
SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY FUNDING OPTIONS ASSESSMENT FOR SGMA REGULATORY COMPLIANCE

SCI CONSULTING GROUP

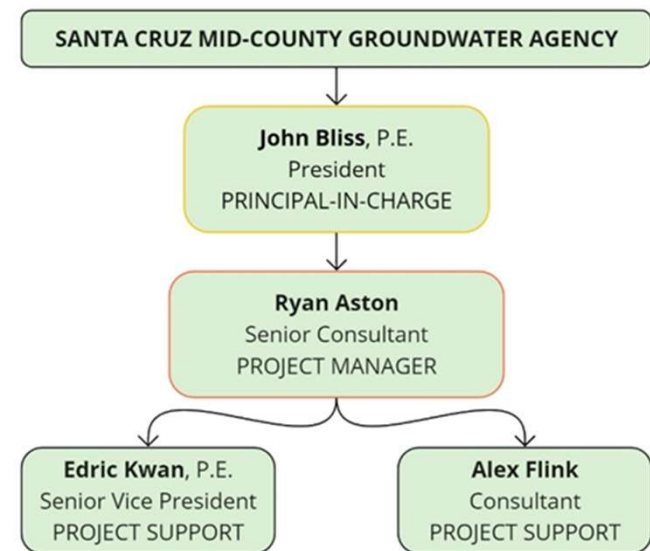
DECEMBER 12, 2024

AGENDA

1. Introductions
2. Project Goals, Scope, and Process
3. Community Outreach
4. Evaluation of Fee Alternatives
5. Questions / Discussion

SCI TEAM

- Ryan Aston – Project Manager, Team lead, day-to-day contact.
- John Bliss – Principal in Charge, project advisor.
- Alex Flink – Project support.
- Edric Kwan – Project support.
- Team experience:
 - Successfully implemented over 300 fees, assessment, and taxes since the inception of Proposition 218.
 - Contributions to five groundwater sustainability plans (funding options assessments).
 - Successfully implemented (or currently developing) 15 GSA fee programs.





PROJECT GOALS, SCOPE, AND PROCESS



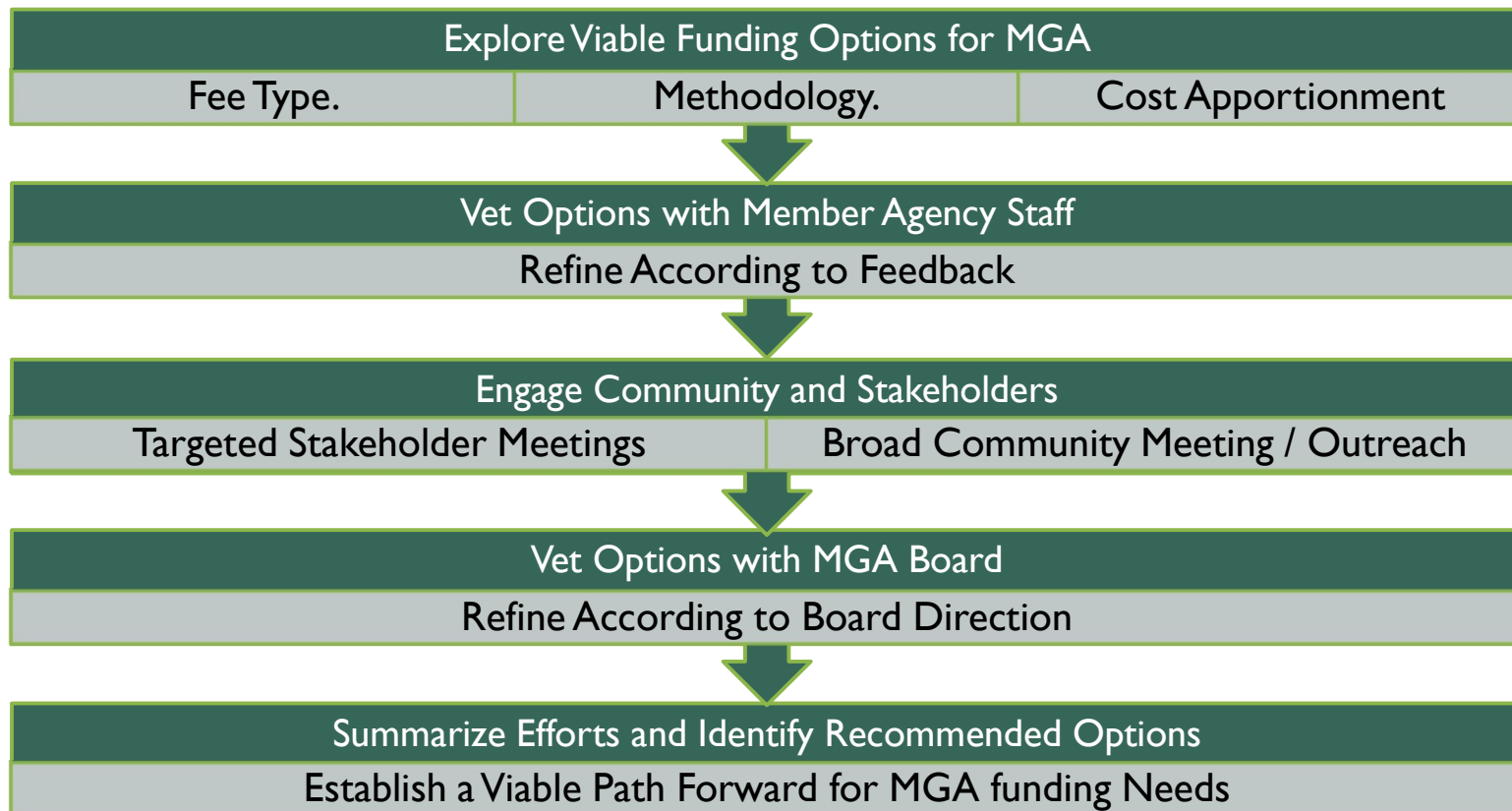
PROJECT GOALS

- Identify Agency funding needs.
- Identify community preferences and stakeholder perspective on funding.
- Identify appropriate legal framework.
- ➔ Determine recommended long-term funding options for MGA regulatory compliance.

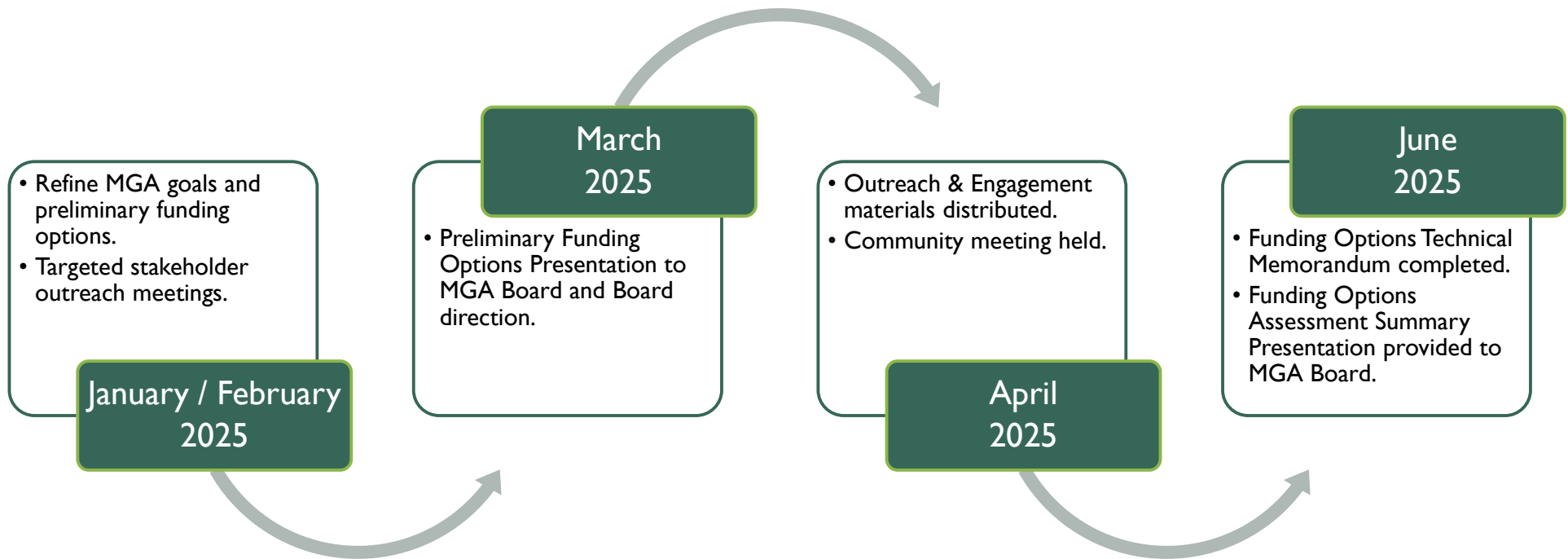
SCOPE OF WORK

1. Kick-Off / Data Gathering
2. Review of GSP / Budget / Agency Background
3. Outreach & Engagement
4. Evaluation of Fee Alternatives
5. Update / Development of Parcel Database
6. Technical Memorandum
7. Meetings & Support

PROJECT PROCESS



TENTATIVE TIMELINE





OUTREACH & ENGAGEMENT



OUTREACH & ENGAGEMENT (I)

SCI's Approach to Outreach: Two Phases

- A **listening phase** where early concepts for system needs and revenue mechanisms are presented to stakeholders for their input and feedback. This helps agencies to broaden their perspective and develop a work product that is responsive to the community's priorities. It also allows agencies to develop a robust messaging program to better engage the broader community regarding funding.
- An **education phase** where the approach and messaging components are well developed. This phase typically occurs after an agency has tentatively approved concepts related to the rate structure.

OUTREACH & ENGAGEMENT (2)

Targeted Stakeholder Meetings

- Tentatively scheduled for early 2025.
- Meetings with various stakeholder categories:
 - Domestic groundwater users.
 - Agricultural groundwater users.
 - Small water systems using groundwater.
 - Urban water users (Basin residents – indirect groundwater users).
- These meetings will be used to describe the need for funding, solicit input on potential MGA funding approaches, and provide an opportunity for stakeholders to share perspective, ask questions, and express concerns.

OUTREACH & ENGAGEMENT (3)

Community Meeting and Messaging Materials

- Messaging materials will be developed in accordance with MGA funding needs, regulatory compliance, and feedback from stakeholder meetings.
- Community meeting tentatively scheduled for April 2025.
 - Broadly-focused overview of Funding Options Assessment process.
 - Opportunity for further feedback, education, and engagement on a larger scale.



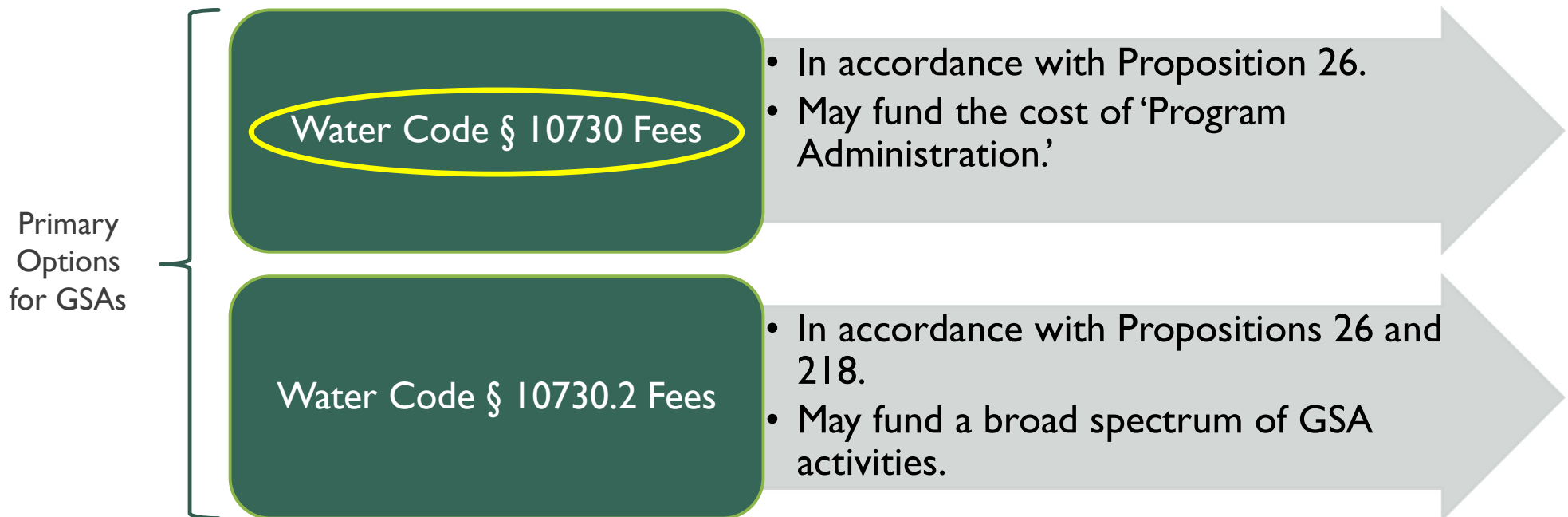
EVALUATION OF FEE ALTERNATIVES



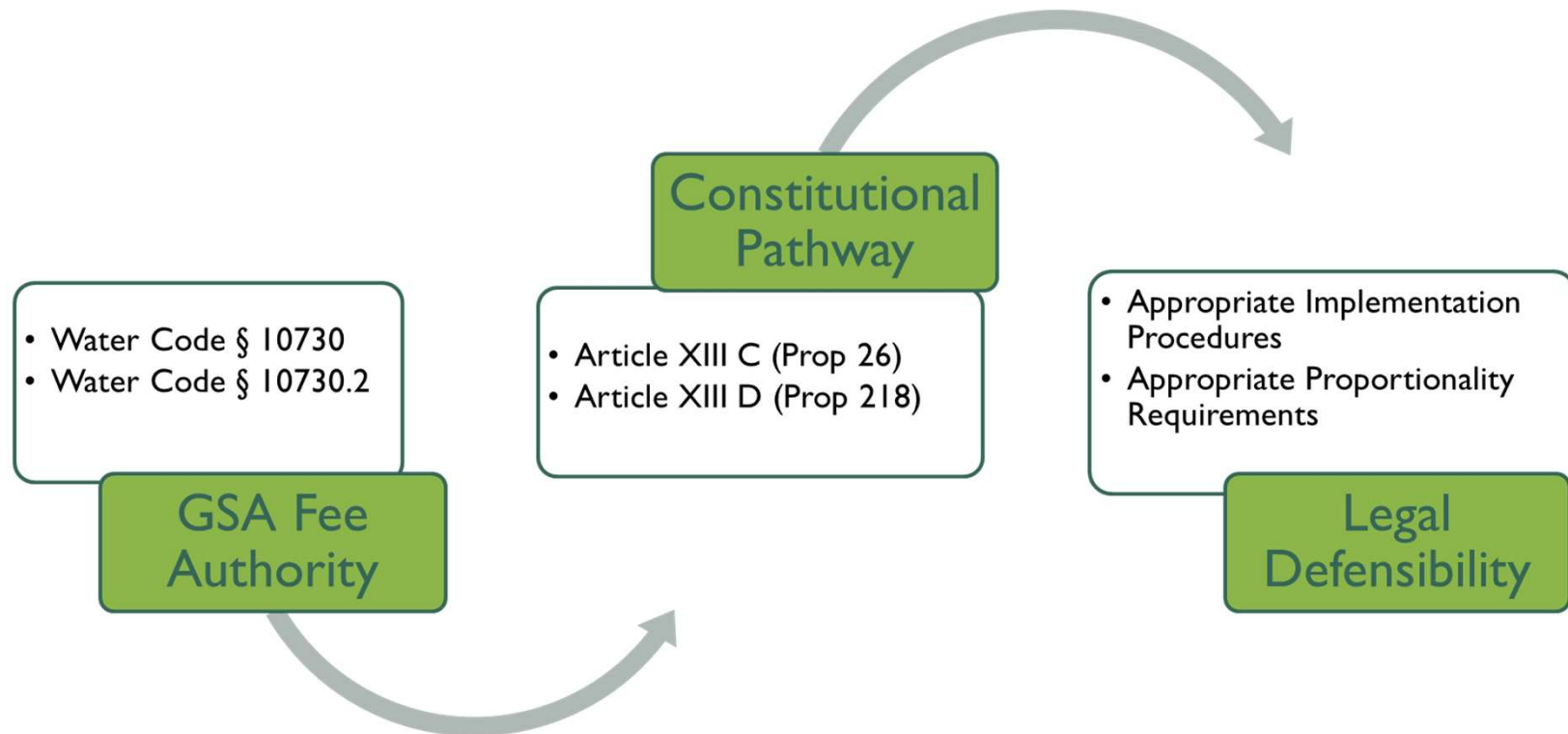
KEY CONSIDERATIONS

- Equity and perceived fairness.
- Community acceptance.
- Political viability.
- Legal defensibility.
- Reliability.
- Administrative & cost efficiency.

SGMA FEE LEGAL FRAMEWORKS (I)



SGMA FEE LEGAL FRAMEWORKS (2)



WATER CODE § 10730 FEES

Legal Framework and Implementation Procedures

- Generally interpreted as regulatory fees subject to **Proposition 26**.
- In order to include de minimis users per SGMA, these users must be regulated pursuant to the GSP.
- Streamlined fee implementation:
 - Notice of proposed fees posted on website and in local newspaper at least 20 days prior to public meeting.
 - Fees imposed by Board action at public meeting reviewing proposed fees (by ordinance or resolution).
 - Rigorous community input not required, but *strongly* recommended.

Use of Funds

- May fund the cost of a groundwater sustainability program, including but not limited to:
 - Preparation, adoption, and amendment of a GSP;
 - Investigations, inspections, compliance assistance, enforcement;
 - Program Administration; and,
 - A prudent reserve.
- *Cannot* fund major capital expenses.

PROPOSITION 26

- Passed by California voters in 2010, Prop 26 sought to more clearly define what charges are designated as a “tax,” and therefore are subject to 2/3 approval at the polls.
- Prop 26 set forth certain exceptions to what is defined as a tax. The most relevant exception for Water Code § 10730 Fees is:

“A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”

WATER CODE § 10730.2 FEES

Legal Framework and Implementation Procedures

- Generally interpreted as property related fees subject to **Proposition 218**.
- More rigorous fee implementation:
 - Notice mailed to all affected property owners at least 45 days prior to protest hearing.
 - Up to and during the protest hearing, affected property owners can submit written protest (one protest per parcel).
 - Protest hearing held; if 50% or more property owners submit written protest, (“majority protest”) fee cannot be imposed.

Use of Funds

- May fund the cost of a groundwater sustainability program, including but not limited to:
 - Administration, operation, and maintenance, including a prudent reserve;
 - Acquisition of lands or other property, facilities, and services;
 - Supply, production, treatment, or distribution of water; and,
 - Other activities necessary or convenient to implement the plan.

PROPOSITION 218

- Passed by California voters in 1996, Prop 218 provides the substantive and procedural requirements of property related fees.
- Prop 218 defined property related fees as:

A charge “imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.”

PRIMARY SGMA FEE METHODOLOGIES

Volumetric

- Produces a charge per AF of groundwater.
- In many cases, this volume must be estimated.

Parcel or Land-Based

- Produces a charge per parcel or per acre (alternative: charge per water connection).
- Not necessarily proportional to water use; often used in tandem with another approach.
- Helps to account for benefit to all Basin stakeholders.
- Must ensure charges are proportional to service / benefit provided (*See Tehama case*).

Irrigated Acreage-Based

- Produces a charge per irrigated acre (often used as a proxy for agricultural groundwater use).
- Not necessarily proportional to water use and cannot be applied to non-ag properties; often used in tandem with another approach.

Hybrid

- Incorporates one or more of the above options.
- Has the potential to optimize multiple approaches (best of both worlds).

COST APPORTIONMENT

- Once the revenue need is defined, costs can be analyzed to determine whether a broad or variable cost apportionment is appropriate.
- This process must comply with the proportionality requirements of Propositions 26 and 218.
- Cost apportionment must be justified by an in-depth analysis and stout rationale.

Broad apportionment.

- Costs that provide a service / benefit consistently to all GW users.

Variable apportionment.

- Costs that provide a service / benefit to specific user classes / land classes only.
- Costs that provide a service / benefit that is weighted towards specific user classes / land classes.

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