

Cosumnes Groundwater Authority

Board Workshop #1

Fee Study Development



Introductions

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Workshop Goals

- Inform and solicit feedback from the Board on key issues related to funding mechanism implementation, including:
 - Organizational pathway
 - Fee type
 - Budget
 - **Preferred Methodology**
 - In particular, feedback regarding preferred methodology will inform the draft fee structure to be presented in November.

Phasing of fee study

Aug-Oct 2022: Data and budget development; Identify initial recommendations; First Board Workshop

Nov 2022: Draft fee structure presented to Board

Dec 2022-Mar 2023: Conduct community meetings and Board Workshop #2; Refine fee structure

April 2023: Final Fee Study presented to Board

Discussion: Organizational Path

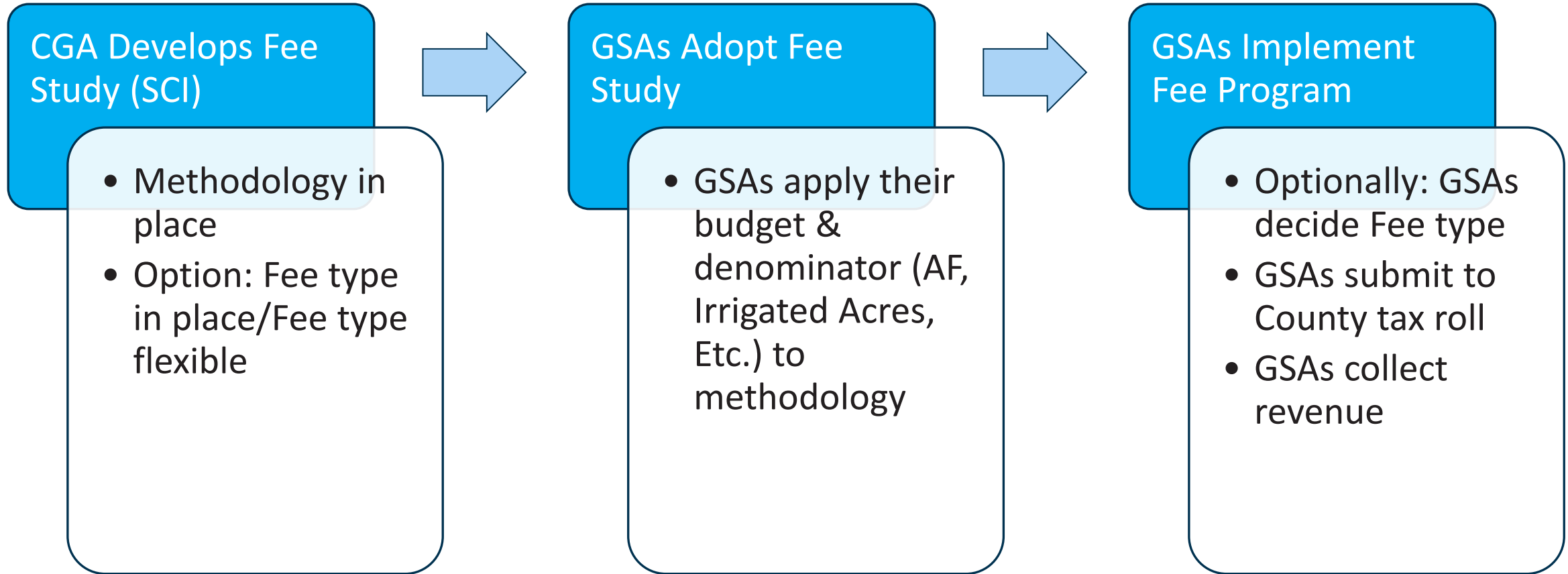


Implementation

CGA Fee Study → GSA Implementation

- All CGA member agencies have the authority to implement 10730 and 10730.2 fees
- The GSAs can then utilize the methodology of the fee study, applying their own budget, fee type, and methodological denominator (AF, Irrigated acres, etc.) in implementation

1. CGA Fee Study → GSA Implementation



Discussion: Fee Type



Primary Funding Options

10730 Fee

- Funds the cost of a regulatory program
- Imposed by Governing Board

10730.2 Fee

- Funds the cost of service
- Mailed Notice / Protest Hearing

Water Code § 10730 Fee

- Implemented in compliance with Proposition 26 (Article XIII C of CA Constitution)
 - Fees must fall under the listed exceptions to a 'tax.' Relevant exceptions:
 - *(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.*
 - *(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.*
- Water Code § 10730 Funding Purposes:
 - *Preparation, adoption, and amendment of a groundwater sustainability plan*
 - *Investigations, inspections, compliance assistance, enforcement*
 - *Program administration, including a prudent reserve.*
- Additional Consideration:
 - *A groundwater sustainability agency shall not impose a fee pursuant to this subdivision on a de minimis extractor unless the agency has regulated the users pursuant to this part.*

Water Code § 10730.2 Fee

- Implemented in compliance with Proposition 218 (Article XIII D of CA Constitution)
 - Property related Fees are those that fund a ‘property related service.’ Procedural requirements:
 - Mailed written notice to all affected property owners (45 days prior to protest hearing)
 - Public ‘protest hearing’ conducted with the opportunity for property owners to submit written protest
 - If >50% of property owners submit protest, the fee program cannot be implemented
 - Water Code § 10730.2 Funding Purposes:
 - *Administration, operation, and maintenance, including a prudent reserve.*
 - *Acquisition of lands or other property, facilities, and services.*
 - *Supply, production, treatment, or distribution of water.*
 - *Other activities necessary or convenient to implement the plan.*

Fees: Pros and Cons

10730 Fees



1. Streamlined Implementation
(no protest hearing)
2. Excellent source for admin costs



1. *Cannot* fund capital costs
2. *Cannot* charge de minimis user unless specifically regulated

10730.2 Fees



1. *Can* fund admin + capital
(Flexible Revenue)



1. More Procedural Req's (Mailed Notice/ Protest Hearing)

Discussion: Methodology



Methodology: Filling in the Equation

Acreage (Irrigated Acres)

- Attributes a GW use based on irrigated acreage **per parcel**
- Pros: Simpler; easier to convey to public; easier to update
- Cons: Potentially less equitable

Estimated Extraction (AF)

- Attributes a GW use based on AF extracted **per parcel**
- Pros: Potentially more equitable
- Cons: More granularity = more complexity

Hybrid (SCGA)

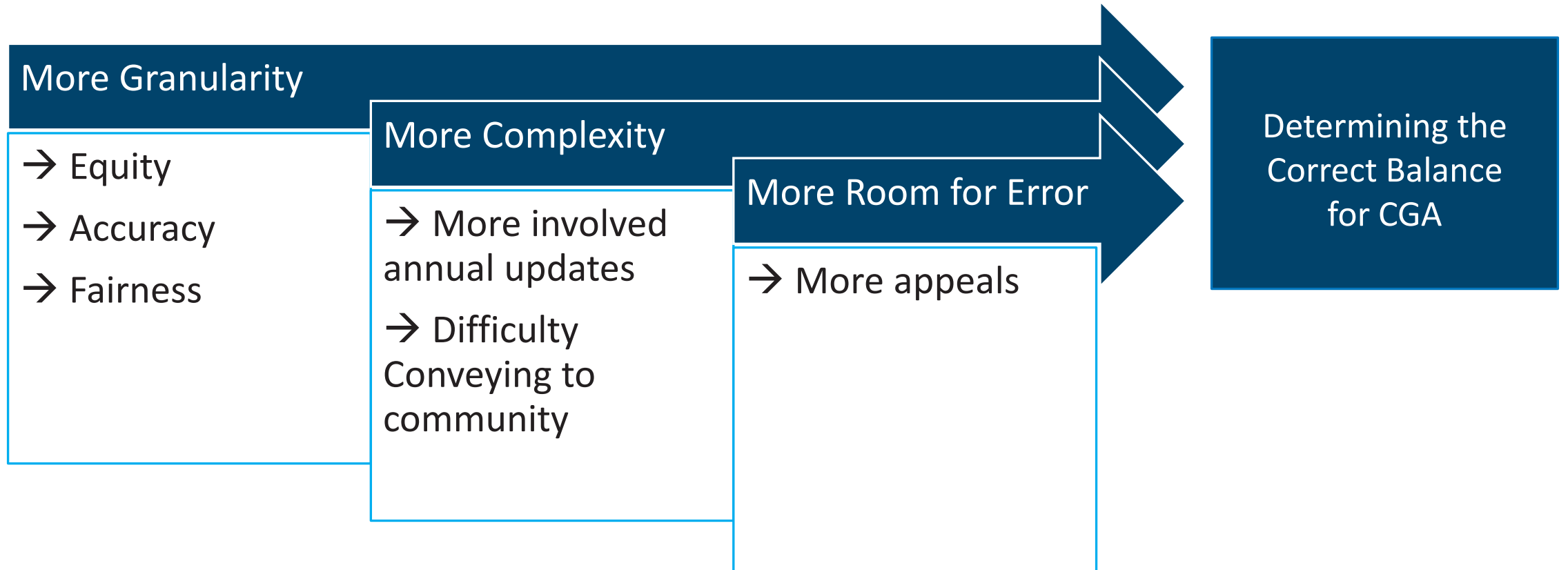
- Apportions % of cost to parcels and % to GW Users
- Pros: Spreads costs to all basin residents
- Cons: Untested in courts, legal questions

$$\frac{\text{Revenue Requirement (\$\$)}}{\text{Methodology Unit (AF, Acreage, etc.)}} = \text{Rate}$$

Offsets

- Offsets can be included to account for surface water, recycled water, or other water use that decreases the use of groundwater
 - Within an estimated extraction methodology (AF), these offsets can be subtracted from the estimated GW demand per parcel
 - Within an irrigated acreage methodology, these offsets can be used to subtract a portion of the irrigated acreage used to calculate a parcel's fee
- Other considerations:
 - Availability of data informs this process
 - Issues relating to granularity and complexity come into play here

Granularity → Complexity



Appeals Process

- An appeals process would provide a foundation for correction of errors and extenuating circumstances
- A defined policy on the process lends itself to fairness and consistency
- The budget can include a 'buffer' amount for corrections (more on this later)

Discussion: Who Pays?



Who Pays?

Non-De Minimis Groundwater Extractors

- Charges placed only on GW users that extract > 2 AF annually
 - De Minimis Users not charged

All Groundwater Extractors

- Charges placed on all direct GW users
 - De minimis users included
 - Requires 'regulation' of these users

Discussion: Data



Data Discussion

- Data is currently being refined for use during the fee study process
 - The SCI Team is working with CGA and EKI
- Data used will inform important aspects of fee program:
 - Rates
 - Methodology
 - Process
- The data can be updated periodically (each fiscal year?), which would update the denominator
 - Any data improvements could yield improvements to the accuracy of the fee program

$$\frac{\text{Revenue Requirement (\$\$)}}{\text{Methodology Unit (AF, Acreage, etc.)}} = \text{Rate}$$

Discussion: Budget



Budget Considerations

Budgeting for Appeals

- An amount of money can be included in the budget for potential appeals that could reduce revenue
- Eases the process of corrections and potential data gaps/issues

Grant Funding (Risk/Reward)

- A percentage of the budget can be covered by 'assumed' future grant funding
 - Reward: This would effectively lower the rate
 - Risk: If no grant funding (or little grant funding) is awarded, revenue does not cover budget
- The rate can be adjusted on an annual basis
 - If grant funding is assumed but *is not* awarded, the fee rate can be increased in year 2
 - If *no* grant funding is assumed and grants *are* awarded, the fee rate can be decreased in year 2

Next Steps



November 2022:

Draft fee structure presented to Board

**Dec 2022-
Mar 2023:**

Conduct community meetings and second Board Workshop; Refine fee structure

**March-April
2023:**

Fee structure refined; draft Fee Report presented to Board

April 2023:

Final Fee Report presented to Board

Backup Slides

Hybrid Model (SCGA)

Criteria Breakdown

Criteria	All Parcels	GW Users
1 Population	X	
2 Population Growth	X	
3 # Public Supply Wells	X	X
4 Total # Wells		X
5 Irrigated Acres		X
6 Reliance on GW	X	X
7 Basin Impacts	X	X
8 Habitat	X	

Example Breakdown (PVGSA)

Criteria	DWR Score	Parcel	GW
1 Population	2	2	
2 Population Growth	3	3	
3 # Public Supply Wells	3	2	1
4 Total # Wells	4		4
5 Irrigated Acres	2		2
6 Reliance on GW	1.5	0.75	0.75
7 Basin Impacts	2	0.5	1.5
8 Habitat	0		
TOTAL	17.5	8.3	9.3
		47.1%	52.9%

Charges placed on Direct GW users **and** all Subbasin parcels

Utilize DWR Priority Point Allocation to assign portions of GSP implementation costs to two buckets:

→ **Direct GW users**

→ **All parcels within Subbasin**

Must be established that fee **is not a tax**

Alternative Funding Options

Special Tax

- Balloted (req's 2/3 support of registered voters)
- Expensive and time consuming
- Spreads costs to all Basin residents

Benefit Assessment

- Balloted (All-mail weighted balloting; req's 50% support of property owners)
- Spreads costs to all beneficiaries (direct/indirect GW users)
- Expensive, time consuming, legal questions

De Minimis Users

- If implementing a 10730 regulatory fee:
 - *A groundwater sustainability agency shall not impose a fee pursuant to this subdivision on a de minimis extractor unless the agency has regulated the users pursuant to this part.*
- This is open to interpretation, but may be satisfied by:
 - Registration of de minimis users
 - Database/Board resolution/Website information