financial Report**

**For the Fiscal Years Ended  
June 30, 2018 and 2017**

# Santa Cruz Mid-County Groundwater Agency

## Board of Directors as of June 30, 2018

<u>Name</u>	<u>Title</u>	<u>Member Agency</u>	<u>Current Term</u>
Tom LaHue	Chairman	Soquel Creek Water District	03/16 - 03/20
Cynthia Matthews	Vice Chairman	City of Santa Cruz	03/16 - 03/20
Jim Kerr	Secretary	Private Well Representative	Undesignated
John Benich	Director	Central Water District	03/16 - 03/18
Zach Friend	Director	County of Santa Cruz	03/16 - 03/20
Bruce Daniels	Director	Soquel Creek Water District	03/16 - 03/20
Jon Kennedy	Director	Private Well Representative	Undesignated
Curt Abramson	Director	Private Well Representative	Undesignated
John Leopold	Director	County of Santa Cruz	03/16 - 03/18
David Baskin	Director	City of Santa Cruz	01/17 - 03/18
Robert Marani	Director	Central Water District	03/16 - 03/20

## Santa Cruz Mid-County Groundwater Agency

**Leslie Strohm, Treasurer**

**5180 Soquel Drive**

**Soquel, California 95073**

**(831) 475-8500**

**[www.midcountygroundwater.org](http://www.midcountygroundwater.org)**

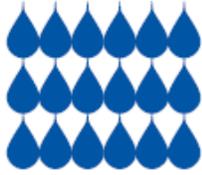
**Santa Cruz Mid-County Groundwater Agency**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Santa Cruz Mid-County Groundwater Agency  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2018 and 2017**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Statements of Net Position	6
Statements of Revenues, Expenditures and Changes in Net Position	7
Statements of Cash Flows	8
Notes to the Basic Financial Statements	9-14
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor's Report on Internal Controls and Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16

# **Financial Section**



Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA  
Andy Beck, CPA

# Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
1945 Chicago Avenue, Suite C-1  
Riverside, California 92507  
(951) 783-9149

## Independent Auditor's Report

Governing Board  
Santa Cruz Mid-County Groundwater Agency  
Santa Cruz, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Cruz Mid-County Groundwater Agency (Agency) as of and for the years ended June 30, 2018 and 2017, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2018 and 2017, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance. This report can be found on pages 15 and 16.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
January 3, 2019

**Santa Cruz Mid-County Groundwater Agency**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

As management of the Santa Cruz Mid-County Groundwater Agency (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities and performance of the Agency for the fiscal year ended June 30, 2018 (with comparative information for fiscal year ended June 30, 2017). Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

**Financial Highlights**

- Net position decreased 35.26% or \$177,320 to \$325,638.
- Total revenues decreased 49.80% or \$573,914 to \$578,586.
- Total expenses increased 16.38% or \$106,364 to \$755,906.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies. The Statements of Net Position includes all of the Agency's investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statements of Activities. These statements measure the success of the Agency's operations and can be used to determine the Agency's profitability and credit worthiness.

**Financial Analysis of the Agency**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Agency in a way that helps answer this question.

These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in them. One can think of the Agency's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors, however, such as changes in the Agency's organizational agreements to assess the *overall health* of the Agency in future periods.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 through 14.

**Santa Cruz Mid-County Groundwater Agency**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Statements of Net Position**

**Condensed Statements of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 703,726	658,310	45,416
<b>Total assets</b>	<u>703,726</u>	<u>658,310</u>	<u>45,416</u>
<b>Liabilities:</b>			
Current liabilities	378,088	155,352	222,736
<b>Total liabilities</b>	<u>378,088</u>	<u>155,352</u>	<u>222,736</u>
<b>Net position:</b>			
Unrestricted	325,638	502,958	(177,320)
<b>Total net position</b>	<u>\$ 325,638</u>	<u>502,958</u>	<u>(177,320)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$325,638 as of June 30, 2018.

**Statements of Revenues, Expenses and Changes in Net Position**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 578,586	1,152,500	(573,914)
<b>Total revenues</b>	<u>578,586</u>	<u>1,152,500</u>	<u>(573,914)</u>
<b>Expenses:</b>			
Operating expenses	755,906	649,542	106,364
<b>Total expenses</b>	<u>755,906</u>	<u>649,542</u>	<u>106,364</u>
<b>Change in net position</b>	(177,320)	502,958	(680,278)
<b>Net position, beginning of period</b>	<u>502,958</u>	<u>-</u>	<u>502,958</u>
<b>Net position, end of period</b>	<u>\$ 325,638</u>	<u>502,958</u>	<u>(177,320)</u>

The statement of revenues, expenses and changes in net position shows how the government's net position changed during the fiscal year. In the case of the Agency, net position decreased 35.26% or \$177,320 to \$325,638, as a result of ongoing operations.

Total revenues decreased 49.80% or \$573,914 to \$578,586, primarily due to a decrease in dues contributed by each member agencies.

**Santa Cruz Mid-County Groundwater Agency**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**Statements of Revenues, Expenses and Changes in Net Position, continued**

The operating revenue of \$578,586 consists of the dues contributed by each member agency. Each member agencies are invoiced a percentage of the projected budget for the fiscal year based on the following schedule:

<u>Member Agency</u>	<u>%</u>
Soquel Creek Water District	70%
Central Water District	10%
City of Santa Cruz	10%
County of Santa Cruz	10%

Total expenses increased 16.38% or \$106,364 to \$755,906, primarily due to an increase in general and administrative expenses of \$109,876.

The operating expenses of \$755,906 are due to groundwater management expenses of \$472,884 and general and administrative expenses of \$283,022. Of the \$472,884 groundwater management expenses, \$252,759, or 53%, are in relation to the development of a groundwater model. Of the \$283,022 general and administrative expenses \$256,938, or 91%, are due to administrative personnel services which are contracted to the Regional Water Management Foundation. The Agency has no direct employees.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the Agency's current financial position, net position or operating results in terms of the present and future.

**Requests for Information**

The Agency's basic financial statements are designed to present users with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have any questions about the report or need additional information, please contact the Agency's Treasurer, Leslie Strohm at Santa Cruz Mid-County Groundwater Agency, 5180 Soquel Drive, Soquel CA 95073 or (831) 475-8500.

# **Basic Financial Statements**

**Santa Cruz Mid-County Groundwater Agency**  
**Statements of Net Position**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 703,445	658,310
Prepaid expenses	<u>281</u>	<u>-</u>
<b>Total current assets</b>	<u>703,726</u>	<u>658,310</u>
<b>Current liabilities:</b>		
Accounts payable	<u>378,088</u>	<u>155,352</u>
<b>Total current liabilities</b>	<u>378,088</u>	<u>155,352</u>
<b>Net position:</b>		
Unrestricted	<u>325,638</u>	<u>502,958</u>
<b>Total net position</b>	<u>\$ 325,638</u>	<u>502,958</u>

**Santa Cruz Mid-County Groundwater Agency**  
**Statements of Revenues, Expenditures and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>		
Membership revenue	\$ 578,586	1,152,500
<b>Total operating revenues</b>	578,586	1,152,500
<b>Operating expenses:</b>		
Groundwater management	472,884	476,396
General and administrative	283,022	173,146
<b>Total operating expenses</b>	755,906	649,542
<b>Change in net position</b>	(177,320)	502,958
<b>Net position, beginning of period</b>	502,958	-
<b>Net position, end of period</b>	\$ 325,638	502,958

See accompanying notes to the basic financial statements

**Santa Cruz Mid-County Groundwater Agency**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from members	\$ 578,586	1,152,500
Payments to vendors for materials and services	(533,451)	(494,190)
<b>Net cash provided by operating activities</b>	45,135	658,310
<b>Net increase in cash and cash equivalents</b>	45,135	658,310
<b>Cash and cash equivalents, beginning of year</b>	658,310	-
<b>Cash and cash equivalents, end of year</b>	\$ 703,445	658,310
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>		
<b>Operating (loss) income</b>	\$ (177,320)	502,958
<b>Changes in assets and liabilities:</b>		
<b>(Increase) in assets:</b>		
Accounts payable	(281)	-
<b>Increase in liabilities:</b>		
Accounts payable	222,736	155,352
<b>Net cash provided by operating activities</b>	\$ 45,135	658,310

See accompanying notes to the basic financial statements

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

In March 17, 2016, the Central Water District, the City of Santa Cruz, the County of Santa Cruz, and the Soquel Creek Water District (Members) entered into a joint powers agreement creating the Santa Cruz Mid-County Groundwater Agency (Agency). Each Member is a local agency, as defined by the Sustainable Groundwater Management Act of 2014 (SGMA), duly organized and existing under and by virtue of the laws of the State of California, and each Member can exercise powers related to groundwater management. The purpose of the agreement is to create a groundwater sustainability agency by June 30, 2017 to manage groundwater basins designated by the California Department of Water Resources as medium and high priority basins. The Agency is a basin consolidation of all or parts of four existing groundwater basins: Soquel Valley, West Santa Cruz Terrace, Santa Cruz Purisima Formation, and Pajaro Valley Groundwater Basins.

Under the Joint Exercise of Powers Act of 2000 (Act), including the Marks-Roos Local Bond Pooling Act of 1985 (Government Code sections 6584, et seq.), the Agency is authorized to issue bonds, and under certain circumstances, to purchase bonds issued by, or to make loans to, the Members for financing public capital improvements, working capital, liability and other insurance needs or projects whenever doing so results in significant public benefits, as determined by the Members. The Act further authorizes and empowers joint powers authorities to sell bonds that are issued or purchased to public or private purchasers at public or negotiated sales.

SGMA requires the adoption of a groundwater sustainability plan (GSP) by January 31, 2020, for all medium and high priority basins identified as being subject to critical conditions of overdraft. The Members will develop the GSP and manage the Basin pursuant to SGMA.

The term of the agreement shall remain in effect until terminated by unanimous written consent of all Members, except during the outstanding term of any Agency indebtedness. Upon termination of the agreement, the assets shall be distributed in proportion to the contributions of each Member agency.

**B. Basis of Accounting and Measurement Focus**

The Agency is accounted for as an enterprise fund in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to a private business enterprise, where the expenses, of providing goods and services to the general public are recovered through user charges, or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, or other purposes. Because the Agency is accounted for as an enterprise fund, the Agency uses the economic resources measurement focus and the accrual basis of accounting for financial statement reporting purposes. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. With the measurement focus, all assets and liabilities associated with the operation of these funds are included in the Statement of Net Position.

**C. Financial Reporting**

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

The Agency has adopted the following GASB pronouncements in the current year:

*Government Accounting Standards Board Statement No. 75*

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

*Government Accounting Standards Board Statement No. 81*

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

*Government Accounting Standards Board Statement No. 85*

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

*Government Accounting Standards Board Statement No. 86*

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the Agency’s net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially, all of the Agency’s cash is held in a financial institution bank account. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Revenue Recognition**

Membership dues are recognized as revenue at the time each member agency is invoiced or when a resolution is approved by the Board during the year.

**4. Net Position/Fund Balances**

The financial statements utilize a net position presentation. Net position categories are follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net position balance that does not meet the definition of *restricted* or *net investment in capital assets*.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, is classified in the accompanying financial statements as follows:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 703,445	658,310
Total cash and cash equivalents	\$ 703,445	658,310

Cash and cash equivalents as of June 30, consist of the following:

	<b>2018</b>	<b>2017</b>
Deposits with financial institutions	\$ 703,445	658,310
Total cash and cash equivalents	\$ 703,445	658,310

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(2) Cash and Cash Equivalents, continued**

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Agency had deposits with a bank balance of \$703,445 and \$658,310 as of June 30, 2018 and 2017, respectively. Of the bank balance, up to \$250,000 is federally insured and any remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

**(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 83***

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 88***

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

**Santa Cruz Mid-County Groundwater Agency**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

**(3) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

*Governmental Accounting Standards Board Statement No. 89, continued*

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

**(4) Contingencies**

*Litigation*

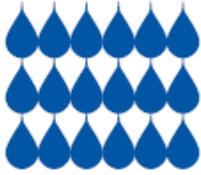
In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(5) Subsequent Events**

Events occurring after June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosure as of January 3, 2019, which is the date the financial statements were available to be issued.

# **Report on Internal Controls and Compliance**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA  
Andy Beck, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
1945 Chicago Avenue, Suite C-1  
Riverside, California 92507  
(951) 783-9149

### **Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
Santa Cruz Mid-County Groundwater Agency  
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Cruz Mid-County Groundwater Agency (Agency) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprises the Agency's basic financial statements, and have issued our report thereon dated January 3, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
January 3, 2019

**Santa Cruz Mid-County Groundwater Agency**

**Management Report**

**June 30, 2018**



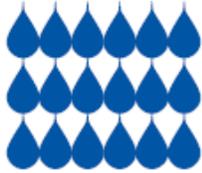
**Fedak & Brown LLP**  
Certified Public Accountants

**Santa Cruz Mid-County Groundwater Agency**

**Management Report**

**Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Summary of Current Year Comments and Recommendations	1
Summary of Prior Year Comments and Recommendations	1
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-3



Charles Z. Fedak, CPA, MBA  
 Christopher J. Brown, CPA, CGMA  
 Jonathan P. Abadesco, CPA  
 Andy Beck, CPA

**Fedak & Brown LLP**  
 Certified Public Accountants

Cypress Office:  
 6081 Orange Avenue  
 Cypress, California 90630  
 (657) 214-2307  
 FAX (714) 527-9154

Riverside Office:  
 1945 Chicago Avenue, Suite C-1  
 Riverside, California 92507  
 (951) 783-9149

Board of Directors  
 Santa Cruz Mid-County Groundwater Agency  
 Santa Cruz, California

**Dear Members of the Board:**

In planning and performing our audit of the financial statements of Santa Cruz Mid-County Groundwater Agency (Agency) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited period described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness. Given these limitations during our audit we did not identify any deficiencies in internal control to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our comments, all of which have been discussed with the appropriate members of management, are summarized as follows:

**Summary of Current Year Comments and Recommendations**

None

**Summary of Prior Year Comments and Recommendations**

None

\*\*\*\*\*

This report is intended solely for the information and use of management and the Board of Directors of the Agency. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
 Cypress, California  
 January 3, 2019

**APPENDIX**

**Santa Cruz Mid-County Groundwater Agency**

**Audit/Finance Committee Letter**

**June 30, 2018**



Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA  
Andy Beck, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
1945 Chicago Avenue, Suite C-1  
Riverside, California 92507  
(951) 783-9149

Board of Directors  
Santa Cruz Mid-County Groundwater Agency  
Santa Cruz, California

We have audited the basic financial statements of the Santa Cruz Mid-County Groundwater Agency (Agency) for the year ended June 30, 2018, and have issued our report thereon dated January 3, 2019. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the Agency's basic financial statements.

### **Auditor's Responsibility under United States Generally Accepted Auditing Standards**

As stated in our Audit Engagement Letter dated July 9, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of its responsibilities.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing requirements previously communicated to management. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the basic financial statements.

We noted no transactions entered into by the Agency during fiscal year 2018 for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Management’s Judgments, Accounting Estimates and Financial Disclosures**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the net position in the basic financial statements was:

Management’s estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the basic financial statements was:

The disclosure of fair value of investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosures in the basic financial statements are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management.

### **Disagreements with Management**

For the purpose of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit of the Agency.

### **Management Representations**

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated January 3, 2019.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves the application of an accounting principal to the Agency’s basic financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency’s auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Conclusion**

We appreciate the cooperation extended us by Leslie Strohm, Treasurer, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified, parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

**Fedak & Brown LLP**  
Cypress, California  
January 3, 2019

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 4.3

Title: Acknowledge Member Agency Board Appointments

Under the Joint Powers Agreement of the four member agencies of the Santa Cruz Mid-County Groundwater Agency, each member agency is to appoint two directors and one alternate director. The current member agency appointments are:

Soquel Creek Water District

- Bruce Daniels
- Tom LaHue
- Carla Christensen (Alternate)

City of Santa Cruz

- David Baskin
- Cynthia Mathews
- Doug Engfer (Alternate)

Central Water District

- Robert Marani
- Marco Romanini
- Jon Benich (Alternate)

County of Santa Cruz

- First District Supervisor – John Leopold
- Second District Supervisor – Zach Friend
- Allyson Violante (Alternate)

Recommended Action:

1. By MOTION, acknowledge member agency board appointments.



By \_\_\_\_\_  
Tim Carson  
Program Director  
Regional Water Management Foundation

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 4.4

Title: Authorize Contract Amendment to Include Applicable Grant Conditions

Attachment:

- 1. Proposition 1 Grant Conditions

On November 21, 2018, the Proposition 1 Sustainable Groundwater Planning Grant (Grant) Agreement between the California Department of Water Resources and the Santa Cruz Mid-County Groundwater Agency (MGA) was executed. The Grant will provide funding for tasks related to the Groundwater Sustainability Plan (GSP) development. The Grant Agreement includes terms that pertain to contractors and subcontractors performing services funded by the Grant. The proposed contract addendum will be incorporated into contracts between the MGA and service providers working on the Grant funded tasks. The applicable grant conditions will be included as an amendment to the following contracts:

Entity	Reference
Montgomery & Associates	Groundwater Model (2017-02)
	Groundwater Sustainability Plan Technical Support (2017-04)
Kearns & West	Groundwater Sustainability Plan Advisory Committee Facilitation (2017-03)
Regional Water Management Foundation	Agency administrative and planning support services (2018-01)

The applicable grant conditions will also be incorporated into future contracts and agreements between the MGA and service providers that are performing work funded by the Grant.

The amended contract including the proposed addendum and incorporating any previously approved amendments is to be signed by a duly authorized representative of the entity.

Recommended Action:

By MOTION, authorize the Board Chair and the General Manager of Soquel Creek Water District to sign amended contracts' to include the addendum for Proposition 1 Grant Conditions.



By \_\_\_\_\_  
Ron Duncan  
General Manager  
Soquel Creek Water District



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## ADDENDUM Proposition 1 Grant Conditions

The following is to comply with the 2017 Proposition 1 Sustainable Groundwater Planning Grant Agreement between the State of California (DWR) and the Agency.

The CONTRACTOR agrees to be bound by all applicable provisions of the Labor Code regarding prevailing wages and shall monitor all contracts subject to reimbursement from this Agreement to assure that the prevailing wage provisions of the Labor Code are being met.

The CONTRACTOR shall maintain books, records, and other documents pertinent to their work in accordance with generally accepted accounting principles and practices.

Pursuant to Government Code §8546.7, the CONTRACTOR shall be subject to the examination and audit by the State for a period of three years after final payment under the Grant Agreement with respect to all matters connected with the Grant Agreement. All records of CONTRACTOR shall be preserved for this purpose for at least three (3) years after project completion or final billing, whichever comes later.

The CONTRACTOR is subject to State and Federal conflict of interest laws. Failure to comply with these laws, including business and financial disclosure provisions, will result in the contract being rejected and any subsequent contract being declared void. Other legal action may also be taken. Applicable statutes include, but are not limited to, Government Code, §1090 and Public Contract Code, §10410 and §10411, for State conflict of interest requirements.

The CONTRACTOR, its contractors or subcontractors hereby certify, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code §8350 et seq.) and have or will provide a drug-free workplace.

The CONTRACTOR affirms that it is aware of the provisions of §3700 of the Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and the CONTRACTOR affirms that it will comply with such provisions before commencing the performance of the work under this Grant Agreement and will make its contractors and subcontractors aware of this provision.

The CONTRACTOR agrees to expeditiously provide throughout the term of the Grant Agreement, such reports, data, information, and certifications relating to the CONTRACTOR's scope of work as may be reasonably required by State.

The CONTRACTOR shall name the State, its officers, agents and employees as additional insureds by separate endorsement on their liability insurance for activities undertaken pursuant to this Agreement.



*Groundwater is a vital resource, together let's protect it.*

---

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

CONTRACTOR shall comply with the provisions of the Fair Employment and Housing Act (Government Code §12990 (a-f) et seq.) and the applicable regulations promulgated there under (California Code of Regulations, Title 2, §7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code §12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. CONTRACTOR shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. CONTRACTOR shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Grant Agreement.

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 4.5

Title: Approve Meeting Schedule for 2019

Per the MGA bylaws, the board is directed to approve the meeting schedule at the first meeting of the year. Below are the remaining meeting dates to be approved for 2019. Meetings are to be held on the third Thursday of odd months at the Simpkins Family Swim Center unless otherwise indicated on the MGA website. Meetings are subject to be cancelled or rescheduled at the discretion of the Executive Team.

- Thursday, May 16<sup>th</sup> (Joint meeting with the GSP Advisory Committee)
- Thursday, July 18<sup>th</sup>
- Thursday, September 19<sup>th</sup>
- Thursday, November 21<sup>st</sup>

Recommended Action:

1. By MOTION, approve the board meeting dates listed above.



By

---

Tim Carson  
Program Director  
Regional Water Management Foundation

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 5.1

Title: Review Budget for Fiscal Year 2018-2019 and Preliminary Budget for 2019-2020

Attachment: Budget Summary Fiscal Year 2018/2019 and Preliminary Budget Fiscal Year 2019/20 (Table 1 and 2).

The budget for fiscal year 2018-2019 (FY 18/19) and a preliminary budget for 2019-2020 (FY 19/20) for the Santa Cruz Mid-County Groundwater Agency (MGA) is presented in the attached tables and this supporting narrative. The budget presentation format in Table 1 has been updated to present a summary of revenues, expenses, and reserves to provide a more complete overview of the MGA's finances. The operating expenses in Table 2 consist of similar major task categories as the prior fiscal year.

The following narrative summarizes the MGA's revenues, the proposed activities and expenses, and reserves.

**BEGINNING RESERVES**

Beginning cash reserves for the MGA for Fiscal Year 2019-20 are projected to be \$594,316. The beginning reserves amount is the surplus of revenue collected from the prior year over the actual expenses incurred during that year. This unspent amount from the prior fiscal year is available for spending in the next fiscal year.

**OPERATING REVENUE**

Operating revenue consist of awarded grant revenue and agency membership revenue. Membership revenue is collected from the member agencies and is based on a percentage allocation of the projected operating expenses for the fiscal year. The percentage allocation between the member agencies is as follows:

- Soquel Creek Water District: 70%
- Central Water District: 10%
- City of Santa Cruz: 10%
- County of Santa Cruz: 10%

FY 18/19: Operating revenue was provided from the contributions of the four member agencies, in total this amount was \$1,190,420.

FY 19/20: Operating revenue is proposed to include contributions from the four member agencies, the proposed total amount is \$715,415. Operating revenue will include grant funding from the Department of Water Resources for the development of the Groundwater Sustainability Plan. The grant was executed in November 2018 and reporting initiated in 2019. The grant includes a local cost share contribution of \$1,500,000. The local cost share total on each task must be met in full before grant funding is released. As a result, it is anticipated that the MGA will not begin receiving grant reimbursements until mid-year 2019. The total grant award is \$1,500,000; the grant revenue in FY 19/20 is estimated at \$1,350,000 because Department of Water Resources (DWR) withholds 10% of the award until the grant is formally closed-out. To budget conservatively, the retention reimbursement is estimated to occur in FY 2020/21.

## **OPERATING EXPENSES**

### **Administration**

This budget category includes the costs related to the administration of the MGA, including administrative staff support, finance staff support and related expenses, insurance, organizational memberships and conferences, miscellaneous supplies and materials.

FY 18/19: The total cost of this category is \$167,500. The activities are described below.

FY 19/20: The proposed cost of this category is estimated at \$139,415, a decrease of 17%. The reduction is a result of reduced Regional Water Management Foundation (RWMF) support staff time as the specific tasks related to the GSP development are completed, including the conclusions of the GSP planning grant administration and reporting. The staff support is provided on a time and materials basis. The SqCWD finance staff support is also reduced based upon the level of effort required in the prior years.

The RWMF, a subsidiary of the Community Foundation of Santa Cruz County (CFSCC), will continue to provide core staff support to the MGA in similar roles and functions. Supporting staff will include an Administrative Officer and Program Director. The budget includes amounts for miscellaneous expenses such as professional conference fees (e.g., ACWA), meeting related expenses (e.g., travel to Sacramento) and various other expenses outside of the scope of the other operating expense categories. Note, the Senior Planner is principally tasked with the development of the Groundwater Sustainability Plan (GSP) and, as such, is included in the GSP Development budget category.

The SqCWD Finance Manager will continue as the Treasurer for the MGA and will be responsible, with support from the SqCWD Finance staff, for the accounting and billing functions for the agency. This budget category includes finance related costs including accounting software and the annual financial audit.

Also included is the annual membership dues for the Association of California Water Agencies (ACWA) and the annual insurance costs from Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).

### **Legal Support**

FY 18/19 and FY 19/20: The \$20,000 budget and tasks are the same in both years.

Legal counsel from the County of Santa Cruz will continue to provide legal services on an as-needed basis. If legal counsel specific to groundwater or the Sustainable Groundwater Management Act (SGMA) is necessary, or if there is a conflict of interest, then the firm Brownstein Hyatt Farber Schreck will provide services.

### **Technical Work**

This category includes hydrologic technical support and the development and use of the groundwater model.

#### **Hydrologic Technical Support**

FY 18/19: Montgomery & Associates is providing technical support for issues related to the Sustainable Groundwater Management Act (SGMA) but separate from the development of the GSP. In FY 18/19 budget this category was identified as “Technical Support for SGMA”.

FY 19/20: The proposed budget includes Montgomery & Associates continuing to provide, as needed, this hydrologic technical support. The specific needs are not yet known, however it is reasonable to anticipate this support may be needed on issues that are identified by the MGA Member Agency Executive Staff and the Board. The budget allocated for this task \$10,000.

#### **Groundwater Model**

FY 18/19: Montgomery & Associates continued its work under the previously approved contract (2017-02; \$219,000) to develop the basin groundwater model, to conduct simulations for combinations and variations of management actions, sustainability criteria or scenarios. It is anticipated the remaining contract budget will be fully expended this fiscal year. The category also includes \$5,000 in funding for Balance Hydrologics to participate on the Technical Advisory Committee.

FY 19/20: The proposed budget includes \$25,000 for Montgomery & Associates to provide additional groundwater modeling and simulations to support completion of the GSP. The proposed new work would require MGA approval.

### **Monitoring and Reporting**

#### Groundwater Monitoring Updates

FY 18/19: Montgomery & Associates provides semi-annual (2x/year) updates on groundwater levels, salt concentrations at coastal monitoring wells, and pumping and recharge information. These updates on groundwater conditions inform MGA staff and board members about seawater intrusion risk and basin overdraft. The supporting budget of \$10,000 is anticipated to be fully expended.

FY 19/20: Funding for this item is not included as this work is proposed to be included as part of the Groundwater Annual Report.

#### Annual Groundwater Report

FY 18/19: This is not a task included in the 2018/19 budget since there was no annual report.

FY 19/20: SMGA requires completion of an Annual Groundwater Report. The first report is due in April 2020. It is anticipated that Montgomery & Associates will support completion of this task. The proposed budget covers the requirements in the regulations, including an update of the model to include data from Water Years 2017-2019 to facilitate change of groundwater in storage calculations. The proposed budget may also support additional requests from the MGA for items to include in the report. This proposed work would require a new contract be approved by the Board. The budget estimated for this task is \$50,000.

#### Monitoring: Wells and Stream Gages

These funds will be used, as needed, to identify and establish new sites for new monitoring well(s) and stream gages to measure stream flow in critical reaches to better document stream/groundwater interactions, establish streamflow targets, and monitor long term attainment of streamflow goals. Work under this task is anticipated to include the installation of, at minimum, one surface water-groundwater monitoring system (shallow monitoring well or stream gauge) to provide data to characterize the relationship between streamflow and groundwater.

FY 18/19: \$50,000 – the allocated budget is not anticipated to be used this year because the evaluation of needs and the identification of sites is still underway.

FY 19/20: \$125,000 is proposed to complete this task, including the installation of surface water-groundwater monitoring system(s).

### **Groundwater Sustainability Plan (GSP) Development**

The following technical, process planning, facilitation, and outreach tasks will support the development of the GSP.

#### **Senior Planner**

FY 18/19 and FY 19/20: The principal role of the RWMF's Senior Planner is supporting the development of the GSP. The budget is the same in both years. The staff support is provided on a time and materials basis. The ongoing level of support needed will be evaluated as the MGA shifts from GSP planning to implementation.

#### **Technical Support for Groundwater Sustainability Plan (GSP) Development**

In September 2017, the MGA Board approved a contract with Montgomery & Associates (formerly HydroMetrics WRI, Inc.) (2017-04; \$508,000) to provide technical support and assist with the development of sections of the GSP.

FY 18/19: \$320,000 was budgeted for Montgomery & Associates to complete this task. Work in this period included providing technical support related to sections of the GSP pertaining to the planning area and basin setting, sustainable management criteria, and management actions to achieve the sustainability goal. Montgomery & Associates provides technical support to the GSP Advisory Committee, attending and presenting at selected meetings/workshops, reviews and comments on sections of the GSP prepared by the MGA, and prepares content for selected sections of the GSP as specified in the scope of work previously approved by the Board.

FY 19/20: \$69,000 is proposed for Montgomery & Associates to continue technical support for completion of the GSP through submittal of the GSP to the Department of Water Resources by the end of January 2020. The proposed work includes support related to the MGA Board meetings as the Board reviews and considers the GSP adoption. The proposed budget would fully expend the total contract amount which includes the projected use of contract contingency funds. Use of the contingency funds requires MGA approval.

#### **GSP Advisory Committee Facilitation Support**

In September 2017, the MGA Board approved a contract with Kearns & West (K&W) (2017-03; \$420,492) to provide process planning and facilitation support related to the GSP development. K&W plans and facilitates the GSP Advisory Committee monthly meetings and subgroup meetings on specific topics. K&W is working in close coordination and planning of meetings with a core team of MGA

member agency staff, RWMF staff, and Montgomery & Associates. K&W participates in selected MGA Board meetings that involve the Advisory Committee reporting to the Board.

FY 18/19: \$201,490 was budgeted for this task. The projected actual cost is \$149,107 for the fiscal year. The final GSP Advisory Committee meeting is currently anticipated to be in June 2019.

FY 19/20: \$28,000 is budgeted to allow for potential K&W planning and facilitation support after June 2019. It is not determined at this point if this support will be needed, however it is prudent budget practice to include the possible expense to allow for the possibility. Based upon activity to date and projected expense in FY 18/19 and FY 19/20, K&W is not projected to expend the full contract amount.

#### Graphical Support

This task is intended to support the development of graphics to inform decision making and to convey complex information in a manner that is more accessible and understandable to non-technical people.

FY 18/19: The \$50,000 budgeted for this task has not been used to date.

FY 19/20: The \$50,000 allocated for this task is expected to be used as summarized above. It is anticipated that member agency staff and a consultant will be used to support the development of materials that summarize the GSP development process, GSP main messages, key findings and recommendations to facilitate the public's understanding of the GSP.

#### Engineering Support for Project Evaluations

FY 18/19: The budget included \$100,000 for an engineering consultant/firm to provide engineering/technical support and analyses that are anticipated to be necessary to assess project(s) and management scenarios for the GSP development. MGA member agency staff compiled information on projects and management actions related to this task but the additional engineering consultant support was determined not to be necessary in FY 18/19.

FY 19/20: This task is not included in the budget.

#### Community Outreach

FY 18/19: \$44,600 is budgeted to support stakeholder engagement and outreach across a range of activities, such as:

- Promoting and conducting public stakeholder meetings, including the GSP Advisory Committee meetings, and related information sessions/workshops.

- Development of a post-card mailer and other informational materials
- Development and online survey of basin residents
- Maintaining the MGA website, electronic newsletter, and related efforts

FY 19/20: \$45,000 is budgeted to support stakeholder engagement and outreach. The community outreach efforts will include target efforts on the roll-out of the draft GSP to provide opportunities for public engagement and information sharing.

## **Ending Reserves**

### General Reserves

General reserves are the amount by which current revenue is expected to exceed current operating expenses. General reserves have no restrictions on the types of expenses they can be used to fund. The ending balance in general reserves becomes the beginning balance of cash reserves for the next fiscal year. Prudent financial management requires that the agency carry a reserve in order to help manage cash flow and mitigate the risk of expense overruns in case actual expenses are greater than anticipated in the budget.

### Contingency Fund

A 5% contingency amount is included in the budget in recognition that the MGA and the GSP planning is new and there is the potential for unanticipated expenses.

## **Member Agency Contribution**

The member agency contribution percentages is proposed to remain the same as previous years, which is:

- 70% - Soquel Creek Water District
- 10% - Central Water District
- 10% - City of Santa Cruz
- 10% - County of Santa Cruz.

RECOMMENDED ACTION

1. By MOTION, provide the necessary direction to staff to guide the completion of the FY 19/20 budget.

By   
\_\_\_\_\_  
Tim Carson  
Program Director  
Regional Water Management Foundation

By   
\_\_\_\_\_  
Ron Duncan  
General Manager  
Soquel Creek Water District

Table 1.

**SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY**  
**BUDGET SUMMARY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES**  
**FISCAL YEAR 2018/2019 AND PRELIMINARY FISCAL YEAR 2019/20 BUDGET**

	2018/19 BUDGET	2018/19 PROJECTED ACTUAL	2019/20 BUDGET (PROPOSED)	INCREASE (DECREASE) OVER PRIOR YEAR BUDGET	% CHANGE OVER PRIOR YEAR BUDGET
<b>Beginning Reserves</b>					
Beginning Cash Reserves	\$ 325,357	\$ 325,357	\$ 588,476	\$ 263,119	81%
<b>Total Beginning Reserves</b>	<b>\$ 325,357</b>	<b>\$ 325,357</b>	<b>\$ 588,476</b>	<b>\$ 263,119</b>	<b>81%</b>
<b>Operating Revenue</b>					
Agency Contributions	\$ 1,190,420	\$ 1,190,420	\$ 715,415	\$ (475,005)	-40%
Awarded Grants	-	-	1,350,000	\$ 1,350,000	
<b>Total Operating Revenue</b>	<b>\$ 1,190,420</b>	<b>\$ 1,190,420</b>	<b>\$ 2,065,415</b>	<b>\$ 874,995</b>	<b>74%</b>
<b>Operating Expense</b>					
Administration	\$ 167,500	\$ 156,464	\$ 139,415	\$ (28,085)	-17%
Legal	20,000	5,000	20,000	\$ -	0%
Technical Work	120,000	108,130	35,000	\$ (85,000)	-71%
Monitoring and Reporting	85,000	10,000	175,000	\$ 90,000	106%
GSP Development	825,490	603,107	301,000	\$ (524,490)	-64%
Community Outreach	44,600	44,600	45,000	\$ 400	1%
<b>Total Operating Expense</b>	<b>\$ 1,262,590</b>	<b>\$ 927,301</b>	<b>\$ 715,415</b>	<b>\$ (547,175)</b>	<b>-43%</b>
<b>Ending Reserves</b>					
Contingency	63,130	63,130	35,771	\$ (27,359)	-43%
General Reserve	190,058	525,347	1,902,705	\$ 1,712,648	901%
<b>Total Ending Reserves</b>	<b>\$ 253,187</b>	<b>\$ 588,476</b>	<b>\$ 1,938,476</b>	<b>\$ 1,685,289</b>	<b>666%</b>

Table 2.

**SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY  
OPERATING EXPENSES  
FISCAL YEAR 2018/2019 AND PRELIMINARY FISCAL YEAR 2019/20 BUDGET**

	2018/19 BUDGET	2018/19 PROJECTED ACTUAL	2019/20 BUDGET (PROPOSED)	INCREASE (DECREASE) OVER PRIOR YEAR BUDGET	% CHANGE OVER PRIOR YEAR BUDGET
<i>Operating Expense</i>					
<b>Administration</b>	\$ 167,500	\$ 156,464	\$ 139,415	\$ (28,085)	-17%
<b>Legal</b>	20,000	5,000	20,000	\$ -	0%
<b>Technical Work</b>	120,000	108,130	35,000	\$ (85,000)	-71%
Hydrologic Technical Support	15,000	3,130	10,000	(5,000)	
Groundwater model	105,000	105,000	25,000	(80,000)	
<b>Monitoring and Reporting</b>	85,000	10,000	175,000	\$ 90,000	106%
Groundwater monitoring updates	10,000	10,000	-	(10,000)	
Groundwater Annual Report	-	-	50,000	50,000	
Monitoring: Wells and Stream Gages	75,000	-	125,000	50,000	
<b>GSP Development</b>	825,490	603,107	301,000	\$ (524,490)	-64%
Senior Planner	154,000	154,000	154,000	-	
Technical Support for GSP	320,000	300,000	69,000	(251,000)	
GSP Advisory Committee Facilitation Support	201,490	149,107	28,000	(173,490)	
Graphical Support	50,000	-	50,000	-	
Engineering Support for Project Evaluations	100,000	-	-	(100,000)	
<b>Community Outreach</b>	44,600	44,600	45,000	\$ 400	1%
<b>Total Operating Expense</b>	\$ 1,262,590	\$ 927,301	\$ 715,415	\$ (547,175)	-43%

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 5.2

Title: Approve Revised Email Policy

Attachments:

1. Electronic Mail (Email) Policy

On July 19, 2018, the MGA Board considered a proposed MGA Electronic (Email) Policy and Guidelines (Email Policy). A motion was made to amend the Email Policy so that Board and Advisory Committee members may elect to be assigned an MGA Email Account. In addition, that MGA administrative staff provide support, as needed, related to the management of the MGA Email System and emails submitted from the public to Board and Advisory Committee members.

A motion to accept the proposed changes was approved unanimously. At the same meeting, a request was made that additional guidance be made available on the use and management of MGA email accounts.

MGA administrative support staff coordinated with the MGA's legal counsel to revise the Email Policy. The revised Email Policy now includes additional guidance related to the Brown Act and the California Public Records Act (CPRA).

Recommended Action:

1. By MOTION, approve the MGA Email Policy.



By \_\_\_\_\_

Tim Carson  
Program Director  
Regional Water Management Foundation



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## **Electronic Mail (Email) Policy**

### **PURPOSE AND APPLICABILITY**

The intent of this policy is to encourage the use of MGA member-agency or Santa Cruz Mid-County Groundwater Agency (MGA) email accounts for all MGA business. The policy establishes the MGA Email System to make available MGA email accounts for MGA Board of Directors or Committee members not affiliated with an MGA member agency.<sup>1</sup>

The policy provides brief guidance related to the use of email and the Ralph M. Brown Act. It also provides a brief summary of the California Public Records Act (CPRA) and notifies Board or Committee members of their possible obligation, in the event of CPRA request, to search for and provide MGA public records located in private email accounts, on cell phones or other devices, or in hard copy files.

### **THE MGA EMAIL SYSTEM**

The MGA Email System establishes individual MGA email accounts with the domain [@midcountygroundwater.org](http://midcountygroundwater.org) available to MGA Board or Committee members that do not utilize an email address provided by their MGA member agency. Email accounts will also be established for MGA agency purposes (e.g., [contact@](mailto:contact@); [admin@](mailto:admin@)). Board or Committee member may request MGA administrative support staff related to the use and management of the MGA Email System and public inquiries submitted to MGA email accounts.

All messages, attachments, and images sent or received within the MGA Email System are the sole property of the MGA. There is no expectation of privacy for any communication within the MGA Email System.

The MGA has an obligation to ensure that the MGA Email System operates efficiently in a secure environment free from unauthorized use and virus/malware attacks. If necessary, with advance notice, the MGA may limit the type of email attachments and apply unsolicited commercial email (UCE) blocking.

The MGA Email System is intended for the transmission and short-term storage of information. Best email management practices encourage reading, responding to, and deleting emails that do not need to be preserved. An email intended to be saved

---

<sup>1</sup> Only Committees subject to the Brown Act under California Government Code Section 54952(b).



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

should be moved into an email folder or printed and saved in hard copy. All email messages within the MGA Email System not stored in email folders will be deleted on a rolling basis after 60 days. If necessary, with advance notice, the MGA may limit the storage capacity of MGA email accounts.

Email messages within the MGA Email System may constitute a public record subject to disclosure. In the event of a CPRA request, the MGA will search for responsive records in individual email accounts within the MGA Email System. The MGA will not be liable for the disclosure of any information located within the MGA Email System.

In the event of a CPRA request, any Board or Committee who has used or continues to use a private email account for MGA business will be required to follow the procedures below regarding the search of a private email account for MGA records.

The following guidelines apply to individual MGA email accounts:

- Email communications within MGA Email System shall be appropriate, courteous and professional in nature. Messages of a personal, confidential or sensitive nature should not be exchanged through the MGA Email System.
- Email communications within the MGA Email System shall not to be used for intentionally misleading, inaccurate, intimidating, embarrassing, sexually explicit, profane, obscene, or defamatory remarks. Email communications shall not be used to discriminate against or harass any person on the basis of race, religion, color, creed, age, marital status, national origin, ancestry, gender, sexual orientation, medical condition or disability.
- While the use of an MGA email account may result in incidental personal use, account holders are responsible for exercising good judgment regarding the reasonableness of any personal use.

If the MGA Member Agency Executive Team has reason to believe that the guidelines governing the MGA Email System have been violated, the MGA may randomly examine the contents of emails to ensure compliance with this policy. Any apparent violations of the policy will be reviewed by the MGA Executive Team. Any established violation may result in the suspension of an individual MGA email account.



Groundwater is a vital resource, together let's protect it.

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • midcountygroundwater.org

## **EMAIL AND THE BROWN ACT**

The information in this section is based upon guidance in *Open and Public V: A Guide to the Brown Act* by the League of California Cities (April 2016).

The purpose of the Brown Act is to assure that local government agencies conduct the public's business openly and publicly. The Brown Act applies to meetings among a majority of the members of a government body regarding the subject matter of the government body's business. While the Brown Act does not generally apply to the conduct of individual decision-makers, Board and Committee members are advised to exercise caution in the use of email to ensure it is used in a manner consistent with the Brown Act. The Brown Act prohibits a majority of the members of a legislative body using a series of communications of any kind to privately discuss, deliberate, or take action on any item of business within the subject matter of the jurisdiction of the legislative body. Common practices such as forwarding and replying to email messages regarding deliberations or decision-making on agency-business could constitute a "serial meeting" prohibited by the Brown Act. The MGA advises Board and Committee members to generally avoid the use of the "reply to all" option in responding to emails on matters of agency business as it may inadvertently result in a Brown Act violation. Board and Committee members are encouraged to review the League of California Cities *A Guide to the Brown Act* and consult with MGA administrative support staff if they have any related questions.

## **PUBLIC RECORDS LOCATED IN PERSONAL EMAIL ACCOUNTS, CELL PHONES OR OTHER PERSONAL DEVICES, OR IN HARD COPY FILES**

### **The California Public Records Act**

The CPRA defines a public record as any writing that contains information relating to the conduct of the public's business that is prepared, owned, used, or retained by a state or local agency. In 2017, the California Supreme Court held that public records located on the private email account of a public employee or public official may be deemed to be retained by the public agency and are subject to disclosure.

### **The MGA Response to CPRA Request**

If the MGA reasonably believes that MGA records identified in a CPRA request may be located within a Board or Committee member's personal email accounts, cell phone or other personal device, or hard-copy files, the Board or Committee member will be notified by MGA.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

A Board or Committee member will be required to conduct a search for any records identified in the CPRA request and provide electronic and hard copies of responsive records to the MGA for review and possible production.

### **Verification**

A Board or Committee member will be required to sign a Verification stating that he or she has searched all private email accounts, cell phones or other personal devices and hard copy files for MGA public records. The Verification requires the disclosure of each responsive MGA public record, along with its location, or a statement that no public records were found, along with a factual basis for that determination.

A sample MGA Verification form is attached to this policy.

In the event litigation arises over the records produced pursuant to a CPRA request, Verifications may be presented to a court as part of those proceedings.



Groundwater is a vital resource, together let's protect it.

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • midcountygroundwater.org

### VERIFICATION

#### California Public Records Act – Response

#### Santa Cruz Mid-County Groundwater Agency (MGA)

**CPRA Request Name:** \_\_\_\_\_ *(To be filled in by MGA staff)*

**To (Name and Title):** \_\_\_\_\_ *(To be filled in by MGA staff)*

**Records Requested:** \_\_\_\_\_ *(To be filled in by MGA staff)*

**Please return this completed verification form and all responsive records to the MGA by the following date:** \_\_\_\_\_

Please return a completed version of this form to the sender as an electronic PDF with your signature or provide signed hard copy to MGA staff. The Verification must be completed and returned even if you do not have any responsive material. You must also provide all responsive records (electronic and hard copy) to MGA staff for review and possible production. If you are not able to return the completed Verification and the responsive records by the date requested, please contact MGA staff.

Complete the table below to indicate whether or not you have responsive records, to describe the records you think you might have, and to identify the location of those documents. If something is not applicable, please write “N/A” in the far right column and state why (i.e. “do not use personal email to conduct MGA business”, etc.)

**Please provide the search terms used to find responsive records (write “N/A” if not applicable):** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

LOCATION	SEARCH DATE	RECORDS RELATED TO THE REQUEST FOUND?(Yes/No) GENERAL DESCRIPTION OR TYPES OF RECORDS
Personal Computers (records saved locally to your computer or on any file server)		
Personal E-mail		
Personal E-mail Trash Bin or Desktop Recycle Bin		
Personal cell phone or other device (includes emails, texts, photos)		
Removable Storage Media (such as USBs, CDs, and other external drives)		
Hard copy files (including archived files and potentially files in storage)		
Any work computer		



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

**The following people may also have records responsive to this CPRA request:**

---

---

---

By completing this Verification, I certify that a reasonable search was conducted using best efforts to identify records responsive to this PRA request. If someone other than myself conducted the search required by this Verification, that person's name and signature are included below.

I understand and acknowledge that it may be necessary for me to preserve and continue to preserve all paper documents and files, tangible things, and electronically-stored data that may be potentially relevant to the CPRA Request or subsequent litigation, if informed to do so by MGA staff or counsel. I further verify that since receiving this Verification, I have not altered, discarded, or destroyed any responsive records related to the request in either paper or electronic form.

\_\_\_\_\_  
Signature of the person who completed the Verification

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of the person who conducted the search for records  
(Please print clearly)

\_\_\_\_\_  
Signature of the person who conducted the search for records

\_\_\_\_\_  
Date

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 6.1

Title: Treasurer's Report

Attachments:

1. Treasurer's Report for the Period Ending February 28, 2019

Attached is the Treasurer's Report for November and December 2018, and January and February 2019. The report contains three sections:

- Statement of Changes in Revenues, Expenses and Net Position
  - This interim financial statement provides information on the revenue that has been invoiced to the member agencies and the expenses that have been recorded as of February 28, 2019.
- Statement of Net Position
  - This interim financial statement details the cash balance at Wells Fargo Bank, the depository institution for the Santa Cruz Mid-County Groundwater Agency (MGA), the membership revenue still owed through accounts receivable, and the resulting net income as reported on the Statement of Changes in Revenues, Expenses and Net Position from the preceding page.
- Warrants
  - The list of warrants reflects all payments made by the MGA, either by check or electronic means, for the period covered by the Treasurer's Report.

The Treasurer's Report will be provided at each board meeting according to statutory requirement and to promote transparency of the agency's financial transactions.

Recommended Action:

1. Informational, no action necessary

By   
\_\_\_\_\_  
Leslie Strohm  
Treasurer  
Santa Cruz Mid-County Groundwater Agency

# Treasurer's Report

Santa Cruz Mid-County Groundwater Agency  
For the period ended February 28, 2019



Prepared on  
**March 1, 2019**

# Statement of Revenues, Expenses and Changes in Net Position

November 2018 - February 2019

	<b>Total</b>
<b>INCOME</b>	
<b>Total Income</b>	
<b>GROSS PROFIT</b>	<b>0.00</b>
<b>EXPENSES</b>	
5100 Groundwater Management Services	42,834.76
5120 Grndwtr Mgmt - Groundwater Model	38,024.70
5300 Administrative Personnel Services	64,816.24
5315 Office Services	100.00
5340 Computer Services	180.00
5345 Professional Organizations	1,240.00
5415 Outreach Services	246.80
5417 Outreach Services - Design	665.00
5515 Audit & Accounting Services	3,056.00
5520 Legal Services	375.00
<b>Total Expenses</b>	<b>151,538.50</b>
<b>NET OPERATING INCOME</b>	<b>-151,538.50</b>
<b>NET INCOME</b>	<b>\$ -151,538.50</b>

# Statement of Net Position

As of February 28, 2019

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
1100 Wells Fargo Business Checking	1,107,733.50
<b>Total Bank Accounts</b>	<b>1,107,733.50</b>
<b>Other Current Assets</b>	
1400 Prepaid Expenses	1,398.93
<b>Total Other Current Assets</b>	<b>1,398.93</b>
<b>Total Current Assets</b>	<b>1,109,132.43</b>
<b>TOTAL ASSETS</b>	<b>\$1,109,132.43</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Total Liabilities</b>	
<b>Equity</b>	
Retained Earnings	325,638.35
Net Income	783,494.08
<b>Total Equity</b>	<b>1,109,132.43</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,109,132.43</b>

# Warrants

November 2018 - February 2019

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
<b>Bill Payment (Check)</b>						
02/21/2019	Bill Payment (Check)	10135	County of Santa Cruz (County Counsel)			-375.00
						-375.00
02/21/2019	Bill Payment (Check)	10136	Errol L Montgomery & Associates Inc			-38,232.88
						-38,232.88
02/21/2019	Bill Payment (Check)	10137	Kearns & West Inc			-11,424.14
						-11,424.14
02/21/2019	Bill Payment (Check)	10138	Mickey's Cafe & Catering			-246.80
						-246.80
02/21/2019	Bill Payment (Check)	10139	Regional Water Management Foundation			-19,363.14
						-19,363.14
02/12/2019	Bill Payment (Check)	10130	ACWA			-2,480.00
						-2,480.00
02/12/2019	Bill Payment (Check)	10131	Kearns & West Inc			-8,866.54

Date	Transaction Type	Num Name	Memo/Description	Clr	Amount
					-8,866.54
02/12/2019	Bill Payment (Check)	10132 Fedak & Brown LLP			-1,856.00
					-1,856.00
02/12/2019	Bill Payment (Check)	10133 (2) Soquel Creek Water District	0000260		-60.00
					-60.00
02/12/2019	Bill Payment (Check)	10134 Mary Edith Ingraham			-665.00
					-665.00
01/18/2019	Bill Payment (Check)	10126 Kearns & West Inc			-22,024.08
					-22,024.08
01/18/2019	Bill Payment (Check)	10127 Fedak & Brown LLP			-1,200.00
					-1,200.00
01/18/2019	Bill Payment (Check)	10128 Balance Hydrologics, Inc.			-2,456.82
					-2,456.82
01/18/2019	Bill Payment (Check)	10129 (2) Soquel Creek Water District	0000260		-60.00
					-60.00

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
12/21/2018	Bill Payment (Check)	10123	Regional Water Management Foundation		R	-115,006.26 -115,006.26
12/21/2018	Bill Payment (Check)	10124	Mickey's Cafe & Catering		R	-229.80 -229.80
12/21/2018	Bill Payment (Check)	10125	Errol L Montgomery & Associates Inc		R	-25,064.03 -25,064.03
11/30/2018	Bill Payment (Check)	10122	Errol L Montgomery & Associates Inc		R	-16,185.00 -16,185.00
11/27/2018	Bill Payment (Check)	10120	County of Santa Cruz (County Counsel)		R	-875.00 -875.00
11/27/2018	Bill Payment (Check)	10121	Soquel Creek Water District (2)	0000260	R	-60.00 -60.00
11/13/2018	Bill Payment (Check)	10115	Errol L Montgomery & Associates Inc		R	-42,088.66 -42,088.66

Date	Transaction Type	Num Name	Memo/Description	Clr	Amount
11/13/2018	Bill Payment (Check)	10116 Kearns & West Inc		R	-27,503.69
					-27,503.69
11/13/2018	Bill Payment (Check)	10117 Pantheon Systems Inc		R	-420.00
					-420.00
11/13/2018	Bill Payment (Check)	10118 (2) Soquel Creek Water District	0000260	R	-120.00
					-120.00
11/13/2018	Bill Payment (Check)	10119 Fedak & Brown LLP		R	-3,500.00
					-3,500.00
<b>Expense</b>					
12/05/2018	Expense	US001Azk5T Google - Online Payments		R	-50.00
			Google Payment - G Suit		50.00
11/05/2018	Expense	US001A6Sz9 Google - Online Payments		R	-50.00
			Google Payment - G Suit		50.00

March 21, 2019

**MEMO TO THE MGA BOARD OF DIRECTORS**

Subject: Agenda Item 6.2

Title: Acknowledge Notice of Intent to File Amended CEQA Petition

Attachment:

1. Notice of Intent to File Amended CEQA Petition

The Santa Cruz Mid-County Groundwater Agency (MGA) has received a “Notice of Intent to File Amended CEQA Petition” (Notice), dated January 30, 2019, and signed by Petitioner Rebecca (Becky) Steinbruner.

The Notice identifies the MGA as a Real Party in Interest.

Recommended Action:

1. By MOTION, acknowledge Notice of Intent to File Amended CEQA Petition.



By \_\_\_\_\_

Ron Duncan  
General Manager  
Soquel Creek Water District

Santa Cruz Mid-County Groundwater Agency

5180 Soquel Drive

Soquel, CA 95073

**NOTICE OF INTENT TO FILE AMENDED CEQA PETITION**

**TO THE SOQUEL CREEK WATER DISTRICT, BOARD OF DIRECTORS OF THE SOQUEL CREEK WATER DISTRICT and GENERAL MANAGER OF THE SOQUEL CREEK WATER DISTRICT, MR. RON DUNCAN, and ALL REAL PARTIES OF INTEREST THAT INCLUDE BUT ARE NOT LIMITED TO SANTA CRUZ COUNTY, THE CITY OF SANTA CRUZ, SANTA CRUZ CITY WASTEWATER TREATMENT FACILITY, SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY, and TWIN LAKES BAPTIST CHURCH:**

**PLEASE TAKE NOTICE, under Public Resources Code 21167.5, that Petitioner, Rebecca (Becky) Steinbruner, intends to file an amended petition under the provisions of the California Environmental Quality Act (CEQA) against Respondents, the Soquel Creek Water District, Board of Directors for the Soquel Creek Water District, General Manager of the Soquel Creek Water District, Mr. Ron Duncan, challenging its adoption of Resolution 18-30 certifying the Final Environmental Impact Report (EIR) in violation of numerous provisions of CEQA statute; challenging its approval of Resolution 18-31 adopting the CEQA Mitigation Monitoring and Reporting Program (MMRP), Findings, and Statement of Overriding Considerations, and Approval of the Pure Water Soquel: Groundwater Replenishment and Seawater Intrusion Prevention Project Final EIR without clear evidence of consultation with Trustee Agencies; challenging the CEQA violation of initiation of significant work on elements of the Project at the Twin Lakes Church Pilot Recharge Well site using defective CEQA review before completing the full CEQA process to certify the Project EIR and approve the Project; asserting demonstration of prejudice toward the Project by repeatedly authorizing an unbalanced allocation of District resources to pursue the Project, including Prop. 218 restructuring of water rates and service fees with intent to fund the expected debt of the Project before completion of CEQA process and Project approval; and, failure by the General Manager to respect**

1/3

and honor the supreme purpose of CEQA process to include and encourage the public's participation in reasonable Project review by repeatedly denying significant and multiple public requests for extensions of comment time to examine complex and voluminous Draft EIR and Responses to Comments documents.

The amended petition will seek the following relief:

1. For a peremptory writ of mandate directing Soquel Creek Water District:
  - (a) To vacate and set aside Resolutions 18-30 and 18-31 certification of the Final EIR and approval of the Project, MMRP and Conditions of Overriding Consideration and the Mitigated Negative Declaration (MND) for the Twin Lakes Church Recharge Pilot Well Project;
  - (b) To vacate and set aside its filing of the Notice of Determination for the Project and associated Twin Lakes Church Pilot Recharge Well Project;
  - (c) To review the Project in its entirety and revise and recirculate the Draft EIR, to prepare a legally adequate Draft EIR providing a De Novo "No Project" analysis that includes existing and expanded Surface Water Transfer Agreements with the City of Santa Cruz recognizing conjunctive use related to water rights amendments and place of use agreements currently undergoing environmental review by the City of Santa Cruz, and otherwise to comply with CEQA and all other applicable state, federal and local laws, regulations, ordinances, and policies in reviewing the Project, granting reasonable public comment period extensions when requested by the public;
2. For an order staying the effects of the Soquel Creek Water District's certification of the Final EIR and possible approvals related to any component of the Project, including the Twin Lakes Church Pilot Recharge Well Project, pending the entry of judgement or filing of an appeal in this action;
3. For the issuance of a temporary restraining order, and a preliminary and permanent injunction restraining and prohibiting the Soquel Creek Water District from carrying out or engaging in any action related to the Project that could result in any changes or alteration in the physical environment,

until the Soquel Creek Water District has complied with CEQA and all other applicable laws;

4. For an order directing the Soquel Creek Water District to pay Rebecca (Becky ) Steinbruner any costs of suit in this action;
5. For an order directing the Soquel Creek Water District to pay Rebecca (Becky) Steinbruner any reasonable associated attorney fees; and
6. For such other and further relief as the Court deems proper.

Under Public Resources Code 21167.6(a), a copy of the Amended Petition to be filed by petitioner will be sent by certified mail to Respondents: the Soquel Creek Water District, Board of Directors for the Soquel Creek Water District, General Manager of the Soquel Creek Water District, Mr. Ron Duncan, and to Real Parties of Interest: the County of Santa Cruz, City of Santa Cruz, City of Santa Cruz Wastewater Treatment Facility, Santa Cruz Mid-County Groundwater Agency, and Twin Lakes Baptist Church within 10 business days after filing the original Petition. Petitioner requests that within 10 business days of receipt of the Amended Petition, respondent is to supply to petitioner a list of all Responsible and Trustee Agencies related to the Project.

Dated: January 30, 2019

By:  \_\_\_\_\_  
Rebecca (Becky) Steinbruner, Pro Per

3/3



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## Meeting Summary

### **Santa Cruz Mid-County Groundwater Sustainability Plan Advisory Committee Meeting #14 December 12, 2018, 5:00 – 8:30 pm**

This meeting was the fourteenth convening of the Santa Cruz Mid-County Groundwater Sustainability Planning (GSP) Advisory Committee. It took place on December 12, 2018 from 5:00 - 8:30 p.m. at the Simpkins Family Swim Center in Santa Cruz. This document summarizes key outcomes from Advisory Committee and staff discussions on the following topics: project updates; briefing on current water management efforts in the Aromas Aquifer; differences between the Aromas and Purisima Aquifers; impacts from pumping; and how all of these factors influence the development of the GSP. This document also provides an overview of public comment received. It is not intended to serve as a detailed transcript of the meeting.

#### **Meeting Objectives**

The primary objectives for the meeting were to:

- Receive updates and guidance from the November 15, 2018 Mid-County Groundwater Agency (MGA) Board meeting.
- Receive briefing on current water management efforts in the Aromas Aquifer by the Pajaro Valley Water Management Agency, and discuss implications for the Mid-County Groundwater Sustainability Plan (GSP).
- Begin discussing groundwater modeling impacts and how these will influence the GSP.

#### **Action Items**

Key action items from the meeting include the following:

1. Staff (Darcy Pruitt) to publicly post press release regarding the Santa Margarita Groundwater Agency's GSP educational community meeting series, the first of which will be held on January 12, 2019.
2. Staff to discuss further modeling scenarios involving Pajaro Valley (Aromas Aquifer) with respect to recharge.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

3. Staff to coordinate scheduling a Mid-County Basin groundwater model enrichment session in early 2019 and invite the following Committee members: Marco Romanini, Jon Kennedy, Kate Anderton, Keith Gudger, and Jonathan Lear.
  - a. Staff also to publicly post details of the groundwater model enrichment session.
4. Kearns & West to send confirmed meeting summaries for the October 23 Advisory Committee field trip and October 24 Advisory Committee meeting to RWMF staff to include in the next MGA Board meeting packet.

### **Meeting attendance**

Committee members in attendance included:

1. Kate Anderton, Environmental Representative
2. John Bargetto, Agricultural Representative
3. David Baskin, City of Santa Cruz
4. Rich Casale, Small Water System Management
5. Keith Gudger, At-Large Representative
6. Dana Katofsky McCarthy, Water Utility Rate Payer
7. Jon Kennedy, Private Well Representative
8. Jonathan Lear, At-Large Representative
9. Marco Romanini, Central Water District
10. Allyson Violante, County of Santa Cruz
11. Thomas Wyner for Cabrillo College, Institutional Representative

Committee members who were absent included:

1. Bruce Jaffe, Soquel Creek Water District
2. Charlie Rous, At-Large Representative

### **Meeting Key Outcomes (linked to agenda items)**

#### **1. Introduction and Discussion of GSP Process Timeline and Project Updates**

Ralph Bracamonte, Central Water District, opened the meeting and welcomed participants. Mr. Bracamonte asked the GSP Advisory Committee members, MGA Executive Team, and the consultant support team around the room to introduce themselves. He also addressed members of the public in attendance and asked them for self-introductions.

Eric Poncelet, facilitator, reviewed the agenda and meeting objectives, and described key updates to the project process for the first quarter of 2019 as reflected on the updated GSP process timeline.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## 2. Oral Communications (for items *not* on the agenda)

No public comments were provided on non-agenda items during this session.

## 3. Project Updates

Mr. Poncelet invited the following project updates:

- **Outcomes of November 15, 2018 MGA Board Meeting**

Committee members Jon Kennedy, David Baskin and Allyson Violante, who were present at the Board meeting, provided a brief overview of the outcomes of the November 15, 2018 MGA Board meeting, including a summary of the Board motion that passed. They reported on three main outcomes from the Board meeting. These related to: 1) the MGA's role with respect to GSP management measures and environmental actions; 2) inclusion of comprehensive management measures in Section 4 of the GSP; and 3) inclusion of Pure Water Soquel and Santa Cruz Winter Water Harvest projects in Section 5 of the GSP. The Committee and staff had a brief discussion about these topics following the report. Key points included:

- Uncertainty about the role of the Advisory Committee in the GSP process given the high level of oversight the MGA Board has over the Advisory Committee's work.
- Lack of clarity on continuity of the GSP process once Advisory Committee disbands.

Concern about limiting Mid-County GSP projects to only Pure Water Soquel and Santa Cruz Winter Water Harvest, and excluding other suitable projects.

- **Surface Water Interaction Working Group**

Mr. Ricker reported that once the groundwater model results are completed by technical staff, staff will reconvene the Surface Water Interaction Working Group, which would most likely be in late January or early February, 2019.

- **January 12 Santa Margarita Basin Meeting**

Sierra Ryan, County of Santa Cruz, provided a brief update on topics to be covered in the upcoming Santa Margarita Basin educational series on water from January through March, 2019. There will be three outreach meetings on the following topics:

- January 12: land use and water.
- February: water budget and modeling and balancing the use of and need for water.
- March: projects and management of aquifers.

Ms. Ryan reported that all of the meetings will be held from 9:00 a.m. – 1:00 p.m. at the Felton Community Center. Staff will post a press release with all meeting details shortly.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

#### **4. Current Water Management Efforts in the Aromas Aquifer**

Mr. Bracamonte introduced guest speaker, Brian Lockwood, General Manager of the Pajaro Valley Water Management Agency (PVWMA or PV Water), who presented on the topic of water management efforts in the Aromas Aquifer and implications for the Mid-County GSP<sup>1</sup>. Mr. Lockwood provided background on PV Water's collaboration with other neighboring water districts and focused his presentation mainly on multi-jurisdictional basin management planning. He also discussed this planning in the context of the Sustainable Groundwater Management Act (SGMA) and briefly covered funding of PV Water's groundwater projects and programs. Last, Mr. Lockwood emphasized that public outreach to the broader community is hugely important.

The Advisory Committee's discussion of Mr. Lockwood's presentation included the following key points:

- Pajaro Valley is different from Mid-County because a majority of their water is used for agricultural purposes.
- Successful PV Water approaches to groundwater sustainability include conservation and recharge net metering.
- PV Water fees and rates for groundwater management activities are mainly litigation-focused.
  - PV Water is subject to Proposition 218<sup>2</sup> in augmenting management rates, which are tax assessed.
  - PV Water has a tiered water rate system based on property size for residents but a non-tiered system for agricultural customers as they tend to have more variability in size, need and usage.
- PV Water has adopted creative ways of collecting of rainfall related to agricultural activities, including catching runoff from ranches and nurseries.

#### **5. Public Comment**

Mr. Poncelet, facilitator, invited members of the public to comment on Mr. Lockwood's presentation on current water management efforts in the Aromas Aquifer, the Advisory Committee's comments on the presentation, and any other Advisory Committee work.

One participant asked Mr. Lockwood about PV Water's net recharge program, whether it considers soil and storm water, and whether it is done in collaboration with Dr. Helen Dahlke (University of California, Davis). Mr. Lockwood indicated that PV Water considers areas where large scale recharge can occur, and this is not limited to the foothills. Mr. Lockwood indicated that he is familiar with Dr. Helen Dahlke's work but does not work directly with her on recharge issues.

---

<sup>1</sup> [Presentation, Brian Lockwood, Pajaro Valley Water Management Agency](#)

<sup>2</sup> [https://lao.ca.gov/1996/120196\\_prop\\_218/understanding\\_prop218\\_1296.html](https://lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html)



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

Another participant asked whether PV Water riparian owners have water rights. Mr. Lockwood indicated that riparian owners do have water rights in PV Water's jurisdiction.

A participant asked why PV Water does not have a net metering program in lieu of making estimates for water usage. Mr. Lockwood clarified that PV Water does have a net metering program, but that it is only applicable to larger customers. He added that for smaller and more rural customers, PV Water does make usage estimates.

A final participant asked how PV Water monitors water quality for private and domestic use wells (e.g., Harkin Slough) and whether there are any issues with contamination in that water. Mr. Lockwood reported that PV Water does monitor water quality for private and domestic wells and found one well with elevated nitrate levels. He indicated that PV Water also does extensive water quality monitoring for water diverted from Harkin Slough, mostly to determine irrigation suitability.

## **6. Primer on Difference Between the Aromas and Purisima Aquifers**

In this segment of the meeting, Georgina King, Montgomery & Associates Inc., presented on differences between the Aromas and Purisima Aquifers. She focused on the categories of hydrogeologic, groundwater quality, connected surface water and sensitivity to pumping, and the respective implications for Mid-County Basin GSP.

Some key discussion points on the topic of differences between the Aromas and Purisima Aquifers included:

- There is more connection between surface water and groundwater in the Purisima than in the Aromas. Groundwater levels are deeper in the Aromas because it is more permeable and there are no aquitards to limit infiltration from the surface.
- The Aromas area is more susceptible to contamination from surface sources because of a lack of aquitards compared to the Purisima areas

## **7. Impacts from Pumping and How These Influence the GSP**

Ms. King presented an update on groundwater modeling assumptions and scenarios. She described how the data have changed since they were initially presented to the Committee in August and September, 2018, as well as targeted follow-up work anticipated for certain scenarios. Ms. King also discussed the option of having "management areas" in the basin—in particular, to differentiate the southern part of the basin, where there are undesirable results, from the northern part, where there are not.

The Advisory Committee discussed the following factors as influencing a decision to include management areas in the Mid-County GSP:

- DWR's input on inclusion of management areas.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

- Neighboring basin influence on development of management areas for GSP.
- Stakeholder input and feedback in the Aromas Aquifer on management areas.
- Other GSP's logic for not including management areas.
- The need for further modeling scenarios involving the Aromas Aquifer with respect to recharge.

During the discussion, DWR representative Amanda Peisch-Derby stated that identifying management areas in a GSP is optional under SGMA and is encouraged only if they help manage a basin more effectively. Ms. Peisch-Derby added that whatever the decision is on management areas, DWR requires a sufficient description and justification of the decision to be included in the GSP. She also indicated that thus far, she is not aware of any GSP that includes management areas to address issues in the basin. Finally, in addressing the question of unreasonable results for a certain sustainability criteria using management areas, the unreasonable results have to be defined consistently for the entire basin.

At the end of the Committee's discussion, there was general agreement that no strong rationale for utilizing management areas in the Mid-County Basin has been identified. Committee members recognized that key differences characterizing the distinct areas in the basin would be captured through the different sustainable management criteria that would be established for individual representative monitoring wells.

## **8. Public Comment**

During this final public comment session, Mr. Poncelet invited members of the public to focus comments on the Committee's discussion of the differences between the Aromas and Purisima Aquifers, pumping impacts on the Mid-County Basin, and on any other Advisory Committee work.

One participant asked for clarification from Ms. King on how one can determine whether agriculture or septic tanks are the source of existing or increasing nitrate levels in the Seascape area. Ms. King indicated that water quality testing detected pharmaceuticals in the same wells, which come from waste water sources.

## **9. Confirm the October 23, 2018 GSP Advisory Committee Field Trip and the October 24, 2018 Advisory Committee Meeting Summaries**

The Advisory Committee did not have any edits or comments on the drafts October 23, 2018 GSP Advisory Committee Field Trip and October 24, 2018 Advisory Committee Meeting summaries. Mr. Poncelet confirmed them for submission to the MGA Board.



*Groundwater is a vital resource, together let's protect it.*

---

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## **10. Next Steps**

In closing, Mr. Poncelet provided a recap of the GSP process timeline for first quarter of 2019 and discussed general next steps.

Before the meeting adjourned, Mr. Ricker queried the Committee for interest in scheduling a dedicated enrichment session on groundwater modeling scenarios and assumptions. The following Committee members expressed interest in a dedicated modeling session: Marco Romanini, Jon Kennedy, Kate Anderton, Keith Gudger and Jonathan Lear. Members of the public also expressed interest in participating in such a session. Mr. Ricker indicated that staff will coordinate this session and post an announcement in early 2019.

Executive Team members closed the meeting by thanking the attendees for their participation.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## Meeting Summary

### Santa Cruz Mid-County Groundwater Sustainability Plan Advisory Committee Meeting #15 January 23, 2019, 5:00 – 8:30 pm

This meeting was the fifteenth convening of the Santa Cruz Mid-County Groundwater Sustainability Planning (GSP) Advisory Committee. It took place on January 23, 2019 from 5:00 - 8:30 p.m. at the Simpkins Family Swim Center in Santa Cruz. This document summarizes key outcomes from Advisory Committee and staff discussions on the following topics: project updates; groundwater modeling results for sustainability strategies; groundwater modeling results for non-municipal pumping effects; and an update on minimum thresholds for chronic lowering of Groundwater Levels sustainability indicator. This document also provides an overview of public comment received. It is not intended to serve as a detailed transcript of the meeting.

#### **Meeting Objectives**

The primary objectives for the meeting were to:

- Continue reviewing groundwater modeling results from pumping impact scenarios.
- Discuss challenges in the Aromas Aquifer and options for moving forward.
- Discuss proposed refinements to minimum thresholds for the Chronic Lowering of Groundwater Levels Sustainability Indicator.

#### **Action Items**

Key action items from the meeting include the following:

1. Staff to convene Groundwater Modeling Enrichment Session on February 11, 2019.
  - a. Staff to post an announcement for the enrichment session on the MGA website by February 4, 2019, requesting RSVPs (attendance in person or by webinar).
    - i. This will not be a formal Advisory Committee meeting.
    - ii. The public is welcome to attend by webinar or in person at the Community Foundation.
2. Staff to invite Committee members to the January 30<sup>th</sup> surface water interaction working group meeting, making sure to include members who expressed direct interest in participating: Marco Romanini, Jon Kennedy, Kate Anderton, Keith Gudger, and Jonathan Lear.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

3. Staff to provide more opportunities to discuss climate scenarios and policy decisions relevant to GSP planning.
4. Kearns & West to revise and send confirmed meeting summary for the December 12 Committee for inclusion in the Mid-County Groundwater Agency's (MGA) Board meeting packet in March.

### **Meeting attendance**

Committee members in attendance included:

1. Kate Anderton, Environmental Representative
2. John Bargetto, Agricultural Representative
3. David Baskin, City of Santa Cruz
4. Keith Gudger, At-Large Representative
5. Bruce Jaffe, Soquel Creek Water District
6. Dana Katofsky McCarthy, Water Utility Rate Payer
7. Marco Romanini, Central Water District
8. Charlie Rous, At-Large Representative

Committee members who were absent included:

1. Rich Casale, Small Water System Management
2. Jon Kennedy, Private Well Representative
3. Jonathan Lear, At-Large Representative
4. Allyson Violante, County of Santa Cruz
5. Thomas Wyner for Cabrillo College, Institutional Representative

### **Meeting Key Outcomes (linked to agenda items)**

#### **1. Introduction and Discussion of GSP Process Timeline and Project Updates**

Rosemary Menard, City of Santa Cruz, opened the meeting and welcomed participants. Ms. Menard asked the GSP Advisory Committee members, MGA Executive Team, and the consultant support team around the room to introduce themselves. She also addressed members of the public in attendance and asked them for self-introductions.

Eric Poncelet, facilitator, reviewed the agenda and meeting objectives, and provided key updates to the project process for February and March as reflected on the updated GSP process timeline. Ms. Menard added that Santa Margarita Groundwater Agency's (SMGA) January 12<sup>th</sup> Water Education Series, Workshop 1 on land use and water, is now posted on the SMGA's website<sup>1</sup> for everyone's reference.

---

<sup>1</sup> <https://smgwa.org/meetings/understanding-our-water-educational-series/>



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## 2. Oral Communications (for items *not* on the agenda)

No public comments were provided on non-agenda items during this session.

## 3. Project Updates

Mr. Poncelet invited the following project updates:

- **Surface Water Interaction Working Group**

Sierra Ryan, County of Santa Cruz, reported that the surface water interaction working group will convene on Wednesday, January 30, 2019. Ms. Ryan indicated that while the wildlife agencies will not be in attendance due to the government shutdown, staff from the Environmental Defense Fund (EDF) will be presenting their guidance for meeting the Sustainable Groundwater Management Act (SGMA) requirements.

- **February 11 GSP Modeling Enrichment Session**

Cameron Tana, Montgomery & Associates, announced that he will be conducting a webinar enrichment session on Mid-County Groundwater modeling in support of the GSP on Monday, February 11, 2019, from 5:00 to 7:00 p.m. Mr. Tana added that there is a conference room reserved at the Community Foundation in Aptos for participants to view the webinar together and offered to present in person if there was enough interest from the Committee members.

Tim Carson, Regional Water Management Foundation (RWMF), indicated that he will post an announcement on the enrichment session in early February. John Ricker, County of Santa Cruz, recommended that the webinar be publicly noticed as an enrichment session and not as a formal Advisory Committee meeting.

- **Upcoming Santa Margarita Basin Meetings**

Ms. Ryan, provided a brief update on topics to be covered in the upcoming Santa Margarita Basin educational series on water in February and March, 2019, including:

- February: Basin hydrogeology and water budget; surface water interactions; groundwater dependent ecosystems; local efforts to improve stream flows and aquatic ecosystems; and users in the Basin.
- March: projects and management of aquifers.

- **DWR Update**

Ms. Menard provided the DWR update on behalf of Amanda Peisch-Derby, DWR, in her absence. The update addressed the Advisory Committee's inquiry at the December 12, 2018 meeting regarding DWR's approach for determining whether a basin's (e.g., Pajaro Valley) decision for an



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

alternative plan will adversely affect the ability of an adjacent basin (e.g., Mid-County) to implement its GSP or impede the achievement of its sustainability goal. Ms. Menard reported that DWR will consider and review alternative plans as they would GSPs, while strongly encouraging coordination among basin agencies on any adverse cross boundary effects resulting from either the alternative plan or GSP.

Given this response from DWR, John Ricker, County of Santa Cruz, informed the Committee that the Executive Team is beginning this coordination process and will be discussing Pajaro Valley's alternative plan with the Pajaro Valley Water Management Agency's (PVWMA) Board.

A Committee member asked how far south does the Pajaro Valley Basin extend and whether this area is within district boundaries. Mr. Ricker responded that the Pajaro Valley Basin extends to Elkhorn Slough, which is within the district boundaries. He added that the Basin is limited in its recycled water production, and the College Lake project is critical to augment the amount of water available for their pipeline.

- **Water Exchanges**

Ms. Menard indicated that the City of Santa Cruz made water transfers to Soquel Creek on December 3, 2018. Since then, the water exchanges have been operating consistently, with only weekend shutdowns. She reported that the City's Aquifer Storage and Recovery (ASR) project is being piloted at Beltz 12 and is currently in round two of the seven-day injection process, which would go into a 30-day injection cycle thereafter. Ms. Menard added that the pilot is showing a good level of water availability as the inflows from the recent storms have been strong.

A Committee member asked whether ASR operates seasonally. Ms. Menard responded that the pilot has only run for two months, and the City will continue with the 30-day injection cycle in order to determine water quality and measure and understand any water losses.

- **Pure Water Soquel**

Ron Duncan, Soquel Creek Water District (SqCWD), reported that Pure Water Soquel's (PWS) Environmental Impact Report (EIR) has been certified, and the project was approved in December, 2018. Mr. Duncan added that a member of the public has recently filed a California Environmental Quality Act (CEQA) lawsuit against PWS. He indicated that SqCWD plans to defend the PWS EIR. Mr. Duncan added that SqCWD intends to apply for a second round of Proposition 1 funding.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

Taj DuFour, Soquel Creek Water District shared that the recent comments about ammonia issues at the O'Neil well are incorrect and that the PWS wells have been run using an approach intended to, in good faith, coordinate with the City of Santa Cruz's schedule.

#### **4. Groundwater Modeling Results for Sustainability Strategies**

In this segment, Mr. Tana introduced the Committee members to additional evaluations of modeling results, presented the approach of using 10 year averages to evaluate groundwater level proxies for seawater intrusion sustainable management criteria, and discussed areas affected by a project or management action that reduces municipal pumping and a preliminary iteration of the City's Aquifer Storage and Recovery (ASR) project.<sup>2</sup> Mr. Tana explained that the projects and management actions discussed are primarily evaluated based on the seawater intrusion sustainability indicator. Further, he stated that because of the Basin's objective for long term prevention of seawater intrusion, groundwater level proxies for sustainability management criteria have been proposed to use a trailing 10-year average to ensure that groundwater levels are high enough to counteract seawater intrusion. Therefore trailing 10 year averages are calculated from model results for groundwater levels to compare to groundwater level proxies for minimum thresholds and measurable objectives.

Following Mr. Tana's presentation, Committee members shared the following key points with respect to the groundwater modeling results for sustainability strategies:

- The increase in sea level rise from 1.5 feet (from fall 2018) to 2.3 feet in the most recent DWR update infers a possible upward trend in water levels. As it also relates to evaluating minimum threshold for the seawater intrusion sustainability indicator, it is worth closely monitoring.
- Proactive evaluation of a basin's sustainability based on the 10-year average approach should include analyses of data trends. If modeling can show that long term averages of groundwater levels and concentrations are achievable, there is a higher chance of preventing seawater intrusion.
- In contemplating the Technical Advisory Committee's (TAC) recommended climate catalog approach to modeling longer term severe climate change patterns, some Advisory Committee members expressed the desire to further discuss the policy implications of the modeling work on climate, unpack and analyze the scientific assumptions and the purpose, and discuss the intersection of these two issues (policy and science).

---

<sup>2</sup> Model results for these projects and management actions were previously covered at the October 2018 Advisory Committee meeting.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

## 5. Public Comment

Mr. Poncelet, facilitator, invited members of the public to comment on Mr. Tana's presentation on groundwater modeling results on sustainable strategies, the Advisory Committee's comments on the presentation, and any other Advisory Committee work.

One participant asked for further justification on the TAC's recommended climate catalog approach to modeling and emphasized that it is important to choose the best model at the beginning.

Another participant asked for confirmation of the outer limit of the time period associated with the 2.3 feet sea level rise. Mr. Tana responded that the outer limit of the time period is 2070.

## 6. Groundwater Modeling Results for Non-municipal Pumping Effects

In this discussion on groundwater modeling results for non-municipal pumping effects, Mr. Tana underscored that non-municipal pumping inland of the municipal pumping area has a greater effect at the coastal Purisima wells than non-municipal pumping in the municipal pumping area due to the extraction of larger volumes in that area. Mr. Tana illustrated this effect by showing sensitivity analyses of various categories and areas of pumping.

Key discussion points on the topic of groundwater modeling results for non-municipal pumping effects included:

- The Committee should contemplate how to model non-municipal pumping to determine management actions; and from a policy perspective, how to monitor the modeling results in order to come up with longer term solutions to collective problems.
- It would be useful for the Committee to better understand the following related to non-municipal pumping modeling:
  - The breakdown or categorization of pumpers, especially the *di minimis* pumpers (e.g., private, institutional, etc.).
  - The methodology behind the measurement and plotting of the change in groundwater levels.

## 7. Groundwater Modeling Results for Theoretical Managed Recharge in Coastal Aromas Area

Mr. Poncelet referred to ongoing coordination with Pajaro Valley Water Management Agency (PVWMA) and turned it over to Mr. Tana to present new groundwater modeling scenarios for theoretical managed recharge in the coastal Aromas Area. Ms. Georgina King pointed out that Montgomery & Associates had already presented on the differences between the Purisima and Aromas Aquifers in previous meetings.



*Groundwater is a vital resource, together let's protect it.*

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

Mr. Tana asked for the Committee's feedback on how groundwater levels and seawater intrusion in the theoretical areas should be addressed.

The Advisory Committee discussed the following ideas on how to address groundwater levels and seawater intrusion in the theoretical areas:

- Recharge would be most effective at site SC-A8 if it is the only scenario to address in the Aromas area. However, other in-lieu alternatives can boost groundwater levels in that area, possibly rendering managed recharge unnecessary.
- Recharge at 500 acre feet (160 M gallons) seasonally is a good approach.
- There are tradeoffs to keeping water levels high as Pajaro Valley would be able to benefit from the overflow. This could be managed and compensated for through inter-basin agreements.
- There may be a potential need to use recycled water or conduct additional recharge using water from Watsonville Slough.

#### **8. Update on Minimum Thresholds for Chronic Lowering of Groundwater Levels Sustainability Indicator**

Ms. King presented an updated version of the sustainable management criteria to be included in the GSP for chronic lowering of groundwater levels. She emphasized that in this version, the minimum threshold analysis selected nearby wells with similar screened elevations to the screened elevations of the representative monitoring wells to use to determine minimum well depths for the analysis of minimum thresholds. The previous draft used depths of the wells. The other sustainable management criteria, including significant and unreasonable conditions and undesirable results, have not changed.

In her updated proposal, Ms. King recommended using 30 feet below historic low groundwater levels as the maximum decline allowed before it is considered significant and unreasonable. She asked the Committee members to provide feedback on whether they agree with this maximum decline or if another decline depth should be used.

The Committee members indicated that they did not have enough information to make a determination on whether the 30 feet is the maximum decline should be used. One Committee member requested that the assumptions for the 30 feet recommendation be clearly incorporated into the GSP.

#### **9. Public Comment**

During this final public comment session, Mr. Poncelet invited members of the public to focus comments on the Committee's discussion of modeling results for non-municipal pumping, approaches to addressing challenges in the Aromas Aquifer, the updated minimum thresholds for chronic lowering of groundwater levels sustainability indicator, and on any other Advisory Committee work.



*Groundwater is a vital resource, together let's protect it.*

---

5180 Soquel Drive • Soquel, CA 95073 • (831) 454-3133 • [midcountygroundwater.org](http://midcountygroundwater.org)

One participant suggested additional outreach to private well owners on pumping protocols. This participant also expressed that 500 acre feet of recharge is too much for the Aromas area and suggested combining recharge for two sites. Last, the same participant suggested modeling groundwater levels for seawater intrusion using average minimum rather than a 10-year average approach. Mr. Tana addressed the participant's last point, explaining that the minimum average approach uses one data point, which would not represent overall conditions over time and thus would not help in preventing long term seawater intrusion.

#### **10. Confirm the October 23, 2018 GSP Advisory Committee Field Trip and the October 24, 2018 Advisory Committee Meeting Summaries**

One Committee member identified a possible inaccuracy in the segment on the differences between the Aromas and Purisima. Mr. Poncelet indicated that staff will review this segment and make the necessary edits before forwarding it to the MGA Board.

#### **11. Next Steps**

In closing, Mr. Poncelet provided a recap of the GSP process timeline February and March 2019 and discussed general next steps.

Before the meeting adjourned, Mr. Carson reminded the Committee that the next MGA Board meeting is on March 21<sup>st</sup> at 7:00 p.m.

Executive Team members closed the meeting by thanking the attendees for their participation.

**From:** [Darcy Pruitt](#)  
**To:** ["G.L. Lindstrum"](#)  
**Cc:** [Jessica York](#)  
**Subject:** RE: GSP Advisory Committee Packet Available  
**Date:** Monday, March 11, 2019 10:49:15 AM

---

Dear Mr. Lindstrum,

Thank you for your note and for passing on the article link. As requested, I will have it included in the March 21, 2019 MGA Board packet as public communications. This will put the article at the end of the MGA Board agenda, in case you are planning to speak to the issue.

The article is also timely for the March 27, 2019 Groundwater Sustainability Plan (GSP) Advisory Committee packet. Unless you object, I will also have it included in the committee's materials as public communications.

Water quality is an important concern for groundwater management and is one of the sustainable management criteria included in the GSP. We continue to discuss setting appropriate groundwater basin management criteria in our remaining GSP Advisory Committee meetings (March through June).

Thank you for raising these water quality issues again. The article you provided discusses conventional wastewater treatment processes, rather than ultra-purification as proposed by Soquel Creek Water District. Water quality is an important topic for review, analysis, and public conversation. I appreciate your participation in the GSP planning process.

Please let me know if you have additional concerns.

Best,

**Darcelle Pruitt Senior Planner**

*Groundwater Sustainability Planning for the Santa Cruz Mid-County Groundwater Agency*

REGIONAL WATER MANAGEMENT FOUNDATION

COMMUNITY FOUNDATION SANTA CRUZ COUNTY

7807 Soquel Drive | Aptos, CA 95003 | 831.662.2052

[dpruitt@cfsc.org](mailto:dpruitt@cfsc.org) | [www.cfsc.org](http://www.cfsc.org) | [www.midcountygroundwater.org](http://www.midcountygroundwater.org)

**From:** G.L. Lindstrum [mailto:aptoscalifornia95003@gmail.com]

**Sent:** Sunday, March 10, 2019 2:38 PM

**To:** Darcy Pruitt <DPruitt@cfsc.org>

**Cc:** Jessica York <jyork@santacruzsentinel.com>

**Subject:** Re: GSP Advisory Committee Packet Available

Hi Darcy,

Just wanted to pass this very important URL along to you also. I think it should be passed on to at least the MGA Board Members...if not to everyone on the MGA mailing list. This is exactly what I was talking about during last years campaign. Becky Steinbruner, I and countless others have repeatedly brought this very point to the attention of Soquel Creek Water Distric employees including Ron Duncan, the entire Board of Directors.

I hope this is finally going to get through to every person involved with the Soquel Semi Pure Water Project that this is not the way to solve the saltwater intrusion problem! Transfers are...period...enough said. They are dealing with the health of thousands of rate payers, well users and the public in general. Think of all of the unknowing public that vacations here within the Soquel Creek Water District every year, year after year. This recycled sewage would effect them as well. Soquel Creek Water District has absolutely no right to gamble with anyone's life...period.

These facts may not even be enough to change your mind for your sake but what about that of your daughters and all the other children within the district? They have no say in this matter yet it could very well effect their lives and there children's lives. People need to think about these very things before making decisions to gamble with other peoples lives.

Let it be known that I have every intention to expose this "url" below to all local media, the state departments and even the federal departments that would give Grant's for the very purpose of building this dangerous and totally unnecessary Semi Pure Water Project. I want every health department to know about it, as well as every citizen. I intend to get it on the radio stations, in the newspapers and on local television stations and every social media site known. Should have it completed within the next week or so. The public needs to be made aware of these facts and the many others that are bound to pop up as time goes on. I do not want to see our precious water source distroid by a few narrow minded science based Directors and General Manager of the Soquel Creek Water District. Sorry to speak so low of them but I have reached a point where respect is now going to have to be earned.

Thank you for your time and another thank you for all you do for the MGA and the community in general, it is greatly appreciated.

With great regards,

Gary Lindstrum

<https://m.phys.org/news/2019-03-antibiotic-resistance-wastewater-treatment.html?fbclid=IwAR0uvWRGT-DTI49b3ypDYnJRI-oChwNZpir7FZb28peZW7RB5YpSW5LsNdI>

On Feb 22, 2019 3:01 PM, "MGA - Santa Cruz Mid-County Groundwater Agency" <[dpruitt@cfscc.org](mailto:dpruitt@cfscc.org)> wrote:

[View this email in your browser](#)

# Antibiotic resistance is spreading from wastewater treatment plants

6 March 2019



Credit: CC0 Public Domain

The products of wastewater treatment have been found to contain trace amounts of antibiotic resistant DNA. These products are often reintroduced to the environment and water supply, potentially resulting in the spread of antibiotic resistance. As such, researchers at the University of Southern California Viterbi School of Engineering have been studying the development of these potentially harmful and dangerous genes in wastewater treatment processes. Their findings, published in *Environmental Science & Technology*, indicate that even low concentrations of just a single type of antibiotic leads to resistance to multiple classes of antibiotics.

"We're quickly getting to a scary place that's called a "post-antibiotic world," where we can no longer fight infections with antibiotics anymore because microbes have adapted to be resilient against those antibiotics," said Adam Smith, assistant professor of civil and environmental engineering at USC and lead investigator of the study. "Unfortunately, engineered water treatment systems end up being sort of a hot-bed for [antibiotic resistance](#)."

The majority of the antibiotics we consume are metabolized in our bodies. However, small amounts pass through us in our waste, which are then carried to [wastewater treatment plants](#). At these plants, one of the common ways in which the wastewater is treated is with a membrane bioreactor, which uses both a filtration system and a biological process where [microscopic bacteria](#) consume waste products.

While consuming the organic waste, the bacteria encounters the antibiotics and expresses resistance [genes](#) that reduce effectiveness of these medicines. These resistance genes can then be passed on from parent to daughter cell and between neighbors through a process known as horizontal gene transfer.

As the bacteria eats, reproduces and grows, an excess is accumulated called biomass. A typical wastewater treatment plant produces tons of biomass every day. Once treated, it is disposed of in landfills or used as a fertilizer for agriculture and livestock feed crops.

In an even more dire scenario, small amounts of antibiotic resistant bacteria and free-floating DNA make it through the filtration membrane and come out the other side of the treatment plant in what is called the effluent, or the water stream that leaves the facility. In Los Angeles, some of this will be dumped into the L.A. River and Pacific Ocean, while the rest is recycled for irrigation, car washes, firefighting, or to replenish groundwater supplied, a common source of drinking water.

The team, also including Ali Zarei-Baygi, the study's first-author and Ph.D. student at USC, Moustapha Harb, postdoctoral scholar at USC, Philip Wang, Ph.D. student at USC, and Lauren Stadler, assistant professor at Rice University, believe that the amount of antibiotic resistant organisms formed in treatment plants could be reduced through alterations in the treatment processes. For

example, by employing oxygen free, or anaerobic, processes rather than aerobic processes, and by using membrane filtration.

Provided by University of Southern California

Accordingly, for their study, they used a small-scale anaerobic membrane bioreactor and compared the resulting antibiotic resistance profiles in the biomass and effluent to each other and to the varying concentrations and types of antibiotics they introduced into the system.

They discovered two key findings: the resistance in the biomass and effluent are different and therefore one cannot be used to predict the other; and the correlations they found between the added antibiotic and the resistance genes weren't always clear cut. In fact, their results indicated multi-drug resistance in which bacteria had genes allowing for resistance to multiple classes of antibiotics.

"The multi-drug resistance does seem to be the most alarming impact of this," Smith said. "Regardless of the influent antibiotics, whether it's just one or really low concentrations, there's likely a lot of multi-drug resistance that's spreading."

They believe this is due to the presence of gene elements called plasmids. One plasmid may carry resistance genes for several different types of [antibiotics](#), resulting in positive correlations between one type of antibiotic and the [resistance](#) gene of another. This not only further complicates things, but can be extremely dangerous. Because of their extremely small size—1,000 times smaller than bacteria—free-floating plasmids can easily make it through the filtration system in the [treatment](#) process and exit the plant in the effluent.

The team is now looking more closely at the composition of the effluent and plans on applying what they learned to other waste streams, such as animal waste, through a partnership with the USDA.

**More information:** Ali Zarei-Baygi et al, Evaluating Antibiotic Resistance Gene Correlations with Antibiotic Exposure Conditions in Anaerobic Membrane Bioreactors, *Environmental Science & Technology* (2019). DOI: [10.1021/acs.est.9b00798](https://doi.org/10.1021/acs.est.9b00798)

APA citation: Antibiotic resistance is spreading from wastewater treatment plants (2019, March 6) retrieved 11 March 2019 from <https://phys.org/news/2019-03-antibiotic-resistance-wastewater-treatment.html>

*This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.*