SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

BOARD OF DIRECTORS

FUNDING OPTIONS TECHNICAL MEMORANDUM

MARCH 19, 2026

INTRODUCTION AND GOALS

- The completed Funding Options Technical Memorandum describes issues related to funding MGA's SGMA compliance efforts:
  - Santa Cruz Mid-County Basin characteristics.
  - Funding mechanism legal frameworks.
  - Funding mechanism methodologies.
  - Key local considerations.
- The Memo does not include specific recommendations and options are not comprehensive.
- If a Funding Options Ad Hoc Committee is created by the Board, the Memo may serve as a tool by which this Committee can further evaluate funding options for MGA.

PRIMARY LEGAL FRAMEWORKS

A. Member Agency Funding

- Implemented internally; administratively simple / inexpensive.
- Not subject to the same proportionality requirements as fees.
- Flexible use of funds.

B. Water Code § 10730 Regulatory Fees (Used by 14/32 GSAs Analyzed)

- Streamline implementation (by resolution).
- Requires implementation costs (fee study) and annual administrative costs.
- Based on a benefit provided to the payer that is not provided to those not charged.
- Funds can be used for "Program Administration"; cannot be used for capital costs.

C. Water Code § 10730.2 Property Related Fees (Used by 15/32 GSAs Analyzed)

- Implemented through majority protest process.
- Requires implementation costs (fee study) and annual administrative costs.
- Based on a property-related service; charges must be proportional to cost.
- Flexible use of funds.

METHODOLOGIES USED BY OTHERS AND APPLICABILITY TO MGA

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

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

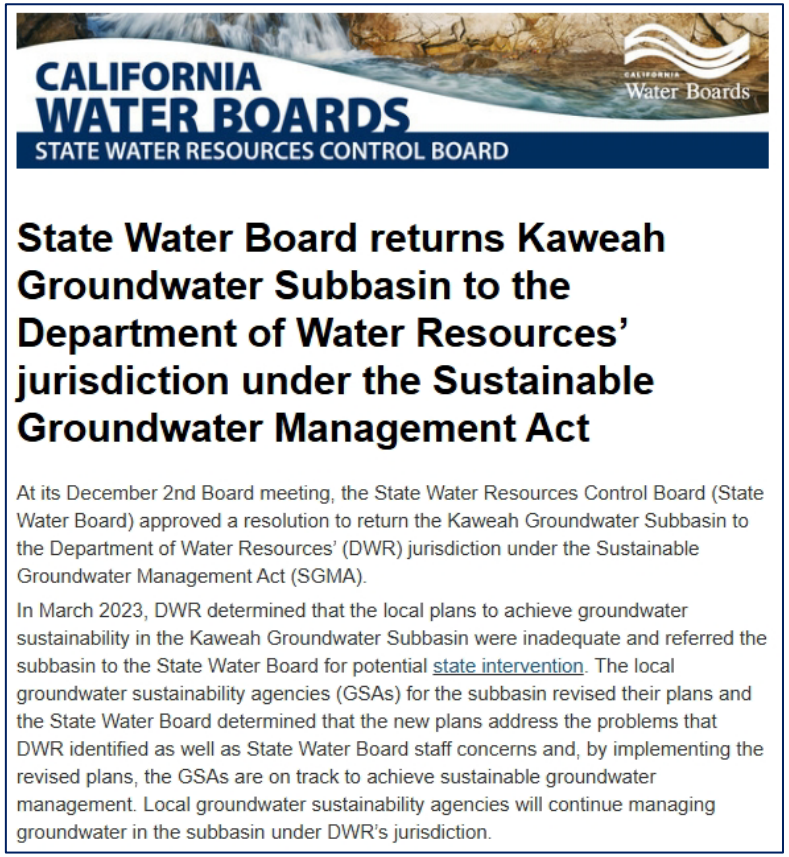
LOCAL CONSIDERATIONS – BASIN GROUNDWATER USERS

Municipal Users	• Soquel Creek Water District • Central Water District • City of Santa Cruz
Agricultural Users	• Agricultural growers extracting groundwater
Institutional Users	• Small water systems extracting groundwater • Entities such as schools and golf courses extracting groundwater
Private Domestic Users	• Individual domestic parcels extracting groundwater (de minimis users)

LOCAL CONSIDERATIONS– BROAD VS. SPECIFIC COST APPORTIONMENT

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

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



CALIFORNIA WATER BOARDS
STATE WATER RESOURCES CONTROL BOARD

State Water Board returns Kaweah Groundwater Subbasin to the Department of Water Resources' jurisdiction under the Sustainable Groundwater Management Act

At its December 2nd Board meeting, the State Water Resources Control Board (State Water Board) approved a resolution to return the Kaweah Groundwater Subbasin to the Department of Water Resources' (DWR) jurisdiction under the Sustainable Groundwater Management Act (SGMA).

In March 2023, DWR determined that the local plans to achieve groundwater sustainability in the Kaweah Groundwater Subbasin were inadequate and referred the subbasin to the State Water Board for potential state intervention. The local groundwater sustainability agencies (GSAs) for the subbasin revised their plans and the State Water Board determined that the new plans address the problems that DWR identified as well as State Water Board staff concerns and, by implementing the revised plans, the GSAs are on track to achieve sustainable groundwater management. Local groundwater sustainability agencies will continue managing groundwater in the subbasin under DWR's jurisdiction.

SANTA CRUZ MID-COUNTY GROUNDWATER AGENCY

QUESTIONS / DISCUSSION

AGENCY FUNDING OPTIONS ASSESSMENT

MARCH 19, 2026

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