

A CSMFO Discussion:

**New water rate-making agencies
coming soon to your town!**



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In review, why are we here today?

Water Code 10720.1.

In enacting this part, it is the intent of the Legislature to do all of the following:

(a) To provide for the sustainable management of groundwater basins.

(b) To enhance local management of groundwater consistent with rights to use or store groundwater and Section 2 of Article X of the California Constitution. It is the intent of the Legislature to preserve the security of water rights in the state to the greatest extent possible consistent with the sustainable management of groundwater.

(c) To establish minimum standards for sustainable groundwater management.

(d) To provide local groundwater agencies with the authority and the **technical and financial assistance** necessary to sustainably manage groundwater.

(e) To avoid or minimize subsidence.

In review, why are we here today? (cont'd)

10720.1. (continued)

- (f) To improve data collection and understanding about groundwater.
- (g) To increase groundwater storage and remove impediments to recharge.
- (h) To manage groundwater basins through the actions of local governmental agencies to the greatest extent feasible, while minimizing state intervention to only when necessary to ensure that local agencies manage groundwater in a sustainable manner.
- (i) To provide a more efficient and cost-effective groundwater adjudication process that protects water rights, ensures due process, prevents unnecessary delay, and furthers the objectives of this part.

(Amended by Stats. 2015, Ch. 676, Sec. 2. Effective January 1, 2016.)

Why are we discussing this?

- Need for revenues/funds
- Entering “uncharted” waters
- Trial and error in near future...

and

- Proposition 218 and 26 are applicable
- Case law proliferates...

What is needed to develop a GSP?

1. Form the Groundwater Sustainability Agency (June 30, 2017)
2. Develop Groundwater Sustainability Plan (GSP)
3. GSP costs range from \$250K up to \$1MM
4. Fund initial costs

Funding basis



Initial Revenue Sources for GSP

| | |
|----------|---|
| 1 | Contributions from agency/agencies |
| 2 | Rate (“fee”) components |
| 3 | Special tax |
| 4 | Grants (Prop 1 with 50% share) |

Example: City of Patterson

- Critical overdraft basin
- Multiple agencies within area
- City opts to be its own GSA
- Council adopts Resolution Dec 6 2016
- Initial funding via water revenue funds and will apply for DWR grant(s)



What are the ongoing financial needs?

10730.2.

(a) A groundwater sustainability agency ... **may impose fees** on the extraction of groundwater from the basin to fund costs of groundwater management, including, but not limited to, the costs of the following:

- (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.

Ongoing Revenue Sources

1

Rates: Water Utility

2

Fees: Permitting/User, Regulatory, and Property-Related?

3

Taxes: Special Tax

4

Penalties & Fines: TBD

Water Utility Rates

COST-BASED

- Rate analysis rigor
- Rates by classes of properties/users
- Fits agency and community goals

APPROVAL MECHANISM

- Notice and hearing (a la 218 or particular to agency or legislation)
- No formal ballot or election

EXAMPLES

- Domestic water rates
- Irrigation rates
- Pumping rates

Water Utility Rates - PROCESS

NEEDS AND POLICY AIMS

- Provide funding
- Nexus to users
- Fairness to payers
- Adhere to Prop 218

FORMATION AND APPROVAL

- Rigorous analysis
- Develop rates
- Notice mailed
- Council/Board approves if no protest

ANNUAL ADMIN

- Update rates
- Calculate, bill and collect

INITIAL ESTABLISHMENT

ONGOING

Anatomy of a water/sewer rate study



Fees: Permitting/User and Regulatory

COST-BASED

- Fee analysis
- Fits agency and community goals

APPROVAL MECHANISM

- Agency adoption process
- No formal ballot or election

EXAMPLES

- Permits
- Meter install fee
- Inspection fees

Fees: Storm water recapture fee (only)

COST-BASED

- Fee analysis
- Fits agency and community goals

APPROVAL MECHANISM

- Agency adoption process *
- Ballot or election for recapture
- No ballot or election if related to water supply

EXAMPLES

- NPDES-type ongoing program
- Stormwater capture as a water source

** Note: Proposition 218 applies for retail, Prop 26 for wholesale fees*

Fees - PROCESS

NEEDS AND POLICY AIMS

- Provide funding
- Nexus to users
- Fairness to payers
- Adhere to Prop 26

FORMATION AND APPROVAL

- Rigorous analysis
- Develop fee structure(s)
- Council/Board approves

ANNUAL ADMIN

- Update fees regularly
- Collect fees

INITIAL ESTABLISHMENT

ONGOING

Special Tax (if agency has taxing authority)

NOT BENEFIT-BASED

- Reasonable metrics
- Achieves goal(s)

APPROVAL MECHANISM

- Voter approved, still 2/3 required

EXAMPLES

- Regional parcel tax

Special Tax - PROCESS

NEEDS AND POLICY AIMS

- Provide funding
- Supported and paid by community

FORMATION AND APPROVAL

- Develop tax structure/formula
- Voter election, with 2/3 approval required

ANNUAL ADMIN

- Tracking, calculating, and collections
- Responding to inquiries
- Annual reporting

INITIAL ESTABLISHMENT

ONGOING

Penalties & Fines

NOT COST OR BENEFIT-BASED

- Achieves goal(s)

APPROVAL MECHANISM

- Agency adoption

EXAMPLES

- Excess extraction: Civil penalty not to exceed \$500 per acre foot
- Violates rules: Civil penalty not to exceed \$1,000 plus

Penalties & Fines - PROCESS

NEEDS AND POLICY AIMS

- Provide funding
- Penalize abusers
- Fairness to others

FORMATION AND APPROVAL

- Rigorous analysis
- Develop penalties and fines
- Council/Board approves

ANNUAL ADMIN

- Update regularly
- Collect

INITIAL ESTABLISHMENT

ONGOING

Discussion: Examples in your communities?

- Formation/GSP funding?
- Ideas for ongoing funding of operations?
- Challenges and opportunities?

Questions and comments?



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