



SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

GROUNDWATER
IS A VITAL RESOURCE TOGETHER - LET'S PROTECT IT!

LONG-TERM SGMA COMPLIANCE FUNDING WORKSHOP

DOMESTIC GROUNDWATER USERS

MARCH 17, 2025

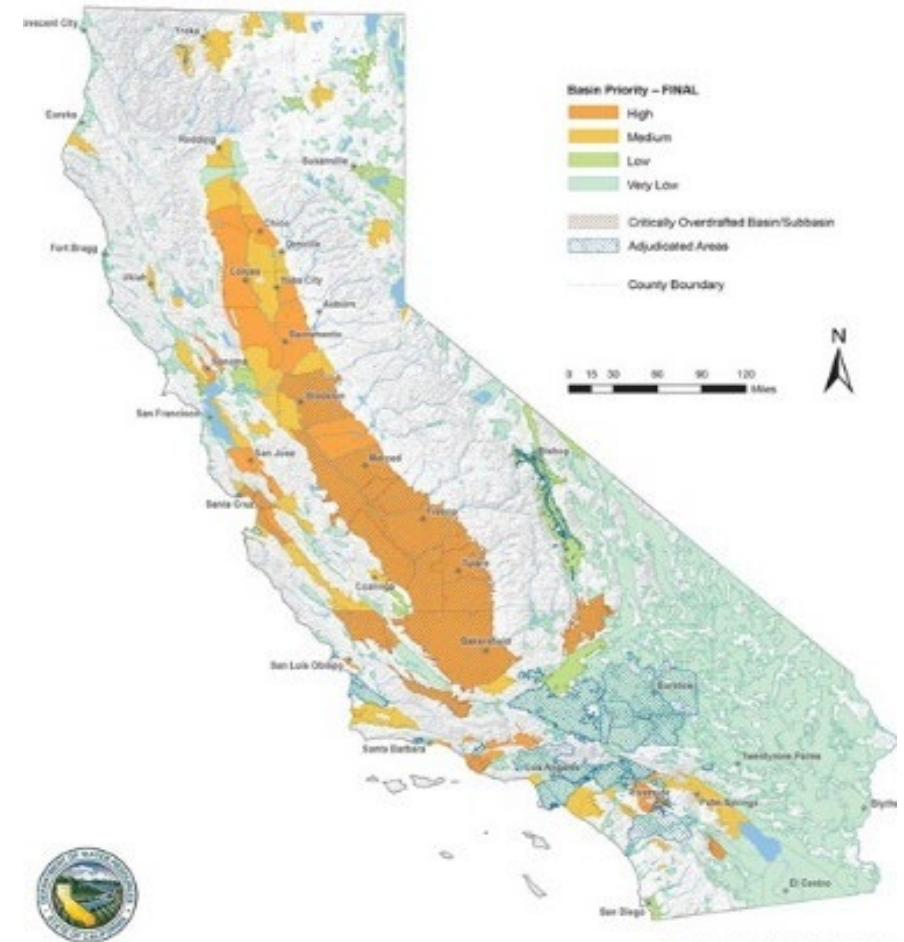
AGENDA

1. Introductions
2. Sustainable Groundwater Management Act
3. Basin and Santa Cruz Mid-County Groundwater Agency (MGA) Background
4. Long-term Funding Needs
5. Questions/Discussion (1)
6. Funding Options Evaluation
7. Questions/Discussion (2)
8. Next Steps/How to Stay Engaged

SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA) OF 2014 IS THE MOST SIGNIFICANT GROUNDWATER LAW EVER PASSED IN STATE

- Form groundwater sustainability agency (**GSA**)
- Develop and implement groundwater sustainability plan (**GSP**)
- Demonstrate sustainable management within 20 years
- State intervention
- Unfunded State mandate

Groundwater Basins



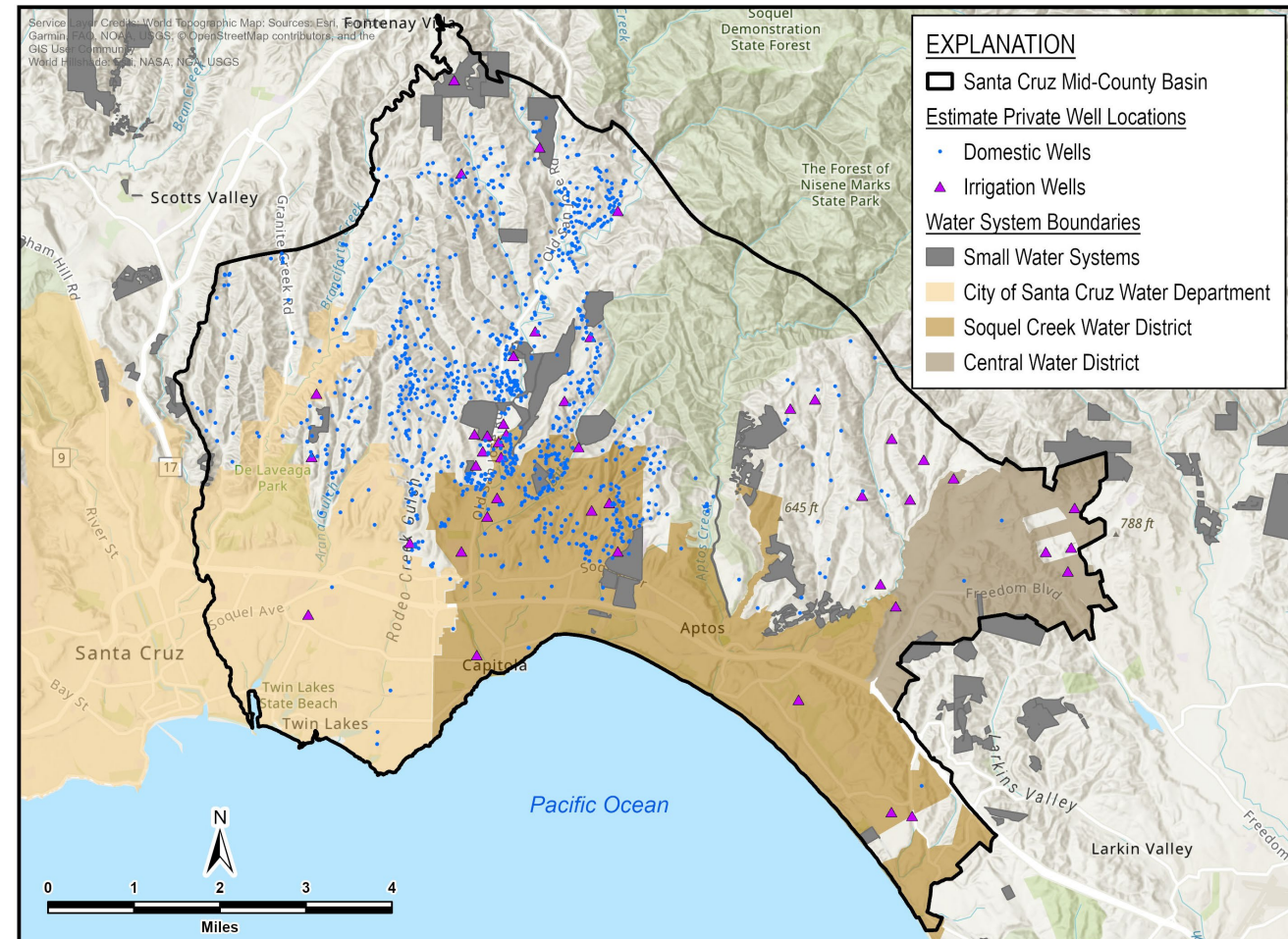


BASIN AND MGA BACKGROUND



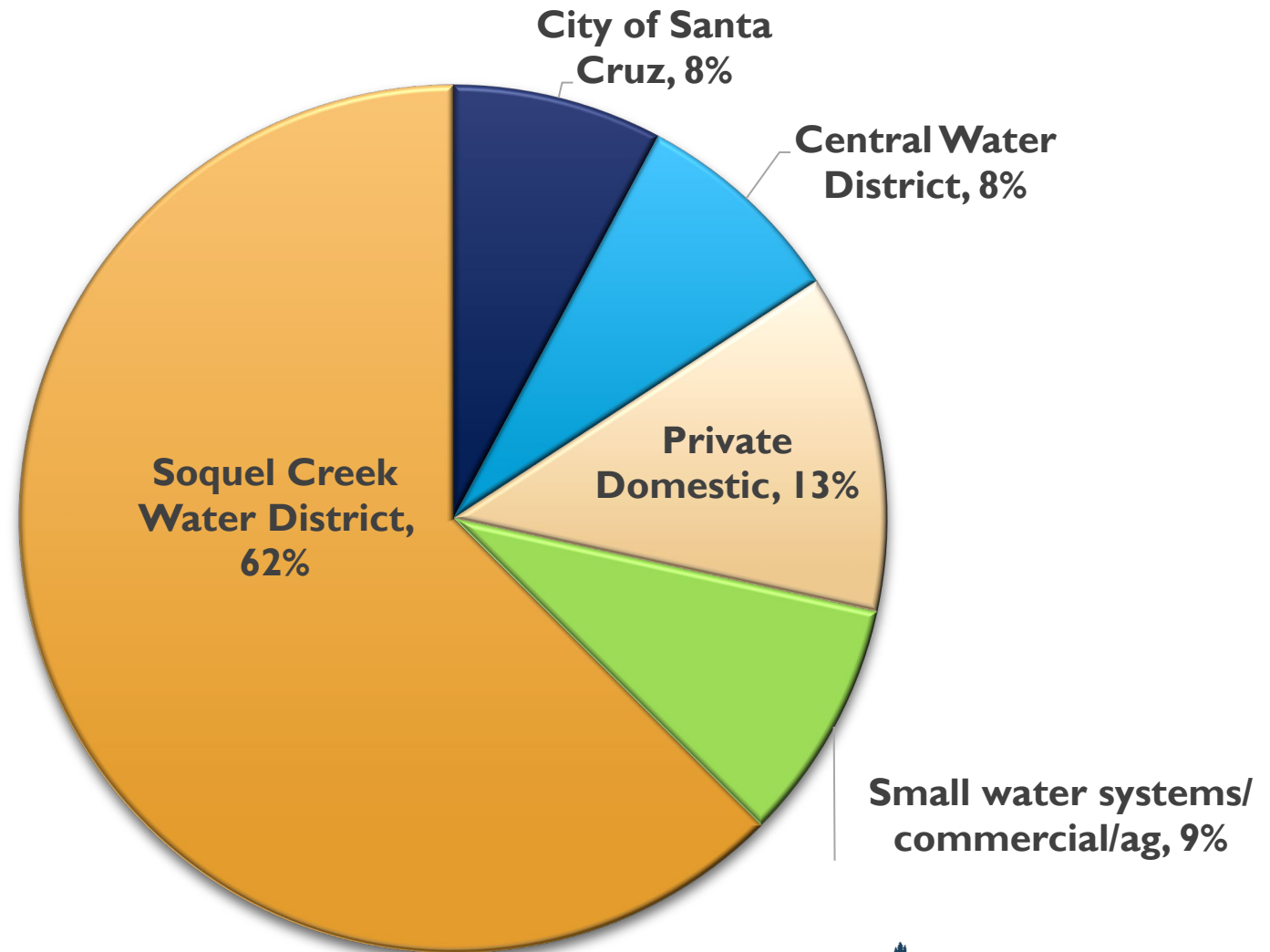
SANTA CRUZ MID-COUNTY GROUNDWATER BASIN MUST COMPLY WITH SGMA

- Designated critically overdrafted basin by State due to seawater intrusion
- Designated high priority basin by State
- 3 large system public water systems (~30 wells)
- 19 small water systems (~25 wells)
- ~Several dozen irrigation wells
 - commercial/institutional/agricultural
 - supplemental
- ~1,900 parcels assumed to be served by domestic wells



GROUNDWATER IS A CRITICAL PART OF MID-COUNTY BASIN WATER SUPPLY

2023 groundwater use
= 4,880 acre-feet
(1.6 billion gallons)



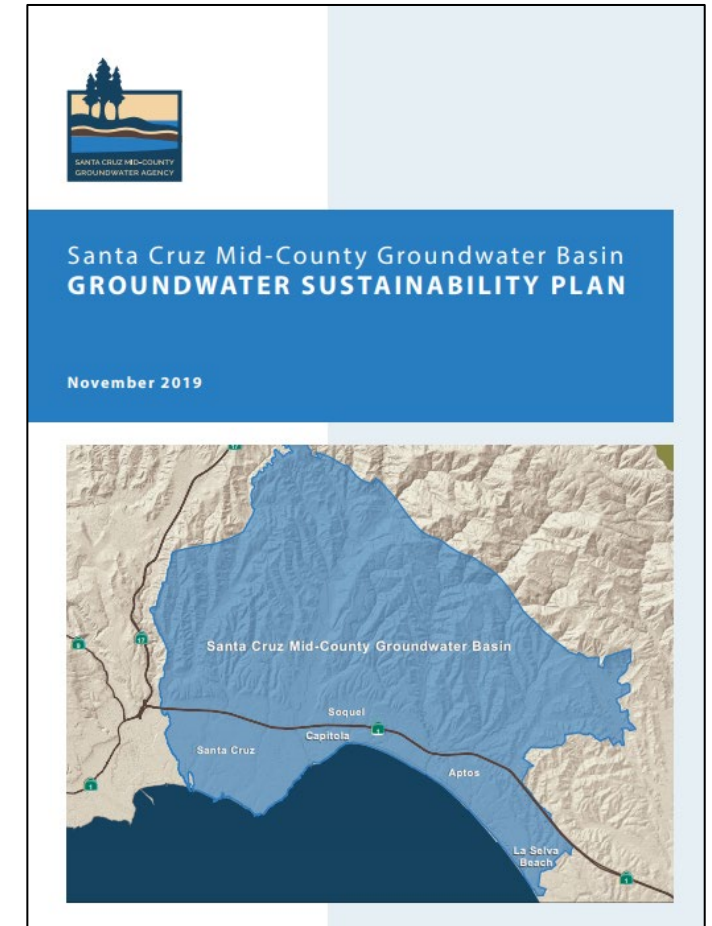
SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY FORMED TO MAINTAIN LOCAL CONTROL OF OUR BASIN

- Formed in 2016 through Joint Powers Agreement between four public member agencies:
 - Central Water District
 - City of Santa Cruz
 - County of Santa Cruz
 - Soquel Creek Water District
- 11-member Board of Directors
 - 2 elected officials from each member agency
 - 3 private well representatives



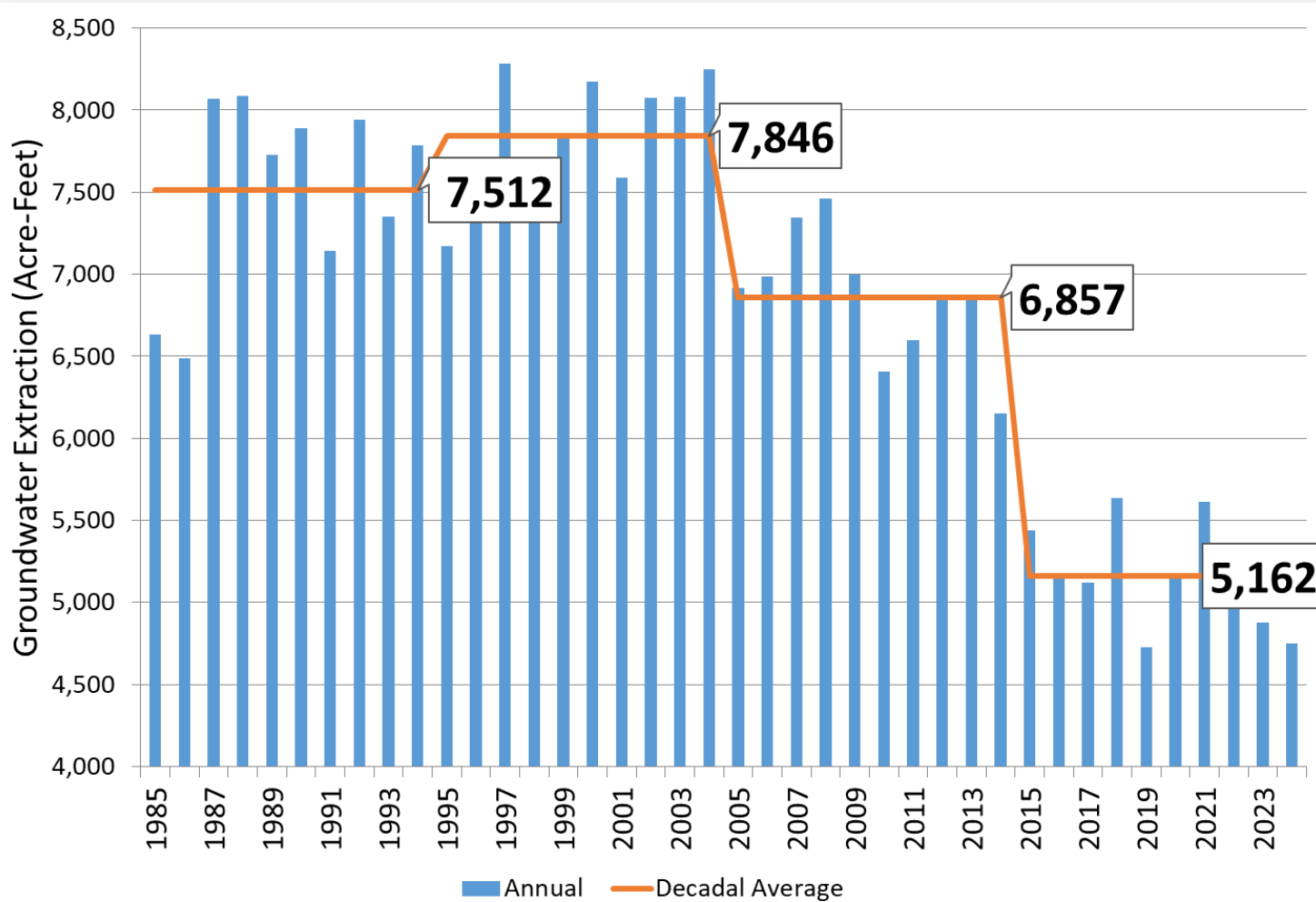
THE MGA GSP PROVIDES A ROADMAP FOR LONG-TERM BASIN SUSTAINABILITY

- Adopted in 2019 and Approved by State in June 2021
- To reach sustainability, GSP identified Projects and Management Actions funded by MGA member agencies:
 - a) Water conservation / demand management
 - b) Redistribution of municipal groundwater pumping
 - c) Pure Water Soquel (seawater intrusion barrier)
 - d) Aquifer storage and recovery
 - e) Water transfers / in-lieu groundwater recharge
 - f) Storm water recharge



WE ARE ALREADY SEEING SUCCESS FROM MANAGEMENT EFFORTS

Average Groundwater Use is Significantly Lower



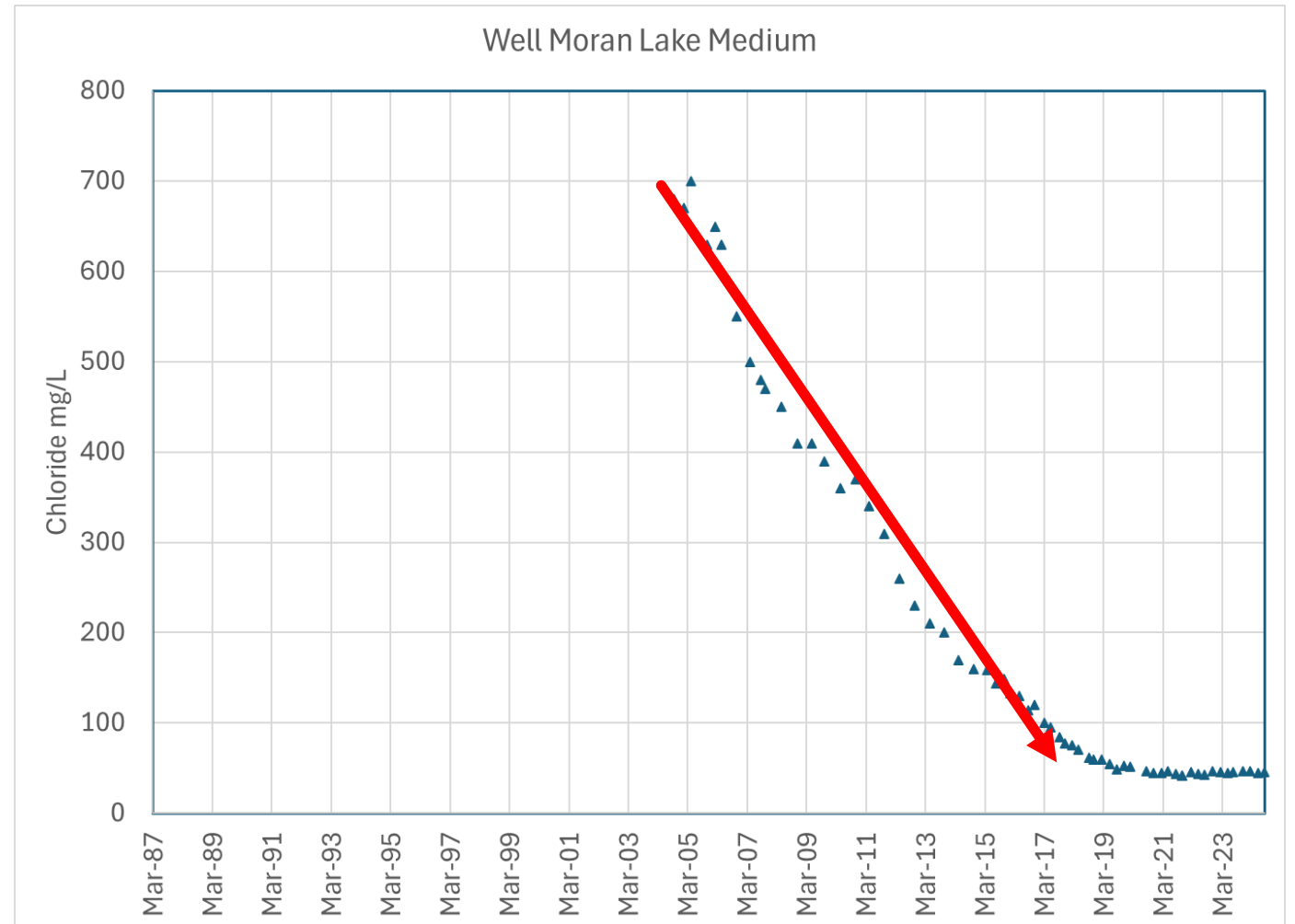
Groundwater Levels are Improving

- 20-year groundwater level trends measured in 89 wells in Basin
- 6 wells decreasing
- 45 wells stable
- 38 wells increasing

Source: DWR California's Groundwater Live

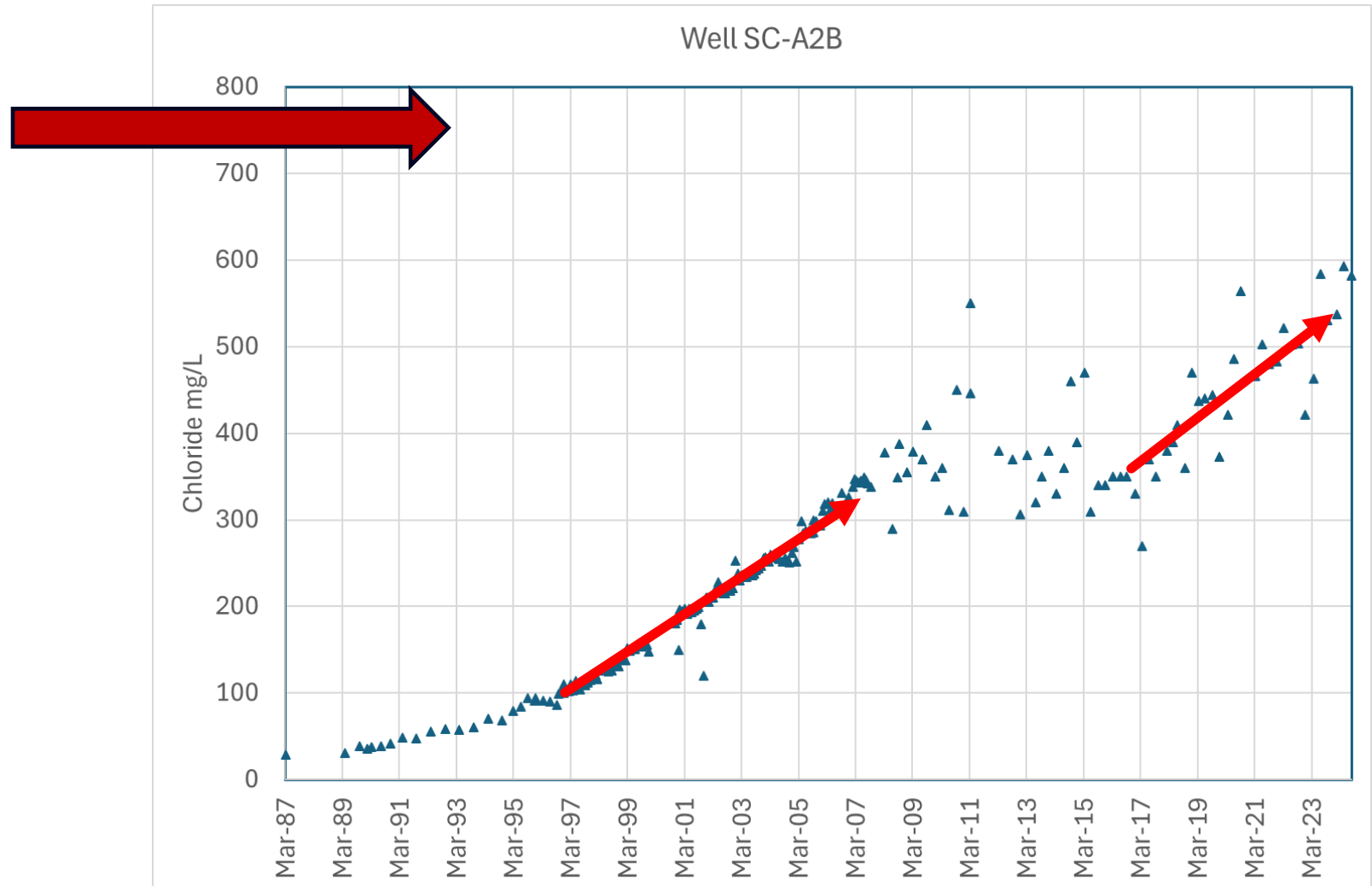
WE ALSO HAVE EVIDENCE THAT SEAWATER INTRUSION CAN BE REVERSED IN AT LEAST ONE LOCAL CASE

- Early 1990s increase in chloride
- Significantly reduced pumping from well
- Groundwater levels increased
- Chloride levels went down over time



BUT THERE IS STILL A NEED TO CONTINUE MAKING PROGRESS

- Evidence of continuing seawater intrusion in south part of Basin
- Weather variability putting more strain on Basin
- Groundwater feeds local streams during dry summer and fall months





LONG-TERM FUNDING NEEDS



SGMA COMPLIANCE REQUIREMENTS DO NOT EXPIRE

- Basic compliance requirements of SGMA include:
 - a) Basin monitoring and modeling
 - b) State-mandated annual reporting
 - c) GSP evaluations (minimum every five years)
 - d) Agency program administration



January 2025

Santa Cruz Mid-County Groundwater Basin GROUNDWATER SUSTAINABILITY PLAN

2025 PERIODIC EVALUATION



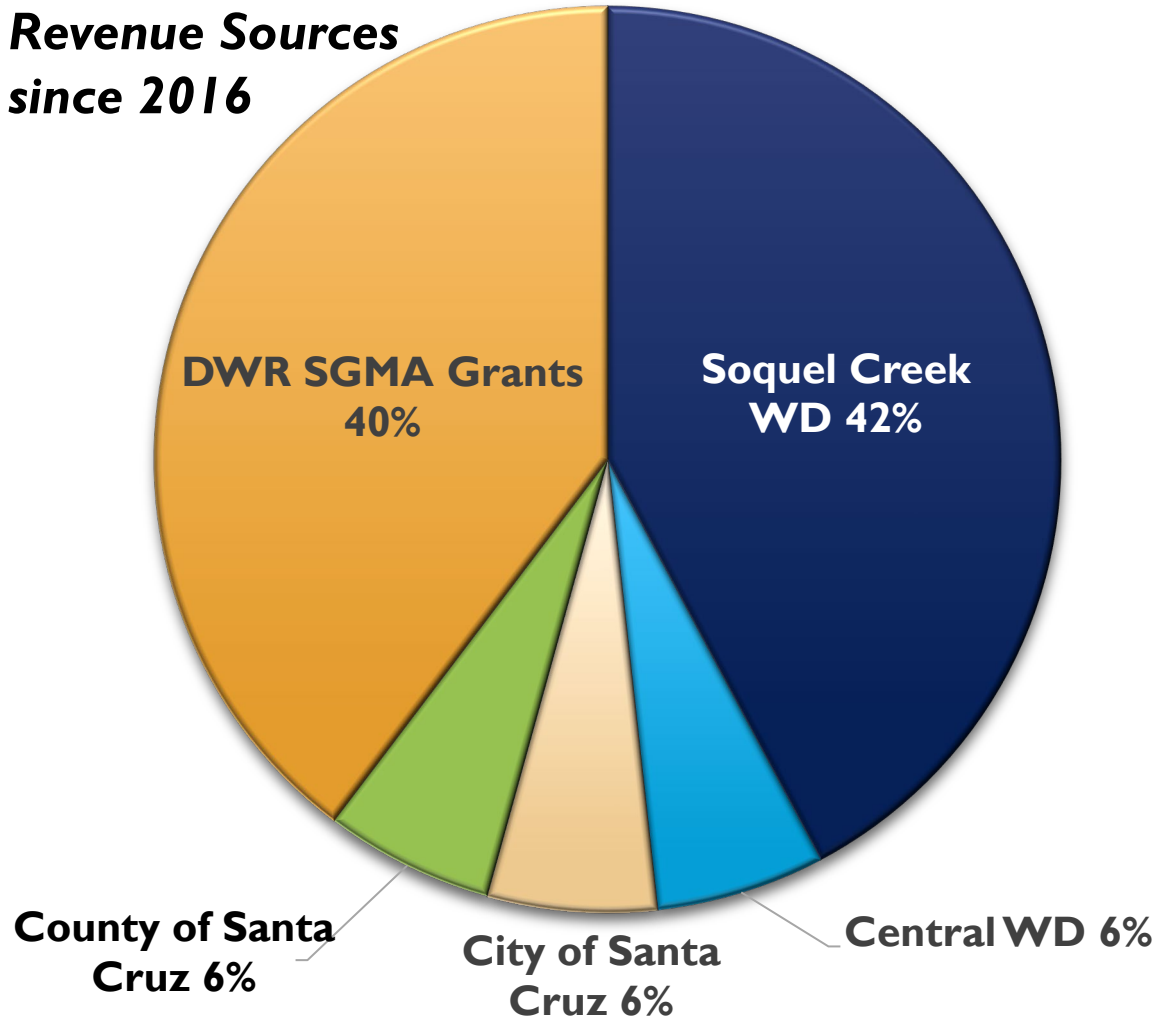
Prepared by



SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

MGA FUNDED TO DATE BY MEMBER AGENCIES AND GRANTS, BUT IT IS NOW CONSIDERING ADDING OTHER GROUNDWATER USERS

**Revenue Sources
since 2016**



- Compliance expenses 2016 through 2025: average ~\$660,000 per year
- Ongoing compliance expenses beginning in 2026: estimated ~\$650,000 per year



QUESTIONS/DISCUSSION ON BACKGROUND AND LONG-TERM FUNDING NEEDS



FUNDING OPTIONS EVALUATION



MGA IS CONDUCTING A FUNDING OPTIONS EVALUATION

- Factors considered include:
 - **Fee type** – regulatory fees or property related fees.
 - **Fee methodology** – the ‘basis of charges’ for a fee program.
- Evaluation to result in recommendation of a funding strategy for MGA Board consideration in summer 2025.
- Further development of a potential fee and consideration of adopting a fee would occur after that.

SGMA AUTHORIZES TWO TYPES OF FEES

Regulatory Fees (Water Code § 10730)

- May fund the cost of “Program Administration” (generally understood to be admin & regulatory compliance costs).
- Subject to Proposition 26.
- Fee approved by Board action – public meeting required.

Property Related Fees (Water Code § 10730.2)

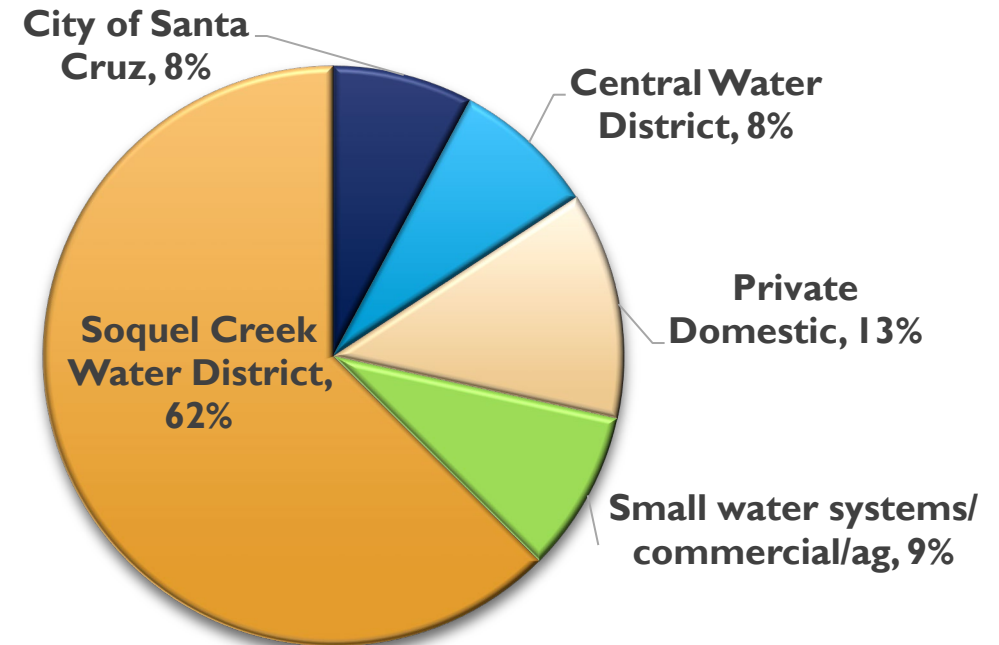
- May fund a broad range of GSA activities (including project / capital costs).
- Subject to Proposition 218.
- Fee approved through Prop 218 process (mailed notice / majority protest).

POTENTIAL FEE METHODOLOGIES (1)

- Fee methodology refers to the basis of charges in a fee program.
- Common approaches to establishing a SGMA fee:
 - **Volumetric** – charge per volume of groundwater extracted.
 - **Parcel-Based** – charge per parcel.
 - **Irrigated Acreage-Based** – charge per irrigated acre.

POTENTIAL FEE METHODOLOGIES (2) - VOLUMETRIC FEES

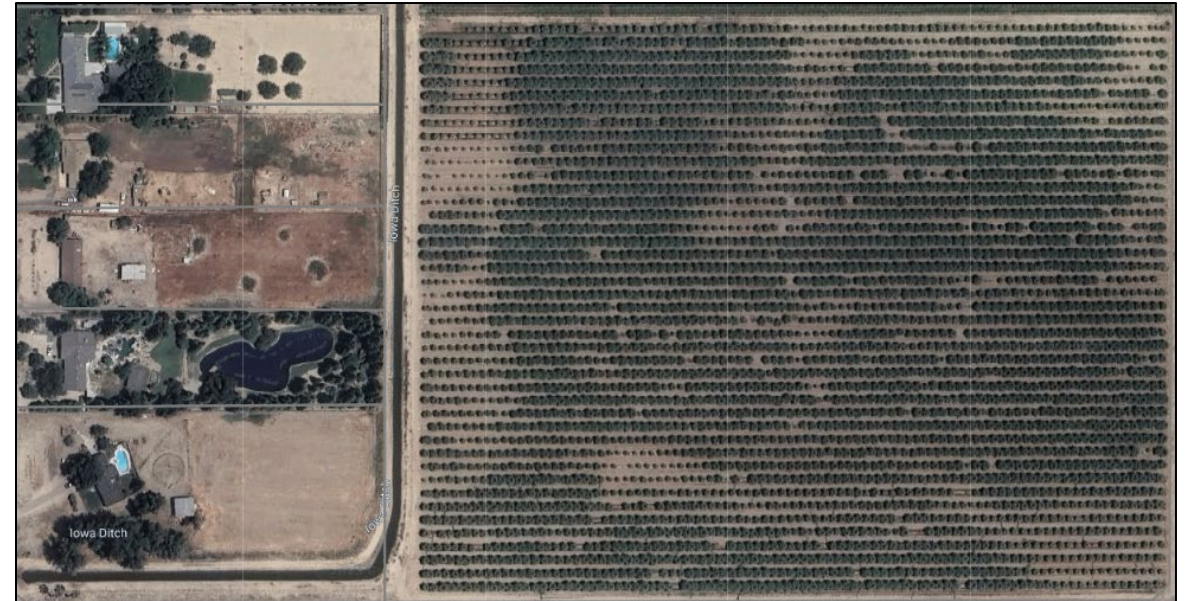
- A **volumetric fee** would account for the benefit provided to Basin extractors by SGMA regulatory compliance and sustainable management of the Basin by producing a charge per acre foot (AF).



Advantages	Challenges
<ul style="list-style-type: none">■ Helps to account for higher degree of benefit to larger Basin extractors.	<ul style="list-style-type: none">■ May not account for benefit provided to all Basin stakeholders.

POTENTIAL FEE METHODOLOGIES (3) - PARCEL FEES

- A **parcel fee** would account for the benefit provided to Basin residents by SGMA regulatory compliance and sustainable management of the Basin by producing a charge per parcel.



Advantages	Challenges
<ul style="list-style-type: none">■ Helps to account for benefit to all Basin stakeholders.	<ul style="list-style-type: none">■ May not account for proportional benefit (e.g., a parcel fee alone may not be optimally proportional).

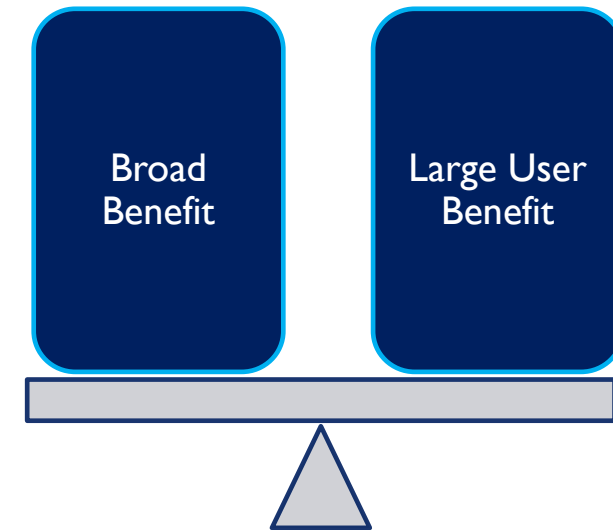
POTENTIAL FEE METHODOLOGIES (4)

COMPARING VOLUMETRIC & PARCEL FEES

Volumetric	Parcel-Based
<ul style="list-style-type: none">■ More granular; more complex.■ Accounts for varying benefit based on amount of groundwater used.■ Difficult to account for all groundwater users – extraction amounts for many parcels are not known.	<ul style="list-style-type: none">■ Simpler; less granular.■ Does not account for varying benefit based on amount of groundwater used.■ Effectively accounts for all groundwater users – exact extraction amounts are not necessary.

POTENTIAL FEE METHODOLOGIES (5) - HYBRID APPROACH (1)

- A **hybrid fee** would use multiple methodologies to account for the benefit provided to Basin residents by SGMA regulatory compliance and sustainable management of the Basin.
- MGA costs could be split between multiple charge types, decreasing the rate that either would have on its own.



Advantages	Challenges
<ul style="list-style-type: none">■ Helps to account for benefit provided to a broad range of stakeholders.■ Helps to account for higher degree of benefit provided to larger users.	<ul style="list-style-type: none">■ May create a degree of confusion by using multiple elements / charge types.

POTENTIAL FEE METHODOLOGIES (6) - HYBRID APPROACH (2)

Balancing Costs for Different Groundwater Users

- The split between revenue generated from parcel fees and volumetric groundwater extraction fees could be identified in a manner that addresses questions of equity among Basin stakeholders.

Cost to Domestic Users

- While no fee approach has been selected, preliminary hybrid approach calculations place the cost to domestic groundwater users between \$20 and \$45 per parcel, per year.



QUESTIONS OR COMMENTS ON FUNDING OPTIONS EVALUATION?

NEXT STEPS FOR EVALUATION

- Staff to provide update on today's workshop to MGA Board.
- Meet with small water systems, agricultural, and commercial/institutional groundwater users in the coming weeks.
- A broadly-focused community meeting expected in spring 2025.
- A funding options analysis expected to the MGA Board in summer 2025.



SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

GROUNDWATER
IS A VITAL RESOURCE TOGETHER - LET'S PROTECT IT!

TO STAY ENGAGED

PHONE: (831) 204-0008

E-MAIL: BASINPOC@MIDCOUNTYGROUNDWATER.ORG

WEB: MIDCOUNTYGROUNDWATER.ORG/SGMAFUNDING

SIGN UP FOR ELECTRONIC NEWSLETTER

MONTHLY DROP IN HOURS