



Figure Appendix 3-3-29. RMP 301

RMP ID: 301, depth = 490 ft

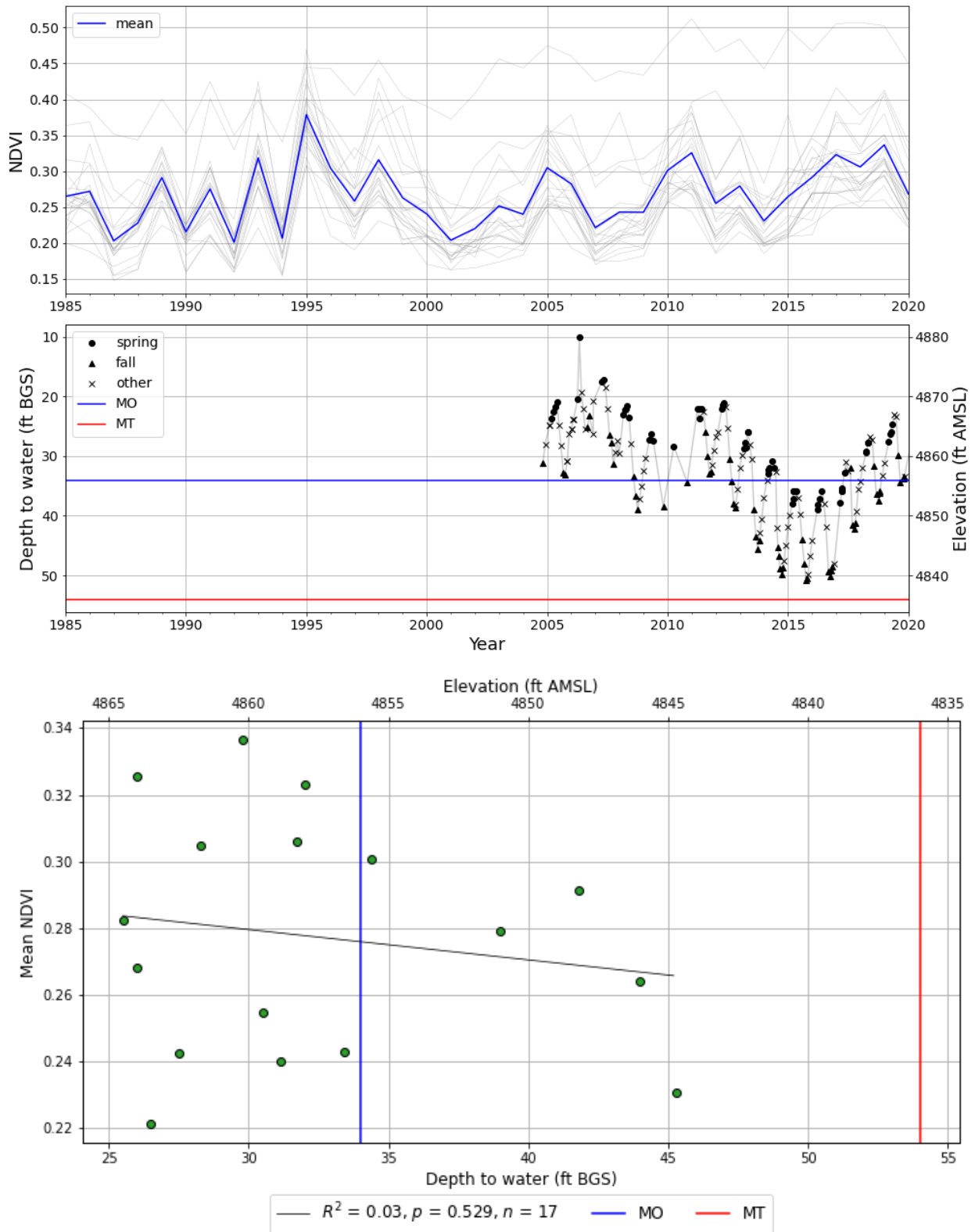
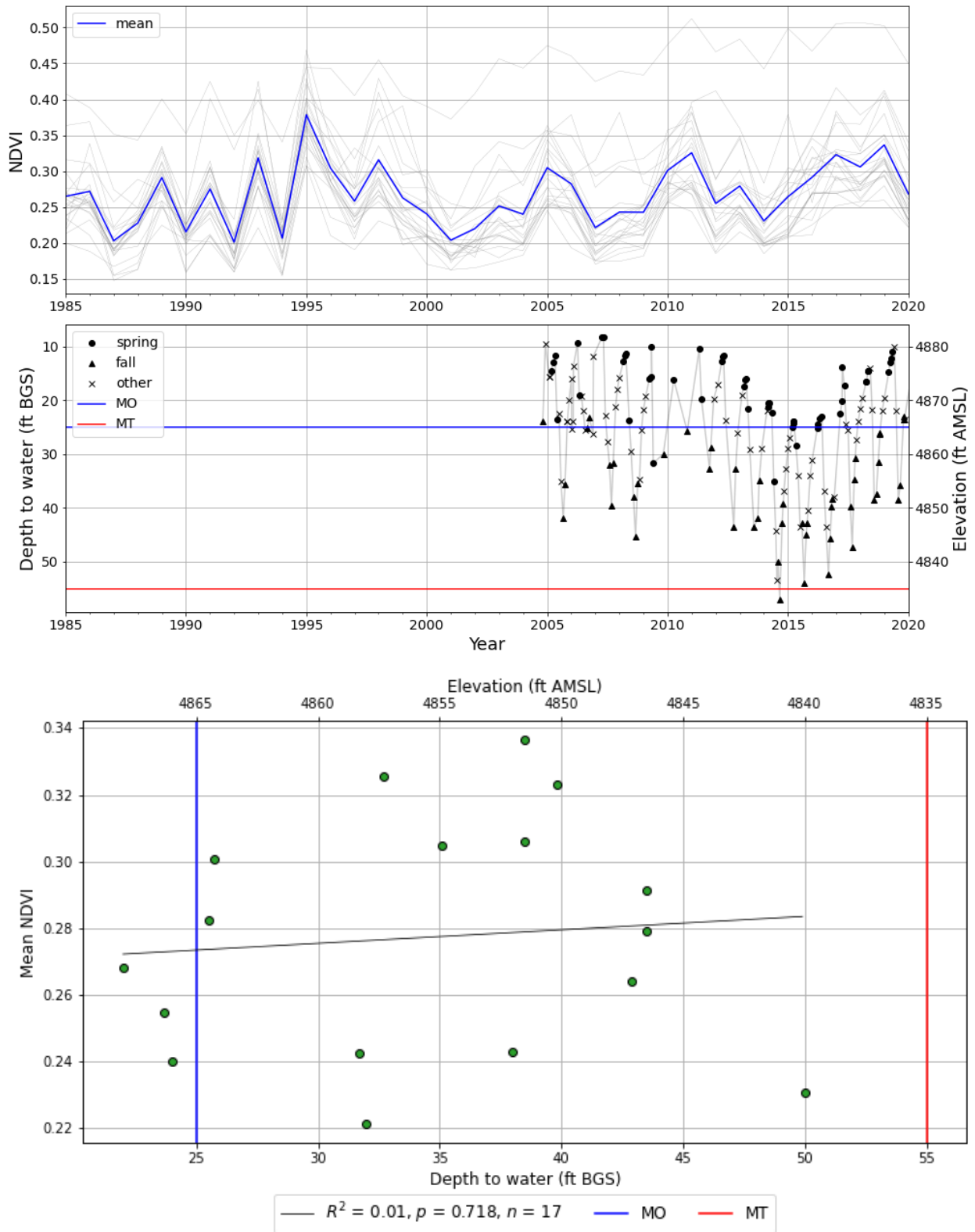


Figure Appendix 3-3-30. RMP 302

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1.3 References

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Sierra Valley
Groundwater
Management District

Appendix 5-1: Funding Options Technical Memorandum



**SIERRA VALLEY GROUNDWATER MANAGEMENT
DISTRICT GSA**

COUNTY OF PLUMAS GSA

SIERRA VALLEY BASIN

FUNDING OPTIONS TECHNICAL MEMORANDUM

AUGUST 2021

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INTRODUCTION AND EXECUTIVE SUMMARY

INTRODUCTION AND GOALS

The Sierra Valley Groundwater Management District (“District”) was created by a Joint Powers agreement between Sierra and Plumas Counties in 1980 for the purposes of the preservation of groundwater and the protection of agricultural and other resources within the Sierra Valley. The District Board (“Board”) passed a resolution on March 13, 2017 which established the District as the Groundwater Sustainability Agency for the Sierra Valley Groundwater Basin.

Plumas County passed a resolution on March 21, 2017 to form a separate Groundwater Sustainability Agency for the small portion of the Sierra Valley Groundwater Basin that lies outside of the boundaries of the Sierra Valley Groundwater Management District. That Agency is named the County of Plumas GSA.

On January 8, 2019, the District and Plumas County entered into a Memorandum of Understanding to facilitate a cooperative and ongoing working relationship to develop a single Groundwater Sustainability Plan (GSP) for the Sierra Valley Basin.

In the Fall of 2020, the Agency engaged a consultant team led by Larry Walker Associates (LWA Team) to develop the Groundwater Sustainability Plan (GSP) in compliance with SGMA for the Sierra Valley Basin.

The Sierra Valley Basin Groundwater Sustainability Plan (GSP) includes goals and recommendations, as well as the associated costs, required for its implementation. Accordingly, the purpose of this technical memorandum is to describe a path forward to fund the GSP’s implementation. This description is also meant to satisfy Water Code Section 10727.2, which establishes GSP requirements, as well as California Code of Regulations Section 354.6, which specifies the requirement of “an estimate of the cost of implementing the Plan and a general description of how the Agency plans to meet those costs.”

It should be noted that SGMA, and its associated requirements and goals, are quite new, and there is not a clear, well-tested path forward to fund GSP implementation. Rather, the funding efforts for GSP implementation in the Sierra Valley Basin need to be carefully crafted for the local conditions, preferences, and politics – as well as being flexible, creative, and reactive.

To this point, the District has been funded by contributions from Sierra and Plumas Counties, management charges on parcels and on wells, and grants. The general direction from the Board of Directors in regard to funding GSP implementation can be summarized as:

- District expenses should be well-controlled
- Funding strategy needs to be locally viable and right-sized
- Funding Strategy needs to focus on fairness

EXECUTIVE SUMMARY

Following is a brief summary of the findings and recommendations contained within this Technical Memo, including a summary of the GSP implementation costs, potential funding mechanisms, and recommendations for funding of the implementation.

REVENUE NEEDED FOR GROUNDWATER SUSTAINABILITY PLAN IMPLEMENTATION

The GSP makes numerous implementation recommendations, including annual operations and maintenance as well as capital projects. A hypothetical cost estimate based on similar basins is shown below:

TABLE 1 – SUMMARY OF TOTAL ESTIMATED ANNUAL COSTS

	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$68,500	\$142,000
Capital Projects and Grant Administration	\$5,000	\$15,000
Total	\$73,500	\$157,000

It is anticipated that capital projects will be primarily grant-funded. More detail is provided in Section II., below.

FUNDING APPROACHES AND OPTIONS FOR GSP IMPLEMENTATION

There are a variety of funding approaches, each with pros and cons, and most likely a portfolio of various approaches will prove optimal. The likely most optimal funding mechanisms are listed below:

Best Options

- Existing Revenue Sources
- Grants and Loans
- Regulatory Fees

If additional revenue is needed:

- Property Related Fees – non-Balloted (*allocated to well owners*)
- Special Taxes – Balloted (allocated to all property owners within the basin)

Less optimal

- Property Related Fees – Balloted
- Benefit Assessments

Selection of the optimal approach or, more likely, portfolio of approaches, requires consideration of the key attributes of each.

Each funding mechanism and approach has key attributes - each of which should be considered to select the optimal funding portfolio, including:

- Flexibility of Methodology (per acre, per acre-feet pumped, per well, etc.)
- Costs of Implementation
- Revenue Potential
- Political Viability / Community Acceptance
- Legal Rigor
- Administration

ALLOCATING IMPLEMENTATION COSTS TO WELL OWNERS VERSUS PROPERTY OWNERS

If funding beyond use of existing revenue sources and grants is needed, then one of the most important considerations for the GSA is the allocation of the GSP implementation cost between the well owners and the larger group of all property owners within the Sierra Valley Basin. Conventional wisdom suggests that the costs of the implementation of groundwater mitigation policies should be directly borne by the immediate users of the groundwater – the well owners. However, there are clear benefits to all properties and residents within a well-managed groundwater basin that provides additional, lower cost water resources. It can be argued that a community-wide funding mechanism in which all properties and/or residents pay their fair share is a more optimal approach. The District has an advanced understanding of this dynamic as it already has revenue sources that allocate costs to both well owners and the community at large. Both types of approaches are discussed in Section II of this technical memo.

ROADMAP FORWARD AND RECOMMENDATIONS

A summary of this Technical Memo's major recommendations for implementation includes a step sequential roadmap as summarized below:

1. Conduct community outreach regarding the GSP and its implementation
2. Pursue use of existing revenue sources, grants, and regulatory fees to fund implementation

If additional revenue is needed:

3. Conduct a public opinion survey and focused community outreach
4. Implement a property related fee or special tax

The process of establishing long-term, sustainable, comprehensive funding for GSP implementation will likely take at least 18 months to complete. More detail is provided in Section III., below.

I. DETAILED REVENUE NEEDS

ANNUAL OPERATIONS AND MAINTENANCE COSTS

The GSP includes numerous recommendations for annual operations and maintenance in support of the long-term sustainability of the Sierra Valley basin. Based on similar basins, hypothetical costs of these recommendations have been bracketed with a low range of \$68,500 per year and a high range of \$142,000, and are detailed in Table 2, below:

TABLE 2 – DETAILED SUMMARY OF ESTIMATED MAINTENANCE AND OPERATIONS COSTS

	Annual Budget	
	Low Range	High Range
General GSA Operations (partially included in current costs)	\$7,000	\$22,000
Annual Reporting (partially included in current costs)	\$11,000	\$20,000
Monitoring (partially included in current costs)	\$32,000	\$45,000
Model Maintenance	\$11,500	\$37,000
Future Stakeholder Engagement	\$7,000	\$18,000
Mediation Fund (optional)	TBD	TBD
Total	\$68,500	\$142,000

Where:

General GSA Operations includes costs to operate the GSA including supporting and facilitating Board and committee meetings, disseminating information, satisfying existing grant administrative requirements, managing contracts for tasks listed below, maintaining the website, etc.

Annual Reporting: includes costs to draft and submit all required annual reports.

Model Maintenance: includes the annual installment costs to update the model every 5 years.

Monitoring – Interconnected Surface Water: includes the periodic (likely semi-annual) inspection and maintenance at 3 sites - approximately 6 visits per year.

Monitoring - Water Level: includes the periodic (likely semi-annual) inspection of water level monitoring equipment at CASGEM and DWR well sites and 10-15 additional well sites – approximately 40 visits per year.

Monitoring - Water Quality: includes the periodic sampling of water quality – approximately 10-15 samples per year.

Mediation Fund: is a placeholder for funds in support of mediation. For example, a grant program could be established for local well-owners to access capital to address compliance issues.

ANNUAL CAPITAL COSTS

The GSP includes numerous recommendations for capital improvements in support of the long-term sustainability of the Sierra Valley basin. Most likely, these capital improvements will be implemented if and only if significant grant funding is available. However, there are often associated costs with grants including grants writing and grants administration.

Based on similar basins, the costs of these recommendations have been bracketed with a low range of \$5,000 per year and a high range of \$15,000, and are detailed in Table 3, below:

TABLE 3 – DETAILED SUMMARY OF ESTIMATED CAPITAL PROJECT COSTS

Capital Projects	Annual Budget	
	Low Range	High Range
Grant Writing and Administration	\$5,000	\$15,000
Capital Projects Costs	TBD	TBD
Total	\$5,000	\$15,000

Where:

Grant Writing: includes periodic grant writing primarily for capital projects.

Annual Grant Administration: includes costs satisfying annual grant administrative requirements including reporting and budget management.

TOTAL ANNUAL IMPLEMENTATION COSTS

The total costs of these recommendations, based on similar basins, have been bracketed with a low range of \$73,500 per year and a high range of \$157,000, and are detailed in Table 4, below:

TABLE 4 – SUMMARY OF TOTAL ESTIMATED COSTS

Summary	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$68,500	\$142,000
Capital Projects and Grant Administration	\$5,000	\$15,000
Total	\$73,500	\$157,000

II. EVALUATION OF POTENTIAL FUNDING MECHANISMS

BACKGROUND OF FUNDING STRATEGIES FOR SVGMD GSA

The District has been initially funded by contributions from Sierra and Plumas Counties, grants, and both a management charge placed on parcels and a management charge placed on large capacity wells. Again, the general direction from the Board of Directors in regard to funding GSP implementation can be summarized as:

- District expenses should be well-controlled
- Funding strategy needs to be locally viable and right-sized
- Funding Strategy needs to focus on fairness

A brief summary of GSA spending is shown below.

Non-Grant Expenses

FY	Admin Expenses
2019/20	\$50,009.00
2018/19	\$45,523.00
2017/18	\$42,452.00
2016/17	\$30,158.00
	<u>\$168,142.00</u>

INTRODUCTION TO AVAILABLE POTENTIAL FUNDING MECHANISMS OPTIONS IN CALIFORNIA

Existing California law provides a relatively finite number of mechanisms for local public agencies to reliably generate revenue to provide services. In many cases, a portfolio approach of several of these mechanisms will be optimal. Also, it is crucial to work closely with legal counsel on the implementation of all funding mechanisms to ensure legal compliance. This section provides a discussion of the mechanisms best suited to provide funding for groundwater management services recommended in the Agency GSP, including, but not limited to, the following:

Best Options

- Existing Revenue Sources
- Grants and Loans
- Regulatory Fees

If Additional Revenue is Needed

- Property Related Fees – non-Balloted (*allocated to well owners*)
- Special Taxes – Balloted (*allocated to all property owners within the basin*)

Less Optimal

- Property Related Fees – Balloted
- Benefit Assessments

Existing Revenue Sources and Grants Are Likely the Preferred Approach

Of course, it is recommended that the Agency rigorously explore all opportunities to fund the recommended groundwater management services through existing revenue sources and grants, eliminating the need for an additional allocation for well owners or all basin property owners. However, there are likely not sufficient available existing revenue sources to support GSP implementation, especially over the long term. See the discussion “Grants and Loans” below.

Regulatory Fee Should Be Imposed

Regulatory fees are an excellent source of reimbursement of actual costs for inspections, plan checks, and other regulatory activities etc., and should be imposed.

However, If Additional Revenue is Needed

If additional revenue is need beyond the amount that can be generated by existing revenue sources, there are two primary approaches:

Revenue Generated from

Well Owners
All Property Owners

Optimal Revenue Mechanism

Property Related Fee (non-balloted)
Special Tax (balloting is required)

Additional Funding from Well Owners or Community Property Owners

One unique challenge, and opportunity, associated with implementation of a funding mechanism for groundwater sustainability management is the decision regarding how costs will be allocated between well owners and the overall community of property owners. Generally speaking, the development of the Sustainable Groundwater Management Act was based upon the assumption that the allocation of costs would be primarily, perhaps exclusively, assigned to well owners, with some consideration of *de minimis* ground water users. However, there are clear benefits to all properties and residents within a basin with well managed groundwater resources. It can be argued that a community-wide funding mechanism in which all properties and/or residents pay their fair share is a more optimal approach.

Local political forces, often times concentrated with well owners, may dictate a preference for allocating the GSP implementation costs more broadly to all property owners within the basin, but it should be noted that California law requires that special taxes, which would be the mechanism required for an allocation on all basin property owners, requires a balloting. Balloted revenue mechanisms are arguably more legally rigorous, and legal challenges to voter-approved fees have rarely been successful. However, the balloting requirement significantly limits the total revenue that may be generated, as it is limited by the political “willingness to pay” of the local voters or property owners. Ballotings are also expensive and politically risky. For that reason, non-balloted approaches are typically preferable, and do not have the same apparent political limitation on the amount of revenue that can be generated, but political realities and influences are still significant.

As the Agency determines its funding strategy, it should take an in-depth look at many attributes, including flexibility of methodology (per acres, per water quantity, per well, per parcel, etc.), costs of implementation, revenue generation potential, political viability, legal rigor, administrative burden, etc., as described below.

EXISTING REVENUE SOURCES

If the Agency can fund the groundwater management services with existing revenue sources, that is certainly optimal. However, even if this is possible in the short term, it is likely not possible very far into the future.

The Agency's Joint Powers Agreement was updated in July 2019 to include the stipulation of yearly requests of financial assistance from both Plumas and Sierra Counties. Both Counties currently contribute \$4,000 each year towards District administration. The Joint Powers Agreement also stipulates that the District shall continue to make every effort to become financially self-supporting. While the financial contributions from both Plumas and Sierra Counties have allowed the District to more fully implement its goals, they are likely not a long-term solution for GSP implementation.

The District's existing revenue sources also include two management charges: a "meter fee," associated with large capacity wells, and a "parcel fee," which is based on acreage. The authority to enact these charges derives from the District's enabling act, Water Code Appendix 119. The Board is responsible for enacting charges by ordinance.

Water Code Appendix 119, Article 9 defines management charges as "charges imposed on landowners within the District for benefits received by landowners from improved groundwater management and planning." It also states that "each year the District may fix a management charge for the purpose of paying the costs of initiating, carrying on, and completing any of the powers, projects, and purposes for which the District is organized." The act goes on to stipulate a limitation of such charges not to exceed 50 cents per acre or \$10 for each parcel of land less than 20 acres.

Beginning in fiscal year 2019-20, the District enacted a meter fee of \$200 on all metered wells that are capable of pumping 100 gallons per minute or more. This fee was continued on at the same rate in years following.

For fiscal years 2018-19 and 2019-20, the District's parcel fee was fixed at a total of 30 cents per acre, per year, with a total minimum charge of \$10.00 per year on all parcels of 40 acres or less. Beginning in fiscal year 2020-21, this fee was reduced to a rate of 15 cents per acre per year, with a total minimum charge of \$6.00 per year on all parcels of 40 acres or less. The District has established the continuation of this lower rate going forward for fiscal year 2021-22. The reduction of this fee rate aligns with the District's priorities of fiscal responsibly and fairness.

These sources of revenue represent an established effort to fund the District's goals. The alteration of one or both of these revenue sources may be a part of the solution for long-term funding of GSP implementation.

A brief summary of management charge revenue is shown below:

Management Charges

FY	Parcel Fee	Meter Fee	Annual Fee Revenue
2020/21	\$32,798	\$12,200	\$44,998
2019/20	\$63,469	\$11,200	\$74,669
2018/19	\$63,638	\$11,200	\$74,838
2017/18	\$59,872	\$12,200	\$72,072
Totals:	\$219,777	\$46,800	\$266,577

A brief summary of all existing revenue, excluding grants, is shown below:

Existing Revenue

FY	Management Charges	Well Evaluations & Flow Meters	County Contributions	Total Annual Revenue (Excluding Grants)
2020/21	\$44,998	\$908	\$4,000	\$49,906
2019/20	\$74,669	\$0	\$8,000	\$82,669
2018/19	\$74,838	\$0	\$8,000	\$82,838
2017/18	\$72,072	\$2,818	\$12,000	\$86,890
Totals:	\$266,577	\$3,726	\$32,000	\$302,303

Four Year Average: \$75,575.75

FUTURE ALLOCATIONS FROM MEMBER AGENCIES

Direct "volunteer" funding from each agency remains a very attractive approach. However, the GSA should consider variations on this including varying the contribution from each agency based upon some other attribute(s) (ability to pay, % of revenue, % of total budget, etc.) in order to optimize the GSA budget.

GRANTS AND LOANS

Grant funding is highly desirable, as it eliminates/lessens the need to generate revenue directly from well owners and/or the broader community of property owners. Grant funding is typically available for capital projects but can be available for other programmatic activities, including maintenance and operations. It is worth noting that grants often come with other funding requirements such as matching funds or requirements for post-project maintenance. For these reasons, an underlying revenue stream is very important to have access to leverage these opportunities.

California has a limited number of State grants and programs which provide funding opportunities for groundwater sustainability. The primary grants in support of SGMA are described below (*from <https://water.ca.gov/Work-With-Us/Grants-And-Loans/Sustainable-Groundwater>*):

“The SGMA Grant Program is funded by Proposition 68 and Proposition 1. To date, the California Department of Water resources (DWR) has awarded \$139.5 million in three rounds of planning grants for development of Groundwater Sustainability Plans (GSPs) and related projects. All Proposition 1 funds have been awarded, with about \$103 million now remaining to be awarded using Proposition 68 funds. Additional information can be found below.

PROPOSITION 1, CHAPTER 10: GROUNDWATER SUSTAINABILITY

On November 4, 2014, California voters approved Proposition 1, which authorized \$100 million be made available for competitive grants for projects that develop and implement groundwater plans and projects in accordance with groundwater planning requirements established under Division 6, commencing with §10000, Water Code §79775. DWR completed two grant solicitations for planning grants.

PROPOSITION 68, CHAPTER 11.6: REGIONAL SUSTAINABILITY FOR DROUGHT AND GROUNDWATER, AND WATER RECYCLING

On June 5, 2018, California voters approved Proposition 68, which amended the Water Code to add, among other articles, §80146, authorizing the Legislature to appropriate funds for competitive grants for proposals that:

- Develop and implement groundwater plans and projects in accordance with groundwater planning requirements.
- Address drought and groundwater investments to achieve regional sustainability for investments in groundwater recharge with surface water, stormwater, recycled water, and other conjunctive use projects, and projects to prevent or cleanup contamination of groundwater that serves as a source of drinking water.”

The Agency should plan to submit an application for the next round of Proposition 68 funding.

FUTURE STATE GRANT OPPORTUNITIES

Since all of Proposition 1 funding has been awarded and the remaining portion of Proposition 68 funding (just over \$100 million) will be awarded over the next several years, there will likely be a shortfall of grant funding for GSP implementation in the near future. Unfortunately, there are not any large statewide bond measures (with grant opportunities) on the political horizon, but the Agency should continue to track such efforts. Also, future bond measures will likely emphasize funding for multi-benefit projects and programs that cross traditional organizational structures, and the Agency should also consider coordinating with other affected local agencies to put forth larger and potentially more competitive grant applications.

Proposition 68

The final Proposition 68 Implementation Proposal contains \$103 million in available funding. DWR has released Round 1 draft funding recommendations, allocating \$26 million to high priority basins. Of the remaining \$77 million, \$15 million will be reserved for Underrepresented Communities, leaving \$62 million available for general awards in Round 2 Implementation.

Round 2 Grant Solicitation will open in spring of 2022, with final awards disbursed in fall of that year. Awards will be allocated to medium and high priority basins that have adopted a GSP that has been deemed complete by DWR. Grant amounts must be between \$2 million and \$5 million, with a 25% locally matched cost share requirement. A cost share waiver is available for eligible projects proportionate to the degree that they serve Underrepresented Communities. Any local cost share cannot have contributed to other grant awarded projects. Project expenses must be incurred after January 31, 2022, the due date for medium and high priority basin GSPs. The state encourages applicants to work with the stakeholders and other non-member agencies in their basin that have potential activities and tasks that are complimentary to the overall project. Eligible projects are defined by Proposition 68 Chapter 11.6 and include sustainability measures such as groundwater recharge and contamination prevention.

Small Community Drought Relief Program

The Department of Water Resources is currently accepting grant applications for the Small Community Drought Relief Program, with nearly \$2 million available in the current solicitation. The intent of the Program is to provide interim or immediate relief in response to conditions arising from current or future drought that have impacts on human health and safety or fish and wildlife resources. Grants may be used to provide water to communities that face loss or contamination of water. The Program aims to implement needed resiliency measures and infrastructure improvements for small water suppliers and rural communities. Example objectives include projects that provide reliable water supply sources, improve water system storage, and replace aging and leaking pipelines. Regarding groundwater specifically, well drilling, well deepening, and well rehabilitation are mentioned as eligible projects.

Grant solicitation opened August 11, 2021 and will continue through 2023 or until all funds have been awarded. Awards will be disbursed on a rolling basis, with applications being processed as they are received. Eligible applicants include public agencies, special districts, and nonprofit organizations.

OTHER TYPES OF GRANTS

The Agency should work to identify applicable Federal grants, if any, and compete, in coordination with other affected local agencies for funding. Also, the Agency should consider working with local elected officials to pursue provisions that direct approved funds to be spent on specific projects, often called earmarks.

Grants from non-profits, foundations, high-net-worth individuals, and other stakeholders should be considered, especially with an emphasis on environmental sustainability.

REQUIRED DOCUMENTS FOR GRANTS

- Grant applications meeting specific requirements.

FLEXIBILITY OF METHODOLOGY

Use of grant funding is well-specific in the specific grant.

REVENUE GENERATION POTENTIAL

Amount of grant funding is well-specific in the specific grant.

ADVANTAGES

- Does not require cost to be allocated to local well owners or property owners.
- Revenue generation can be sufficient to offset significant costs of certain key activities.
- Legally rigorous as long as grants are expended on eligible activities.

CHALLENGES

- Provides funding for a limited time period only – difficult for long term planning solution.
- Awarded through a highly competitive process.
- Often requires matching local funds, tends to be focused on capital expenses, and are often narrowly focused in terms of scope and services.

FEE IMPLEMENTATION IN THE SIERRA VALLEY BASIN

One of the unique aspects of groundwater management in the Sierra Valley Basin is the degree to which funding has already been established. The District's two management charges, essentially regulatory fees, have funded most GSA operations in recent years. Furthermore, the implementation of both a parcel-based fee and a well-based fee has effectively spread the costs of groundwater management across two constituencies: well

owners and the community at large. This allocation of costs provides an opportunity going forward to continue to lessen the financial burden of individual groups by maintaining one of the current fee structures and altering the other. For example, if the parcel-based management charge were kept in place (or slightly altered), the cost allocated to well owners through a modified regulatory fee or a property related fee could be kept lower, manifested in a lower fee rate. The District's goal of maintaining fairness in its funding strategy would be well served by continuing to consider this balance.

REGULATORY FEES

Public agencies throughout California often reimburse themselves for the costs of site inspections, permits, plan checks, plan reviews, and associated administrative and enforcement activities using regulatory fees. These fees are often approved and published as part of a "Master Fee Schedule," and are often collected as part of review for approval process. This approach can assist in significantly reducing the GSA's financial burden.

Proposition 26, approved by California voters in 2010, tightened the definition of regulatory fees. It defined a special tax to be *"any levy, charge, or exaction of any kind imposed by a local government"* with certain exceptions. Pursuant to law, all special taxes must be approved by a two-thirds vote of the electorate.

Regulatory fees are thus defined through the cited exceptions. The pertinent exception is, "a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof." The other pertinent exception is, "assessments and property-related fees imposed in accordance with the provisions of Article XIID."

The Proposition goes on to state that, "the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Proposition 26 provides the primary guidance for the funding of the Agency's plan review and inspection fees as regulatory fees. Moreover, Section 10730 of the California Water Code, (which corresponds well with Proposition 26 guidance) stipulates that these fees can be used "to fund the costs of a groundwater sustainability program, including, but not limited to, preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve." Hence, it seems that the intent of this section is that the development of the plan can be financed through regulatory fees (and this has been widely agreed upon) as well as some, but not all, GSP implementation activities. In any case, Water Code Section 10730 includes several unique requirements that should be carefully followed when implementing regulatory fees for GSP implementation.

REGULATORY FEE IMPLEMENTATION PROCESS

Regulatory fees are relatively easy and straightforward to implement. Neither a public noticing nor a balloting is required. Typically, a public agency will engage a specialized consultant to conduct a Fee Study. This Study will present findings to meet the procedural requirements of Proposition 26, which require analysis and support that:

1. The levy, charge, or other exaction is not a tax; and
2. The amount is not more than necessary to cover the reasonable cost of the governmental activity; and
3. The way those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burden on, or benefits received from, the governmental activity.

Additionally, case law has provided further clarification of these substantive requirements, that:

1. The costs need not be "finely calibrated to the precise benefit each individual fee payor might derive."
2. The payor's burden or benefit from the program is not measured on an individual basis. Rather, it is measured collectively, considering all fee payors.
3. That the amount collected is no more than is necessary to cover the reasonable costs of the program is satisfied by estimating the approximate cost of the activity and demonstrating that this cost is equal to or greater than the fee revenue to be received. Reasonable costs associated with the creation of the regulatory program may be recovered by the regulatory fee.

REQUIRED DOCUMENTS FOR REGULATORY FEES

- A Fee Study, reviewed by legal counsel and adopted by the governing authority.

FLEXIBILITY OF METHODOLOGY

Legal requirements and industry practice limit these fees to recovery of costs associated with eligible activities (e.g., inspections, permits, etc.) The Agency is advised to work closely with legal counsel and review Proposition 26 and Water Code Section 10730 requirements.

SGMA and Regulatory Fees

Section 10730 of the California Water Code dictates that regulatory fees can be used to fund the costs of a groundwater sustainability program, including, but not limited to:

- (1) Preparation, adoption, and amendment of a groundwater sustainability plan
- (2) Investigations, inspections, compliance assistance, enforcement
- (3) Program administration
- (4) A prudent reserve

While the framers of SGMA seem to have intended that regulatory fees be used for program administration concurrently with the development of a GSP, Section 10730 of the Water

Code does not dictate that this authority is lost once a GSP is submitted to the Department of Water Resources. There are examples of GSAs utilizing regulatory fees for general program administration both before and after GSP submittal. Although there are questions regarding whether the cost of items such as groundwater monitoring and groundwater model maintenance can be paid for by funds from regulatory fees, one can make the argument that they can be included in the cost of “program administration.” It is imperative that legal counsel be consulted to ensure that the methodology and implementation of a regulatory fee aligns with California law.

In reference to regulatory fees, Section 10730 also specifies that “a groundwater sustainability agency may impose fees, including, but not limited to, permit fees and fees on groundwater extraction or other regulated activity.”

Other ideas to consider include:

- Parcel-based Administration Fee,
- Water Company Service Fee
- Irrigated Acres Fee
- Remediation Fee for over-pumping.
- Augmentation Fee on over users to pay to import water.

REVENUE GENERATION POTENTIAL

Traditionally, regulatory fees have been used to obtain full recovery of costs associated with eligible activities such as inspections and permits. Various other costs associated with GSP implementation, such as groundwater monitoring, annual reporting, and model maintenance are likely also eligible to be funded by regulatory fees.

Table 5 below models rates and revenue generated using a hypothetical flat annual rate for each type of well. A four-year average of existing revenue is included along with revenue potential. Domestic users are not charged in this model, as it is legally more challenging to charge de minimis users regulatory fees. Note that the low-range revenue goal falls within the District’s current revenue. For this reason, the low-range rates are listed at \$0. This is included only to illustrate that if expenses are on the low end of the estimate, no additional revenue is needed. (Number and types of wells is an approximate count for the Sierra Valley Basin)

**TABLE 5 - MODEL OF ESTIMATED USAGE RATE AND REVENUE FOR REGULATORY FEE ON WELLS
WITH CURRENT REVENUE CONTRIBUTION INCLUDED**

Basin Wells	Approx. Number	Low Range		Mid Range		High Range	
		Rate	Revenue	Rate	Revenue	Rate	Revenue
		Agricultural	59	\$0	\$0	\$400.00	\$23,600
Industrial	1	\$0	\$0	\$400.00	\$400	\$1,350.00	\$1,350
Stockwater	24	\$0	\$0	\$30.00	\$720	\$50.00	\$1,200
Municipal	26	\$0	\$0	\$40.00	\$1,040	\$60.00	\$1,560
Domestic	34	\$0	\$0	\$0.00	\$0	\$0.00	\$0
Other (Monitoring, injection, etc.)	108	\$0	\$0	\$0.00	\$0	\$0.00	\$0
Unknown	101	\$0	\$0	\$0.00	\$0	\$0.00	\$0
Total	353		\$0		\$25,760		\$83,760
Four Year Average Revenue (Excluding Grants)			<u>\$75,000</u>		<u>\$75,000</u>		<u>\$75,000</u>
Combined Total:			\$75,000		\$100,760		\$158,760
Hypothetical Revenue Goals:			\$73,500		\$100,000		\$157,000

Also, a regulatory fee could be established based upon water drawn out of the basin (which would require of measuring of flow), as modelled in Table 6, below. A four-year average of existing revenue is included along with revenue potential. Note that the low-range revenue goal falls within the District's current revenue. For this reason, the low-range rates are listed at \$0. This is included only to illustrate that if expenses are on the low end of the estimate, no additional revenue is needed. (Acre feet based on estimates for the Sierra Valley Basin)

TABLE 6 – MODEL OF USAGE RATE AND REVENUE FOR REGULATORY FEE ON ACRE-FEET WITH CURRENT REVENUE CONTRIBUTION INCLUDED

Basin Wells

	Approx. Acre Feet	Low Range		Mid Range		High Range	
		Rate	Revenue	Rate	Revenue	Rate	Revenue
Agricultural	11,989	\$0.00	\$0	\$2.00	\$23,978	\$6.50	\$77,929
Municipal	710	\$0.00	\$0	\$2.00	\$1,420	\$6.50	\$4,615
Total	12,699		\$0		\$25,398		\$82,544
Four Year Average Revenue (Excluding Grants)			<u>\$75,000</u>		<u>\$75,000</u>		<u>\$75,000</u>
Combined total:			\$75,000		\$100,398		\$157,544
Hypothetical Revenue Goals:			\$73,500		\$100,000		\$157,000

ADVANTAGES

- Quick and inexpensive to implement. No noticing nor balloting is required. (Public meeting required by SGMA)
- Revenue generation is sufficient to offset significant costs of certain key activities.
- Legally rigorous as long as fees are for eligible activities.
- Efficient administration.

CHALLENGES

- Potential for “push back” from affected well owners against fees.
- Potential legal scrutiny if fee covers non-eligible activities.
- Do not typically apply to infrastructure operations and capital costs.

IF ADDITIONAL REVENUE IS NEEDED

To be clear, this technical memorandum is recommending that (if the costs of GSP implementation necessitate it) the Agency consider either a Non-balloted Property Related Fee on Well Owner parcels or a Special Tax on all property owners in the basin, but likely not both, unless the financial need is very significant.

PROPERTY-RELATED FEE – (NON- BALLOTTED) ON WELL OWNERS

Property-related fees were first described in 1996’s Proposition 218, (which is manifested as Section 6 of Article XIII D of the California Constitution) and are commonly used today to fund water, sewer, solid waste and even storm drainage. They are most commonly referred to as a “water charge or a “sewer charge,” etc., but are technically a property-related fee.

Proposition 218 imposes certain procedural requirements for imposing or increasing property related fees. There are two distinct steps: 1.) a mailed noticing of all affected property owners (well owners in this case) and 2.) a mailed balloting on all affected property owners requiring a 50% approval for adoption.

A REALLY IMPORTANT EXEMPTION ELIMINATES THE BALLOTING REQUIREMENT

Proposition 218 goes on to exempt fees for water, sewer and refuse collection from the second step – the balloting. Hence, a property-related fee imposed on well owners' properties would be exempt from the balloting requirement. This is very significant because it reduces costs and political risk and lessens willingness-to-pay limitations.

California Water Code Provides Additional Clarity in 10730.2

California Water Code, Division 6., Part 2.74., Chapter 8. Financial Authority [10730 - 10731] provides considerable direction and authority to local governments tasked with groundwater sustainability regarding property-related fees.

In particular, Section 10730.2 (c) in the water code states:

“Fees imposed pursuant to this section shall be adopted in accordance with subdivisions (a) and (b) of Section 6 of Article XIII D of the California Constitution.”

Section 6 of Article XIII of the California Constitution describes the specific requirements of the implementation of a property related fee, and most importantly, refers to subdivision (a) as the noticing requirement, (b) as the limitations on fees and services, and subdivision (c) as the balloting requirement. Hence, by omission of (c) in Section 10730.2, balloting is not required for property related fees for groundwater sustainability.

PROPERTY RELATED FEE IMPLEMENTATION PROCESS

As described above, only the first step of the two-step process applies to property related fees in this context. That step is the noticed public hearing. Once the Agency has determined the fees they wish to impose, they must mail a written notice to each affected property owner at least 45 days prior to the public hearing. During that time, and up until the conclusion of the hearing, any affected property owner may file a written protest opposing the proposed fees. If the owners of a majority of the affected parcels file a written protest, the agency cannot impose the fee (known as a “majority protest”). If a majority protest is not formed, the agency may impose the fees.

Also, Section 10730.2 of the California Water Code includes several unique requirements that should be carefully followed when implementing property related fees for GSP implementation.

REQUIRED DOCUMENTS FOR A PROPERTY RELATED FEE

- Mailed Notices of Rate Proposal/Opportunity to Protest/Public Hearing.

- Fee Report and Presentation for Public Hearing.
- Report to Governing Board (assumes < 50% protest).
- Ordinance or Resolution Adopting Fees (assumes >50% support).

FLEXIBILITY OF METHODOLOGY

Long standing use of property related fees for water charges support relatively flexible use of this approach to fund a wide range of GSP implementation activities.

SGMA and Property Related Fees

Section 10730.2 of the California Water Code lists potential uses as:

- (1) Administration, operation, and maintenance, including a prudent reserve.
- (2) Acquisition of lands or other property, facilities, and services.
- (3) Supply, production, treatment, or distribution of water.
- (4) Other activities necessary or convenient to implement the plan.

Section 10730.2 also dictates that the authorities it grants take effect once a GSA has submitted a GSP to the Department of Water Resources. It would seem that the framers of SGMA intended for property related fees to fund GSA costs after GSP submittal. Given the flexibility of their use, property related fees align well with near and long-term GSP implementation.

This section also specifies that “fees imposed pursuant to this section may include fixed fees and fees charged on a volumetric basis, including, but not limited to, fees that increase based on the quantity of groundwater produced annually, the year in which the production of groundwater commenced from a groundwater extraction facility, and impacts to the basin.”

Other ideas to consider include:

- Parcel-based Administration Fee,
- Water Company Service Fee
- Irrigated Acres Fee
- Remediation Fee for over-pumping.
- Augmentation Fee on over users to pay to import water.

REVENUE GENERATION POTENTIAL

Two potential revenue methodologies are modelled below based upon the use of a property related fee. Table 7 models rates and revenue generated using a hypothetical flat annual rate for each type of well. A four-year average of existing revenue is included along with revenue potential. Note that the low-range revenue goal falls within the District’s current revenue. For this reason, the low-range rates are listed at \$0. This is included only to illustrate that if expenses are on the low end of the estimate, no additional revenue is needed. (Number and types of wells is an approximate count for the Sierra Valley Basin)

TABLE 7 – MODEL OF ESTIMATED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON WELLS WITH CURRENT REVENUE CONTRIBUTION INCLUDED

Basin Wells		Low Range		Mid Range		High Range	
	Approx. Number	Rate	Revenue	Rate	Revenue	Rate	Revenue
Agricultural	59	\$0	\$0	\$350.00	\$20,650	\$1,200.00	\$70,800
Industrial	1	\$0	\$0	\$350.00	\$350	\$1,200.00	\$1,200
Stockwater	24	\$0	\$0	\$30.00	\$720	\$50.00	\$1,200
Municipal	26	\$0	\$0	\$50.00	\$1,300	\$60.00	\$1,560
Domestic	34	\$0	\$0	\$30.00	\$1,020	\$50.00	\$1,700
Other (Monitoring, injection, etc.)	108	\$0	\$0	\$30.00	\$3,240	\$50.00	\$5,400
Unknown	101	\$0	\$0	\$0.00	\$0	\$0.00	\$0
Total	353		\$0		\$27,280		\$81,860
Four Year Average Revenue (Excluding Grants)			<u>\$75,000</u>		<u>\$75,000</u>		<u>\$75,000</u>
Combined Total:			\$75,000		\$102,280		\$156,860
Hypothetical Revenue Goals:			\$73,500		\$100,000		\$157,000

Also, a property related fee could be established based upon water drawn out of the basin (which would require of measuring of flow), as modelled in Table 8, below. A four-year average of existing revenue is included along with additional revenue potential. Note that the low-range revenue goal falls within the District's current revenue. For this reason, the low-range rates are listed at \$0. This is included only to illustrate that if expenses are on the low end of the estimate, no additional revenue is needed. (Acre feet based on estimate for the Sierra Valley Basin)

**TABLE 8 – MODEL OF USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON ACRE-FEET
WITH CURRENT REVENUE CONTRIBUTION INCLUDED**

Basin Wells

	Approx. Acre Feet	Low Range		Mid Range		High Range	
		Rate	Revenue	Rate	Revenue	Rate	Revenue
Agricultural	11,989	\$0.00	\$0	\$2.00	\$23,978	\$6.50	\$77,929
Municipal	710	\$0.00	\$0	\$2.00	\$1,420	\$6.50	\$4,615
Total	12,699		\$0		\$25,398		\$82,544
Four Year Average Revenue (Excluding Grants)			<u>\$75,000</u>		<u>\$75,000</u>		<u>\$75,000</u>
Combined total:			\$75,000		\$100,398		\$157,544
Hypothetical Revenue Goals:			\$73,500		\$100,000		\$157,000

ADVANTAGES

- Revenue generation is likely sufficient to fund all GSP implementation costs.
- Legally rigorous. Property related fees are the described in the Water Code for funding groundwater sustainability.
- Process is exempt from a balloting, and the likelihood of a 50% protest is unlikely.
- Cost of implementation is relatively low and includes a fee study, a mailing and additional outreach.
- Efficient administration.

CHALLENGES

- Politically challenging. Many well owners within the Sierra Valley Basin have made it clear that they prefer the costs be allocated to all properties within the basin and not just the well owners. Well owners exert significant political influence within the basin. Although a balloting is not required, well owners may be able to stop the process legislatively or possibly could attain a 50% protest, which would force a balloting.
- Unfamiliar Process. One potential criticism of the property-related fee is that property owners are generally unfamiliar with the process, and opponents can exploit this. However, with the recent dramatic increase in voting by mail in California, this is less of a major issue. Nonetheless, political opponents can exploit this unfamiliarity and focus the public's attention on the Proposition 218 process, and away from the proposed groundwater sustainability goals and messaging.

A NOTE ON REGULATORY AND PROPERTY RELATED FEES

As noted in the sections above, regulatory fees and property related fees share some similarities as well as some important distinctions. Overall advantages and disadvantages of each are reviewed below for comparison:

Regulatory Fees

There are more limitations on what regulatory fees can be used to fund. Although many aspects of GSP implementation have not been legally tested under the laws surrounding regulatory fees, there are GSAs currently using them to fund general program administration. However, it is clear that regulatory fees *cannot* fund capital projects or grant writing, both of which may be crucial to GSP implementation. The need for alternative funding for such endeavors should be evaluated by the Agency.

Implementation of regulatory fees is somewhat faster, having no requirement of 45 days' notice or protest hearing. It should be noted, however, that the lack of a protest hearing lessens opportunity for community input. This may place more political pressure on the Agency. Additionally, the fee report for regulatory fees is slightly less comprehensive, requiring only that a fair and reasonable relationship to use be established.

Property Related Fees

Property related fees are far less limited in what they can pay for- virtually all aspects of GSP implementation would be eligible. There is ample case law supporting the use of property related fees for all activities related to groundwater management including operations, maintenance and capital improvements.

Implementation of property related fees requires a 45-day notice and protest hearing, which adds more time to the process. It should be noted that the protest hearing provides more opportunity for community input, which also lends itself to political legitimacy. Additionally, property related fees require a more comprehensive fee report, one that establishes a nexus between the fee and its use.

SPECIAL TAX ON ALL PROPERTY OWNERS IN THE BASIN

Special taxes are decided by registered voters and almost always require a two-thirds majority for approval. Traditionally, special taxes have been decided at polling places corresponding with general and special elections. Special taxes are well known to Californians but are not as common as property related fees for funding of water-related services and infrastructure activities.

As a reminder, this technical memorandum is recommending that (only if the costs of GSP implementation requires it) the Agency consider either a Non-balloted Property Related Fee

on Well Owner parcels or a Special Tax (described below) on all property owners in the basin, but likely not both, unless the financial need is very significant.

PARCEL BASED TAXES

Many special taxes are conducted on a parcel basis with a uniform “flat” rate across all parcels, or varied rates based upon property attributes such as use and/or size. Parcel taxes based upon the assessed value of a property are not allowed. Parcel based taxes (as opposed to sales taxes, etc.) are the most viable type of special tax for funding water-related activities. As such, most discussion of special taxes in this report will focus on parcel taxes.

SPECIAL TAX IMPLEMENTATION PROCESS

Public agencies typically work with special consultants familiar with the administrative and political aspects of proposing a special tax to a community. Special tax elections held at polling places are conducted on the statutorily designated dates (typically in November for the general election and either March or June for the primary).

If the Agency ultimately decides to pursue a special tax, it is highly recommended that a special all-mail election be considered. Special all-mail ballot elections are often less expensive and allow for more optimization of the election date, as well as having the advantage of presenting a single issue to the voters.

REQUIRED DOCUMENTS FOR A PARCEL BASED SPECIAL TAX

- Ordinance or Resolution stating: tax type, tax rates, collection method, election date and services provided
- Notice to the Registrar of Voters of measure submitted to voters
- Measure Text including:
 - Ballot question (75 words or less)
 - Full ballot text (300 words or less) including rate structure
 - Arguments in favor or against and independent analysis
- Tax Report

FLEXIBILITY OF METHODOLOGY

There is considerable flexibility in tax methodology. The Agency could propose a flat tax rate in which all parcels are charged the same or a “tiered approach” where, for example larger, and/or commercial parcels may be taxed more than vacant lots. If a tiered approach is considered, the Agency should consider using existing Community Facilities District (“CFD”) law and practice which better defends the use of a tiered structure.

REVENUE GENERATION POTENTIAL

A detail breakdown of the parcel attributes including number of parcels, number of residential units (for multi-family parcels) and acres for agricultural parcels in the Sierra Valley Basin is shown in Table 9, below:

TABLE 9 – PARCEL ATTRIBUTES WITHIN THE SIERRA VALLEY BASIN

	Residential		
	Parcels	Units	Acres
Single Family	1,057	1,083	6,339
Multi: 2-4 Units	4	8	13
Apartments	1	5	5
Mobile Home	63	63	142
Commercial/Industrial	127	NA	1,056
Vacant	526	NA	1,778
Parking & Storage	11	NA	34
Agricultural	286	NA	67,839
Timber & Pasture	55	NA	9,316
Government & Institutional	114	NA	12,975
Not Assessable	18	NA	11
Totals	2,262	1,159	99,507

Next, we have modelled hypothetical rates to generate the revenue goals in Table 10. Note that existing revenue is not included in this model. The complications of imposing a tax while maintaining the current fee structure would likely be politically challenging. For this reason, the tax is modeled to replace, not add to, the existing fee structure.

TABLE 10 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	1,057	1,083	6,339	\$5.00	\$5,415	\$8.00	\$8,664	<i>per residential unit</i>
Multi: 2-4 Units	4	8	13	\$5.00	\$40	\$8.00	\$64	<i>per residential unit</i>
Apartments	1	5	5	\$5.00	\$25	\$8.00	\$40	<i>per residential unit</i>
Mobile Home	63	63	142	\$5.00	\$315	\$8.00	\$504	<i>per residential unit</i>
Commercial/Industrial	127	NA	1,056	\$5.00	\$635	\$8.00	\$1,016	<i>per parcel</i>
Vacant	526	NA	1,778	\$5.00	\$2,630	\$8.00	\$4,208	<i>per parcel</i>
Parking and Storage	11	NA	34	\$5.00	\$55	\$8.00	\$88	<i>per parcel</i>
Agricultural	286	NA	67,839	\$0.85	\$57,663	\$1.85	\$125,503	<i>per acre</i>
Timber and Pasture	55	NA	9,316	\$0.85	\$7,918	\$1.85	\$17,234	<i>per acre</i>
Government & Institutional	114	NA	12,975	\$0.00	\$0	\$0.00	\$0	NA
Not Assessable	18	NA	11	\$0.00	\$0	\$0.00	\$0	NA
Totals	2,262	1,159	99,507		\$74,697		\$157,320	
				Hypothetical Revenue Goals: \$73,500		\$157,000		

SIERRA VALLEY GROUNDWATER MANAGEMENT DISTRICT GROUNDWATER SUSTAINABILITY AGENCY

SIERRA VALLEY BASIN
 FUNDING OPTIONS TECHNICAL MEMORANDUM
 OCTOBER 2021



ADVANTAGES

- Revenue generation is likely sufficient to fund all GSP implementation costs if voter approved.
- Legally rigorous. Special taxes, if approved by two-thirds of the registered voters within a community, are very reliable and very rarely legally challenged successfully. Special tax revenue has not been subject to state level "take-aways" like ERAF.
- Well known. Most property owners are aware and comfortable with (but not necessarily supportive of) the special taxes and the special tax process.
- Efficient administration

CHALLENGES

- Political support at required rate and revenue may be difficult. Generally speaking, the two-thirds majority threshold for approval is very politically challenging. Special taxes are subject to significant outside influence from media and opposition groups during voting and are more vulnerable to other measures and candidates that share the ballot. (However, a recent California Supreme Court decision called the "Upland Case" allows for certain types of special taxes to be approved with a more easily achievable 50% threshold. The Agency should evaluate the pros and cons of the effectiveness of an "Upland Tax.")

GENERAL OBLIGATION BONDS SUPPORTED BY A SPECIAL TAX

In California, special taxes can be linked directly to the sale of general obligation bonds to finance the construction of infrastructure. In 2004, the City of Los Angeles successfully passed "Measure O" which provided funding for a variety of capital improvements related to water quality. Arguably, voters are more likely to support general obligation bond special taxes than parcel-based taxes at equivalent rates.

However, since special taxes for general obligations bonds can only be used for the financing of capital improvements, this mechanism could only be used to fund the CIP portion of the needs – not the operating costs of the groundwater management infrastructure.

In other words, the passage of a G.O. Bond would not satisfy the Agency's overall groundwater management funding goals, because this source could not fund ongoing operations and maintenance. However, it is possible that community priorities and a revised funding strategy could dictate that pursuit of a G.O. bond measure is optimal to fund any significant groundwater management capital projects. Results of the public opinion survey should help guide this decision.

OTHER APPROACHES – LESS OPTIMAL

BALLOTTED PROPERTY-RELATED FEE OR BENEFIT ASSESSMENTS ON ALL PROPERTY OWNERS IN THE BASIN

If the Agency decides to pursue a revenue mechanism applied to well owners, a non-balloted property related fee is optimal, and if the Agency decides to pursue a revenue mechanism applied to all property owners in the basin, a special tax is most likely the best choice. However, there are two other approaches described in Proposition 218 worthy of discussion, especially if voter support is marginal: 1.) a balloted property related fee or 2.) a benefit assessment. Both of these are more expensive to implement and administer and are considerably less legally rigorous (especially with no current precedent) than a special tax. Nonetheless, both require only a 50% approval for implementation. Further research and evaluation would need to be pursued.

OTHER CONSIDERATIONS

CONDUCT A SURVEY IF CONSIDERING A PROPERTY-RELATED FEE OR SPECIAL TAX

See a full discussion in the next section.

IMPLEMENT RIGOROUS COMMUNITY OUTREACH IF CONSIDERING A PROPERTY-RELATED FEE OR SPECIAL TAX

See a full discussion in the next section.

TIMING AND SCHEDULE

The selection of the balloting date is one of the most important factors affecting the success of any measure. Potential competition with other measures, income and property tax due dates, seasons, and holidays, etc. should all be evaluated when choosing a balloting date.

A COST ESCALATOR IS RECOMMENDED FOR BALLOTTED MECHANISMS

Non-balloted funding mechanisms can be updated periodically using the noticed public hearing procedure described above. This is the typical method of keeping revenues aligned with costs through the years as in the case for retail water and sewer fees. Accordingly, the rates can be kept updated for inflationary forces and other cost increases on a five-year recurrence cycle.

However, for balloted mechanisms, any increase or change in rate structures requires a re-balloting unless the original balloting included a pre-determined formula for escalation – such as the Consumer Price Index (CPI). Infrastructure-intensive utilities are driven by many different forces than those that drive the CPI, including the need for capital investment programs, regulatory programs, and the economics of sustainability, conservation, and commodity constraints. Due, in part, to these other drivers, rates for utilities have not traditionally been tied to a straightforward CPI, but rather have been expressed as a specific rate amount for a given year based on actual projected costs. Nonetheless, costs do

increase over time and a cost escalator is recommended to reimburse the Agency for this increase. The simplest to explain to property owners and to administer annually is a CPI, based upon a readily available index such as the U.S. Department of Labor, which would allow for annual rate increases without annual balloting. A CPI escalator is legally defensible with property related fees, regulatory fees, and special taxes.

However, a CPI approach may make it difficult to accommodate infrastructure-driven cost increases in coming years. An alternative approach would be to include a rate adjustment schedule that would include specific increases in future years that meet the UVBGAS's needs. (This approach, commonly used by water and sewer providers, often communicates to the property owner in table form with the proposed rate corresponding to each year for the next four or five years.)

At this point in the process, it is difficult to make a concise recommendation for the escalator mechanism. It would depend on the escalating costs and how they affect the proposed rates in the foreseeable future. It would also depend in part on the proposed rate structure itself, as some structures may be based on variables that intrinsically accommodate increasing groundwater management needs. Finally, it would depend on the political considerations that come with any ballot measure. Historically, the majority of survey data supports the fact that a CPI escalator introduces minimal decay in overall support.

A SUNSET PROVISION IS NOT RECOMMENDED, BUT SHOULD BE CONSIDERED

A “Sunset Provision” is a mechanism used to increase political support by setting an expiration date for a measure, and can be used with a property related fee, regulatory fee, or tax. Sunset provisions typically range from five years to as much as 20 years in some rare cases. However, the political advantage may be slight and does not outweigh the negative aspect of the increased costs and political risk of having to re-ballot at the termination of the sunset period.

One variation is the “sundown” clause. This is the name given to a tax or fee that would reduce after a specific date – leaving a portion of the tax or fee to continue indefinitely. This tactic is useful for programs that have a one-time capital need and then would reduce to fund only operations and maintenance beyond that. If the one-time capital need is debt financed, the “sundown” period would need to be at least as long as the debt repayment period.

A “DISCOUNT MECHANISM” SHOULD BE CONSIDERED, BUT MAY NOT BE COST-EFFECTIVE

Consistent with the efforts of obtaining higher quality groundwater, a discount or “rate reduction” program should be considered which rewards well owners implementing groundwater sustainability management measures on their properties with a lower fee, based on the reduced cost of providing groundwater service. Any such program would need to be coordinated with whatever rate structure the Agency decides on to ensure that it fits with the rationale and is compliant with Proposition 218.

The advantages of such a program include improved water quality, improved engagement by the community, as well as a rate more tailored to individual usage. Also, discount programs tend to be well received by the electorate, although most people do not participate. The downside of such a program is that the benefit may not justify the cost of administering this program, because the inspection of property-specific improvements is expensive and time consuming. Nonetheless, a couple of public agencies including the cities of Portland, Oregon, South Lake Tahoe, and Palo Alto have successfully implemented discount programs on their storm drainage fees. The community's interest level for a discount mechanism will be evaluated as part of the mail survey opinion research.

LOSS OF LOCAL CONTROL

SGMA requires that California's high and medium priority basins be managed sustainably. If locals are unable or unwilling to sustainably manage their basin, the State Water Resources Control Board can step in to protect groundwater using a process called state intervention. The loss of local control represents not only a lack of community input in the management of a basin but would also likely mean a much higher local cost burden. The State's current Intervention Fees are shown in Table 11 below for reference:

TABLE 11 - STATE WATER BOARD INTERVENTION FEES, 2020

Fee Category	Fee Amount	Applicable Parties
Base Filing Fee	\$300 per well	All extractors required to report (excluding de minimis users)
Unmanaged Area Rate	\$10 per AF (metered) \$25 per AF (unmetered)	Extractors in unmanaged areas (excluding de minimis users)
Probationary Rate	\$40 per AF	Extractors in probationary basins (excluding de minimis users)
Interim Plan Rate	\$55 per AF	Extractors in probationary basins where an interim plan is required (excludes de minimis extractors).
De Minimis Fee	\$100 per well	De minimis extractors in probationary basins
Automatic Late Fee	25% per month	Extractors that do not file reports by the due date

Source: https://www.waterboards.ca.gov/water_issues/programs/sgma/reporting_and_fees.html

III. RECOMMENDATIONS FOR IMPLEMENTATION OF FUNDING MECHANISMS

Following is a “Game Plan” outline of the recommended steps for implementation of funding for the GSA’s GSP implementation. Most of the steps have been discussed above – a discussion of community public opinion surveying and community outreach is included below.

GAME PLAN

1. Conduct community outreach regarding the Plan and its implementation.
2. Pursue use of existing revenue sources to fund implementation.
3. Pursue Grants and Loan Opportunities to fund implementation.
4. Implement Regulatory Fees to offset eligible implementation costs.

If additional revenue is needed:

5. Conduct a survey and stakeholder outreach to better evaluate:
 - a. Community priorities and associated messaging.
 - b. Optimal rate.
 - c. Preference of non-balloted property related fee versus special tax.
6. Use results of surveys, stakeholder input and other analyses to develop a community outreach plan.
7. Implement the community outreach.
8. Implement a property related fee or special tax balloting:
 - a. Include a cost escalator schedule or mechanism.
 - b. Include the use of rate zones or other distinguishing factors.
 - c. Do not include a rate expiration date (also known as a “Sunset Clause”).
 - d. Include a Discount Program to encourage better groundwater management by well owners.

CONSIDER A PUBLIC OPINION SURVEY

The primary purpose of the public opinion survey is to produce an unbiased, statistically reliable evaluation of voters’ and property owners’ interest in supporting a local revenue measure. Should the Agency decide to move forward with a revenue measure (property-related fee or special tax), the survey data provides guidance as to how to structure the measure so that it is consistent with the community’s priorities and expressed needs. Agencies typically engage specialized survey firms to conduct surveys.

Specifically, the survey should:

- Gauge current, baseline support for a local revenue measure associated with specific dollar amounts. (How much are well owners/property owners willing to pay?)
- Identify the types of services and projects that voters and property owners are most interested in funding.
- Identify the issues voters and property owners are most responsive to (e.g., preventing subsidence, maintaining water availability, reducing pumping costs, protecting water quality, etc.).

- Expose respondents to arguments in favor of—and against—the proposed revenue measure to gauge how information affects support for the measure.
- Identify whether local residents prefer the measure as a property related fee or a special tax.

As the nation struggles with the COVID-19 pandemic, it is more important than ever to measure a community's position on all of these elements. What community leaders thought they knew about public opinion may no longer be accurate in a post-COVID world. And while a survey can provide the Agency with valuable information, it will also be an opportunity to begin getting the groundwater "brand" out into the community – a valuable early step in this process.

COMMUNITY SUPPORT AND ENGAGEMENT

Clear, concise, and appropriate community outreach is one of the most important elements for successful implementation of a funding mechanism. The basic message components need to be simple, clear, and transparent, and need to be well supported with detailed and substantive information. Credibility is the most important factor in this outreach. The District's Stakeholder Communications & Engagement Plan represents an established effort to reach these goals. The following sections are included for general reference.

Agencies often, but not always, will engage specialized consultants to assist with community outreach in support of implementation of funding mechanisms. A community outreach plan should be developed and implemented. Three major steps are described below.

Develop Communication Infrastructure

The GSA should carefully evaluate and develop potential communication infrastructure, ultimately coordinating with existing communication infrastructure, including stakeholder contacts, print media, website, social media, print publications, neighborhood groups, and newsletters, etc. Use of e-mail contacts (with HOA, neighborhood and stakeholder groups and leaders, and web-based platforms like nextdoor.com is encouraged). Develop a schedule of community stakeholder meetings, due dates for local group newsletters, etc.

In most cases, the most effective communication mechanisms for this type of infrastructure are small, local, and neighborhood-based, with personal communication or face-to-face (as appropriate in COVID-19 environment). This approach is not expensive, but it is a significant amount of work and is very effective when well-executed.

Develop Communication Messaging

The development of the messaging and supporting information is an iterative process with staff, consultant, and community members. (If a community survey is conducted, it can be extremely helpful in developing the most effective messaging.) Throughout this process, the Agency and consultant will analyze and refine messaging associated with groundwater sustainability management benefits. In this task, the Agency should develop draft communications of various types, including Frequently Asked Questions documents, social

media content, mailers and brochures, PowerPoint presentations, and e-mails, scripts, and other adaptable messages.

Communications Rollout and Implementation

Once the outreach plan is well-vetted, reviewed, and refined, the Agency should coordinate the plan's rollout and implementation.



Sierra Valley
Groundwater
Management District

Appendix 5-2: Annual Reporting Template

SIERRA VALLEY SUBBASIN GSP ANNUAL REPORT

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Executive Summary

The Sierra Valley Subbasin Groundwater Sustainability Plan (GSP or Plan) was adopted in late 2021 by the two Groundwater Sustainability Agencies (GSAs), the Sierra Valley Groundwater Management District (SVGMD) and Plumas County, that were formed in accordance with the Sustainable Groundwater Management Act (SGMA) of 2014 to coordinate, develop, and implement a GSP for the Sierra Valley Subbasin (DWR Subbasin No. 5-012.01). The GSP was submitted to the California Department of Water Resources (DWR) ahead of the January 31, 2022 deadline for high and medium priority basins.

California Water Code (CWC) §356.2 requires the submission of an annual report to DWR by April 1 of each year following the adoption of the GSP. The annual report includes information for the proceeding water year. This report is the first annual report submitted to DWR and provides an update on basin conditions and plan implementation progress within the Sierra Valley Subbasin for Water Year 2021 (October 1, 2020 – September 30, 2021). CWC §356.2 requires annual reports to include general information about the Subbasin and GSP, groundwater elevation data (contour maps and hydrographs), groundwater extraction, surface water supply, changes in groundwater storage, and a description of progress towards implementation of the GSP since the adoption of the previous annual report. Table ES-1 provides a summary of the definition of undesirable results and a summary of compliance with sustainable management criteria included in Chapter 3 of the Adopted GSP.

Figure 1. Location Map

Table 1. Summary of Sustainable Management Criteria

Sustainability Indicator	Minimum Threshold (MT)	Measurable Objective	Undesirable Result	WY 2022 Annual Report Status
Groundwater Levels	Avoidance of impacts to shallow wells; Avoidance of impacts to GDEs	Average water level observed from January 2015 to June 2021	25% of the fall low groundwater level observation in any of the RMPs fell below respective MTs for two consecutive years	
Groundwater Storage	Groundwater levels used as a proxy for this sustainability indicator.			
Seawater Intrusion	This sustainability indicator is not applicable in the SV Subbasin.			
Degraded Water Quality	Nitrate = 10 mg/L TDS = 500 mg/L	Nitrate = 9 mg/L TDS = 450 mg/L	Wells in the RMP exceed MTs for nitrate and TDS at a greater number of wells than wells with exceedances in 2021	
Land Subsidence	Groundwater levels used as a proxy for this sustainability indicator.			
Depletions of Interconnected Surface Waters	Groundwater levels used as a proxy for this sustainability indicator.			

Groundwater Levels

This section describes general observations of groundwater level declines or increases in the reporting water year. This summary includes quantified changes observed during the water year and refer to hydrographs and contour maps of groundwater elevation, to be included as Appendix A and Appendix B, respectively.

Groundwater Storage

This section provides updates from the hydrogeologic model and quantified changes observed in groundwater storage in the reporting water year. This summary includes graphs or figures.

Land Subsidence

This section describes the status of land subsidence as a concern and frequency of monitoring for the reporting year. This summary includes subsidence values for the reporting period, if applicable.



Groundwater Quality

This section describes Minimum Threshold (MT) values and water quality coordination and monitoring activities.

Plan Implementation Progress

This section describes progress made in the implementation of the GSP, implementation of projects and management actions, and any additional implementation support actions, including how data gaps are or will be addressed, or other opportunities to further implement activities outlined in the GSP. This summary includes a brief overview of plan implementation activities anticipated for the coming year.

1 Basin Setting

1.1 Groundwater Elevations

This section describes the change in groundwater elevations since the submittal of the GSP. This summary describes the groundwater level monitoring network, any changes to the network including addition or reduction of monitoring wells and shows groundwater elevations at representative monitoring wells. This section includes or refers to required hydrographs and contour maps for the subbasin.

Figure 2. Groundwater Elevation Change Contour Map

This figure shows groundwater elevation contours for each principal aquifer in the basin, illustrating at a minimum, the seasonal high and lower groundwater conditions.

Figure 3. Representative Groundwater Elevation Hydrograph for Principal Aquifer

This figure shows hydrographs of groundwater elevations and water year type using historical data to the greatest extent available, including from January 1, 2015 to the current reporting year.

1.2 Groundwater Extractions

This section summarizes monthly groundwater extractions for the preceding water year with the data available and defines the method of measurement by water use sector. This section summarizes seasonal trends for groundwater extractions. This section includes a map that illustrates the location and volume of groundwater extractions.

Table 2. Monthly Groundwater Extractions (AF) by Water Use Sector, Water Year 2021

Month	Urban (AF) - Agency	Urban (AF) - Private	Agricultural (AF) - Agency	Agricultural (AF) - Private	Industrial (AF)	Managed Wetlands (AF)	Managed Recharge (AF)	Native Vegetation (AF)	Other (AF)	Total Groundwater Extractions (AF)
Oct-20										
Nov-20										
Dec-20										
Jan-21										
Feb-21										
Mar-21										
Apr-21										
May-21										
Jun-21										
Jul-21										
Aug-21										
Sep-21										
Total										

Note:

- 1.) List methods used to estimate groundwater extractions.
- 2.) Specify water source type for 'Other' as necessary.

Figure 4. Map of Groundwater Extractions (Water Year 2021)

1.3 Surface Water Supply

SGMA requires that the GSP annual report tabulate “Surface water supply used or available for use” (CCR §356.2 [b] [3]). This section includes a table with the total monthly surface water available for use during the reporting period, broken down by method measurement. This section will report total surface water diversions and the sources of direct measurements.

Table 3. Monthly Surface Water Diversions (AF) by Water Source Type, Water Year 2021

Month	Central Valley Project (AF)	State Water Project (AF)	Colorado River Project (AF)	Local Supplies (AF)	Local Imported Supplies (AF)	Recycled Water (AF)	Desalination (AF)	Other (AF)	Total Surface Water (AF)
Oct-20									
Nov-20									
Dec-20									
Jan-21									
Feb-21									
Mar-21									
Apr-21									
May-21									
Jun-21									
Jul-21									
Aug-21									
Sep-21									
Total									

Note:

- 1.) List methods used to determine surface water diversions.
- 2.) Specify water source type for 'Other' as necessary.



1.4 Total Water Use

This section summarizes monthly combined groundwater use and surface water available for use for the reporting period. This data is presented by water use sector, water source type, and identifies the method of measurement and accuracy of measurements.

Table 4. Monthly Total Water Use (AF) by Water Source, Water Year 2021

Month	Groundwater (AF)	Surface Water (AF)	Recycled Water (AF)	Reused Water (AF)	Other (AF)	Total Water Use (AF) - by Source
Oct-20						
Nov-20						
Dec-20						
Jan-21						
Feb-21						
Mar-21						
Apr-21						
May-21						
Jun-21						
Jul-21						
Aug-21						
Sep-21						
Total						

Table 5. Monthly Total Water Use (AF) by Water Use Sector, Water Year 2021

Month	Urban (AF)	Industrial (AF)	Agricultural (AF)	Managed Wetlands (AF)	Managed Recharge (AF)	Native Vegetation (AF)	Other (AF)	Total Water Use (AF) - by Sector
Oct-20								
Nov-20								
Dec-20								
Jan-21								
Feb-21								
Mar-21								
Apr-21								
May-21								
Jun-21								
Jul-21								
Aug-21								
Sep-21								
Total								

1.5 Change in Groundwater Storage

This section describes any estimated change in storage in the subbasin.

Figure 5. Change in Groundwater Storage Maps

This figure demonstrates change in groundwater storage for each principal aquifer in the basin.

Figure 6. Annual Change in Groundwater Storage

This figure depicts water year type, groundwater use, and 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, including from January 1, 2015, to the current reporting year.

1.6 Land Subsidence

This section describes observed or measured changes in land subsidence.

1.7 Groundwater Quality

This section compares water quality monitoring to the GSP's interim milestones and other sustainable management criteria and provides a summary of ongoing water quality coordination activities being conducted by the GSAs.

2 Plan Implementation Progress

2.1 Overview of Implementation Activities

This section of the Annual Report provides updates and progress towards implementing the Plan, including achieving interim milestones, and implementation of projects and management action since adoption of the GSP or since the annual report.

2.2 Interim Milestones

This section provides a list of interim milestones identified in Chapter 3 (Sustainable Management Criteria) of the GSP for all Sustainability Indicators. These Interim Milestones are anticipated to be achieved over the course of GSP implementation in increments of five years, pursuant to the CCR definition “Target values representing measurable groundwater conditions, in increments of five years, set by Agency as part of a Plan” [CCR Title 23, Division 2 §351(q)]. Progress toward achieving Interim Milestones since submitting the GSP are provided in Section 1. Further updates are expected in the first Five Year Assessment for the Sierra Valley Subbasin GSP, with status checks provided in future annual reporting.

2.3 Implementation of Projects and Management Actions

This section provides an update on progress made towards projects and management actions identified in Chapter 4 of the GSP.

2.4 Additional Implementation Support Activities

2.4.1 Grant Funded Activities

This section provides a description of any planning or implementation activities that have been funded by grants from DWR.

2.5 Activities Anticipated for the Coming Year

The Sierra Valley Subbasin GSAs intend to continue activities necessary to implement the GSP and put the basin on a path toward sustainable management. This section provides an overview of implementation activities anticipated over the coming year.



3 References

This section provides any references used for this Annual Report.