SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

BOARD OF DIRECTORS

AGENCY FUNDING OPTIONS ASSESSMENT

DECEMBER 11, 2025

Revised December 12, 2025 (Slide 12)

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

DECEMBER BOARD UPDATE

- SCI is working with staff to refine an analysis of MGA funding options.
- Today's presentation includes key concepts intended to solicit Board feedback.

1. **MGA Costs.**
   - Cost projections, cost drivers, and benefits.
2. **Mid-County Basin Funding Considerations.**
   - Information requested by the Board in September on the costs associated with implementing a fee for private pumpers.
   - Information on the relative effects of common methodologies on Basin groundwater users.
   - Conceptual scenarios illustrating a subset of options on how a fee could be based on Basin characteristics.

MGA COSTS

COSTS, COST DRIVERS, AND BASIN GROUNDWATER USERS

PROJECTED MGA REVENUE NEED – SGMA COMPLIANCE

	Category	2025-26	2026-27	2027-28	2028-29	2029-30
	Beginning Reserves					
1		$1,464,522	$1,127,772	$1,073,744	$608,944	$299,959
	Revenue					
2	Agency Contributions	$0	**$450,000**	**$500,000**	**$550,000**	**$600,000**
3	Agency Contributions (Grant Administration)	$85,000	$40,000	$0	$0	$0
4	Grant Funds (SGMI)	$500,000	$0	$0	$0	$0
5	Interest on Reserves	$25,000	$25,000	$20,000	$15,000	$10,000
6	Total Operating Revenue	$610,000	$515,000	$520,000	$565,000	$610,000
	Operating Expenses					
7	Administration	$155,000	$161,200	$169,260	$177,723	$186,609
8	Legal	$20,000	$20,000	$15,000	$12,500	$12,500
9	Management & Coordination	$309,000	$168,960	$134,118	$139,483	$145,062
10	Monitoring	$221,000	$99,168	$353,134	$107,259	$111,549
11	GSP Reporting	$206,750	$89,700	$293,288	$417,020	$180,901
12	Outreach & Education	$35,000	$30,000	$20,000	$20,000	$20,000
13	Total Operating Expense	$946,750	$569,028	$984,800	$873,985	$656,621
	Ending Reserves					
14		$1,127,772	$1,073,744	$608,944	$299,959	$253,338

Average
$525,000

MGA COSTS

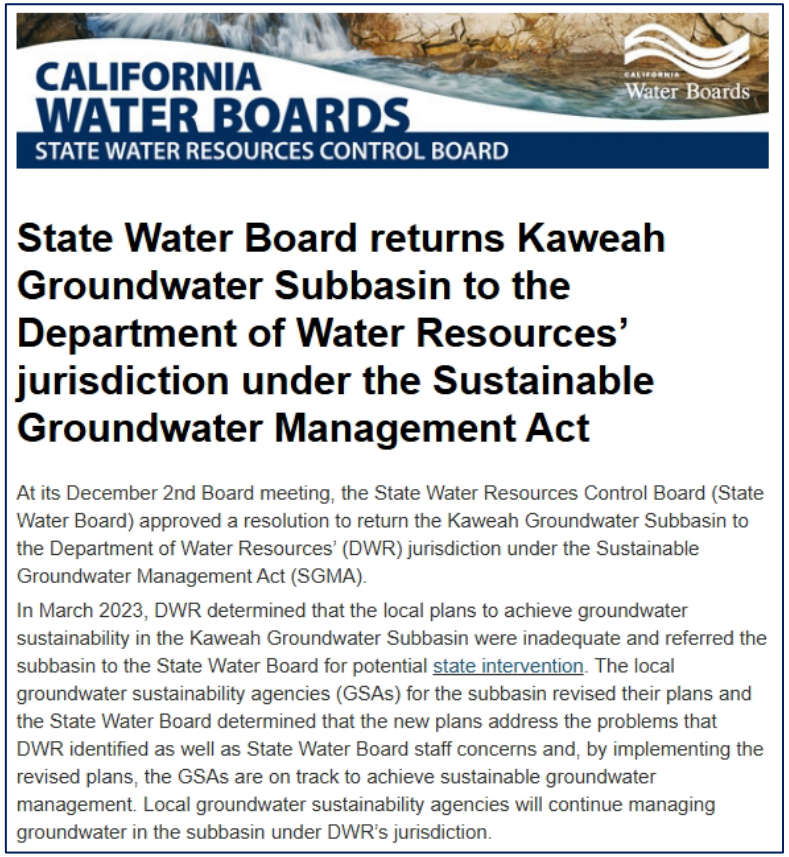
- Costs represent a range of MGA expenses, from administrative to technical.

- **Administration – 21% of costs.**
- **Legal – 2%.**
- **Management and Coordination – 22%.**
  - Technical Work: SGMA Support.
  - Planning Activities and Implementation Coordination.
  - SGMA Funding Options Assessment.
  - SGMA Fee Program Development.
  - SGMI Grant Administration.
- **Monitoring – 22%.**
  - Monitoring Network.
  - Monitoring: Streamflow, Groundwater Levels, Seawater Intrusion.
  - Data Coordination and Data Management System.
  - Groundwater Extraction Metering Program.
- **GSP Reporting – 29%.**
  - GSP Annual Report and Related Data Reporting.
  - GSP Periodic Evaluation (PE) 2030.
  - GSP Amendment (2030) (if necessary).
  - Groundwater Model Improvements and Recalibration.
- **Outreach and Education – 3%.**

COST APPORTIONMENT – BROAD VS. SPECIFIC

Analysis of MGA costs should include consideration of who benefits from Basin sustainability and SGMA compliance.

- Costs may provide a **broad benefit** to all groundwater users and could be apportioned broadly.
- Costs may provide a **specific benefit** to a subset of groundwater users and could be apportioned to those users.
- Note: Costs may be split, apportioned partially in a broad way and partially to specific users.
- Analysis to support these conclusions may include consideration of:
  - **Benefit.** What are groundwater users getting as a result of costs?
  - **Cost Drivers.** Who or what is driving the cost?



WHAT ARE POTENTIAL LOCAL BENEFITS AND COST DRIVERS?

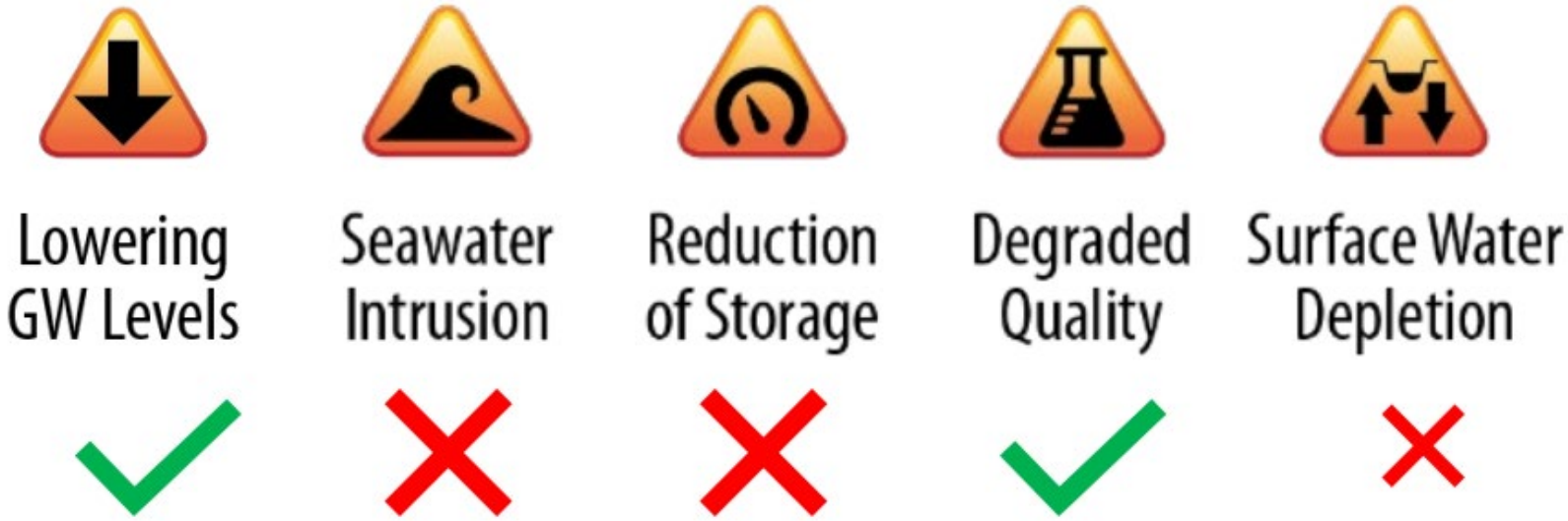
Potential Benefits to GW Users
SGMA Compliance
Maintaining Local Control
Protected Access to Groundwater
Long-Term Reliability of Groundwater Supply
Enhanced Drought Resilience

MGA Costs
Administration
Legal
Management and Coordination
Monitoring
GSP Reporting
Outreach and Education

Potential Cost Drivers
Broad SGMA Compliance
Monitoring, Technical Analysis, and Reporting Associated with Specific Impacts (for example, Seawater Intrusion).

BASIN IMPACTS AS POTENTIAL COST DRIVERS

Potential Consideration: Specific Benefits Could be Related to Addressing Impacts



MID-COUNTY BASIN FUNDING CONSIDERATIONS

METHODOLOGIES USED BY OTHERS AND APPLICABILITY TO MGA

Method	Number of GSAs[1]	Considered for Local MGA Conditions?	Comments on Viablity for MGA
Volumetric	12	Yes	• Potential to equitably apportion costs based on use. • Difficult to account for some private use.
Irrigated Acreage	1	No	• Irrigated acreage with the Basin is extremely limited. • Dry farming is common within the Basin.
Acreage	9	No	• Gross acreage charge does not account for variable benefit (larger parcels don't necessarily use more water).
Parcels	0	No	• Parcels not used exclusively (due to proportionality issues) but can be used in hybrid approach.
Hybrid	10	Yes	• Potential for optimal balance between volumetric (proportional to use) and parcels (acknowledging broad benefit).

(1) Number of GSAs refers to the GSA funding structures researched and presented at the September Board meeting.

MGA CONCEPTUAL FUNDING SCENARIOS

- MGA conceptual funding scenarios are presented to illustrate how various methodologies might apply to MGA.
- Conceptual funding scenarios are intended to:
  - Illustrate a general weighting of responsibility based on various methodologies.
  - Highlight the relative differences between different user types in regard to extraction, consumption, and number of parcels.
- Conceptual funding scenarios are *not* intended to:
  - Infer a final recommended funding structure.
  - Infer that the County would not contribute. While the County is shown as having no extraction, their contribution can be based on other factors.

BASIC ASSUMPTIONS USED FOR DEVELOPING SCENARIOS

Member Agency / User Class	Extraction (AF)	Estimated % of Extraction Consumed[1]	Consumption[2] (AF)	Parcel Count
Central WD	391 (Metered)	40%	156	766
City of Santa Cruz	383 (Metered)	75%	287	11,819
Soquel Creek WD	3,066 (Metered)	75%	2,300	14,743
Private Non-De Minimis	631 (Partial Metered)✚	62% (Variable; avg used)★	392	356
Private De Minimis	621 (Estimated)	33%	205	1,906
Total	5,092	NA	3,340	29,589

(1) Percentage of extraction consumed refers to the portion of extraction that is not returned to the aquifer, which varies depending on the end use (sourced from Santa Cruz Mid-County Basin Model).

(2) Consumption refers to the amount of groundwater consumed by the end user (the remainder returns to the aquifer).

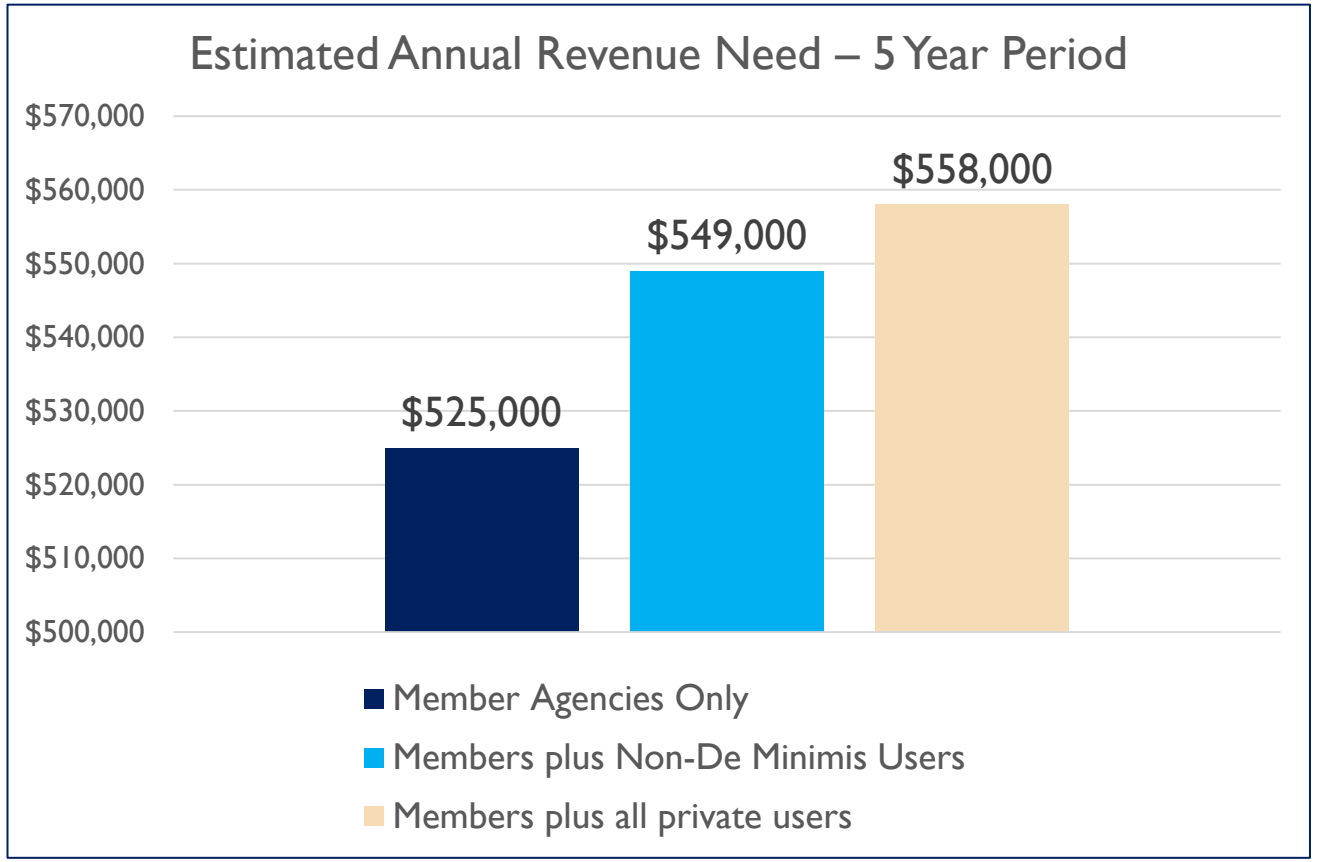
✚ "Partial Metered" and "Estimated" descriptors correct as shown. Version posted 12/11/2025 is incorrect

★ Values here are correct as shown. Version posted 12/11/2025 is incorrect.

PROJECTED MGA COSTS ASSOCIATED WITH ASSESSING ADDITIONAL PRIVATE GROUNDWATER USERS

Additional Costs Associated with Fee Implementation

- Implementation Costs.
  - Estimated at **$70k - $90k.**
  - Fee study and related analysis.
  - Outreach.
- Annual Fee Administration
  - Estimated at **$10k - $15k.**
  - Annual updates.
  - Preparation of levy roll / billing.
- Total estimated additional cost: **$24k - $33k.**



CONCEPTUAL SCENARIO #1
BASIN EXTRACTION BY AGENCY OR USER CLASS

Member Agency / User Class	Average Extraction (AF)	% of Extraction
Central Water District	391	8%
City of Santa Cruz	383	8%
Soquel Creek Water District	3,066	60%
County of Santa Cruz	0	0%
Private De Minimis	621	12%
Private Non-De Minimis	631	12%
Total	5,092	100%

Rate Range

Low	$525,000 / 5,092 Acre Feet	=	$103	per Acre Foot
High	$558,000 / 5,092 Acre Feet	=	$110	per Acre Foot

*High range estimates additional cost if a fee is imposed on private users.

Notes:

- Extraction represents an estimated five-year average.
- Private Non-De Minimis includes agricultural users and institutional / commercial users.
- Private users account for approximately 25% of extraction.

CONCEPTUAL SCENARIO #2
BASIN CONSUMPTION BY AGENCY OR USER CLASS

Member Agency / User Class	Extraction (AF)	% of Extraction Consumed	Consumption	% of Total Consumption
Central Water District	391	40%	156	5%
City of Santa Cruz	383	75%	287	9%
Soquel Creek Water District	3,066	75%	2,300	69%
County of Santa Cruz	0	NA	0	0%
Private De Minimis	621	33%	205	6%
Private Non-De Minimis	631	Variable	392	12%
Total	5,092	NA	3,340	100%

Rate Range

Low	$525,000 / 3,340 Acre Feet	=	$157	per Acre Foot
High	$558,000 / 3,340 Acre Feet	=	$167	per Acre Foot

*High range estimates additional cost if a fee is imposed on private users.

Notes:

- Private Non-De Minimis includes agricultural users and institutional / commercial users.
- Private users account for approximately 18% of consumption.

CONCEPTUAL SCENARIO #3

HYBRID – EXTRACTION & PARCELS

- "Combined Weight" between extraction and parcels is based on a 50 / 50 cost split between the two categories.
- Private users (de minimis + non-de minimis) account for approximately 16% of combined weight.

Extraction		
Member Agency / User Class	Extraction (AF)	% of Extraction
Central Water District	391	8%
City of Santa Cruz	383	8%
Soquel Creek Water District	3,066	60%
County of Santa Cruz	0	0%
Private De Minimis	621	12%
Private Non-De Minimis	631	12%
Total	5,092	100%

Parcels		
Member Agency / User Class	Parcel Count	% of Parcels
Central Water District	766	3%
City of Santa Cruz	11,819	40%
Soquel Creek Water District	14,743	50%
County of Santa Cruz	0	0%
Private De Minimis	1,905	6%
Private Non-De Minimis	356	1%
Total	29,589	100%

Weighted Summary			
Member Agency / User Class	Extraction %	Parcel %	Combined Weight
Central Water District	8%	3%	5%
City of Santa Cruz	8%	40%	24%
Soquel Creek Water District	60%	50%	55%
County of Santa Cruz	0%	0%	0%
Private De Minimis	12%	6%	9%
Private Non-De Minimis	12%	1%	7%
Total	100%	100%	100%

Rate Range

Extraction - 50%

Low	$262,500 / 5,092 Acre Feet	=	$52	per Acre Foot
High	$279,000 / 5,092 Acre Feet	=	$55	per Acre Foot

Parcels - 50%

Low	$262,500 / 29,589 Parcels	=	$9	per Parcel
High	$279,000 / 29,589 Parcels	=	$9	per Parcel

*High range estimates additional cost if a fee is imposed on private users.

CONCEPTUAL SCENARIO #4

HYBRID – TECHNICAL & ADMIN COST SPLIT

- "Combined Weight" between extraction and parcels is based on a 60 / 40 cost split between the two categories.
- Technical costs (60%) applied to all non-de minimis extraction.
- Administrative costs (40%) applied to all water-using parcels.
- Private users account for approximately 12% of combined weight.

Extraction - Technical (Non-De Minimis Only)

Member Agency / User Class	Extraction (AF)	% of Extraction
Central Water District	391	9%
City of Santa Cruz	383	9%
Soquel Creek Water District	3,066	69%
County of Santa Cruz	0	0%
Private Non-De Minimis	631	14%
Total	4,471	100%

Parcels - Administrative (All Users)

Member Agency / User Class	Parcel Count	% of Parcels
Central Water District	766	3%
City of Santa Cruz	11,819	40%
Soquel Creek Water District	14,743	50%
County of Santa Cruz	0	0%
Private De Minimis	1,905	6%
Private Non-De Minimis	356	1%
Total	29,589	100%

Summary

Member Agency / User Class	Extraction %	Parcel %	Combined Weight
Central Water District	9%	3%	6%
City of Santa Cruz	9%	40%	21%
Soquel Creek Water District	69%	50%	61%
County of Santa Cruz	0%	0%	0%
Private De Minimis	0%	6%	3%
Private Non-De Minimis	14%	1%	9%
Total	100%	100%	100%

Rate Range

Technical Costs - 60% (Extraction)

Low	$315,000 / 4,471 Acre Feet	=	$70	per Acre Foot
High	$334,800 / 4,471 Acre Feet	=	$75	per Acre Foot

Admin Costs - 40% (Parcels)

Low	$210,000 / 29,589 Parcels	=	$7	per Parcel
High	$223,200 / 29,589 Parcels	=	$8	per Parcel

*High range estimates additional cost if a fee is imposed on private users.

NEXT STEPS

1. Continue to refine draft Funding Options Memorandum.
2. Incorporate Board feedback regarding MGA funding options analysis.
3. Present Memorandum findings at March 2026 Board meeting.

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

QUESTIONS / DISCUSSION

AGENCY FUNDING OPTIONS ASSESSMENT

DECEMBER 11, 2025