

**Long-Term Governance Committee
March 12, 2021**

Relevant updates - legal Qs, well inventory, etc.

Continue discussions related to the Subbasin's approach to a SGMA fee program

- Resolve outstanding fee questions - pumpers/non-pumpers, Rancho Murieta, etc.
- Continue refining cost-share approach for discussion at March 17 Working Group meeting (fees, Plan B, etc.)

Continue discussion: Administrative Entity structure

- Review early draft JPA language

Public Comment

Next Steps / Scheduling

COSUMNES SUBBASIN FEE SUMMARY – WORKING DRAFT

March 12, 2021

The purpose of the Cosumnes Subbasin Groundwater Fee is to fund groundwater management activities in the subbasin. The proposed fee is made up of two parts, ADMINISTRATIVE and PROJECT. Both ADMINISTRATIVE and PROJECT fees relate to various combinations of groundwater use, land area, wells, and number of parcels. It is assumed that Amador County will pay 10-percent of the annual estimated administrative costs.

The following is a summary of the assumptions and methodology contemplated by the Long-term Governance Committee. The information provided is still preliminary and under discussion. The Working Group will determine which methodology is ultimately selected.

JURISDICTION SPECIFIC DATA –

Jurisdiction	Groundwater Use (AF)	Area (Acres)	Number of Parcels	Irrigated Acres
Amador Co.	1,270	52,500	4,240	3,000
Sacramento Co.	123,400	152,888	6,063	44,000
City of Galt	4,000	4,612	8000	-
Rancho Murieta	0	-	806	-

ADMINISTRATIVE –

The annual estimated administrative cost for the entire subbasin breaks down as follows:

ANNUAL ESTIMATED ADMINISTRATIVE COSTS

TASK	ESTIMATED ANNUAL COST
Annual Report	\$45,000
Annual Monitoring	\$60,000
5-Year Update of GSP	\$40,000 ¹
Data Management System (DMS)/Model Update	\$25,000
Public Outreach	\$10,000
GSA Coordination ²	\$10,000
Legal	\$30,000
General Administration	\$150,000
Address Data Gaps ³	\$15,000
Address State Comments ⁴	\$15,000
Contingency	\$20,000
Annual Escalator (3%)	\$12,600
TOTAL	\$432,600

1. \$40,000 per year for 5 years for a total of \$200,000. This amount could vary depending on the extent that the GSP needs to be modified/updated.
2. Includes coordination with GSAs both internal and external to the Cosumnes Subbasin.
3. These costs address any data gaps identified as part of the GSP development process.
4. These costs are to address any comments the State may have once the GSP has been submitted for their review.
5. The Annual Escalator acknowledges that costs increase approximately 3-percent per year with inflation.

This alternative assumes the administrative cost is divided across all parcels in the subbasin. The fee is assessed based on parcel size as illustrated below:

ADMINISTRATIVE FEE ASSESSMENT BASED ON PARCEL SIZE

PARCEL SIZE	ESTIMATED FEE	NUMBER OF PARCELS	REVENUE
Less than an acre	\$12	8963	\$107,556
One acre but less than 5 acres	\$35	2957	\$103,495
5 acres but less than 50 acres	\$60	2425	\$145,500
50 acres or more	\$75	524	\$39,300
Amador County ¹	\$43,260		\$43,260
TOTAL			\$439,111

1. Amador County to pay 10-percent of the Administrative Cost (\$432,600 x 0.10 = \$43,260).

This alternative assumes the administrative cost is assigned to parcels that are dependent on groundwater.

ADMINISTRATIVE FEE ASSESSMENT BASED ON PARCELS DEPENDENT ON GROUNDWATER

PARCEL SIZE	ESTIMATED FEE	NUMBER OF PARCELS	REVENUE
Less than an acre	\$15	8157 ²	\$122,355
One acre but less than 5 acres	\$50	2957 ³	\$147,850
5 acres but less than 50 acres	\$75	1213 ⁴	\$90,975
50 acres or more	\$125	262 ⁴	\$32,750
Amador County ¹	\$43,260		\$43,260
TOTAL			\$437,190

1. Amador County to pay 10-percent of the Administrative Cost (\$432,600 x 0.10 = \$43,260).

2. Excludes Rancho Murieta.

3. Assumes all ag-res parcels rely on groundwater.

4. Assumes 50-percent of parcels don't use groundwater.

This alternative assumes the administrative cost is assigned to wells in the subbasin. The Estimating Adjustment has been added to account for wells that may not have been identified.

ADMINISTRATIVE FEE ASSESSMENT BASED ON NUMBER OF WELLS

WELL TYPE	NUMBER
Domestic	2258
Agriculture	433
Estimating Adjustment	500
TOTAL	3191

Cost per well: \$432,600 per year/3191 wells = \$135.57 per year

If an accommodation is made for de minimus users (2 ac-ft or less per year), an estimation per de minimus well would be: 2 ac-ft per year x \$3.50 per ac-ft = \$7.00 per year for de minimus wells. If this

accommodation is accepted an adjustment would have to be made in the cost per year for the remaining wells.

PROJECT –

Two methodologies have been identified for calculating the project component of the fee. The first method is based on project costs divided by total groundwater usage in the basin. The second method is based on project costs divided by total irrigated acres (according to the model there are 44,000 irrigated acres in Sacramento County and 3,000 irrigated acres in Amador County). Annual costs for implementing the project aspect of groundwater management in the Cosumnes Subbasin have been estimated at \$440,000 by the Project & Management Actions (P&MA) committee.

Project Costs Divided by Total Groundwater Usage –

$$\$440,000/128,670 \text{ AF} = \$3.42/\text{AF}$$

Project Costs Divided by Total Irrigated Acres –

$$\$440,000/47,000 \text{ irrigated acres} = \$9.36/\text{irrigated acre}$$

Note: It has been recommended that collection of fees for projects be delayed by at least two years.

TIMELINE –

- March 26, 2021 – Each GSA to provide a resolution in support of fee program
- April 20, 2021 – Board of Supervisors Groundwater Workshop – GSA consensus needed in support of fee program
- May 4, 2021 – Presentation of Fee Program at Board of Supervisors – Methodology must be determined
- July 13, 2021 – First Hearing for the Fee Program at Board of Supervisors – Second Hearing date set
- July 31, 2021 – Deadline for submitting Request for New Direct Levy Number from Auditor’s Office
- August 24, 2021 – Second Hearing for the Fee Program at Board of Supervisors – create zone and adopt fee
- August 2021 – Deadline for fee criteria to be submitted to the Auditor’s Office

STATE INTERVENTION –

In the event the subbasin is unable to develop and implement a groundwater management program as required by SGMA the following charges will apply.

CHARGES	NUMBER	COST PER UNIT	TOTAL
Well (ag)	433 wells	\$300	\$129,900
Well (de minimus)	2258 wells	\$100	\$225,800
Adjustment Well	500 wells	\$100	\$50,000
Pumping	123,154 af	\$40	\$4,926,160
TOTAL			\$5,281,910

OUTSTANDING QUESTIONS –

1. Can an Annual Escalator be included in the fee?
2. Is there a desire to provide a discount to parcels that install a meter, employ quantifiable conservation measures, or use exclusively surface water?
3. Need to refine parcel information and need Amador parcel information. Not needed under 10% assumption.
4. Should parcels prohibited from having a well be excluded from fee program?
5. How do we treat parcels irrigated only by surface water? Metered diversion data?

DRAFT

Cosumnes Subbasin Fee Calculations

updated: February 8, 2021

Assumptions:

Total Admin. Costs	\$	432,600	
- Amador GSA Contribution			
- Sac County GSA Contribution	\$	432,600	
Total Annual P&MA Cost Share	\$	1,100,000	
Total GSP Annual Cost	\$	1,532,600	
Total Groundwater Use		127,400	AF
- Amador GW Use			AF
- Sac GW Use		127,400	AF
Total Parcels in Subbasin		19,700	parcels
- Sac County (all GSAs) Parcels		15,500	parcels
- Amador GSA Parcels		4,200	parcels
Total Basin Acreage		157,500	acres
- Sac County Acreage		157,500	acres
- Amador County Acreage			acres

Notes:

- Admin. costs 100% funded by parcel/acreage fee
- Project costs 100% funded by usage fee
- Calculations shown are examples, final fee calculations will be different.

Projects and Management Actions - Evenly Distributed Usage Fee (SAC COUNTY ONLY)

Usage Fee = Total P&MA Cost Share / Total Groundwater Use

Total P&MA Cost Share	\$	1,100,000	
Total Groundwater Use		127,400	AF
Usage Fee:	\$	8.63	per AF

Usage Fee = Total P&MA Cost Share/Irrigated Acres

Total P&MA Cost Share	\$	1,100,000	
Total Irrigated Acres		31,500	Assume 20% irrigated
Usage Fee		\$34.92	per irrigated acre

Admin Fee Option 1 - per parcel OR per acre fee

	Just Sac County	Entire Subbasin
Administration Fee	\$ 27.91 per parcel	\$21.96 per parcel
	either/or	
Administration Fee	\$ 2.75 per acre	per acre

Notes:

- Same fee for all parcels (big or small)
- Simplistic
- Everyone has some skin in the game.
- favors per acre, rural favors per parcel

Admin Fee Option 2 - dependent on parcel size

Size	Fee	# Parcels	Fee Revenue	%
Prohibited from GW Use	\$0			0
<1 acre	\$ 15	8000	\$ 120,000	26%
1-5 acres	\$ 25	1500	\$ 37,500	8%
5-50 acres	\$ 40	2500	\$ 100,000	21%
>50	\$ 60	3500	\$ 210,000	45%
			\$ 467,500	100%

Simulation	Size	Fee	# Parcels	Fee Revenue	
	Prohibited from GW Use	\$0			
	<1 acre	\$ 12	8000	\$ 99,491	
	1-5 acres	\$ 21	1500	\$ 31,091	
	5-50 acres	\$ 33	2500	\$ 82,909	
	>50	\$ 50	3500	\$ 174,109	
	Amador's Contribution:		10%	\$ 45,000	
Adjusted Admin Cost (Sac. County)			\$ 387,600		
			\$ 432,600	Total Admin Cost	

Amador's Contribution % Calculator

Contribution Amount	\$ 45,000.00
Percentage	10.40%

Notes:

- Number of parcels in each size range needs confirmed
- Could be more equitable
- K.I.S.S.
- 7,444 parcels <1 acre in City of Galt
- Consider having no fee for parcels prohibited from drilling a well.
- Consider charging a small fee for those parcels with rights to GW but are not using it.
- Consider adjusting parcel size brackets to reflect County zoning.

Option 4 - per parcel charge + per acreage charge

		Fee Revenue
Charge Per Parcel	\$ 15.00	\$ 232,500
Charge Per Acre	\$ 1.27	\$ 200,100
		\$ 432,600.00

Option 3 - Administrative Fee dependent on parcel size and irrigated vs. not irrigated parcel

Size	Irrigated Fee	Irrigated		Non-irrigated	
		Parcels	Fee	Parcels	Fee
Less than 1	\$25	2,500	\$62,500	2,500	\$10
1-5 acres	\$35	2,000	\$70,000	2,000	\$20

5-50 acres	\$45	1,500	\$67,500	\$30	1,500
above 50	\$60	1,750	\$105,000	\$40	1,750

Usage charge #REF! per AF

Proposed Cosumnes Subbasin Fee Program

The proposed fee program has been drafted by SRCD Staff based on the general consensus of the Board of Directors and from direction by SRCD Counsel (Kronick). Information provided here is preliminary and should not be considered legal advice until SRCD Counsel provides a formal opinion.

Overview:

- Through the authority granted by Water Code 10730 the Cosumnes Subbasin GSAs would implement a fee program to generate approximately \$435,700 to fund the administrative activities required to implement the Cosumnes Subbasin GSP after adoption.
- This would cover expenses for approximately 12 months (from January 2022 to December 2022).
- According to Water Code 10730, pre-GSP fees can be used for a wide variety of costs, including developing and implementing a Groundwater Sustainability Program which includes preparation and adoption of a GSP, investigations, inspections, compliance assistance, **monitoring**, enforcement, and general program administration, including a prudent reserve.
- According to Water Code 10730, pre-GSP fees cannot be used for capital improvement projects.

Proposed Administrative Fee Structure (Entire Subbasin):

Size	Location	Number of Parcels	Fee	Estimated revenue
All parcels, no GW	Cosumnes Subbasin (includes Rancho Murieta)	~2,000+	\$0	\$0
All parcels within Galt	Galt	~7,444	Voluntary agreement with Galt - \$15/parcel	\$111,660
2 – 9.99 acre, GW dep	Cosumnes Subbasin (Sac. County)	~4,350	\$40	\$174,000
10 – 19.99 acres, GW dep	Cosumnes Subbasin (Sac. County)	~500	\$50	\$25,000
>20 acre GW dep	Cosumnes Subbasin	~1,024	\$60	\$61,440
All	Amador	~4,240	Voluntary agreement with Amador - \$15/parcel	\$63,600
			ESTIMATED TOTAL	\$435,700

- Acreage is a commonly used proxy for water usage, which is reasonably related to relative benefit from the sustainability program.
- Sacramento County EMD: No parcels under 2 acres can have a groundwater well.
- Amador: Assuming most parcels are using surface water and are small parcels.

Timeline:

- Technical Data Gathered / Fee Report Developed – Now to May
- Additional Outreach – May 2021
 - Not required but should be prioritized.
- Ordinance/Resolution Hearing Posted – May 24, 2021 (min. 20 days before hearing)
- Ordinance/Resolution Hearing – June 15, 2021
- Fee Report Provided to County – July 31, 2021
- Fee included on property taxes – November 2021

De Minimus Users:

- From Counsel: [10730 provides: “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.” My reading of this provision is that a fee on **extraction** is not permitted until the GSA regulates. The proposed fee is tied to **use** of water by owners, regardless of who does the extracting. This interpretation of the statute has not been tested by judicial review. Another approach, as Scott described, is for the GSA to require well registration, which is a form of regulation.]

Parcels That Do Not Use Groundwater:

- From Counsel: A GSA may not impose a fee if the payor receives no benefit from or places no burden on groundwater sustainability. The benefit may be based on expected future use of groundwater. (Proposition 218 includes a prohibition on property-related fees for future use. This is not a property-related fee subject to Prop 218.)
- If a parcel doesn't have a well, but is still reliant on groundwater, can we still impose a fee?

Required Data Needs:

- List of Parcels with:
 - Parcel Size
 - Assumption: If parcel has a groundwater well or is dependent on groundwater
 - Assumption: If parcel supplied by urban purveyor

Individual GSAs vs. JPA:

- SRCD Counsel recommends that we form a JPA that would implement this fee so there would be 1 process versus 1 per GSA.
 - What is the cost of a JPA?
 - What is the timing of a setting up a JPA?
- Preparation work could still be done collaboratively without a JPA.
- Establishment of a JPA (or other type of administrative entity) will facilitate collaborative work towards implementing key GSP elements (ex: PMAs).