SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

BOARD OF DIRECTORS

UPDATES FROM MEMBER AGENCIES ON SGMA COMPLIANCE FUNDING OPTIONS
AGENDA ITEM 5.2

JUNE 18, 2026

OVERVIEW

- Historical Funding Allocation Background
- Funding Framework Overview
- Basis for Proposed Allocation
- Key Policy and Planning Provisions
- Board Discussion

HISTORICAL FUNDING OF GROUNDWATER MANAGEMENT : 2015 SOQUEL-APTOS GROUNDWATER MANAGEMENT COMMITTEE (SAGMC)

SAGMC Joint Exercise of Powers Agreement (Third Amendment 2015)

4. Funding. The Committee is authorized to hire consultants to assist in the management and implementation of goals of the SAGMC. The costs of work done under this Agreement and other management and implementation expenses agreed upon by the SAGMC shall be shared on a proportional basis of the total annual groundwater use as measured by each Partner Agency for the preceding water year. Based on use for 2013, the percentage cost to each Partner Agency for fiscal year 2015-16 would be as follows:

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

The cost allocation for each year shall be determined as a part of the Committee budget for the upcoming fiscal year. In the event that additional members are added to the Committee, all of the members shall agree on a new cost sharing formula to fund the costs of the SAGMC.

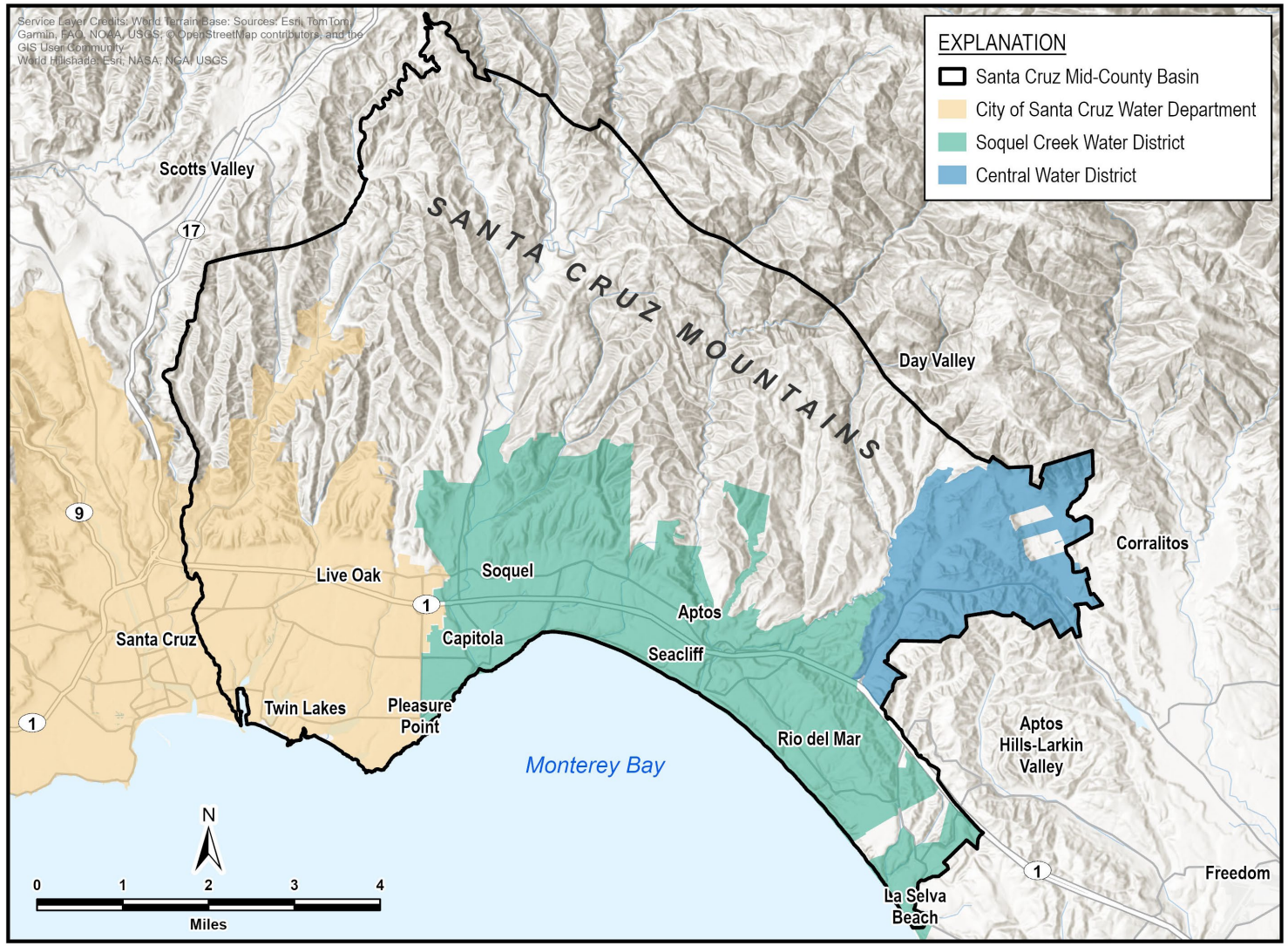
HISTORICAL FUNDING OF GROUNDWATER MANAGEMENT: 2016 TO PRESENT

- MGA Joint Powers Agreement (2016, amended 2021).
  - "The Board of Directors may fund the Agency and the GSP as provided in Chapter 8 of SGMA, commencing with Section 10730 of the Water Code. The Board from time to time will review the proportional share of contributions by the Member Agencies, and issue assessments for contributions in the amount and frequency determined necessary" (Section 14.2).
  - Unanimous vote of "all Member Agency Directors participating" in voting for annual budget approval (Section 9.3(i)) and levying of assessments or fees (Section 9.3(iv)).
- Annual budget approval has included proposed annual contributions amounts from Member Agencies – the proportional allocations (%) have not changed.

FUNDING FRAMEWORK OVERVIEW

- 5-year budget estimate at average of $687K per year (helps Members with budget planning)
- 5-year allocation period (July 1, 2026 through June 30, 2031)
  - Central Water District = 10%
  - City of Santa Cruz = 25%
  - County of Santa Cruz = 10%
  - Soquel Creek Water District = 55%
- Basis for allocation focused on Agency cost drivers
- Policy and provisions to address comments received during Executive Staff meetings

BASIS FOR ADMINISTRATIVE ALLOCATION – EQUAL (BROAD) EXPENSES AND BENEFIT FROM GSA TO MEMBERS



Administration Expenses

- Administrative Staff Support
- Contract Management and Oversight
- Expenses (print copies, misc.)
- Treasurer / Finance Staff
- Accounting and other software
- Annual financial audit
- Office supplies
- Professional Organization Fees
- Insurance
- Legal
- Outreach/Education (website)

BASIS FOR TECHNICAL ALLOCATION – DISPROPORTIONATE (SPECIFIC) EXPENSES ASSOCIATED WITH TECHNICAL WORK (1)

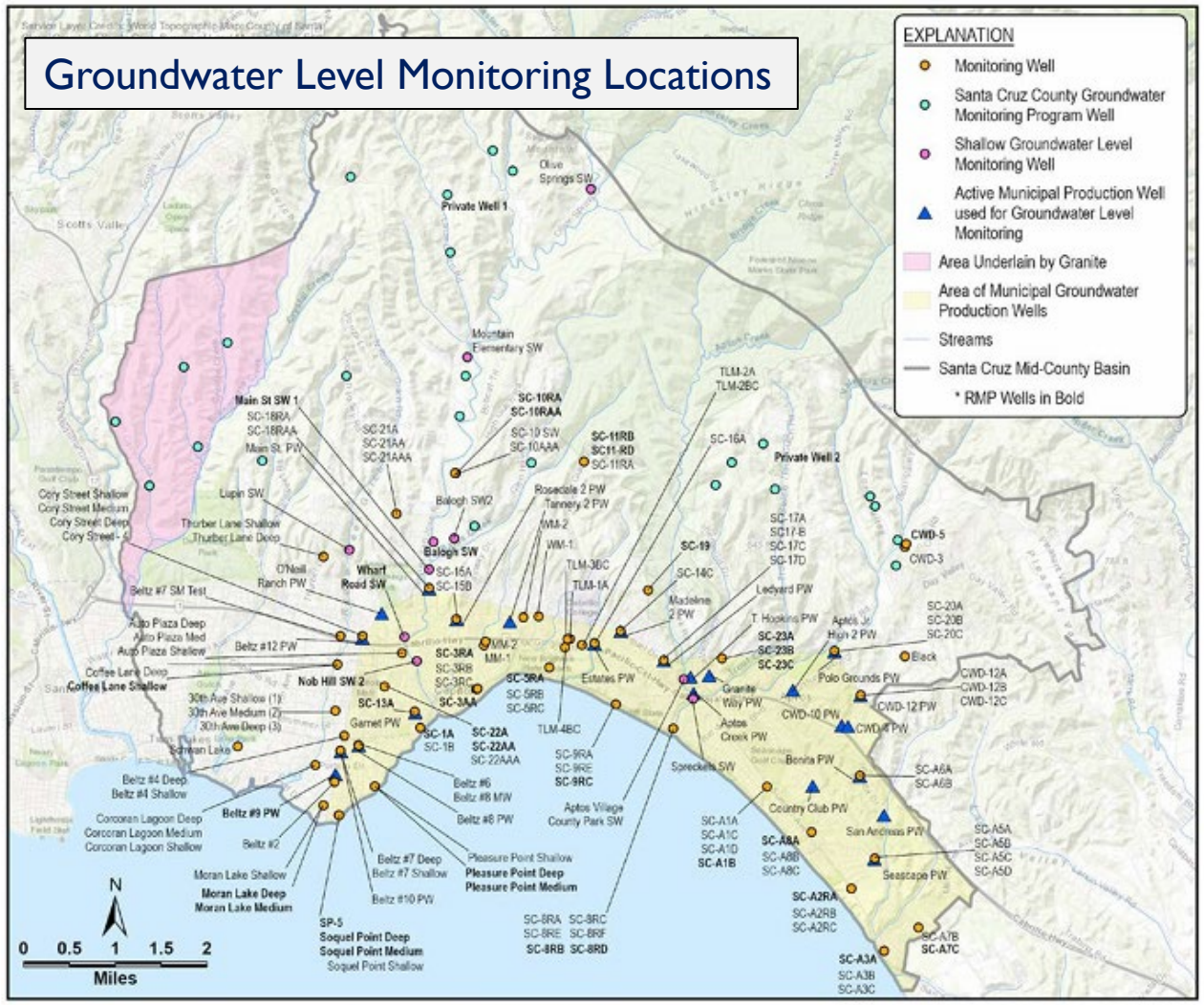


Figure 7-2. Groundwater Level Monitoring Network

Technical Expenses

Recurring

- SGMA Management and Coordination
- Monitoring and Data Management
- GSP Annual Reporting

BASIS FOR TECHNICAL ALLOCATION – DISPROPORTIONATE (SPECIFIC) EXPENSES ASSOCIATED WITH TECHNICAL WORK (2)

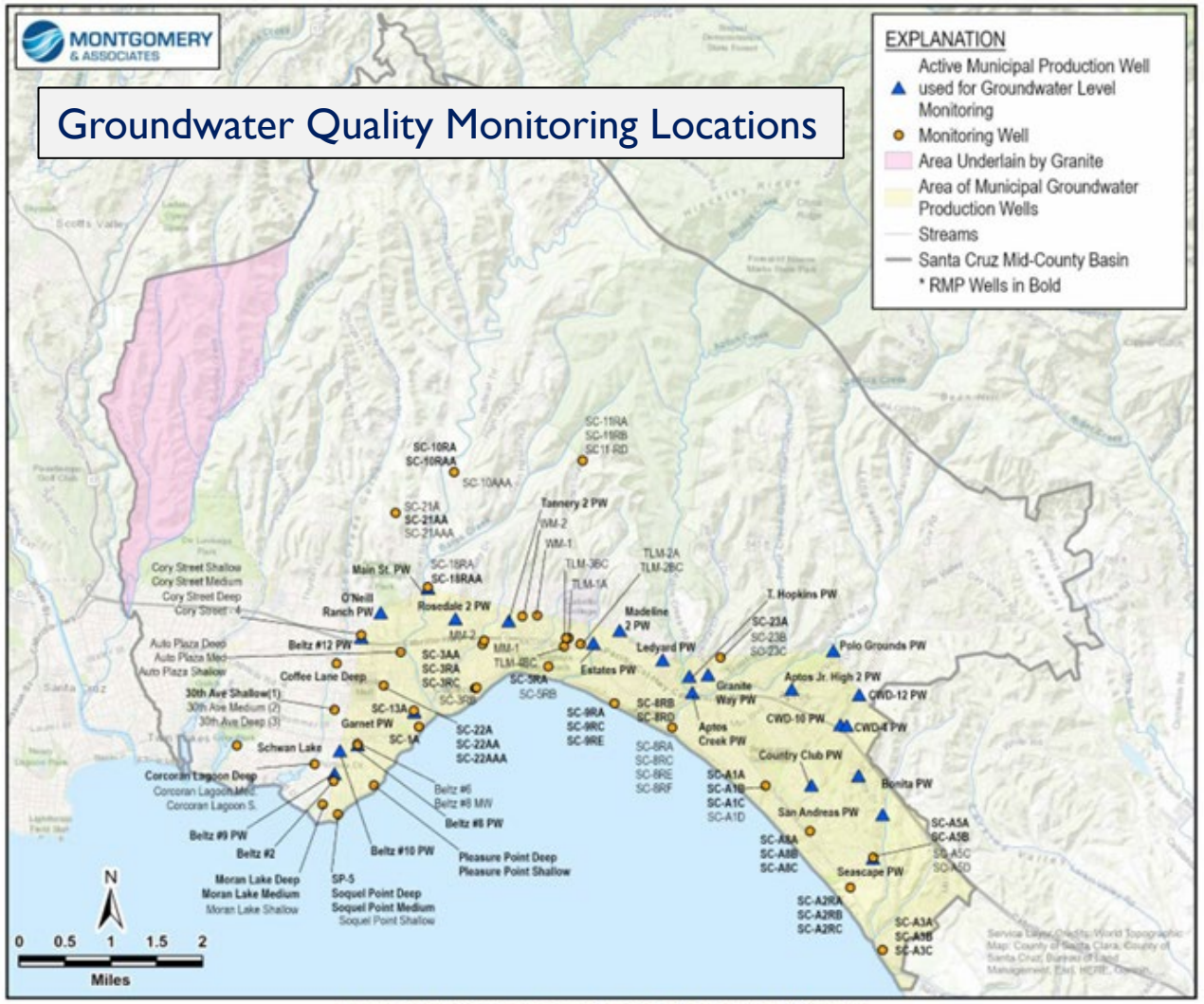


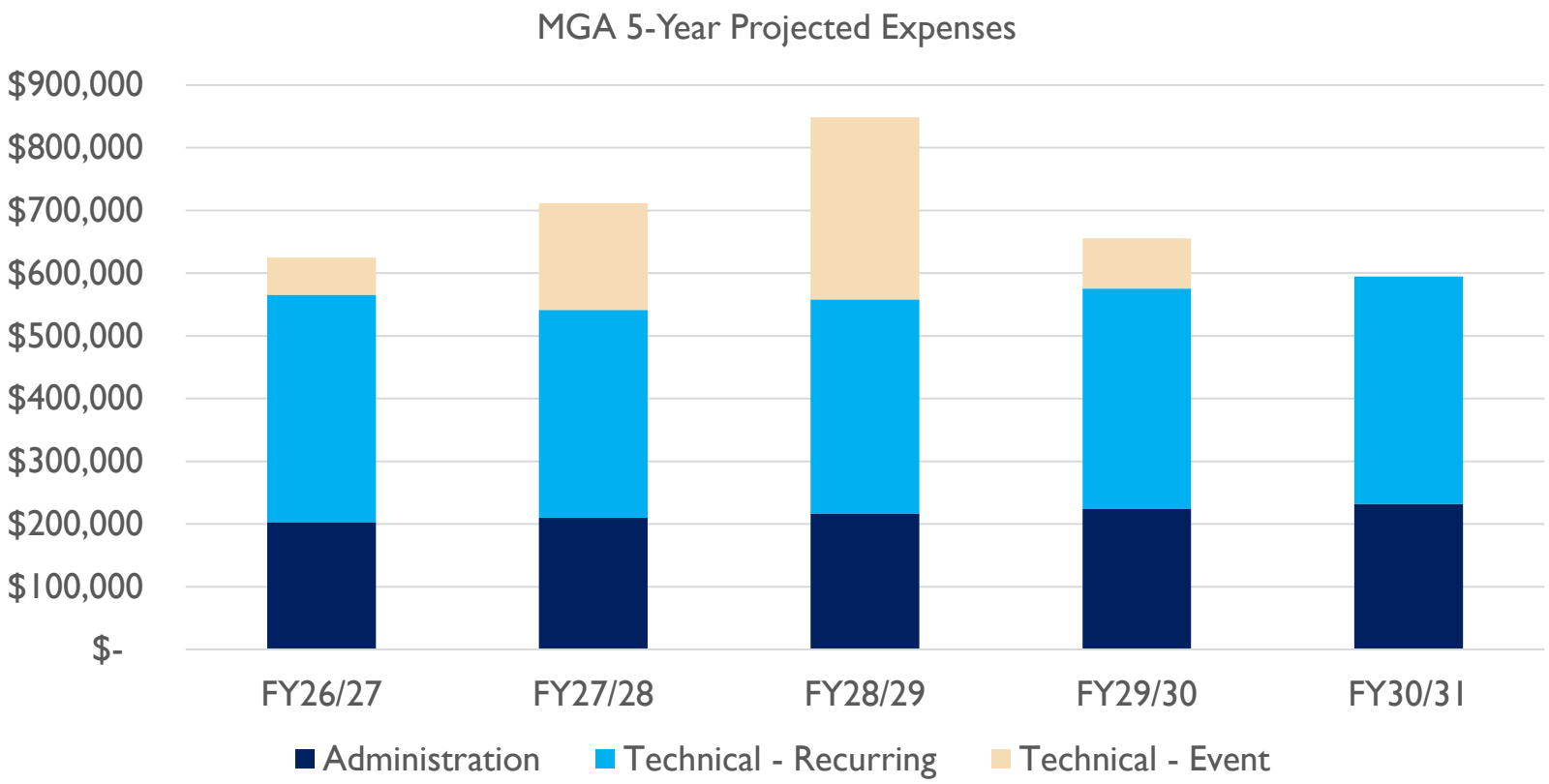
Figure 7-3. Groundwater Quality Monitoring Network

Technical Expenses

Event

- Groundwater Model Update and Recalibration
- GSP Periodic Evaluation
- GSP Amendment

TECHNICAL COST ALLOCATION RATIONALE



1. Even split of Administration Costs (25% each)
2. >90% of Technical Costs on "coastal issues"
3. Weighted Costs assigned 80% "coastal" and 20% "inland"
4. "Coastal" Technical Costs skewed toward Soquel Creek WD, resulting in 55% / 25% allocation
5. "Inland" Technical Costs roughly even between Central WD and County, resulting in10% / 10%

KEY POLICY AND PLANNING PROVISIONS (1)

Reduce Costs

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.

KEY POLICY AND PLANNING PROVISIONS (2)

Consider Future Allocations

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.

KEY POLICY AND PLANNING PROVISIONS (3)

Consideration of Private Pumping

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.

BOARD DISCUSSION

1. Feedback on key policy and planning provisions in the funding framework
2. Feedback on the proposed cost allocation (55/25/10/10) and the basis for the allocation
   - Administrative Costs: split equally (25% per Member Agency)
   - Technical Costs: weighted coastal versus inland based upon SGMA activity/compliance costs
3. Feedback on whether the current funding allocation (70/10/10/10) is inequitable

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.