SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

AGENDA PACKET

REGULAR BOARD MEETING
6/18/2026 AT 6:00 P.M.
CAPITOLA LIBRARY, 2005 WHARF ROAD, CAPITOLA

The public may attend and provide public comment in person.
The meeting will also be publicly streamed (viewing only) via Zoom webinar:
https://us06web.zoom.us/j/84209776485
Webinar ID: 842 0977 6485; Webinar audio by phone +16694449171

Disability Access
The meeting room is wheelchair accessible. Please contact Sophia Sholtz at admin@midcountygroundwater.org or 831.662.2055 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

MGA Acronyms and/or Defined Terms

AF – Acre Foot
ACWA – Association of California Water Agencies
ACWA JPIA – ACWA Joint Powers Insurance Authority
ASR – Aquifer Storage and Recovery
Basin – Santa Cruz Mid-County Groundwater Basin
BMP – Best Management Practices
City/CiSC – City of Santa Cruz
CEQA – California Environmental Quality Act
County/CoSC – County of Santa Cruz
CWD - Central Water District
DWR – Department of Water Resources
EIR – Environmental Impact Report
FY – Fiscal Year
GSA – Groundwater Sustainability Agency
GSP - Groundwater Sustainability Plan
IRWM – Integrated Regional Water Management
JPA – Joint Powers Agreement
LAFCO – Local Agency Formation Committee
MGA – Santa Cruz Mid-County Groundwater Agency
MOA – Memorandum of Agreement
MOU – Memorandum of Understanding
PWS – Pure Water Soquel
PV Water – Pajaro Valley Water Management Agency
RCD – Resource Conservation District of Santa Cruz County
RMP – Representative Monitoring Points
RWMF – Regional Water Management Foundation
RFP – Request for Proposals
RFQ – Request for Qualifications
SGMA – Sustainable Groundwater Management Act
SGMI Grant – Sustainable Groundwater Management Implementation Grant
SMC – Sustainable Management Criteria
SMGWA – Santa Margarita Groundwater Agency
SqCWD – Soquel Creek Water District
SWRCB – State Water Resources Control Board
SWIP – Seawater Intrusion Prevention
WASC – Water Supply Advisory Committee
WY – Water Year

ORAL COMMUNICATIONS

MGA Board meeting agendas set aside time for oral communications regarding items not on the agenda but within the purview of the MGA. Oral communications are also heard during the consideration of an agenda item.

Anyone wishing to provide public comment should come to the front of the room to be recognized by the Board Chair. Individual comments are limited to three (3) minutes; a maximum time of 15 minutes is set aside each time for oral communications. The time limits may be increased or decreased at the Board Chair's discretion. Speakers must address the entire Board; dialogue is not permitted between speakers and other members of the public or Board members, or among Board members.

While the Board may not take any action based upon oral communications, an issue raised during oral communications may be placed on the agenda for a future Board meeting.

Organized groups wishing to make an oral presentation to the Board may contact Sophia Sholtz at 831-662-2055 or admin@midcountygroundwater.org, preferably at least two weeks prior to the meeting.

WRITTEN COMMUNICATIONS

Written communications to the Santa Cruz Mid-County Groundwater Agency (MGA) Board may be submitted as follows:

- Via email: comment@midcountygroundwater.org
- Via mail or hand delivery: MGA Board of Directors, c/o Emma Western, 5180 Soquel Drive, Soquel, CA 95073

Deadlines for Submittal:

- Written communications received by 4:00 p.m. on the Tuesday of the week prior to a regularly scheduled (Thursday) Board meeting will be distributed to the Board and made available on the MGA's website at the time the Agenda is posted.
- Written communications received after the 4:00 p.m. deadline will be posted on the MGA website and Board members informed of the communications at the earliest opportunity. Please note, communications received after 9:00 a.m. the day before the Board Meeting may not have time to reach Board members, nor be read by them prior to consideration of an item.
- Written communications received at a Board meeting will be distributed to Board members and posted on the MGA website at the earliest opportunity.

Any written communication submitted to the Board will be made available on the MGA website at http://www.midcountygroundwater.org/committee-meetings and constitutes a public record. Please do not include any private information in your communication that you do not want made available to the public.

DISABILITY ACCESS: Please contact Sophia Sholtz at admin@midcountygroundwater.org or 831-662-2055 for information or to request an accommodation.

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

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

midcountygroundwater.org • 5180 Soquel Drive • Soquel, CA 95073

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
Board of Directors Meeting
Thursday, June 18, 2026, at 6:00 p.m.
Capitola Library, 2005 Wharf Road, Capitola

AGENDA
The public may attend and provide public comment in person.
The meeting will also be publicly streamed (viewing only) via Zoom webinar:

https://us06web.zoom.us/j/84209776485
Webinar ID: 842 0977 6485; Webinar audio by phone (669) 444-9171

1. Call to Order

2. Roll Call

3. Oral Communications Related to Items Not on the Agenda
Issues within the purview of the Santa Cruz Mid-County Groundwater Agency. Guidelines attached.

4. Consent Agenda
- 4.1 Approve March 19, 2026 Meeting Minutes
- 4.2 Treasurer's Report
- 4.3 Approve Annual Investment Policy for Fiscal Year 2026–2027
- 4.4 Approve Amendment to Agreement with Best, Best, & Krieger, LLP for Legal Support Related to the Sustainable Groundwater Management Act for Fiscal Year 2026–2027
- 4.5 Approve Contract Time Extension with Regional Water Management Foundation for Grant Administration for Fiscal Year 2026–2027
- 4.6 Approve Contract with Montgomery & Associates for Planning and Technical Services for Groundwater Sustainability Plan Implementation and Reporting for Fiscal Year 2026–2027

5. General Business
- 5.1 Accept Audited Financial Statements for Fiscal Year 2024–2025
- 5.2 Updates from Member Agencies on Sustainable Groundwater Management Act Compliance Funding Options
- 5.3 Approve Annual Budget for Fiscal Year 2026–2027

6. Informational Updates

6.1 Regional Housing Needs Assessment and Water Demand Projections

6.2 Staff Reports

- Groundwater Sustainability Plan Implementation Status Update
- Sustainable Groundwater Management Implementation Grant Update
- California Senate Bill 827 Required Fiscal & Financial Training

7. Future Agenda Items

8. Written Communications and Submitted Materials

Written communications received by 4:00 p.m. on the Tuesday of the week prior to a regularly scheduled (Thursday) Board meeting will be distributed to the Board and made available on the MGA website at the time the Agenda is posted.

9. Adjournment

Next Board Meeting: September 17, 2026

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
Board of Directors Meeting
March 19, 2026, at 6:00 p.m.
Capitola Branch Library, 2005 Wharf Road, Capitola
Meeting webcast (via Zoom) for remote viewing.

MINUTES

1. Call to Order

The meeting was called to order at 6:00 p.m. by Chair Kennedy.

2. Roll Call

Directors present: (Alternates acting as voting Directors shown in *italics*)
Jon Kennedy (Chair) – Private Well Owner
Carla Christensen (Vice Chair) – Soquel Creek Water District (arrived at 6:03 p.m.)
Jim Kerr (Secretary) – Private Well Owner
David Baskin – City of Santa Cruz
Kimberly De Serpa – County of Santa Cruz (arrived at 6:08 p.m.)
Keith Gudger – Private Well Owner
Robert Marani – Central Water District
Susie O'Hara – City of Santa Cruz
Marco Romanini – Central Water District
Jennifer Balboni – Soquel Creek Water District
Jillian Ritter – County of Santa Cruz

Alternates present as non-voting observers:
Robert Schultz – Private Well Owner

Member Agency Staff present:
Heidi Luckenbach – City of Santa Cruz
Melanie Mow Schumacher – Soquel Creek Water District
Sierra Ryan – County of Santa Cruz
Ralph Bracamonte – Central Water District
Leslie Strohm, Treasurer – Soquel Creek Water District

Supporting Staff and Consultants:
Tim Carson, Rob Swartz, Sophia Sholtz – Regional Water Management Foundation (RWMF)
Ryan Aston (remote via Zoom) – SCI Consulting Group (SCI)
Georgina King (remote via Zoom) – Montgomery & Associates (M&A)

3. Oral Communications Related to Items Not on the Agenda

Becky Steinbruner commented. Another member of the public commented.

4. Consent Agenda

4.1 Approve December 11, 2025 Meeting Minutes
4.2 Treasurer's Report for Period Ending February 28, 2026
4.3 Acknowledge 2026 MGA Board Appointments
4.4 Approve Amendment to Agreement with Trout Unlimited for Streamflow and Shallow Well Monitoring (Year 4)

No questions or comments on this item.

MOTION: Director Kerr; Second: Director Romanini; to approve the consent agenda. Motion passed (9:2). Director Gudger, Director Baskin, abstained from voting on the minutes.

5. General Business

5.1 Approve Submittal of Santa Cruz Mid-County Basin Water Year 2025 Annual Report to the California Department of Water Resources

Georgina King presented on the 7th Santa Cruz Mid-County Basin (Basin) Annual Report for Water Year 2025 (WY25). Precipitation in the Basin was below average, and about 100 acre-feet (AF) more groundwater was pumped in WY25 than the average of the previous five years.

Eight of 19 wells continue to exceed seawater intrusion groundwater level minimum thresholds (MTs), which indicates an undesirable result according to the MGA's Groundwater Sustainability Plan (GSP). Two wells in the Purisima F Unit exceed chloride MTs, which also indicate an undesirable result for that sustainability criteria.

For the Chronic Lowering of Groundwater Level Sustainability Criteria, groundwater levels remain at well above the MTs set in the GSP, indicating no undesirable results.

Reduction of Groundwater in Storage is measured in three different aquifer unit groups: Aromas Red Sands and Purisima F; Purisima DEF, BC, A, and AA; and Tu. The Aromas Red Sands and Purisima aquifer unit groups have a five-year moving average net extraction that exceeds the minimum threshold, which indicates an undesirable result. The Tu group has a five-year moving average net extraction below the minimum threshold, meaning there is not an undesirable result happening in that aquifer group.

Degradation of Groundwater Quality uses Iron/Manganese, Total Dissolved Solids (TDS)/Chloride, and Nitrates as sustainability indicators. Seventeen wells have Iron/Manganese levels that exceed MTs, three wells have TDS/Chloride MT exceedances and one well has a Nitrate exceedance. However, based on the GSP criteria these MT exceedances do not indicate undesirable results for groundwater quality.

Depletions of Interconnected Surface Water is measured by monitoring wells along Soquel Creek. There is one monitoring well whose groundwater level is lower than the MT, which the MGA GSP defines as an undesirable result.

The MGA has until January 2040 to achieve sustainability by showing no undesirable results as defined by the MGA's GSP.

The MGA's first Periodic Evaluation (PE) was submitted to the California Department of Water Resources in January 2025, and comments are expected from DWR later this year. Pure Water Soquel, one of the largest Project and Management Actions for the MGA, completed construction in WY 25 and started recharging the Basin on December 1, 2025. The City of Santa Cruz Aquifer Storage and Recovery (ASR) project is underway, with modifications being made to existing production wells to become ASR wells.

Georgina King answered questions from Directors.

Becky Steinbruner commented.

MOTION: Director Baskin; Second: Director Christensen; to approve the submittal of the Santa Cruz Mid-County Basin Water Year 2025 Annual Report to the California Department of Water Resources. Motion passed unanimously.

5.2 Seascape Area Seawater Intrusion Investigation

Georgina King presented on the Seascape Area Seawater Intrusion Investigation conducted due to increasing chloride concentrations found in two monitoring wells along the coast in the Seascape Area. Undesirable results have been occurring in these wells since 2021. Key questions that this investigation hoped to answer are: What are the causes of chloride increases? Is seawater intrusion advancing? Could there be further impacts to beneficial users in the Seascape area?

This investigation undertook a three-pronged approach to answering the posed questions: review groundwater level data; review existing and collect new water quality data; and review existing and collect new geophysical data in order to understand the flow of groundwater, the extent and temporal trends of potential intrusion, and the extent and potential movement of saline water into the aquifers.

There was additional water quality monitoring to better understand the freshwater/seawater interface and a review of existing regional flow modeling results to estimate effects of future projects on groundwater flow gradients.

Georgina King presented the three key findings of this investigation. The first is that seawater intrusion continues in the Purisima F Unit aquifer and has existed there since at least the 1970s when it was first observed. The saltwater wedge has moved inland over time, and geophysical data indicates the toe extends just over a mile inland at a depth of 600 feet below ground surface, but that there is no impact on drinking water due to the screening depth of production wells in the area.

The second key finding is that there is emerging seawater intrusion occurring in the upper Purisima F aquifer. The third key finding is that the Shallow Aromas aquifer is mostly unintruded, but that there is a limited area of intrusion that is unrelated to the intrusion in the upper Purisima F aquifer.

The report's recommendations include continuing to monitor and report on the conditions in the area. At the monitoring wells showing an exceedance of TDS/chlorides, use continuous electrical conductivity monitoring and annual induction logging to track continued intrusion. It is also recommended to notify private groundwater pumpers in the Seascape area of the study results and to work collaboratively with them in continued monitoring.

Georgina King answered Board questions.

Becky Steinbruner commented.

MOTION: Director O'Hara; Second: Alternate Director Ritter; to accept the Seascape Area Seawater Intrusion Investigation Report. Motion passed unanimously.

5.3 Establish an ad hoc Committee to Assess Funding Options and Appoint Committee Members

Prior to discussion of forming the ad hoc committee, Director Baskin made a motion to continue the item until the June meeting, and requested that at the June meeting each Member Agency inform the Board if they believe the current system is inequitable and why.

Director O'Hara seconded Director Baskin's motion with a friendly amendment to direct Member Agency staff to work with their Agency's appointed Board Member to develop a Member Agency recommended funding model and its related methodology, including but not limited to all previously suggested potential funding models presented by Ryan Aston (SCI Consulting Group) in the Funding Options assessment.

Gizelle Sipin made a public comment. Becky Steinbruner made a public comment.

MOTION: Director Baskin; Second: Director O'Hara; to direct MGA staff and Member Agency staff work to prepare and direct a facilitated session on June 18, 2026, which would include a report out from each Member Agency and their respective Board Member(s) on:

1. Why they believe the current system is inequitable (Motion from Director Baskin), **and**

2. A proposed funding allocation including appropriate methodologies from the SCI report (friendly Amendment from Director O'Hara).

Motion passed (10:1). Director Gudger voted no.

Ryan Aston from SCI Consulting Group (SCI) presented his final report on the Funding Options Technical Memorandum. This tech memo describes issues related to funding MGA's

Sustainable Groundwater Management Act (SGMA) compliance efforts: MGA Basin characteristics, funding mechanism legal frameworks, funding mechanism methodologies, and key local considerations.

Becky Steinbruner commented.

5.4 Approve Amendment to Agreement with SCI Consulting Group for SGMA Compliance Funding Options Assessment

SCI was selected via a competitive proposal to lead the funding options assessment in February of 2025. The Executive Team approved a contract with them for one year. At the December Board meeting, Directors expressed support in extending the contract with SCI so that they could participate in further funding discussions once their initial report was completed.

This amendment would serve to extend SCI's current contract terms and add an amount not-to-exceed $15,640 for further support through the next phase of the funding agreement. Tim Carson requested Board feedback, given the amended motion on Item 5.3, on whether the Board was still interested in amending the current agreement.

After Board questions, Tim Carson clarified that the nature of the amendment did not bind the MGA to spend the full amount, but that it allowed the Agency to spend up to that amount at the Agency's discretion.

Becky Steinbruner commented.

MOTION: Director Romanini; Second: Director Christensen; to authorize the General Manager of Soquel Creek Water District to execute Amendment 1 to Agreement (2024-01) with SCI for an additional amount not-to-exceed $15,640. Motion passed unanimously.

5.5 Review Budget for Fiscal Year 2025-2026 and Provide Direction on Preliminary Budget for Fiscal Year 2026-2027

Tim Carson presented the approved and projected budgets for Fiscal Year 2025-2026 (FY 25/26) as well as the preliminary budget for FY 26/27. The projected expenses for FY25/26 are higher than the approved budget by approximately $39,000; the Contingency approved for FY25/26 is $94,985. He reviewed the Operating Expenses, which show an overall decrease of 25% from FY 25/26 to FY26/27. The majority of cost savings stem from the Management & Coordination and Monitoring line items, which are reduced by approximately $155,000 and $75,000, respectively.

Tim Carson then reviewed the budget summary, showing a reduction of the Reserves in line with the Reserves Policy adopted in 2024. It is recommended that beginning next fiscal year, the MGA begin to collect Member Agency contributions to avoid spikes in future Member Agencies as Reserves are drawn down and which begins on the next Periodic Evaluation. As such, there will be a slight increase in ending reserves, but will continue to be spent down in future Fiscal Years.

DRAFT

Tim Carson answered Board questions about the authority that Staff and the Executive Team have regarding changing the budget and discretionary spending. Under the Procurement Policy, the Executive Team is authorized to incur expenses up to $50,000, and anything over $50,000 must come to the Board for approval.

Note: Zoom recording stopped at this item due to a loss of internet connectivity at the library.

Informational item only, no action required.

5.6 Conduct Annual Election of Officers

Director Romanini was nominated and elected as the Chair, Director O'Hara was nominated and elected as the Vice Chair, and Director Kerr was nominated and elected as the Secretary. All elections were majority vote.

MOTION: Alternate Director Ritter; Second: Director Kennedy; to approve the Officer appointments. Motion passed unanimously.

6. Informational Updates

6.1 Staff Reports

- GSP Implementation Status Update

Rob Swartz gave a brief oral update from the GSP Implementation Status Update memo that was provided Agenda Packet.

No questions or comments were received on the item.

- SGMI Grant Update

Information on the status projects funded by the Agency's Sustainable Groundwater Management Implementation (SGMI) grant awarded by DWR can be found in the Agenda Packet for review.

Tim Carson updated the Board on the status of various SGMI grant projects, including the City of Santa Cruz' Aquifer Storage and Recovery Well project.

No questions or comments were received on the item.

6.2 FPPC Compliance Report

No questions or comments were received on the item.

7. Future Agenda Items

DRAFT

Director Marani commented on the State's Regional Housing Needs Allocation to increase housing in Santa Cruz County and directed staff to work with County Planning staff to estimate the water impact of future required development, estimate number of units, and estimated locations of proposed developments.

Director Baskin requested that Staff return with information on what the GSA can do regarding proposed developments.

8. Written Communications and Submitted Materials

Written comments can be found at the MGA website.

9. Adjournment

Meeting adjourned at 8:47 p.m.

Next Board Meeting: June 18, 2026

SUBMITTED BY:

_____	_____
Sophia Sholtz Regional Water Management Foundation	Jim Kerr, Secretary Santa Cruz Mid-County Groundwater Agency

DRAFT

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Consent Agenda Item 4.2

Title: Treasurer's Report

Attachment(s):
1. Treasurer's Report for the Period Ending May 31, 2026

Recommended Board Action: Informational, no action necessary.

Attached is the Treasurer's Report for March through May 2026. These reports contain 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 the period ending date.
- Statement of Net Position
  - This interim financial statement details the cash balance at Wells Fargo Bank, the investment funds at West Coast Community Bank and the IntraFi Investment Account, membership revenue still owed through accounts receivable, if any, prepaid expenses such as insurance, outstanding grant receivables or liabilities, and the resulting net income as reported on the Statement of Changes in Revenues, Expenses and Net Position.
- 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 Board Action:

1. Informational, no action necessary.

Submitted by:

Leslie Strohm
Treasurer
Santa Cruz Mid-County Groundwater Agency

Treasurer's Report

Santa Cruz Mid-County Groundwater Agency
For the period ended May 31, 2026

Prepared by
Leslie Strohm, Treasurer

Prepared on
June 10, 2026

Statement of Revenues, Expenses and Changes in Net Position

March - May, 2026

	Total
INCOME	
Total Income	
GROSS PROFIT	**0.00**
EXPENSES	
5100 Groundwater Management Services	16,664.59
5110 Groundwater Monitoring	2,454.50
5315 Office Services	208.80
5340 Computer Services	982.57
5415 Outreach Services	90.00
5510 GSP Consulting Services	27,551.50
5520 Legal Services	1,217.75
5600 Pass-through Grant Expenses	265,982.00
Total Expenses	**315,151.71**
NET OPERATING INCOME	**-315,151.71**
OTHER INCOME	
4300 Interest Revenue	5,385.31
4401 Grant Revenue - DWR SGMI Grant	444,411.69
Total Other Income	**449,797.00**
NET OTHER INCOME	**449,797.00**
NET INCOME	**$134,645.29**

Statement of Net Position

As of May 31, 2026

	Total
ASSETS	
Current Assets	
Bank Accounts	
1100 Wells Fargo Business Checking	418,506.30
1110 WCCB Business Money Market Account	5,015.94
1120 IntraFi Investment Account	823,126.69
Total Bank Accounts	**1,246,648.93**
Accounts Receivable	
1220 Accounts Receivable - Grants	414,654.42
Total Accounts Receivable	**414,654.42**
Other Current Assets	
1400 Prepaid Expenses	1,959.19
Total Other Current Assets	**1,959.19**
Total Current Assets	**1,663,262.54**
TOTAL ASSETS	**$1,663,262.54**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2110 Accounts Payable - Grants	289,022.00
Total Accounts Payable	**289,022.00**
Total Current Liabilities	**289,022.00**
Total Liabilities	**289,022.00**
Equity	
3100 Retained Earnings	1,717,073.51
Net Income	-342,832.97
Total Equity	**1,374,240.54**
TOTAL LIABILITIES AND EQUITY	**$1,663,262.54**

Warrants

March - May, 2026

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
Bill Payment (Check)						
05/21/2026	Bill Payment (Check)	10499	County of Santa Cruz (County Counsel)	Legal services		-893.75
						-893.75
05/21/2026	Bill Payment (Check)	10500	Regional Water Management Foundation	SGMI grant admin		-16,528.09
						-16,528.09
05/21/2026	Bill Payment (Check)	10501	Soquel Creek Water District	Google, Quickbooks, Zoom, Mailchimp, data logger		-1,107.19
						-1,107.19
05/21/2026	Bill Payment (Check)	10502	Errol L Montgomery & Associates Inc	MGA model update, GSP annual report, evaluate seawater intrusion		-29,347.00
						-29,347.00
05/21/2026	Bill Payment (Check)	10503	City of Santa Cruz Water Dept	SGMI grant invoice 14		-68,761.30
						-68,761.30
05/21/2026	Bill Payment (Check)	10504	Soquel Creek Water District	SGMI grant invoice 12 retention		-31,295.34

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
						-31,295.34
04/20/2026	Bill Payment (Check)	10496	Soquel Creek Water District	Google, Quickbooks, Zoom, Mailchimp, Network Solutions, Accessibe	R	-1,143.30
						-1,143.30
04/20/2026	Bill Payment (Check)	10497	Errol L Montgomery & Associates Inc	Groundwater model updates, GSP annual report, monitoring network support	R	-128,762.00
						-128,762.00
04/20/2026	Bill Payment (Check)	10498	Best Best & Krieger LLP	Legal services	R	-324.00
						-324.00
03/16/2026	Bill Payment (Check)	10487	Geophysical Imaging Partners Inc	sTEM geophysical survey	R	-24,965.00
						-24,965.00
03/16/2026	Bill Payment (Check)	10488	SCI Consulting Group	Evaluation of fee alternatives	R	-12,701.50
						-12,701.50
03/16/2026	Bill Payment (Check)	10489	Trout Unlimited Inc	Streamflow monitoring	R	-17,587.04
						-17,587.04

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
03/16/2026	Bill Payment (Check)	10490	County of Santa Cruz Health Services Agency	RWMF admin services	R	-82,827.57
						-82,827.57
03/16/2026	Bill Payment (Check)	10491	County of Santa Cruz (County Counsel)	Legal services	R	-2,681.25
						-2,681.25
03/16/2026	Bill Payment (Check)	10492	Tree Top Web Design	Website update	R	-3,720.00
						-3,720.00
03/16/2026	Bill Payment (Check)	10493	Soquel Creek Water District	SGMI grant invoice 13a	R	-85,064.80
						-85,064.80
03/16/2026	Bill Payment (Check)	10494	Pacific Policy Group LLC	Lobbying services	R	-2,500.00
						-2,500.00
03/16/2026	Bill Payment (Check)	10495	City of Santa Cruz Water Dept	SGMI grant invoice 13a	R	-6,736.50
						-6,736.50
Expense						
04/06/2026	Expense	US004B8Cls	Google - Online Payments	G Suite Subscription	R	-104.40
				Google Payment - G Suit		104.40

Date	Transaction Type	Num	Name	Memo/Description	Clr	Amount
03/05/2026	Expense	US004Avkuh	Google - Online Payments	G Suite Subscription	R	-104.40
				Google Payment - G Suit		104.40

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Consent Agenda Item 4.3

Title: Approve Annual Statement of Investment Policy Fiscal Year 2026–2027

Attachment(s):
1. Annual Statement of Investment Policy Fiscal Year 2026–2027

Recommended Board Action: Approve and adopt the Annual Statement of Investment Policy Fiscal Year 2026–2027.

Background
Investment laws require all local agencies to develop an Annual Investment Policy and submit it to the legislative body of the local government for approval at a public meeting. The Investment Policy serves as the foundation for setting and achieving program objectives, defining rules, establishing benchmarks, reducing the exposure to liability of both the Executive Staff and Board, and is considered an important document to rating agencies for determining credit ratings. California Government Code (CGC) contains specific provisions regarding the types of investments and practices permitted after considering the broad requirements of preserving principal and maintaining liquidity before seeking yield. These provisions are intended to promote the use of reliable, diverse, and safe investment instruments to better ensure a prudently managed portfolio worthy of public trust.

Discussion
The California Debt & Investment Advisory Commission (CDIAC) was created by the California Legislature to assist public agencies in the management of public debt and the investment of public funds. Each year, CDIAC staff convenes a working group of public- and private-sector professionals to support its efforts to revise and update the *Local Agency Investment Guidelines*. The 2026 Guidelines reflect any statutory changes adopted by the Legislature and signed by the Governor effective January 1, 2026. These changes have been noted in the attached document.

The Draft Investment Policy was prepared in accordance with CDIAC 2026 Local Agency Investment Guidelines. The draft policy was also compared to the most recent "model policy" of the Association of Public Treasurers of the United States and Canada.

Recommended Board Action:

1. By MOTION, approve and adopt the Annual Statement of Investment Policy Fiscal Year 2026–2027

Submitted by:

Leslie Strohm
Treasurer
Santa Cruz Mid-County Groundwater Agency

On behalf of the MGA Executive Staff
Melanie Mow Schumacher, General Manager, Soquel Creek Water District
Ralph Bracamonte, District Manager, Central Water District
Heidi Luckenbach, Water Director, City of Santa Cruz
Sierra Ryan, Water Resources Manager, County of Santa Cruz

ANNUAL STATEMENT OF INVESTMENT POLICY
Effective from July 1, 2026 to June 30, 2027

This statement is submitted to the Santa Cruz Mid-County Groundwater Agency ("MGA" or "Agency") Board of Directors to comply with Section 53646 of the California Government Code. It is intended to provide a guideline for the prudent investment of surplus cash reserves and to outline a policy for maximizing the efficiency of the Agency's cash management.

1.0 Policy

It is the policy of the MGA to invest public funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the Agency and conforming to all state and local statutes governing the investment of public funds, such as the Government Code of California Section 53601, et. seq. (Appendix A & B).

2.0 Scope

This investment policy applies to all financial assets of the MGA as accounted for in the annual audited financial report. This policy applies to all funds under the Treasurer's span of control unless specifically exempted by statute or ordinance. The MGA accounts for its operations as an enterprise fund.

2.1 Funds

General Reserve Fund (Wells Fargo Bank)
West Coast Community Bank (WCCB) Money Market Account
IntraFi Investment Account through WCCB

3.0 Prudence

As an investment standard, any investment shall be made with "judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."[1] All transactions shall be undertaken in the best interest of the MGA, and certainly not in the interest of broker-dealers.

3.1 The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or

[1] Prudent Person Rule set forth in the California Uniform Prudent Investor Act.

market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. (Appendix D)

4.0 Objective

The primary objectives, in priority order, of the Santa Cruz Mid-County Groundwater Agency investment activities shall be:

4.1 **Safety**: Safety of principal is the foremost objective of the investment policy. Investments of the MGA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Agency will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2 **Liquidity**: The MGA's investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements which might be reasonably anticipated.

4.3 **Return on Investments**: The MGA's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the Agency's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 Delegation of Authority

Authority to manage the MGA's investment program is derived from the Government Code of the State of California, Section 53600 et seq. The authority to invest public funds is expressly delegated to the Board of Directors for the subsequent redelegation to the Executive Staff. Under the express supervision of the Executive Staff, daily management responsibility has been delegated to the Treasurer who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and with the unanimous approval of the Executive Staff.

6.0 Ethics & Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Delegates and investment officials shall disclose to the

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Executive Staff any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the MGA, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained as needed of approved security brokers/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule - Appendix E). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: audited financial statements, proof of National Association of Security Dealers certification, trading resolution, proof of state/province registration, certification of having read the MGA's investment policy. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. A current audited financial statement is required to be on file for each financial institution or broker/dealer in which the Agency invests.

8.0 Authorized & Suitable Investments

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle.

The MGA is empowered by statute to invest in the following types of securities:

1. Government securities and debt obligations issued by the U.S. Government or its agencies and are the highest quality investments available in terms of safety and liquidity. Among these are U.S. Treasury Bills and Notes; Federal Agency investments such as Government National Mortgage Association (Ginnie Mae); Federal National Mortgage Association (Fannie Mae); Federal Land Bank (FLB); and Federal Farm Credit Banks; State of California bonds and California local agency bonds. These investments are, however, subject to the prohibition against inverse floaters, range notes, interest-only strips derived from a pool of mortgages, and securities that could result in zero-interest accrual (prohibition temporarily suspended until January 1, 2031) in Section 53601.6 (exempting mutual funds). The MGA will require safekeeping documentation of the treasury instruments in an acceptable safekeeping account in the MGA's name. All interest will be deposited into the account or accounts that will best ensure the preservation of capital.

2. Certificates of Deposit (CD) must be fully insured by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Securities Investor Protection Corporation (SIPC), or fully collateralized to 110% of market value of principal and accrued interest for governmental securities and 150% of market value of principal and accrued interest for first mortgage collateral. Further to be considered by the Agency:
    a. The issuer must be a nationally or state-chartered bank, savings association, federal association, state or federal credit union, or a federally or state-licensed branch of a foreign bank with a branch in California.
    b. It must have been in existence at least five years.
    c. Eligibility for deposits shall be limited to those financial institutions that maintain a rating equivalent to Moody's or Standard & Poor's rating of "A" or higher.

    Funds invested through a CD Placement Service are not subject to (a), (b), or (c) above, however each individual CD will be limited to the amount that is fully insured by the FDIC, NCUA, SIPC, or fully collateralized as discussed above.

The maximum to be invested with any one institution will be up to the federally insured amount with the exception of:

1. The MGA's Wells Fargo Bank Account No. XXXXXXX698 designated to be the Agency's Depository.
2. The State Local Agency Investment Fund (LAIF) or other LAIF-like Local Agency Pool, if applicable.

Interest earned on all accounts will be paid monthly unless the principal sum is under the federally insured maximum and deposited into the account or accounts that will best ensure the preservation of capital.

The MGA does not buy stocks; it does not speculate; it does not deal in futures, options, annuities, exchange-traded funds (ETFs), real estate investment trusts (REITs), or security loan agreements; it does not invest or place funds in other than the areas outlined above.

9.0 Investment Pools/Mutual Funds

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will provide the following information:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.

- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, and what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Whether reserves, retained earnings, etc. are utilized by the pool/fund.
- A fee schedule, and when and how it is assessed.
- Whether the pool/fund is eligible for bond proceeds and/or whether it will accept such proceeds.

10.0 Collateralization

Collateralization will be required on any Certificate of Deposit not fully insured by the Federal Depository Insurance Corporation (FDIC), National Credit Union Administration (NCUA) or Securities Investment Protection Corporation (SIPC). In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest for governmental securities and 150% of market value of principal and accrued interest for first mortgage collateral.

Collateral will always be held by an independent third party with whom the entity has a current written custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the MGA and retained. The right of collateral substitution is granted.

11.0 Safekeeping and Custody

All security transactions entered into by the MGA shall be conducted on a delivery-versus-payment (DVP) basis and held in safekeeping pursuant to a safekeeping agreement. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

12.0 Diversification

The MGA will diversify its investments by security type and institution. No more than 50% of the Agency's total investment portfolio may be invested in a single security type or with a single financial institution other than U.S. Treasury securities and authorized investment pools. The maximum allowable percentage for each type of security is set forth as follows:

Security	Maximum % of Portfolio	Maximum Maturity	
U.S. Treasury & Agency Securities	100%	5 years	
State of CA & CA Agency Securities	100%	5 years	
Local Agency Pools	100%	N/A	

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Bankers Acceptances	40%	180 days	No more than 30% of the surplus funds may be in Bankers Acceptances in any one commercial bank
Commercial Paper – Non-Pooled Funds	25%	~~270~~ 397 days	No more than 10 percent of the agency's money may be invested in any one issuer's commercial paper.
Negotiable Certificate of Deposit	30% (combined with placement service CDs)	5 years	Subject to conflict of interest limitation
CD Placement Service	30%	5 years	
Medium Term Corporate Notes	30%	5 years	"A" Rating
Mutual Funds	20%	N/A	No more than 10% of surplus funds may be invested in any one mutual fund; 2 or more "AAA" ratings
Collateralized Mortgage Obligations	20%	5 years	"AA" Rating
Money Market Funds	20%	N/A	

Source: California Government Code Sections 53601 & 53635 (a-n)
Note: The government code requires that specific criteria for the selection of both mutual funds and money market funds be met.

13.0 Maximum Maturities

To the extent possible, the MGA will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the MGA will not directly invest in securities maturing more than one year from the date of purchase, with the exception of government securities and debt obligations issued by the US Government or its agencies. Government securities may be purchased for a period not to exceed three years.

Reserve funds may be invested in securities exceeding three years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years as measured from the settlement date to final maturity. However, the governing body may grant express authority to make investments either specifically or as a part of an investment program approved by the governing body that exceeds this five-year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit. No security may be purchased with a forward settlement date exceeding 45 days from the time of the investment.

14.0 Internal Control

The Treasurer shall establish an annual process of independent review by an external auditor. This independent analysis shall review internal control, account activity and compliance with policies and procedures.

15.0 Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

15.1 Market Yield (Benchmark): The MGA's investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the 6-month U.S. Treasury Bill and the Federal Funds rate. These indices are considered benchmarks for low-risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

16.0 Reporting

In accordance with Section 53646(b) (1-4) of the Government Code of California, the Treasurer shall provide to the Board of Directors quarterly investment reports, which provide a clear picture of the status of the current investment portfolio. The report may include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, possible changes in the portfolio structure going forward and thoughts on investment strategies if applicable.

Schedules in the quarterly report will include the following:

- A listing of individual securities held at the end of the reporting period by authorized investment category to include investment type, issuer, maturity, par value, and dollar amount invested.
- Average life and final maturity of all investments listed.
- Market Value as of the date of the report.
- Percentage of the Portfolio represented by each investment category.

17.0 Investment Policy Adoption

The Santa Cruz Mid-County Groundwater Agency's Investment Policy shall be ***adopted*** by the MGA's Board of Directors. The policy shall be reviewed annually by the Board of Directors no later than the first Board Meeting each fiscal year of the year to which it applies, or in the event of meeting cancellation the next regularly scheduled Board Meeting after, and any modifications made thereto must be approved by the Board of Directors.

Glossary

Agencies: Federal agency securities or State agency securities.

Asked: The price at which securities are offered.

Bankers' Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Bid: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

Bond Proceeds: The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These monies are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

Broker: A broker brings buyers and sellers together for a commission.

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

CD Placement Services: A large sum of money is deposited into one bank that in turn places the funds in CDs issued by other banks in the same network in increments less than the current FDIC maximum so that both principal and interest are eligible for complete FDIC protection.

Collateral: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

Credit Risk: The risk of loss due to failure of the issuer of a security.

Custodian: A Bank or other financial institution that keeps custody of stock certificates and other assets.

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Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery versus Payment/Receipt: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount Securities: Non-interest-bearing money market instruments that are issued at discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Exchange-Traded Funds (ETF): Pooled investment securities that track a specific index, sector, commodity, or basket of assets and trade on a major stock exchange.

Farm Credit System (FCS): Nationwide cooperative system of banks and associations providing credit to farmers, agricultural concerns, and related businesses. The system is comprised of the Banks for Cooperatives, which makes loans to farmer-owned marketing, supply, and service cooperatives, and rural utilities; the **Farm Credit Banks**, which make short and intermediate term farm loans secured by real estate; and the Federal Farm Credit Banks Funding Corp., which acts as a conduit through which the FCS issues debt in the credit markets. The Farm Credit Banks were created by merger of the old Federal Intermediate Credit Banks, making intermediate term farm loans, and the **Federal Land Banks.** The Farm Credit System, originally capitalized by the federal government, is now self-funding and owned by its member-borrowers.

Federal Credit Agencies: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Federal Home Loan Banks (FHLB): Government sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

Federal National Mortgage Association (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

Federal Open Market Committee (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

Government National Mortgage Association (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. The security holder is protected by the full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. Short-term securities, such as Treasury bills that are easily sold to other investors at relatively narrow spreads between bid and asked quotes, and in reasonably large trading volumes, are said to be highly liquid.

Local Agency Investment Fund (LAIF): The aggregate of all funds from local State of California agencies that are placed in the custody of the State Treasurer for investment and reinvestment.

Market Risk: Market value fluctuations due to overall changes in the general level of interest rates.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

National Credit Union Administration (NCUA): Independent federal agency established by federal law in 1970 to charter and supervise federal credit unions.

Offer: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Par Value: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

Portfolio: Combined holding of more than one stock, bond, commodity, real estate investment, cash equivalent, or other asset. The purpose of a portfolio is to reduce risk by diversification.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few unregulated firms.

Principal: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

Prudent Person Rule: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state – the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Qualified Public Depositories: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Real Estate Investment Trust (REIT): A company that owns, operates, or finances income-producing real estate across a range of property sectors. These investment trusts are modeled like mutual funds and allow individuals to invest in large-scale commercial real estate without having to buy properties.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Security: A document indicating ownership or creditorship, a stock certificate or bond.

Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

Securities Investor Protection Corporation (SIPC): Nonprofit, government sponsored membership corporation chartered in 1970 to protect the customer of insured broker-dealers, up to $500,000 per account.

SEC Rule 15C3-1: See Uniform Net Capital Rule.

Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

Student Loan Marketing Association (SLMA): Publicly traded corporation established in 1972 to increase the availability of student loans by purchasing loans in the secondary market. The corporation, also known as Sallie Mae, guarantees

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college education loans under the federal Guaranteed Student Loan Program, and under the Health Education Assistance Program.

Time Deposits: Interest bearing deposits at a savings institution that has a specific maturity date.

Treasury Bills: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bonds: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than ten years.

Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to ten years.

Trustee or trust company or trust department of a bank: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

Uniform Net Capital Rule: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one-reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

Yield: The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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References*

A. Government Code of California Section 53600-53609

B. Government Code of California Section 53630-53649

C. Probate Code of California Section 16045-16054 The Prudent Investor Rule

D. Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule)

E. California Debt and Investment Advisory Commission Local Agency Investment Guidelines

*Documents available upon request

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Consent Agenda Item 4.4

Title: Approve Amendment to Agreement with Best, Best, & Krieger, LLP for Legal Support Related to the Sustainable Groundwater Management Act for Fiscal Year 2026–2027

Attachment(s): None

Recommended Board Action: Authorize the General Manager of Soquel Creek Water District to execute Amendment 2 to the Agreement (2023-2) with Best, Best, & Krieger, LLP to provide as-needed legal services on Sustainable Groundwater Management Act matters.

Following a Request for Qualifications (RFQ) for Sustainable Groundwater Management Act (SGMA) legal support services, the MGA selected (https://www.midcountygroundwater.org/news/mga-seeks-legal-support-services) Best, Best, & Krieger, LLP (BBK) in December 2023. The term of the contract expires June 30, 2026. The proposed Board Action would extend the contract with BBK for an additional two years provided that their performance remains satisfactory and pricing remains competitive.

The County of Santa Cruz will continue to serve as general legal counsel to the Santa Cruz Mid-County Groundwater Agency (MGA). BBK is to provide as-needed services on SGMA specific issues. The amount anticipated for BBK in Fiscal Year 2026–2027 is not anticipated to exceed $5,000.

Recommended Board Action:

1. By MOTION, authorize the General Manager of Soquel Creek Water District to execute Amendment 2 to the Agreement (2023-2) with Best, Best, & Krieger, LLP to provide as-needed legal services on Sustainable Groundwater Management Act matters.

Submitted by:

Tim Carson
Program Director
Regional Water Management Foundation

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Consent Agenda Item 4.5

Title: Approve Contract Time Extension with Regional Water Management Foundation for Grant Administration for Fiscal Year 2026–2027

Attachment(s):

1. Proposed Schedule Extension of Grant Administration Services for the Santa Cruz Mid-County Groundwater Agency's Sustainable Groundwater Management Implementation Grant (#4600014636) from Regional Water Management Foundation (dated June 8, 2026)

Recommended Board Action: Authorize a contract time extension and continued grant administration services from the Regional Water Management Foundation for the Sustainable Groundwater Management Implementation Grant in Fiscal Year 2025–2026 (Year 4), with no change to the previously approved not-to-exceed contract amount of $380,000.

In June 2022, the Santa Cruz Mid-County Groundwater Agency (MGA) Board of Directors approved a multi-year contract with the Regional Water Management Foundation (RWMF) to provide grant administration services for the Sustainable Groundwater Management Implementation (SGMI) Grant. RWMF's scope of work under the contract includes Grant Administration and Coordination (Task 1) and Grant Reporting and Compliance (Task 2).

The SGMI Grant supports five project components being implemented by the MGA and three Local Project Sponsors: Soquel Creek Water District, City of Santa Cruz Water Department, and Santa Cruz County Environmental Health Services.

The grant's timeline has been extended by the Department of Water Resources (DWR) to allow for construction completion of the City of Santa Cruz's Aquifer Storage and Recovery project (Component 2). As such, the MGA Executive Staff recommends extending the RWMF contract through June 30, 2027, to ensure continued grant administration services and support through the final grant reporting and closeout.

The MGA's Procurement Policy allows professional services to be procured for up to three-year contracts, with an option to extend into one or two additional years as long as performance is satisfactory and pricing remains competitive.

RWMF has expended less than 50% of the approved $380,000 budget to date and is projected to remain under budget with this 1-year extension. The estimated cost for Fiscal Year 2026–2027 is approximately **$15,000** based on hourly rates and projected workload.

Recommended Board Action:

1. By MOTION, authorize a contract time extension and continued grant administration services from the Regional Water Management Foundation for the Sustainable Groundwater Management Implementation Grant through Fiscal Year 2025–2026 (Year 4), with no change to the previously approved not-to-exceed contract amount of $380,000.

Submitted by:

Melanie Mow Schumacher
General Manager
Soquel Creek Water District

On behalf of the MGA Executive Staff
Ralph Bracamonte, District Manager, Central Water District
Heidi Luckenbach, Water Director, City of Santa Cruz
Sierra Ryan, Water Resources Manager, County of Santa Cruz

June 8, 2026

Santa Cruz Mid-County Groundwater Agency
Member Agency Executive Staff: M. Mow Schumacher, H. Luckenbach, R. Bracamonte, S. Ryan
5180 Soquel Drive
Soquel, CA 95073

Re: Proposed Schedule Extension - Grant Administration Services for the Santa Cruz Mid-County Groundwater Agency's Sustainable Groundwater Management Implementation Grant (#4600014636)

Dear Executive Staff:

For your consideration, the Regional Water Management Foundation (RWMF) proposes a 1-year schedule extension to continue providing grant administration services on the Sustainable Groundwater Management Implementation Grant (SGMA Grant; #4600014636).

The $7.6 million-dollar SGMI Grant is funding multiple projects and studies grouped into five components implemented by the MGA and three of its Member Agencies, identified in the Grant as Local Project Sponsors (LPS). The LPS agencies are Soquel Creek Water District (SqCWD), City of Santa Cruz Water Department (City) and County of Santa Cruz Environmental Health Services (County). The components and lead agencies are presented below.

#	Title	Lead Agency
1	Cunnison Lane Groundwater Well	SqCWD
2	Aquifer Storage and Recovery, Beltz Well 10	City of Santa Cruz
3	Park Avenue Transmission Main/Bottleneck Improvements	SqCWD
4	Technical Development of Group 1 and 2 Projects	SqCWD and City
5	Sustainable Groundwater Management Evaluation and Planning	MGA and County

In June 2022, the Santa Cruz Mid-County Groundwater Agency Board approved a 3-year contract with the RWMF to provide grant administration services. The initial term of the RWMF's contract (ending June 30, 2025) aligned with the end date of the Grant. DWR approved a schedule extension to allow for the completion of construction on the City of Santa Cruz's Aquifer Storage and Recovery project in the Beltz wellfield (Component 2) in 2027.

SCOPE OF WORK
No changes proposed to the previously approved scope of work. The two principal tasks will continue.

- Task 1. Grant Administration and Coordination
- Task 2. Grant Reporting and Compliance

SCHEDULE
Based upon the current project schedules, a 1-year schedule extension with an end date of 6/30/2027 is proposed. Component 2 (Aquifer Storage and Recovery), currently under construction, is estimated to be completed in March 2027. RWMF will complete the final grant close-out will occur in spring 2027.

COMPENSATION
There is no change to the previously approved not-to-exceed contract total ($380,000). So far, the RWMF has expended less than half of its approved budget and is expected to finish well under budget, even with the contract term extended by one year.

The estimated cost of the Grant administration by category and in fiscal year 2026-27 is in Table 1. The table presents the estimated costs by major cost category and employee type; these costs are estimated, and the actual costs will be based upon time worked by category by personnel. Cost will be consistent with the submitted billing rate sheet for 2026-2027.

The RWMF appreciates this opportunity to support the MGA and its Member Agencies in advancing collaborative water management strategies to promote local groundwater sustainability.

Best regards,

Tim Carson
Program Director

Table 1. Grant Administration Estimated Costs by Task and Position in Fiscal Year 2026-27

The estimated cost by task and position are presented below. Services are provided on a time (hours worked) and materials basis. The actual hours by task and by position may vary from the estimated hours, however the cost will not exceed the total below without written authorization of the MGA.

Sustainable Groundwater Management Implementation Grant (FY 2026 - 2027)

		QUARTERLY REPORTING		
Task Description	*Position title*	*Program Director*	*Administrative / Grants Officer*	**Subtotal Cost**
	Hourly Rate [1]	$ 160.00	$ 105.00	
1. Grant Administration and Coordination		*Estimated Staff Hours By Task*		
	Estimated Hrs.	21	40	
	Subtotal Cost	$3,360	$4,200	*$7,560*
2. Reporting and Invoicing		*Estimated Staff Hours By Task*		
	Estimated Hrs.	20	40	
	Subtotal Cost	$3,200	$4,200	*$7,400*
				$14,960

Notes:
1. Rate sheet provided.

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Agenda Item 4.6

Title: Approve Contract with Montgomery & Associates for Planning and Technical Services for Groundwater Sustainability Plan Implementation and Reporting for Fiscal Year 2026–2027

Attachment(s):
1. Montgomery & Associates Scope, Budget, and Schedule, dated June 3, 2025

Recommended Board Action: Authorize the Board Chair to execute a contract with Errol L. Montgomery & Associates to include the Scope of Services in Attachment 1 (Year 2) for an amount not-to-exceed $169,305

Background
In January 2025, the Santa Cruz Mid-County Groundwater Agency (MGA) issued a Request for Statements of Qualifications (RFQ) from qualified consultants to provide Planning and Technical Services for Groundwater Sustainability Plan Implementation and Reporting under the Sustainable Groundwater Management Act (SGMA). The purpose was to select a consultant to enter into a multiyear agreement to perform services, including: 1) SGMA Technical Support including hydrogeologic technical support, groundwater modelling and groundwater model enhancements; 2) Annual Reporting on the Groundwater Sustainability Plan (GSP), and 3) Periodic Evaluations of the GSP.

At its meeting on March 20, 2025, the MGA Board approved the selection of Errol L. Montgomery and Associates, Inc. (M&A) to provide these planning and technical services. The term of the contract extends for a period of 3-years from July 1, 2025, to June 30, 2028.

Summary of Proposed Services in FY 2026–2027 (Year 2)
The services proposed by M&A in Fiscal Year 2026–2027 (FY 26/27) are detailed in Attachment 1. A summary of the main task and list of sub-tasks are provided below.

<u>Water Year 2026 Annual Report</u>
SMGA requires the submittal of the GSP Annual Report to California Department of Water Resources (DWR) by April 1. M&A intends to streamline the report while continuing to meet Annual Report requirements. M&A will leverage artificial intelligence (AI) to assist with compiling and presenting data. These efforts are intended to make future Annual Reports more efficient to prepare. A draft Annual Report will be prepared by M&A and provided to MGA member agency staff for review by mid-February 2027. Based on comments received by late February, M&A will compile the Annual Report for

MGA Board approval at the March 2027 Board meeting. M&A will compile and provide a final draft Annual Report to MGA a week prior to the Board meeting for inclusion in the Board meeting packet. The final Annual Report will incorporate revisions requested by the MGA Board. Tasks are outlined below.

- Develop Streamlined Annual Report Format and Artificial Intelligence Assistance
- Obtain and Evaluate Monitoring Well Data
- Quantify Water Demand and Supply
- Extend Basin Model to Estimate Change of groundwater in storage
- Prepare Annual Report
- Prepare for and Present Annual Report to Board of Directors
- Upload Annual Report and Required Tables to SGMA Portal
- Upload Groundwater Level Data to SGMA Portal (by January 1 and July 1)

SGMA Technical Support

The subtasks presented under SGMA Technical Support are items that member agency staff and M&A anticipate will be needed over the fiscal year.

- Data Management System
- SGMA Program Developments and DWR Consultation
- Monitoring Network Support
- Evaluate Seawater Intrusion
- Miscellaneous SGMA Support

Mid-County Basin Model Improvements

M&A will analyze the output of the Basin groundwater model (GSFLOW) with recently revised hydrogeologic model layering to analyze fit to groundwater level and streamflow observations. This information will guide targeted manual model modifications as needed to prepare for efficient model calibration. Tasks include:

- Evaluate Calibration and Identify Areas for Improvement
- Implement Model Improvements to Prepare for Calibration
- Prepare Model Evaluation and Improvements Report

Budget

A summary budget is presented below. A detailed budget is in Attachment 1.

Task	**Budget**
Water Year 2026 GSP Annual Report	$69,925
SGMA Technical Support	$40,280
Basin Model Improvements	$59,100
Total	**$169,305**

Schedule

Work will be performed July 1, 2026, to June 30, 2027. A detailed schedule for Water Year 2026 GSP Annual Report is in Attachment 1.

Recommended Board Action:

1. By MOTION, Authorize the Board Chair to execute a contract with Errol L. Montgomery & Associates to include the Scope of Services in Attachment 1 (Year 2) for an amount not-to-exceed $169,305

Submitted By:

Tim Carson
Program Director
Regional Water Management Foundation

On behalf of the MGA Executive Staff
Melanie Mow Schumacher, General Manager, Soquel Creek Water District
Ralph Bracamonte, District Manager, Central Water District
Heidi Luckenbach, Water Director, City of Santa Cruz
Sierra Ryan, Water Resources Manager, County of Santa Cruz

MONTGOMERY & ASSOCIATES
Water Resource Consultants

May 28, 2026

Santa Cruz Mid-County Groundwater Agency c/o Mr. Tim Carson
Regional Water Management Foundation
7807 Soquel Drive
Aptos, CA 95003

SUBJECT: SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY PLANNING AND TECHNICAL SERVICES FOR GSP IMPLEMENTATION AND REPORTING SCOPE, BUDGET, AND SCHEDULE FOR FISCAL YEAR 2026/2027

Dear Mr. Carson:

Montgomery & Associates (M&A) is pleased to continue supporting the Santa Cruz Mid-County Groundwater Agency (MGA) with the implementation and technical reporting of its Groundwater Sustainability Plan (GSP). As per request, this letter contains scope, budget, and schedule covering Fiscal Year (FY) 2026/2027. The scope of work is summarized in two tasks. Details of each task are provided in the subsections below. Table 1 provides a breakdown of budget that corresponds to each task/subtask.

Tasks/subtasks have been numbered to correspond to the numbers used by M&A's invoicing system.

9000.32 WATER YEAR 2026 ANNUAL REPORT

An Annual Report must be submitted to the California Department of Water Resources (DWR) by April 1, 2027. In May 2024, DWR provided a review of MGA's WY 2023 Annual Report content and "determined that no further information or action is required at this time". Based on the review, the format of the Annual Report has substantially remained the same since WY 2023. Because MGA's Annual Reports are typically about 70 pages long, excluding appendices, we will streamline the report in FY 2027 while continuing to meet Annual Report requirements. Additionally, we will leverage artificial intelligence (AI) to assist with compiling and presenting data. These efforts will make future Annual Reports more efficient to prepare.

Using the new streamlined format, a draft WY 2026 Annual Report will be prepared by M&A and provided to MGA member agency staff for review by mid-February 2026. Based on comments received by staff in late February 2027, M&A will compile the final Annual Report

for the March MGA Board meeting a week prior to the meeting for inclusion in the Board meeting packet. The Annual Report schedule is summarized on Figure 1.

The subtasks below detail the activities needed to complete the Annual Report. Breaking it out this way assists with more accurate budgeting. Invoicing for this task will only be at the task level and subtasks will not be broken out.

Obtain and Evaluate Monitoring Well Data

M&A will obtain and evaluate groundwater level and quality data from the GSP monitoring network stored in the Regional WISKI data management system (WISKI). Data collection and analysis required to compile the Annual Report technical components include the following:

- Follow up with member agencies to ensure groundwater level and quality data are uploaded to WISKI through the water year.
- Download and compile all groundwater level and quality data collected in the previous water year from all wells in the GSP monitoring network.
- Prepare groundwater elevation contour maps for each principal aquifer in the basin illustrating, at a minimum, the seasonal high and seasonal low groundwater conditions in Water Year 2026.
- Compile hydrographs of groundwater elevations and water year type using historical data to the greatest extent available through September 30, 2026.
- Summarize groundwater quality in tables for the degradation of groundwater quality and seawater intrusion sustainability indicators.
- Compare groundwater conditions data to sustainable management criteria (SMC) to describe GSP implementation progress. Summary tables will compare recent measured groundwater data to interim milestones, measurable objectives, and minimum thresholds for the seawater intrusion, streamflow depletion, chronic lowering of groundwater levels, and groundwater quality indicators.

Quantify Water Demand and Supply

M&A will compile data and develop estimates for groundwater extraction, water demand, and supplemental water supply. The technical components, tables, and figures required for the Annual Report include the following:

- Follow up with member agencies to ensure their groundwater extraction data from all metered wells in the GSP monitoring network are uploaded to WISKI.
- Estimate non-municipal extractions based on model input developed when the model period is extended.
- Prepare tables and figures summarizing groundwater extraction through Water Year 2026 by water use sector, method of measurement, and accuracy of measurement.
- Develop a map showing locations and volumes of groundwater extraction in Water Year 2026.
- Compile a table summarizing surface water supply used for groundwater recharge or in-lieu use in Water Year 2026. This table will include both surface water transfer from City of Santa Cruz to Soquel Creek Water District and injection associated with the City of Santa Cruz aquifer storage and recovery program.
- Compile a table summarizing total water use in Water Year 2026 by water use sector, water source type, method of measurement, and accuracy of measurement.
- Summarize net groundwater pumping by aquifer unit group and compare to the SMC for the groundwater in storage indicator.

Extend Basin Model to Estimate Change of Groundwater in Storage

M&A will update the GSFLOW Basin numerical model (Model) through Water Year 2026. The Basin Model is used to estimate the annual change of groundwater in storage. The Model update primarily involves updating climate, extraction, injection, and return flow input data. Model outputs are used to prepare the following technical components of the Annual Report:

- Change in groundwater in storage maps for each principal aquifer in the basin
- Table of annual change in groundwater in storage by principal aquifer

- A graph depicting water year type, groundwater use, the annual change in groundwater in storage, and the cumulative change in groundwater in storage for the basin based on historical data to the greatest extent available through September 30, 2026

Prepare Annual Report

The Annual Report will include technical components described in the tasks above, an executive summary, and a summary table providing a progress update on GSP implementation. The progress update will compare groundwater conditions to SMC, provide updates on projects and management action implementation, and describe changes to the monitoring network.

Prepare for and Present Annual Report to Board of Directors

M&A will prepare and present Water Year 2026 GSP Annual Report findings to the MGA Board of Directors at its March 2027 meeting. M&A assumes the meeting will allow online participation and that an M&A representative will call in to present the Annual Report to the Board of Directors.

Upload Annual Report and Required Tables to SGMA Portal

M&A will upload the Annual Report and required tables (Part A through E) to the DWR SGMA Portal by April 1, 2027.

Upload Groundwater Level Data to SGMA Portal

Fall and spring groundwater level data from wells in the SGMA monitoring network must be uploaded to the SGMA portal by January 1 and July 1 of each year, respectively. The January 1 upload (fall 2026 data) will include groundwater level data compiled for the Water Year 2026 Annual Report and will be uploaded in December 2026. The July 1 upload (spring 2027 data) will be completed in June 2027. Both upload events require coordination with member agency staff to ensure all data are uploaded to WISKI prior to M&A downloading groundwater level data and compiling it in the format required for the SGMA Portal upload.

9000.33 SGMA TECHNICAL SUPPORT

The subtasks presented under this SGMA Technical Support task are items that member agency staff and M&A anticipate will be needed over the fiscal year. Each of these subtasks will be billed separately.

9000.3301 Data Management System

M&A will provide limited support to agencies uploading data to the WISKI Data Management Systems (DMS).

9000.3302 SGMA Program Developments and Department of Water Resources Consultation

As M&A attends regular meetings of various organizations around the state where SGMA developments and DWR support of GSAs are discussed with DWR staff, M&A will continue to provide SGMA related updates to the MGA. Meetings attended may include: Association of California Water Agencies (ACWA) groundwater committee meetings, Northern California Water Association (NCWA) Task Force meetings, Groundwater Resource Agency of California (GRA) meetings, and DWR workshops. M&A will ensure the MGA benefits from those meetings by preparing and sharing meeting notes; time spent preparing these notes will be split with other GSAs M&A provides the same materials to. Meeting travel and attendance costs will be split amongst those GSAs for which M&A are contracted to provide such services.

9000.3303 Monitoring Network Expansion Support

M&A will provide limited technical support to facilitate any as needed monitoring networks related tasks.

9000.3304 Evaluate Seawater Intrusion

With the completion of the Seascape area seawater intrusion investigation in FY 2026, M&A will support agency staff with periodic review of new chloride data from monitoring wells, review induction surveys conducted in the fall, and if needed, assist with installing continuous groundwater level and electrical conductivity monitoring equipment.

9000.3305 Miscellaneous SGMA Support

M&A will support the MGA Executive Team on additional miscellaneous SGMA technical and planning tasks, as needed, including but not limited to providing grant support and technical advice on new issues as they arise. Review of DWR's comment letter on the Periodic Evaluation is included under this subtask.

9000.34 MID-COUNTY BASIN MODEL IMPROVEMENTS

M&A will analyze the output of the GSFLOW model with recently revised hydrogeologic model layering to analyze fit to groundwater level and streamflow observations. This information will guide targeted manual model modifications as needed to prepare for efficient model calibration. M&A will present results of this work at 1 online meeting. A report documenting model improvements made under this scope will be prepared. A draft will be provided to agency staff for review, before a final version incorporating revisions is prepared.

In 2028, not part of this scope, M&A will temporally extend the model and conduct calibration of the GSFLOW model using Model-Independent Parameter Estimation software. This work will be conducted in 2028 when there are expected to be sufficient groundwater level observations from operation of the Pure Water Soquel and City of Santa Cruz's aquifer storage and recovery projects to incorporate into calibration.

M&A looks forward to continuing working with the MGA and member agency staff over the next fiscal year. Please contact us if you have any questions on this scope and budget.

Sincerely,
MONTGOMERY & ASSOCIATES

Georgina King, PG., C.Hg.
Principal Hydrogeologist
gking@elmontgomery.com

Cameron Tana, P.E.
Principal Hydrologist
ctana@elmontgomery.com

MONTGOMERY & ASSOCIATES

Table 1. Montgomery & Associates Proposed Budget for Fiscal Year 2026/2027

Fiscal Year 2026/2027 Santa Cruz Mid-County Groundwater Agency Planning and Technical Services For GSP Implementation and Reporting		Principal Hydrologist	Principal Hydro-geologist	Lead Groundwater Modeler	Project Hydro-geologist	Staff Scientist	Technical Editor	**Total Prof. Fees**
	Professional Billing Rates through June 2027	**$290**	**$290**	**$215**	**$215**	**$165**	**$95**	
9000.32 Water Year 2026 GSP Annual Report								
	Develop Streamlined Annual Report Format and AI Assistance	0	8	0	8	0	0	$4,040
	Obtain and Evaluate Monitoring Well Data	0	8	0	20	32	0	$11,900
	Quantify Water Demand and Supply	0	4	0	16	16	0	$7,240
	Extend Basin Model to Estimate Change of Groundwater in Storage	2	4	0	40	8	0	$11,660
	Prepare Annual Report	4	24	0	42	46	8	$25,500
	Prepare for and Present Annual Report to Board of Directors	1	6	0	4	0	0	$2,890
	Upload Annual Report and Required Tables to SGMA Portal	0	2	0	0	3	0	$1,075
	Upload Groundwater Level Data to SGMA Portal (by Jan 1 and July 1)	0	8	0	0	20	0	$5,620
	Subtotal	7	64	0	130	125	8	$69,925
9000.33 SGMA Technical Support								
9000.3301	Data Management System	0	16	0	0	16	0	$7,280
9000.3302	SGMA Program Developments and DWR Consultation	0	6	0	0	0	0	$1,740
9000.3303	Monitoring Network Support	4	16	0	8	0	0	$7,520
9000.3304	Evaluate Seawater Intrusion	4	16	0	16	0	0	$9,240
9000.3305	Miscellaneous SGMA Support	10	40	0	0	0	0	$14,500
	Subtotal	18	94	0	24	16	0	$40,280
9000.34 Mid-County Basin Model Improvements								
9000.3401	Evaluate Calibration and Identify Areas for Improvement	8	2	24	0	32	0	$13,340
9000.3302	Implement Model Improvements to Prepare for Calibration	16	4	40	0	64	0	$24,960
9000.3303	Prepare Model Evaluation and Improvements Report, Including 1 Online Meeting	10	8	40	0	40	4	$20,800
	Subtotal	34	14	104	0	136	4	$59,100
Total		**59**	**172**	**104**	**154**	**277**	**12**	**$169,305**

Santa Cruz Mid-County Groundwater Agency Planning and Technical Services For GSP Implementation & Reporting	2026					2027												
	Nov	December				January				February				March				
Week of	30	7	14	21	28	4	11	18	25	1	8	15	22	1	8	15	22	29
Weeks from start	1	2	3	4	5	5	6	7	8	9	10	11	12	13	14	15	16	17
Water Year 2026 GSP Annual Report																		
Obtain and Evaluate Monitoring Well Data																		
Quantify Water Demand and Supply																		
Extend Basin Model to Estimate Change of Groundwater in Storage																		
Prepare Annual Report																		
Draft Report for Member Agency Staff Review											Staff Draft							
Finalize Report																		
Prepare for and Present Annual Report to Board of Directors															Board Packet	Board Mtg		
Upload Annual Report to SGMA Portal																		

Annual Report Upload Deadline is April 1, 2027

Fall 2026 Groundwater Level Data Upload Deadline is January 1, 2027

Figure 1. Schedule for Water Year 2027 GSP Annual Report (Task 9000.32)

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Agenda Item 5.1

Title: Accept Audited Financial Statements for Fiscal Year 2024–2025

Attachment(s):
1. Santa Cruz Mid-County Groundwater Agency Annual Financial Report for the Year Ended June 30, 2025
2. Santa Cruz Mid-County Groundwater Agency Communication to Those in Governance, June 30, 2025

Recommended Board Action: Accept the audited Financial Report for the period ending June 30, 2025.

Attached for the Board's review is the Agency's Annual Financial Report for Fiscal Year 2024–2025 (FY24/25), as well as the Communication to Those in Governance (Management Report) prepared by our audit firm Davis Farr, 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, 2025, and the results of its operations and its cash flows are in conformity with generally accepted accounting principles.

Special thanks to Ryan Kinney, Soquel Creek Water District Supervising Accountant, for his help in preparing the Annual Financial Report.

Recommended Board Action:

1. BY MOTION, accept the audited Financial Report for the period ending June 30, 2025.

Submitted by:

Leslie Strohm
Treasurer
Santa Cruz Mid-County Groundwater Agency

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

Annual Financial Report

For the Year Ended June 30, 2025

Board of Directors as of June 30, 2025

Name	Title	Member Agency	Current Term
Jon Kennedy	Chair	Private Well Owner	1/2022 – 1/2026
Carla Christensen	Vice Chair	Soquel Creek Water District	1/2025 – 1/2026
Jim Kerr	Secretary	Private Well Owner	1/2024 – 1/2028
Curt Abramson	Director	Private Well Owner	1/2022 – 1/2026
David Baskin	Director	City of Santa Cruz	1/2025 – 1/2026
Kim De Serpa	Director	County of Santa Cruz	1/2025 – 1/2026
Susie O'Hara	Director	City of Santa Cruz	1/2025 – 1/2026
Manu Koenig	Director	County of Santa Cruz	1/2025 – 1/2026
Dr. Bruce Jaffe	Director	Soquel Creek Water District	1/2025 – 1/2026
Robert Marani	Director	Central Water District	3/2024 – 3/2026
Marco Romani	Director	Central Water District	3/2024 – 3/2026

Santa Cruz Mid-County Groundwater Agency

Leslie Strohm, Treasurer

5180 Soquel Drive

Soquel, California 95073
(831) 475-8500
www.midcountygroundwater.org

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

Annual Financial Report

For the Year Ended June 30, 2025

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

Annual Financial Report

For the Fiscal Year Ended June 30, 2025

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Financial Section

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santa Cruz Mid-County Groundwater Agency ("Agency"), as of and for the year June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Santa Cruz Mid-County Groundwater Agency, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Cruz Mid-County Groundwater Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Santa Cruz Mid-County Groundwater Agency management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Santa Cruz Mid-County Groundwater Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Cruz Mid-County Groundwater Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously audited Santa Cruz Mid-County Groundwater Agency's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026 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 solely 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 the effectiveness of 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.

Davis Farr LLP

Irvine, California
January 16, 2026

Santa Cruz Mid-County Groundwater Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2025

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 years ended June 30, 2025 and 2024. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The Agency's net position decreased 9.59% or $182,030 to $1,717,073. In fiscal year 2024, the Agency's net position decreased 2.72% or $53,079 to $1,899,103.
- The Agency's operating revenues decreased 52.71% or $79,236 to $71,096 due to lower member agency contributions. In fiscal year 2024, the Agency's total revenues decreased 51.82% or $161,668 to $150,332 due to lower member agency contributions.
- The Agency's total expenses increased 0.37% or $11,330 to $3,094,757 due to increased general and administrative costs. In fiscal year 2024, the Agency's total expenses increased 208.04% or $2,082,426 to $3,083,417 due to the recognition of pass-through grant expenses related to the Sustainable Groundwater Management grant.

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?" A Statement of Net Position and a 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, such as changes in the 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 10 through 12.

Statement of Net Position

	2025	2024	Change
Assets:			
Current Assets	$ 2,657,310	3,864,889	(1,207,579)
Total assets	2,657,310	3,864,889	(1,207,579)
Liabilities:			
Current liabilities	940,237	1,965,786	(1,025,549)
Total liabilities	940,237	1,965,786	(1,025,549)
Net position:			
Unrestricted	1,717,073	1,899,103	(182,030)
Total net position	$ 1,717,073	1,899,103	(182,030)

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 exceeded liabilities by $1,717,073 and $1,899,103 as of June 30, 2025 and 2024, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

	2025	2024	Change
Revenues:			
Operating revenues	$ 71,096	150,332	(79,236)
Total operating revenues	71,096	150,332	(79,236)
Expenses:			
Operating expenses	3,094,747	3,083,417	11,330
Total operating expenses	3,094,747	3,083,417	11,330
Non-operating revenues:			
Interest revenue	283	-	283
Grant revenue	2,841,338	2,880,006	(38,668)
Total non-operating revenues	2,841,621	2,880,006	(38,385)
Change in net position	(182,030)	(53,079)	(128,951)
Net position, beginning of period	1,899,103	1,952,182	(53,079)
Net position, end of period	$ 1,717,073	1,899,103	(182,030)

The statements of revenues, expenses, and changes in net position show how the government's net position changed during the fiscal years. In the case of the Agency, net position decreased 9.59% or $182,030 to $1,717,073, as a result of ongoing operations. In fiscal year 2024, the Agency's net position decreased 2.72% or $53,079 to $1,899,103, as a result of ongoing operations

Total operating revenues decreased 52.71% or $79,236 to $71,096 due to no member agency contributions being charged. In fiscal year 2024, total operating revenues decreased 51.82% or $161,668 to $150,332, due to a decrease in dues contributed by each member agency.

For the years ended June 30, 2025 and 2024, the operating revenues of $0 and $100,000, respectively, consist of the dues contributed by each member agency. Member agencies are invoiced a percentage of the projected budget for the fiscal year based on the following schedule:

Member Agency	2025	2024
Soquel Creek Water District	70 %	70 %
Central Water District	10	10
City of Santa Cruz	10	10
County of Santa Cruz	10	10
	100 %	100 %

Total expenses increased 0.37% or $11,330 to $3,094,757. The increase is predominantly due to an increase in general and administrative costs. There was an increase of $49,390 (45.83%) in administrative personnel costs due to more time being required to administer and account for the growing complexity of the agency's operations. The increase in administrative personnel costs was offset by a decrease of $35,640 (19.81%) in GSP consulting services. In fiscal year 2024, total expenses increased 208.04% or $2,082,426 to $3,083,417, due primarily to an increase of $1,953,321 in groundwater management expenses.

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 past, 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
Statement of Net Position
June 30, 2025
(with prior year data for informational purposes)

	2025	2024
Current assets:		
Cash and cash equivalent (Note 2)	$ 1,467,822	$ 1,686,470
Accounts receivable	1,187,594	2,176,525
Prepaid expenses	1,894	1,894
Total current assets	2,657,310	3,864,889
Current liabilities:		
Accounts payable	940,237	1,965,786
Total current liabilities	940,237	1,965,786
Net position:		
Unrestricted	1,717,073	1,899,103
Total net position	$ 1,717,073	$ 1,899,103

See accompanying notes to the basic financial statements

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ending June 30, 2025
(with prior year data for informational purposes)

	2025	2024
Operating revenues:		
Membership revenue	$ -	$ 100,000
Grant administrative revenue	71,096	50,332
Total operating revenues	71,096	150,332
Operating expenses:		
Groundwater management	2,743,125	2,747,830
General and administrative	351,622	335,587
Total operating expenses	3,094,747	3,083,417
Total operating income (loss)	(3,023,651)	(2,933,085)
Non-operating revenues:		
Interest revenue	283	-
Grant revenue	2,841,338	2,880,006
Total non-operating revenues	2,841,621	2,880,006
Change in net position	(182,030)	(53,079)
Net position, beginning of period	1,899,103	1,952,182
Net position, end of period	$ 1,717,073	1,899,103

See accompanying notes to the basic financial statements

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
Statement of Cash Flows
For the Year Ending June 30, 2025
(with prior year data for informational purposes)

	2025	2024
Cash flows from operating activities:		
Cash receipts from members	$ 71,096	150,332
Payments to vendors for materials and services	(4,120,296)	(1,517,367)
Net cash used by operating activities	(4,049,200)	(1,367,035)
Cash flows from noncapital financing activities:		
Operating grants	3,830,269	1,232,478
Net cash provided by noncapital financing activities	3,830,269	1,232,478
Cash flows from investing activities:		
Investment earnings	283	-
Net cash provided by investing activities	283	-
Net increase in cash and cash equivalents	(218,648)	(134,557)
Cash and cash equivalents, beginning of year	1,686,470	1,821,027
Cash and cash equivalents, end of year	$ 1,467,822	1,686,470
Reconciliation of operating income(loss) to net cash provided by(used) in operating activities:		
Operating income(loss)	$ (3,023,651)	(2,933,085)
Increase(decrease) in liabilities:		
Accounts payable	(1,025,549)	1,566,050
Net cash used by operating activities	$ (4,049,200)	(1,367,035)

Noncash Investing, Capital and Financing Activities:
There were no significant noncash investing, capital or financing activities during the years ended June 30, 2025 or 2024.

See accompanying notes to the basic financial statements

(1) Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

On 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 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.

(1) 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

Grant revenues are recognized as the related eligible expenditures are incurred, and all grant requirements have been met. 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** – 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** – 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** – consists of the net position balance that does not meet the definition of *restricted* or *net investment in capital assets* components of net position.

5. Comparative Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2025 is classified in the accompanying financial statements as follows:

Cash and cash equivalents	$	1,467,882

Cash and cash equivalents as of June 30, 2025 consists of the following:

Deposits with financial institutions	$	1,467,882

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 do 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 public agencies. As of June 30, 2025, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Agency's name.

(3) 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.

Report on Internal Controls and Compliance

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

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 year ended June 30, 2025, 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 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audits 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 opinion 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.

Report on 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*.

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.

Davis Farr LLP

Irvine, California
January 16, 2026

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REQUIRED AUDIT COMMUNICATIONS

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

We have audited the financial statements of the Santa Cruz Mid-County Groundwater Agency (the "Agency") as of and for the year ended June 30, 2025 and have issued our report thereon dated January 16, 2026. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 9, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence under the American Institute of Certified Public Accountants ("AICPA") independence standards, contained in the Code of Professional Conduct.

We identified self-review threats to independence as a result of non-attest services provided. Those non-attest services included the preparation of the financial statements.

To mitigate the risk, management has compared the draft financial statements and footnotes to the underlying accounting records to verify accuracy. Additionally, we have an independent quality control partner who has reviewed the financial statements.

Significant Risks Identified

We have identified the following significant risks:

- Risk of errors in proper revenue recognition regarding grant expenses. We will reconcile grant revenues to grant expenses to ensure proper revenue recognition.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Agency is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

There were no significant accounting estimates affecting the financial statements during the year ended June 30, 2025.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Agency's financial statements relate to commitments and contingencies as communicated within the footnotes.

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further,

professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected misstatements as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There was were no material misstatements as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated January 16, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of the Governing Board, and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
January 16, 2026

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Agenda Item 5.2

Title: Updates from Member Agencies on Sustainable Groundwater Management Act Compliance Funding Options

Attachment(s):
1. Proposed Santa Cruz Mid-County Groundwater Agency 5-Year Funding Framework

Recommended Board Action: Approve the Proposed Santa Cruz Mid-County Groundwater Agency 5-Year Funding Framework, as presented in Attachment 1 and any revisions approved by the Board during consideration of this item.

Background

Since the inception of Santa Cruz Mid-County Groundwater Agency (MGA or Agency), the expenses associated with Sustainable Groundwater Management Act (SGMA) compliance have been borne by the four MGA Member Agencies as well as with grant funding from the Department of Water Resources. The MGA Groundwater Sustainability Plan (GSP) identifies the four MGA Member Agencies as the source of funding for SGMA regulatory compliance through 2025 and states that MGA will further evaluate funding mechanisms for ongoing compliance from 2026 and beyond. Examples of ongoing activities that are required to comply with SGMA include, but are not limited to, annual reporting and periodic evaluations of the GSP, MGA administration, Basin monitoring and data reporting, and maintaining a Data Management System.

Since the Agency's initial annual budget was adopted in March 2016, the proportional share of contributions by the Member Agencies has been 70% to the Soquel Creek Water District (SqCWD), and 10% each to Central Water District (CWD), the City of Santa Cruz (City), and Santa Cruz County (County) (referred to as the "70/10/10/10" allocation). This was a continuation of the approach and allocation set by the preceding Soquel-Aptos Groundwater Management Committee (SAGMC), composed of the same four Member Agencies, approved in August 2015[1]. The allocation was based upon measured (2013 data) and estimated groundwater usage at that time. The MGA's Joint Powers Agreement (JPA) does not assign a specific allocation, rather it states (Section 14.2) that "…the Board from time to time will review the proportional share of contributions of the Member Agencies...". Since 2016, the Board has approved Member Agency contribution amounts as part of its annual budget approval.

[1] Allocations set per the SAGMC Third Amended Joint Exercise of Powers Agreement in August 2015.

In October 2024, following a competitive selection process, the MGA engaged SCI Consulting Group (SCI) to conduct a funding options assessment. In December 2024, the MGA Board received an introductory presentation from SCI on the assessment process and considerations. Throughout 2025, SCI with assistance from Agency staff, assessed MGA's local characteristics with respect to funding options and provided updates at all Board Meetings in 2025. SCI also conducted a public workshop for private domestic users of groundwater on March 17, 2025 to get their input and perspectives on a potential fee on private domestic users for SGMA compliance-related costs.

In March 2026, the Board received the Funding Options Technical Memorandum (Memorandum) prepared by SCI. The Memorandum provides a preliminary evaluation of potential funding mechanisms to support the MGA's ongoing compliance with SGMA and implementation of its approved GSP. Prepared to serve as a decision-support resource, the Memorandum reviews legal, financial, and policy considerations relevant to establishing a long-term, reliable, and equitable funding strategy tailored to the Santa Cruz Mid-County Groundwater Basin.

The Memorandum reviews MGA's historical and current funding structure, including its Joint Powers Agreement and existing cost-sharing arrangement among Member Agencies, and evaluates the need for periodic reassessment of these contributions. To inform the funding options assessment, MGA reviewed funding approaches adopted by 32 other groundwater sustainability agencies across California, examining legal authorities, rate methodologies, treatment of private domestic well users, and allocation structures. The Memorandum outlines commonly used funding methodologies – including volumetric (extraction-based), land-based (parcel or acreage), irrigated acreage, and hybrid approaches—and discusses considerations of proportionality, equity, administrative feasibility, and legal defensibility.

The analysis highlights the need to balance precision and fairness in cost allocation with administrative practicality and transparency. It also considers whether certain costs should be broadly shared across all beneficiaries or allocated to user groups with more direct impacts on groundwater sustainability. The Memorandum does not recommend a specific funding mechanism, nor does it exhaustively evaluate all possible options. Instead, it presents an initial framework to support further deliberation.

At the March 19, 2026 Board meeting, staff proposed that the Board appoint an ad hoc committee to continue considering the options for long-term funding. The Board adopted an alternative motion that directed MGA staff and Member Agency Executive Staff work to prepare and direct a facilitated discussion on June 18, 2026, which would include a report out from each Member Agency and their respective Board Member(s) on:

1. Why they believe the current system is inequitable, and

2. A proposed funding allocation including appropriate methodologies from SCI's Memorandum.

Discussion
Member Agency Executive Staff met with their respective Board Member(s) to get their input as directed by the Board. In addition, Executive Staff continued their discussion of an equitable allocation of Member Agency contributions considering the options in the Memorandum. Executive Staff made significant progress in its discussions by taking the approach of reviewing cost drivers of SGMA compliance expenses as a key local consideration. Among the cost drivers, Executive Staff considered which of the compliance expenses were Basin-wide and which expenses were related to specific areas of the Basin. Executive Staff agreed that all four Member Agencies benefit equally from having MGA serve as the Groundwater Sustainability Agency for the Basin, so administrative and legal costs (i.e., costs associated with the legal existence of the Agency) should be shared equally.

Within the category of technical SGMA compliance expenses (monitoring, assessing, reporting, modeling, periodic evaluation, etc.), costs are heavily skewed towards the coastal portion of the Basin. Based upon past expenses and anticipated expenses over the next five years, greater than 90% of technical expenses are expected to be associated with the coastal portion of the Basin. Essentially, SqCWD and the City represent the coastal portion of the Basin, while CWD and the County represent the inland portion of the Basin.

By weighing the equal distribution of administrative expenses with the disproportional technical expenses, the expense allocation results in about 80% of total expenses associated with the coastal portion of the Basin and 20% to the inland portion of the Basin. Further review of past and anticipated technical expenses in the coastal portion reveals that expenses associated with SqCWD are higher than for the City. A review of the inland expenses revealed that the 20% assigned to inland could be assigned evenly to the County and CWD. The resulting allocations are proposed as:

- Central Water District = 10%
- City of Santa Cruz = 25%
- County of Santa Cruz = 10%
- Soquel Creek Water District = 55%

The proposed allocations are based on the 5-year activity and expenses projection for the Agency. Therefore, Executive Staff recommend tying the allocation to an overall funding plan to ensure its effectiveness throughout the period. In addition, the Executive Staff believe the funding plan should include provisions to explore ways to reduce long-term costs after the upcoming periodic evaluation. They also suggest reviewing factors that affect the

allocation during the 5-year period, such as further consideration of Member Agency staff in-kind contributions directly attributable to SGMA compliance. Finally, Executive Staff recommend further evaluating whether non-de minimis pumpers (those whose water usage exceeds 2 acre-feet per year) potentially impact the Agency's compliance-related expenses, such as regulatory reporting or monitoring costs.

Staff will provide an overview of the current 70/10/10/10 and the proposed MGA 5-year funding framework, including the reasoning for the proposed allocation and the provisions that would apply over the next 5-year period. Executive Staff will seek input from Board members on the following at the meeting:

1. Whether they think that the existing allocation (70/10/10/10) represents an equitable approach to funding MGA.

2. Whether they feel the proposed allocation reasoning and values represent an equitable approach to funding MGA.

3. Whether they feel the provisions included in the 5-year period (related to cost efficiencies, future allocations, other revenue sources from private pumping) are appropriate for the funding framework.

Executive Staff is requesting the Board consider approval of the proposed funding plan, so that it can be applied to any member fees collected to support the Fiscal Year 2026–2027 Agency budget. The requested action is consistent with the MGA JPA Section 14.2 to review the proportional share of Member Agencies from time to time; this revised allocation does not create a new fee, so it is not subject to Proposition 26 or Proposition 218 requirements. Because the requested action involves the reallocation of Member Agency assessments, the MGA JPA (Section 9.3) requires a unanimous vote of all Member Agency Directors participating in voting at the meeting.

Recommended Board Action:

1. Approve the Proposed Santa Cruz Mid-County Groundwater Agency 5-Year Funding Framework, as presented in Attachment 1 and any revisions approved by the Board during consideration of this item.

Submitted by:

Rob Swartz
Senior Planner
Regional Water Management Foundation

On behalf of the MGA Executive Staff
Melanie Mow Shumacher, General Manager, Soquel Creek Water District
Ralph Bracamonte, District Manager, Central Water District
Heidi Luckenbach, Water Director, City of Santa Cruz
Sierra Ryan, Water Resources Program Manager, County of Santa Cruz

PROPOSED SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY 5-YEAR FUNDING FRAMEWORK

June 18, 2026

Overview of Funding Needs

The estimated average annual operating cost for SGMA compliance activities, including a GSP periodic evaluation and potential GSP amendment, is $687,000 per year over the 5-year period beginning July 1, 2026.

MGA will continue to pursue grant funding for both SGMA compliance costs and projects that benefit the Basin. MGA will continue to participate in the Small GSAs Coalition to advocate for regulatory relief and additional funding support to reduce SGMA compliance costs. Still, the primary source of funding is anticipated to be provided by the Member Agencies contributions.

Proposed Cost Allocation (FY 2026–2031)

For the 5-year period July 1, 2026 through June 30, 2031, the proposed proportional cost allocation is as follows:

- Central Water District = 10%
- City of Santa Cruz = 25%
- County of Santa Cruz = 10%
- Soquel Creek Water District = 55%

These percentages reflect the combined allocation of administrative and technical program costs.

Basis for Allocation

- Administrative Costs: Allocated equally (25% per agency) to reflect the equal benefit from the shared administration and governance of the MGA as a Groundwater Sustainability Agency.
- Technical Costs: Weighted toward the coastal portions of the Basin to reflect higher expenditures that are incurred due to seawater intrusion and the associated monitoring, data collection and management, planning, analyses, modeling, and SGMA related costs.

Key Policy and Planning Provisions
Cost Reduction Target: Identify opportunities to reduce average annual costs by approximately 20% (to ~$550,000) by the end of the five-year period.

Organizational Efficiency: Evaluate structural and operational efficiencies, including potential updates to the Joint Powers Agreement and Bylaws.

Allocation Adjustments: As needed, re-evaluate the cost allocation formula for any unanticipated single expense of $100,000 or greater not included in the approved budget.

In-Kind Contributions: Identify and quantify member agency in-kind contributions related to SGMA compliance for consideration in the next funding period.

Non-De Minimis Pumpers: Continue to evaluate potential SGMA compliance costs attributable to non-de minimis pumpers and whether a future fee structure is warranted.

De Minimis Pumpers: No fees are proposed at this time; this may be revisited if new information indicates a material impact on basin conditions or program costs.

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Agenda Item 5.3

Title: Approve Annual Budget for Fiscal Year 2026–2027

Attachment(s):
1. Table 1. Budget Summary
2. Table 2. Operating Expenses

Recommended Board Action: Approve the proposed budget for Fiscal Year 2026–2027

The attached Tables 1 and 2 present the projected totals for Fiscal Year 2025–2026 (FY 25/26) and the proposed budget for FY 26/27. The FY 25/26 projected operating expenses are based upon the actual expenses incurred July 1 – January 31 and the projected expenses to June 30. Revenue and expenses are presented on an accrual basis which recognizes revenues when they are earned and expenses when they are incurred, even if the payment has not yet been received. Grant revenues are an exception and are presented on a cash basis since they are a significant source of funds for the Santa Cruz Mid-County Groundwater Agency (MGA)'s operations.

The following narrative summarizes the MGA's beginning cash reserves, operating revenue, operating expenses, and ending reserves.

BEGINNING RESERVES

The beginning reserves for the MGA for FY 25/26 total $1,408,181 and is projected for FY 26/27 to total $1,109,488. The beginning reserves amount is the ending reserves amount from the prior year plus any surplus of revenue collected from the prior year over the actual expenses incurred.

In FY 26/27, a designated reserve is proposed for the next Groundwater Sustainability Plan (GSP) Periodic (5-Year) Evaluation (due in 2030). The MGA has used this approach in the past. This designated reserve allows the MGA to plan for the anticipated obligation, smooth budget impacts across fiscal years, and reduce spikes in Member Agency contribution increases, while preserving general reserves for unanticipated needs and stability.

OPERATING REVENUE

Operating revenue consists of grant awards, Member Agency contributions, and interest income. The projected operating revenue for FY 25/26 is projected to be $689,337 and for FY 26/27 is projected to be $647,500.

Member Agency Contributions – Revenue collected from Member Agencies funds operating expenses. The annual contributions amount is based upon projected operating expenses for the fiscal year, anticipated revenue from grants, and the amount in reserves. In FY 26/27, the proposed budget includes contributions from Member Agencies that total $450,000.

Member Agency Contributions - SGMI Grant Administration
Revenue for SGMI Grant administration (which is not reimbursed by the grant) will be contributed via annual invoices to Soquel Creek Water District and the City of Santa Cruz for the grant administration costs related to their respective SGMI Grant Components. The projected amount for FY 26/27 is $15,000.

Sustainable Groundwater Management Implementation Grant (SGMI Grant)
Total: $7,600,000; Years: 2022 – 2026
Awarded in 2022, this Department of Water Resources (DWR) grant partially funds planning activities and the implementation of selected projects and management actions identified in the GSP. The grant includes five (5) separate component projects (described further below in this memo). Components 1 – 4 are led by the Member Agencies; eligible project costs will be reimbursed by the grant. The lead Member Agencies are funding their respective Component(s) as work proceeds (e.g., consultant contracts) and will be reimbursed in arrears as the MGA is reimbursed by DWR via quarterly grant submittals. Grant funded work was completed in FY 25/26 and with final grant award retention anticipated in FY26/27.

OPERATING EXPENSES

The operating expenses are presented in the following budget categories:

- Administration
- Legal Support
- Management and Coordination
- Monitoring: Network Expansion, Data Collection, Analysis and Management
- Groundwater Sustainability Plan Reporting
- Outreach and Education

Total operating expenses in FY 26/27 are proposed to be $624,880. This is a 34% reduction from the prior fiscal year.

Budget Category: Administration

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

FY 25/26: Projected expenditures in total $180,000.
FY 26/27: The proposed budget is $168,000.

Budget Category: Legal Support

As in prior years, the County of Santa Cruz provides general legal counsel. In 2023, the MGA selected the firm Best, Best, & Krieger, LLP (BBK) to provide legal counsel, as needed, on matters pertaining to the Sustainable Groundwater Management Act (SGMA).

FY 25/26: The approved budget is $20,000.

FY 26/27: The proposed budget is $15,000.

Budget Category: Management and Coordination

This category includes three components:

- Technical work in support of SGMA implementation
- Planning Activities and Implementation Coordination
- SGMI Grant Administration

FY 25/26: The approved budget for this category is $309,300.

FY 26/27: The proposed budget is $158,740

Technical Work: SGMA Support

Montgomery & Associates (M&A) conducts various tasks to support and inform SGMA implementation and agency planning, including tracking SGMA Program Development, consultation and coordination with DWR.

FY 25/26: The approved budget is $15,300.

FY 26/27: The proposed budget is $16,240

Planning Activities & Implementation Coordination

The Regional Water Management Foundation (RWMF) is supporting GSP Implementation Coordination and Planning Activities. Tasks in this category include: tracking the progress of the Project and Management Actions (PMAs) identified in the GSP; meeting coordination and facilitation; assisting with the coordination of GSP implementation activities outlined

in Chapter 5 of the GSP; assisting in identifying grant opportunities; and considering long-term funding approaches. In 2024, following a solicitation for Request for Qualifications, the MGA selected SCI Consulting Group to study potential approaches for long-term funding necessary for operation of the MGA to comply with SGMA.

FY 25/26: The approved budget is $109,000; the projected expenses are $138,790. The level of effort was higher than initially estimated to support the seawater intrusion investigations, funding options study, and other work funded by the SGMI grant. Costs include approximately $30,000 for SCI Consulting to complete an assessment of long-term funding approaches to comply with SGMA.

FY 26/27: The proposed budget is $120,000. This includes RWMF support for GSP planning and implementation. It also includes $7,500 for potential support from SCI Consulting if further support is needed related to assessing long-term funding approaches. It includes $4,800 to support the Small GSAs Coalition.

SGMI Grant Administration
RWMF is supporting the SGMI Grant administration on all five components.

FY 25/26: The approved budget for this work is $85,000.

FY 26/27: The proposed budget for this work is $15,000.

Budget Category: Monitoring Network, Data Collection, Analysis & Management
FY 25/26: The total for this budget category is $223,800. Funding for Basin monitoring activities is included in the SGMI Grant.

FY 26/27: The proposed budget for this work is $134,040.

This category includes the following tasks:

Monitoring Network
FY 25/26: The approved budget is $22,100 to support ongoing monitoring activities such as consultant technical support and monitoring equipment (as needed).

FY 26/27: The proposed budget is $22,520.

Monitoring: Streamflow and Shallow Groundwater Levels
The GSP established Sustainable Management Criteria (SMC) for the depletion of interconnected surface water based on the shallow well and associated streamflow data available in the Basin. Monitoring is needed to evaluate the associated SMC over time.

FY 25/26: $45,000 is budgeted for Trout Unlimited to conduct Basin streamflow monitoring. The streamflow monitoring efforts are associated with MGA's monitoring of nearby shallow groundwater monitoring wells. SGMA requires GSPs to address and quantify depletions of interconnected surface waters to avoid adverse impacts on beneficial uses and consider impacts to groundwater-dependent ecosystems.

FY 26/27: The proposed budget for Trout Unlimited to continue this work is $50,000.

Monitoring: Seawater Intrusion

The MGA continues to evaluate seawater intrusion in the aquifers along the coast of the Basin and to characterize the source and extent (vertically and spatially) of the high chloride water in Seascape and the surrounding area.

FY 25/26: $120,850 is budgeted for work by M&A and other consultants to conduct field work and investigations to delineate saltwater intrusion using various electromagnetic (EM) approaches, EM induction logging, water quality lab analytic testing, and related analyses. Geophysical Imaging Partners analyzed the 2017 and 2022 Airborne Electromagnetic (AEM) data. The Seascape area seawater intrusion investigation lead by M&A was presented to the Board in March 2026.

FY 26/27: The proposed budget to continue to monitor and assess seawater intrusion is $29,400. M&A and RWMF will support the Member Agency staff with the review of new chloride data from monitoring wells, review induction surveys, and if needed, assist with installing continuous groundwater level and electrical conductivity monitoring equipment. The budget includes conducting a follow-up induction log at monitoring wells SC-A2RA and SC-A8A.

Data Coordination & Data Management System (DMS)

The MGA collaborated with the neighboring Santa Margarita Groundwater Agency and the member agencies of both GSAs (Partner Agencies) to develop a DMS. The MGA entered into a funding agreement with the County of Santa Cruz for its proportional share of the consultant (KISTERS) costs to develop and maintain the DMS.

FY 25/26: The approved budget is $25,850 for KISTERS' annual DMS hosting fee, user licenses, and software as well as DMS-support from M&A.

FY 26/27: The proposed budget for similar tasks is $26,000.

Groundwater Extraction Metering Program

The MGA's groundwater metering program applies to two categories of users: (1) all non-de minimis pumping operations expected to extract more than 5 acre-feet per year, and (2) all non-de minimis pumping operations expected to extract more than 2 acre-feet per year

that may impact seawater intrusion or an interconnected stream where groundwater-dependent ecosystems are identified in the GSP.

FY 25/26: The approved budget is $10,000 for potential assistance for non-de minimis users that are interested in meter installation assistance.

FY 26/27: $5,000 is proposed so funds are available for non-de minimis users that are interested in meter installation assistance.

Budget Category: GSP Reporting

FY 25/26: The approved total for this budget category is $206,750; the projected expenses are $250,986. Funding for GSP Reporting is included in the SGMI Grant.

FY 26/27: The proposed budget for this work is $70,000.

This category includes the following tasks:

Groundwater Sustainability Plan Annual Report and Data Reporting

Annual reporting to DWR by April 1st on the GSP implementation is a requirement under SGMA. In addition, semi-annual (2x/year) Basin data reporting to DWR via the SGMA portal is required. M&A will prepare the Annual Report and will compile, format, and submit the monitoring data to the SGMA portal.

FY 25/26: The approved budget to develop the GSP Annual Report Water Year 2024 and complete the semi-annual data reporting is $86,250; the projected expenses are $72,750.

FY 26/27: The proposed budget for the same tasks is $70,000.

GSP Periodic Evaluation (5-Year)

The GSP Periodic Evaluation (2025) was successfully completed. Work was led by M&A with support from RWMF and Member Agency staff. The Periodic Evaluation was approved by the Board in December 2024 and submitted to DWR on January 30, 2025. Funding for this work was included in the SGMI Grant. The next Periodic Evaluation is due by January 30, 2030.

FY 25/26: No allocation.

FY 26/27: No allocation

GSP Periodic Evaluation Groundwater Modeling

In December 2024, the Board approved an M&A contract for improvements to the groundwater model necessary for the next GSP Periodic Evaluation (due by 2030) in an

amount not to exceed $241,000. The work was initially budgeted (split evenly) between the two FYs ($120,500 per year). In 24/25, only $62,764 was expended. Partial funding for this work is included in the SGMI Grant.

FY 25/26: The budget is 120,500. The projected expenses are $178,236, which would fully expend the approved contract total ($241,000).

FY 26/27: $59,100 is proposed for groundwater model improvements that are necessary for the 2030 Periodic Evaluation. M&A will analyze the output of the model (GSFLOW) with recently revised hydrogeologic model layering to analyze fit to groundwater level and streamflow observations. This information will guide targeted manual model modifications as needed to prepare for model calibration.

Budget Category: Outreach & Education

FY 25/26: The approved budget for outreach is $35,000 to support ongoing community outreach and engagement on GSP implementation efforts. The projected expenditures are $50,000. This includes work to redesign and update content on the MGA website. Partial funding for this work is included in the SGMI Grant.

FY 26/27: The proposed budget is $20,000.

MEMBER AGENCY LEAD PROJECT & MANAGEMENT ACTIVITIES

SGMI Grant Components

As noted above, the MGA's $7.6 million Sustainable Groundwater Management Implementation (SGMI) grant award from DWR funded implementation activities. Four of the Components are led by Member Agencies (Soquel Creek Water District, City of Santa Cruz, County of Santa Cruz). The MGA entered into sub-grantee agreements with the respective Member Agencies. The Member Agencies are reimbursed in arrears via the MGA for eligible expenses submitted to and approved by DWR as part of the quarterly grant reporting process. The MGA reimburses the Member Agencies upon receipt of the grant funds from DWR.

DWR withholds 10% in retention by Component until all grant deliverables are completed and approved. Three of the five projects are complete, and retention release approved.

Component Title	Lead Agency	Grant Amount	Status of Work and Reimbursement
Cunnison Lane Groundwater Well	Soquel Creek Water District	$1,734,560	Completed. Retention payment received.

Aquifer Storage and Recovery, Beltz Wellfield	City of Santa Cruz	$1,742,207	Grant funded activities completed. Retention anticipated in FY26/27.
Park Avenue Transmission Main/Bottleneck Improvements	Soquel Creek Water District	$740,440	Completed. Retention received.
Technical Development of Group 1 and 2 Projects and Management Actions (Optimization Study)	Soquel Creek Water District & City of Santa Cruz	$1,807,793	Completed. Retention release approved, anticipated in FY 25/26.
Sustainable Groundwater Management Evaluation and Planning	MGA & County of Santa Cruz	$1,575,000	Grant activities to be completed in FY25/26. Retention anticipated in FY26/27.
Total		**$7,600,000**	

ENDING RESERVES

General Reserves
Prudent financial management requires that the Agency carry a general reserve in order to manage cash flow and mitigate the risk of expense overruns in case actual expenses are greater than anticipated in the budget. The MGA is currently maintaining higher general reserves due to the potential for delays in grant reimbursements related to factors (e.g., state budget process) beyond the control of the MGA. With the conclusion of the SGMI grant, general reserves are anticipated to be drawn down starting in FY 27/28 annually until the reserves target (50% of annual Operating Expenses) is achieved by FY 30/31. The gradual drawdown is intended to prevent spikes in Agency Contributions in years when Operating Expenses spike due planned activity (e.g., preparation of the GSP Periodic Evaluation).

The estimated projected ending general reserves for FY 25/26 are $1,109,488 and for FY 26/27 are $1,132,108.

Contingency Fund
The contingency fund is set aside to cover unexpected costs. As proposed for FY 26/27, the contingency is $62,488. This is 10% of total operating expenses.

Member Agency Contributions
In FY 25/26, based upon the Agency's General Reserves and Operating Expenses, there was no proposed contribution from the Member Agencies. In FY 26/27, the proposed total contribution is $450,000. This contribution spreads future anticipated contributions needs across multiple fiscal years and serves to reduce spikes in Member Agency contributions in

years when Operating Expenses will increase due to work on the next GSP Periodic Evaluation.

The Agency's Joint Powers Agreement (Section 14.2) states that the "Board from time to time will review the proportional share of contributions by the Member Agencies." The proportional share of contributions by the Member Agencies will be considered by the Board at the June 18, 2026, meeting. In prior years, the proportional share was Soquel Creek Water District (70%), Central Water District (10%), City of Santa Cruz (10%), County of Santa Cruz (10%). At the June 18 meeting, the Board will consider the proposed total contribution and proportional share for each Agency in FY 26/27.

Recommended Board Action:

1. By MOTION, approve the proposed budget for Fiscal Year 2026–2027

Submitted by:

Tim Carson
Program Director
Regional Water Management Foundation

Leslie Strohm
Treasurer
Santa Cruz Mid-County Groundwater Agency

On behalf of the MGA Executive Staff
Melanie Mow Schumacher, General Manager, Soquel Creek Water District
Ralph Bracamonte, District Manager, Central Water District
Heidi Luckenbach, Water Director, City of Santa Cruz
Sierra Ryan, Water Resources Manager, County of Santa Cruz

Table 1. BUDGET SUMMARY

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
BUDGET SUMMARY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RESERVES
FISCAL YEAR 2025/2026 AND FISCAL YEAR 2026/27 BUDGET

	2024/25 ACTUALS	2025/26 APPROVED BUDGET	2025/26 PROJECTED TOTALS	2026/27 PROPOSED BUDGET	INCREASE (DECREASE) OVER PRIOR YEAR BUDGET	% CHANGE OVER PRIOR YEAR BUDGET
Beginning Reserves						
Beginning Cash Reserves[1]	$ 1,538,772	$ 1,464,522	$ 1,400,733	$ 809,488	$ (655,034)	
5-Year GSP Evaluation (2025, 2030) Reserve	$ 75,000	$ -	$ 7,448	$ 300,000	$ 300,000	
Total Beginning Reserves	***$ 1,613,772***	***$ 1,464,522***	***$ 1,408,181***	***$ 1,109,488***	***$ (355,034)***	***-24%***
Operating Revenue						
Agency Contributions	$ -	$ -	$ -	$ 450,000	$ 450,000	
Agency Contributions - SGMI Grant Administration	$ 71,096	$ 85,000	$ 65,000	$ 15,000	$ (70,000)	-82%
Grant Funds (Received)						
DWR SGM Implementation (SGMI) (2022 - 2025)[2]	$ 525,889	$ 500,000	$ 599,337	$ 157,500	$ (342,500)	-69%
Interest on Reserves	$ -	$ -	$ 25,000	$ 25,000		
Total Operating Revenue	***$ 596,985***	***$ 585,000***	***$ 689,337***	***$ 647,500***	***$ 37,500***	***6%***
Operating Expense						
Administration	$ 173,267	$ 155,000	$ 180,000	$ 168,000	$ 13,000	8%
Legal	$ 7,993	$ 20,000	$ 10,000	$ 15,000	$ (5,000)	-25%
Management & Coordination	$ 282,938	$ 309,300	$ 270,590	$ 158,740	$ (150,560)	-49%
Monitoring	$ 104,701	$ 223,800	$ 226,455	$ 134,040	$ (89,760)	-40%
GSP Reporting						
GSP Annual Report & Related Data Reporting	$ 76,700	$ 86,250	$ 72,750	$ 70,000	$ (16,250)	-19%
GSP Periodic Evaluation (PE) (2025)	$ 67,552	$ -	$ -	$ -	$ -	
GSP Periodic Evaluation Groundwater Modeling[3]	$ 62,764	$ 120,500	$ 178,236	$ 59,100	$ (61,400)	-51%
Outreach & Education	$ 26,661	$ 35,000	$ 50,000	$ 20,000	$ (15,000)	-43%
Total Operating Expense	***$ 802,576***	***$ 949,850***	***$ 988,031***	***$ 624,880***	***$ (324,970)***	***-34%***
Ending Reserves						
Contingency[4]	81,098	94,985	94,985	62,488	$ (32,497)	-34%
5-Year GSP Evaluation (2025, 2030) Reserve	7,448	-	-	300,000	$ 300,000	100%
General Reserve	1,319,636	1,004,687	1,014,503	769,620	(235,067)	-23%
Total Ending Reserves [5]	***$ 1,408,181***	***$ 1,099,672***	***$ 1,109,488***	***$ 1,132,108***	***$ 32,436***	***3%***
Member Agency Lead Project & Management Activities						
SGM Implementation (SGMI) Grant Components	$ 3,325,143	$ 3,800,000	$ 1,577,532	289,021		

Notes:

1. Revised FY2024/25 actuals based grant reimbursments received in prior FY 2023/24
2. Operating Revenue on Grant Funds for the DWR SGM Implementation only includes MGA led activities, not Member Agency led activities
3. Groundwater Model improvements approved by Board in December 2024 will inform next Periodic Evaluation
4. Contingency is based upon 10% of Total Operating Expenses in the Approved budget
5. Ending reserves are calculated using the accrual basis of accounting and do not reflect actual cash reserves

Table 2. OPERATING EXPENSES

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY
OPERATING EXPENSES
FISCAL YEAR 2025/2026 AND FISCAL YEAR 2026/27 BUDGET

	2024/25 ACTUALS	2025/26 APPROVED	2025/26 PROJECTED	2026/27 PRELIMINARY	2026/27 PROPOSED	INCREASE (DECREASE) OVER PRIOR YEAR BUDGET	% CHANGE OVER PRIOR YEAR BUDGET
Operating Expense							
Administration	**$ 173,267**	**$ 155,000**	**$ 180,000**	**$ 180,000**	**$ 168,000**	**$ 13,000**	**8%**
Legal	**$ 7,993**	**$ 20,000**	**$ 10,000**	**$ 12,500**	**$ 15,000**	**$ (5,000)**	**-25%**
Management & Coordination							
Technical Work: SGMA Support	$ 28,571	$ 15,300	$ 19,300	$ 16,000	$ 16,240	$ 940	
Planning Activities & Implementation Coordination	$ 135,356	$ 109,000	$ 138,790	$ 121,300	$ 120,000	$ 11,000	
SGMA Funding Options Assessment	$ 25,024	$ 25,000	$ 30,000	$ -	$ -	$ (25,000)	
SGMA Funding Options Implementation	$ -	$ 75,000	$ 7,500	$ 7,500	$ 7,500	$ (67,500)	
SGMI Grant Administration	$ 93,986	$ 85,000	$ 75,000	$ 10,000	$ 15,000	$ (70,000)	
subtotal	**$ 282,938**	**$ 309,300**	**$ 270,590**	**$ 154,800**	**$ 158,740**	**$ (150,560)**	**-49%**
Monitoring: Basin Network, Data Collection, Analysis & Management							
Monitoring Network	$ 10,327	$ 22,100	$ 18,250	$ 22,500	$ 22,520	$ 420	
Monitoring: Streamflow & Shallow Groundwater Levels	$ 51,315	$ 45,000	$ 45,000	$ 50,000	$ 50,000	$ 5,000	
Monitoring: Seawater Intrusion	$ 42,611	$ 120,850	$ 136,315	$ 45,000	$ 29,240	$ (91,610)	
Data Coordination & Data Management System	$ 448	$ 25,850	$ 25,005	$ 26,000	$ 27,280	$ 1,430	
Groundwater Extraction Metering Program Implementation	$ -	$ 10,000	$ 1,885	$ 5,000	$ 5,000	$ (5,000)	
subtotal	**$ 104,701**	**$ 223,800**	**$ 226,455**	**$ 148,500**	**$ 134,040**	**$ (89,760)**	**-40%**
GSP Reporting							
GSP Annual Report & Related Data Reporting	$ 76,700	$ 86,250	$ 72,750	$ 70,000	$ 70,000	$ (16,250)	
GSP Periodic Evaluation (5-Year) / Amendment (if needed)	$ 67,552	$ -	$ -	$ -	$ -	$ -	
GSP Periodic Evaluation (5-Year) Groundwater Modeling	$ 62,764	$ 120,500	$ 178,236	$ -	$ 59,100	$ (61,400)	
subtotal	**$ 207,016**	**$ 206,750**	**$ 250,986**	**$ 70,000**	**$ 129,100**	**$ (77,650)**	**-38%**
Outreach & Education	**$ 26,661**	**$ 35,000**	**$ 50,000**	**$ 25,000**	**$ 20,000**	**$ (15,000)**	**-43%**
Total Operating Expense	***$ 802,574***	***$ 949,850***	***$ 988,031***	***$ 590,800***	***$ 624,880***	***$ (324,970)***	***-34%***
Member Agency Lead Project & Management Activities							
SGM Implementation (SGMI) Grant Components	**$ 3,325,143**	**$ 3,800,000**	**$ 1,577,532**	**$ 289,021**	**$ 289,021**		

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Informational Item 6.1

Title: Regional Housing Needs Assessment

Attachment(s): None

Recommended Board Action: Informational, no action necessary.

Background

The Regional Housing Needs Assessment (RHNA) is mandated by State Housing Law as part of the periodic process of updating local Housing Elements. The California Department of Housing and Community Development (HCD) projects population growth by geographic region and designates the regional Councils of Government (COGs) as the agencies responsible for determining how the potential growth is to be allocated among the jurisdictions within the regions. The COG relevant to the County of Santa Cruz is the Association of Monterey Bay Area Governments (AMBAG).

For the 6th Cycle Housing Element, effective 2023 to 2031, the local jurisdictions were allocated housing units at specific affordability levels to accommodate the region's projected housing needs. This allocation is the jurisdiction's RHNA. The Housing Element is required to identify "adequate sites" to accommodate this estimated growth. The jurisdiction is also required to provide the programs, policies, and appropriate zoning to incentivize this growth.

- The County of Santa Cruz has been allocated 4,634 housing units
- The City of Santa Cruz was allocated 3,950 housing units
- The City of Capitola was allocated 1,336 housing units but have adopted zoning for a total of 2,511 housing units.
- Scotts Valley and Watsonville were also allocated housing units.

At the March 19 Santa Cruz Mid-County Groundwater Agency (MGA) meeting, Director Marani requested staff present the impact of this additional housing on Basin sustainability at the next Board meeting. The question of whether the MGA can implement a form of impact development fees was also raised.

Discussion

The City of Santa Cruz, County of Santa Cruz, and City of Capitola have adopted their updated Housing Elements, which specifically identify which parcels will be re-zoned to

allow for high density housing. They also identify the maximum number of units at each site.

In the MGA, an addition of 4,199 units are provided for by the new zoning in the Housing Elements. Seventy percent (70%) fall within the service areas of the City of Santa Cruz Water Department and thirty percent (30%) fall within Soquel Creek Water District. Many of these have no developers and may never be realized.

During the development of the Urban Water Management Plans, the water agencies worked with Planning staff from these jurisdictions to determine a realistic population increase to plan for. Despite the increased housing permitted in the Housing Elements, Soquel Creek Water District is anticipating overall water use to decline in all scenarios they evaluated. City of Santa Cruz Water Department is anticipating an 11.5% increase in demand over the next 25 years. Since 5% of their water demand is currently provided by the Mid-County Groundwater Basin (MGB), that equates to an increase in pumping of around 45 acre-feet per year.

Regarding impact fees, no mechanism was identified that would allow the MGA to implement such fees. Impact fees may only be used to support capital projects and not operating expenses. Since the MGA does not have capital projects, these fees are not applicable to the MGA.

Recommended Board Action:

1. Informational update only.

Submitted by:

Sierra Ryan
Water Resources Program Manager
County of Santa Cruz

June 18, 2026

MEMO TO THE MGA BOARD OF DIRECTORS

Subject: Informational Item 6.2.1

Title: Groundwater Sustainability Plan Implementation Status Update

Attachment(s): None

Recommended Board Action: Informational, no action necessary.

The intent of this memorandum is to provide status updates on Groundwater Sustainability Plan (GSP) implementation activities not covered elsewhere on the Board agenda.

Small Groundwater Sustainability Agency (GSA) Coalition –The Small GSA Coalition meets monthly, with Sierra Ryan and Rob Swartz participating. At the June meeting, the group learned that the Department of Water Resources (DWR) anticipates releasing guidelines for $3.5 million in grant funding identified in Senate Bill (SB) 105 to assist small GSAs in complying with the Sustainable Groundwater Management Act (SGMA). We are working with the Small GSA Coalition to identify potential MGA activities related to SGMA compliance that could be eligible for funding. Representatives of the Coalition, including Rob Swartz, recently met with DWR to get an update on DWR's efforts to streamline SGMA annual reports in an effort to reduce compliance costs. DWR is working on a SGMA Portal upload project intended to reduce the effort in annual reporting, and they anticipate draft versions of these tools in late summer.

Well Permit Review – MGA received three well permit applications for review from Santa Cruz County. Following the MGA Policy for Reviewing Well Construction Permit Applications adopted on September 18, 2025, the Executive Staff designated the Regional Water Management Foundation Senior Planner as the Reviewer. The applications were all for domestic uses consisting of two supplemental wells and one replacement well. The Reviewer determined that these were consistent with the MGA Groundwater Sustainability Plan. The Reviewer notified the Executive Staff and returned the County review forms indicating that MGA had no comments related to the applications. This brings the total number of wells reviewed in 2026 up to four.

Recommended Board Action:

1. Informational, no action necessary.

Submitted by:

Rob Swartz
Senior Planner
Regional Water Management Foundation

Santa Cruz Mid-County Groundwater Agency Sustainable Groundwater Management Act Implementation Grant (Agreement #4600014636) Update: June 2026	
1. Project: Cunnison Lane Groundwater Well Lead: Soquel Creek Water District Grant Award: $1,734,560; 100% expended Status: Completed.	Component 1 was successfully completed. Cunnison Lane Groundwater Well construction was completed in fall 2024; design of the raw water pipeline connection between Cunnison Lane groundwater well and the treatment facility was completed in December 2024.
2. Aquifer Storage & Recovery (ASR), Beltz Wellfield Lead: City of Santa Cruz Grant Award: $1,742,207; 100% expended Status: Grant funded work completed.	Amendment 5 extended the date for completion of Beltz 12 to 12/31/2026 and included the transfer of funds from Component 4 to Component 2. The grant partially funds design plans and specifications to retrofit and convert two existing groundwater production wells to ASR wells (Beltz Well 8 and 12) to enable the injection of excess surface water, treated to drinking water standards, into Basin aquifers. The grant also partially funds construction of Beltz 12. Beltz 12: The City's consultant, Carollo Engineers Inc., completed designs. The City awarded the construction bid to South Valley Companies; construction began in July 2025. Construction includes site improvements needed for a functional ASR well include the installation of mechanical, piping, electrical, instrumentation, and control systems, water quality treatment infrastructure, and other improvements. Non-grant funded construction activity will continue until December 2026. Beltz 8: Carollo completed the 100% designs and specifications. Grant funds for Beltz 8 design have been fully expended.
3. Park Avenue Transmission Main Improvements Lead Agency: Soquel Creek Water District Grant Award: $740,440; 100% expended Status: Completed	Component 3 was successfully completed in 2024. This project replaced 1,380 linear foot (LF) 8-inch diameter distribution pipeline with a new 12-inch diameter PVC transmission pipeline from the

Continued **3. Park Avenue Transmission Main Improvements**	McGregor transmission main and pump station to Subec Lane. The Project increased the size of the intertie connection between water service areas which improves system reliability and allows more flexibility to reduce groundwater extraction of the District's coastal wells and shift pumping inland.
4. Technical Development of GSP Group 1 & 2 Projects Leads: Soquel Creek WD & City of Santa Cruz Grant Award: $1,807,793; 100% expended Status: Completed	Component 4 was successfully completed. Work consisted of the following seven tasks. Task 1: Develop Objectives & Project Components to Analyze Brown and Caldwell (BC) served as lead consultant working with District, City, and others on the development and evaluation of alternatives and costs. Technical memorandums summarized the data gap analyses and optimization approach and recommendations and the evaluation criteria and alternatives to analyze. Task 2: Groundwater Modeling Montgomery and Associates (M&A) served as lead consultant working with City, District, BC, and hydraulic modeling consultant Akel Engineering. Groundwater modeling of selected project alternative tracks (Pure Water Soquel (PWS), Aquifer Storage & Recovery (ASR), and transfers using machine-learning guided optimization. This process narrowed down thousands of scenarios under the project alternative tracks to four that represent different ways PWS, ASR, and transfers could be implemented. A technical memorandum summarized the work performed. The four selected scenarios were further analyzed under Tasks 4 - 7. Task 3: Hydraulic Modeling Akel Engineering served as lead consultant working with District, City, and M&A. Akel completed the hydraulic modeling of scenarios and prepared technical memorandum. Task 4: Water Quality & Regional Compatibility/ Optimization BC served as lead consultant on this task. Work included modeling selected projects for potential

Continued **4. Technical Development of GSP Group 1 & 2 Projects**	distribution system water quality impacts and to identify additional water quality studies or treatment needed for project implementation. The work performed, findings and recommendations are summarized in a technical memorandum. Task 5: Economic & Financial Analysis/ Modeling BC served as lead consultant with subconsultants performing specialized evaluations of the selected projects for cost and economic impacts. The work performed, findings and recommendations are summarized in a technical memorandum. Task 6: Needs Assessment (environmental compliance, permitting, water rights, interagency coordination) Findings and Recommendations. BC served as lead consultant with subconsultants performing specialized evaluations of the selected projects for social, environmental, regulatory, legal and institutional needs. The work performed, findings and recommendations are summarized in a technical memorandum. Task 7: Develop Final Regional Water Optimization Study Report BC served as lead consultant on the development of the Final Study Report that presents the findings, insights, and recommendations of the Study conducted to collaboratively evaluate opportunities for integrated water supply solutions that enhance groundwater sustainability and long-term water reliability for the Santa Cruz region.
5. Sustainable Groundwater Management Evaluation & Planning Leads: MGA & County of Santa Cruz Grant Award: $1,575,000; 100% expended Status: Final reporting and close-out	Amendment 5 extended the term of Component 5 to 6/30/2026. Grant funded activity supporting GSP Implementation activities included the following: 2025 groundwater model improvements; streamflow and groundwater monitoring; non-de minimis groundwater usage metering program; coordination with SCI Consulting and the Member Agencies on assessing long-term funding options for SGMA compliance.

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