

SACRAMENTO CENTRAL GROUNDWATER AUTHORITY (SCGA)
Sustainable Groundwater Management Act Sub-Committee
Meeting
Final Minutes
January 25, 2016

LOCATION: 10060 Goethe Road, Room 1213
Sacramento, CA 95827
1:30 p.m. to 3:30 p.m.

MINUTES:

1. Call to Order and Roll Call

Paul Schubert called the meeting to order at 1:30 p.m.

The following meeting participants were in attendance:

Board Members:

Paul Schubert, Golden State Water Company

Tom Nelson, FRCD/EGWD

Tom Mahon, Agricultural Interests

Brett Ewart, City of Sacramento

Rick Bettis, Conservation Landowners

Staff Members:

Darrell Eck, SCGA

Sarah Britton, Legal Counsel

Ping Chen, SCGA

Others in Attendance:

Mark Madison, FRCD/EGWD

Bruce Kamilos, FRCD/EGWD

Jonathan Goetz, GEI

Mike Wackman, Omochumne-Hartnell Water District

Amanda Platt, Sloughhouse RCD

2. Public Comment

None

3. SCGA Funding

Mr. Goetz led a discussion via a PowerPoint presentation that was based on a continuation of the discussion from the previous SGMA subcommittee meeting regarding an update to SCGA funding. Mr. Goetz reported that he had incorporated the comments

suggested at the previous meeting relative to the methodology of contributions for funding SCGA in addition to incorporating estimates of program costs. Mr. Goetz stated that the goal of the current process was to develop a proposal that could be taken to each agency's respective boards for approval of the proposed changes to the SCGA funding structure. Mr. Goetz then reviewed what was discussed at the previous meeting including the fact that under the current funding model, as prescribed by the SCGA JPA, the Authority would quickly run out of funding during the GSA/GSP development process. Mr. Goetz also reminded that a switch to a model more closely resembling that implemented by SGA was discussed and that during the discussion the concept of a minimum charge for a seat on the board was introduced by a member of the committee. Lastly, Mr. Goetz recalled that the subcommittee discussed maintaining the staffing arrangement with the County of Sacramento as opposed to forming a 'standalone' organizational structure.

Mr. Kamilos asked for clarification on the need to modify the SCGA JPA in order to change its funding structure. Ms. Britton explained that the JPA described a process for initial funding of the Authority and allowed for modification of that process to accommodate changes in program costs. Mr. Kamilos stated that it was confusing that the numbers would change so drastically yet no modification to the JPA would occur. Mr. Goetz reminded that what was being discussed was an interim funding strategy to allow SCGA to continue operating its program while transitioning to a GSA and that at a later date a change to the JPA would likely become necessary.

Mr. Madison asked if there would be a conflict with the JPA if one of the represented Authority board members were unwilling or unable to pay their contribution. Mr. Madison pointed out that the JPA addresses a procedure for the JPA signatories but not for the other board members. Ms. Britton replied that there was potential for a modification to the governing document becoming necessary in order to reconcile the payment of annual contributions being connected to the exercise of membership rights described in other sections of the JPA. Mr. Eck stated that historically those types of issues had been negotiated during the process of forming the Authority. Mr. Schubert recommended shelving the concept for a later discussion.

Mr. Nelson asked what the annual budget for SCWA's Zone 13 was and expressed a concern that the increases in contributions being discussed for SCGA would result in increased disbursement from Zone 13. Mr. Nelson also asked how the Zone 13 funds were apportioned and who made those decisions. Mr. Eck referred to an SCWA Board of Directors Letter from May 5, 2015 regarding projects and levy of assessments within Zone 13 for Fiscal Year 2015-16 for answers and stated that additional clarification regarding Zone 13 would need to be directed to the Zone 13 fund manager Kerry Schmitz.

During discussion of the 'Nexus Categories' PowerPoint slide, Mr. Schubert commented that he was not in favor of describing the payment for a seat on the board as having the ability to vote. It was determined that it would be better articulated as a 'contribution towards the sustainable management of the groundwater resource'.

Mr. Ewart asked, relative to the Base Fee being proposed to be calculated based on the number of water service accounts, if it had ever been considered to base the calculation on a fixed threshold of potential volume of water extracted. Mr. Ewart stated that a mechanism such as the Groundwater Accounting Program might facilitate such a calculation but that for an agency for the City of Sacramento that changes its surface water and groundwater use depending on the water year classification, it may be a more accurate accounting methodology. Mr. Eck responded that such a discussion had not occurred previously.

During the discussion of inflationary adjustments for the annual budget Mr. Schubert stated that he was not in favor of automatic/indexed adjustments. Mr. Schubert explained that he preferred an annual budget process in which the budget committee would determine the needs and costs for the upcoming fiscal year and base a budget on those terms. Mr. Schubert further explained that the use of inflationary indices and construction cost indices would be pertinent for planning ahead two or three budget cycles for rate stabilization purposes.

During the discussion regarding estimated level of effort and costs Mr. Madison asked Mr. Goetz if pursuit of an alternative plan document would save the Authority money compared to the full GSP development process. Mr. Goetz responded in the affirmative. Mr. Madison then asked what the magnitude of savings would be. Mr. Goetz replied that he would hesitate to put a dollar amount on it but stated that the total time of development from the beginning of the Water Forum process through the end of the Central Groundwater Forum process was about fifteen years and millions of dollars in absorbed costs. Mr. Goetz explained that an important part of a potential pursuit of an alternative plan document would be the recognition on the part of the State of the significant effort invested during the Water Forum and Central Groundwater Forum processes.

Mr. Nelson asked the existing GMP would serve as the alternative plan. Mr. Goetz replied that likely a combination of the GMP with other supporting technical data would be sufficient to demonstrate an ability to account for all of the potential undesirable results identified in the legislation. Mr. Nelson then asked about the likelihood of completing all the necessary work prior to January 2017. Mr. Goetz replied that it was a reasonable concern but that a clearer idea could not be gained until the draft regulations from the State were published in early February.

Mr. Goetz then presented the finance model assumptions stating that SCGA would be required to meet the requirements of SGMA regardless of the amount of groundwater pumped from the basin. General business and recurring tasks would form the absolute minimum level of effort thus the base contribution plus the seat contributions should be greater than the minimum effort. The total contribution would consist of a base, seat, and usage contributions with non-purveyors not being required to pay the base contribution. A twenty-five percent pumping reduction was applied to ag in order to effect no change in its contributions with the addition of a seat contribution. Florin County, Tokay Park, and Fruitridge Vista water districts were not accounted for nor were inflationary

increases. A minimum fund balance sufficient to cover six months operating expenses or \$100,000, whichever was greater, was included.

The committee discussed the need to incorporate Fruitridge Vista and Florin County water districts into a SCGA GSA effort. Mr. Madison reminded that the current plan being discussed was an interim plan and that in the future a different funding structure would likely be developed that could include a way to collect contributions or fees directly from customers rather than through organizations. The committee discussed how direct fee collection could be a method to ensure more equity to individual land owners. Mr. Madison asked if Prop. 218 applied to SGMA. Ms. Britton replied that it did.

Mr. Ewart stated that he supported the direction of the finance model development but would like to discuss in the future the idea of basing the usage contribution on access to a long-term pumping yield or threshold as opposed to number of connections. Mr. Ewart added that he would also like to continue looking at methods to facilitate Fruitridge Vista and Florin County's participation as it was an important component of the equitability issue.

Mr. Madison stated that in terms of the equitability issue, he needed a better explanation and understanding of how Zone 13 worked so that he could make sure that the urban customers of the Elk Grove Water District (EGWD) were not subsidizing agricultural users. Mr. Madison stated that he would likely have to answer that question from the FRCB Board when it came time to request the increased contribution for SCGA. Mr. Madison said he would need assistance in being able to answer those questions. Mr. Eck stated that those discussions would best be coordinated with SCWA.

4. Action Items/Next Steps/Assignments

Mr. Goetz recommended that the next steps include:

- Counsel review of proposed changes
- Determine role of Budget Subcommittee
- Determine Stakeholder review process/approval
- Seek approval by SCGA Board

Mr. Goetz then asked for suggestions regarding what was presented. Mr. Schubert suggested naming the model the 'SCGA Interim Finance Model'.

Mr. Madison suggested that at the next SGMA subcommittee meeting Zone 13 be discussed in detail as an equitable revenue collection vehicle. Mr. Madison then asked that an alternative plan process be discussed in order to determine the viability of pursuing that as an option rather than the full GSP process.

Mr. Schubert requested an update on the three issues that were interfering with SCGA's filing for a GSA and suggested that they should be a standing agenda item until they are resolved. The three issues were:

- a. Negotiations between the County of Sacramento and OHWD
- b. Actions of Sloughhouse RCD
- c. Status of the Delta

Committee then discussed scheduling of proposed budget approval by the SCGA Board. Mr. Schubert asked what the process was for public agencies to have the proposal vetted through their respective boards. Mr. Madison replied that he would introduce the proposal as an informational item at a board meeting and then present it for a vote at a subsequent meeting. Based on Mr. Madison's response the committee discussed a plan to have a Budget Subcommittee formed at the February SCGA Board meeting, the Budget Subcommittee would then present a draft budget proposal at the April SCGA Board as an informational piece so that the public agencies could then present the information to their respective boards so that by the May timeframe the public agencies could provide the necessary authority for their SCGA representatives to vote to adopt the interim budget structure and budget at the June SCGA Board meeting.

ADJOURNMENT

Upcoming meetings –

Next SCGA Board of Directors Meeting – Wednesday, February 10, 2016, 9:00 am;
SASD South Conference Room 1212, Sunset Maple.

By:

F. W. Wiley

Chairperson

February 10, 2016

Date

Hester

Date

2-10-16

Date

