



# SCGA Finance Update

*SCGA Update of Financial Methodologies*

**March 30, 2016**

4/15/2016

( 1 )

*SGMA/Finance Subcommittee Meeting No. 6*

# Presentation Overview

- Findings of SGMA/Finance Subcommittee
- Contribution Methodology
- Estimated Level of Effort and Costs
- Finance Model Assumptions and Results

# SGMA/Finance Subcommittee Findings

- Current finance methodology results in shortage (i.e., pre- and post- SGMA)
- JPA already provides a means to adjust contributions
- Conversion to a SGA-like methodology
- Include a minimum contribution to participate as a voting Board member
- Keep current labor and overhead sharing structure



# Contribution Methodology

# Establishing a Clear Nexus

## Nexus Categories

- **Base** (ability to vote)
  - Basis: Being a Board Member/Signatory
  - Nexus: Pays for benefits of having a vote
- **Connection** (assurance of available groundwater)
  - Basis: Number of Water Service Accounts
  - Nexus: Assures access to an alternative source of water supply
- **Usage** (ability to extract groundwater)
  - Basis: Amount of Groundwater Pumped
  - Nexus: Continued reliable use of groundwater



Yea or Nay

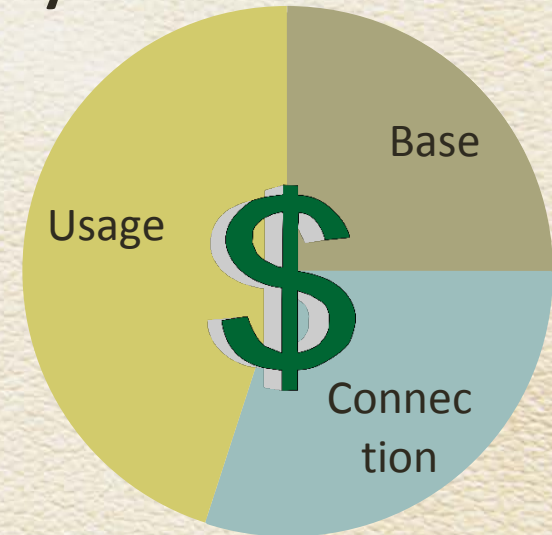


# Weighing Importance to the Agency

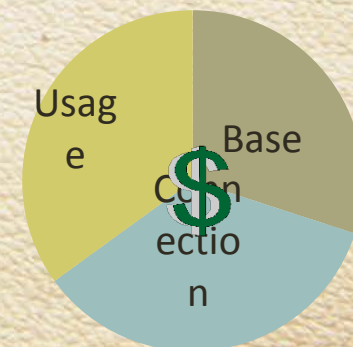
## Example: Large water district and JPA Signatory reliant on surface water (dry – wet period contributions)

- **Base** - Having an ability to vote on matters related to groundwater and its governance
- **Connection** – “Peace of Mind” in having an alternative source of water supply in critical drought and emergency conditions
- **Usage** – Having an ability to pay more, or less, based on actual average groundwater use

### Dry Period Contribution



### Wet Period Contribution



# Methodology Assumptions

## *“Qualitative” Definition of Unit Contributions*

- **Base**
  - JPA Appointed Members pay a fixed amount
  - Signatory Members pay 2 times Appointed Members amount
- **Connection (applies only to water purveyors)**
  - Water purveyors pay Connection fee using number of service connections
  - A minimum Connection fee amount
  - A minimum number of connections
  - If total connections below minimum connection, pay minimum Connection fee
  - A set unit cost per water service connection
  - Calculated Water Purveyor Fee = minimum Connection fee \$\$ + (total connections - minimum connections) \* unit cost\$\$
  - Connection contribution is greater of the two
- **Usage**
  - Average groundwater extraction = average pumping over last 3 yrs
  - Ag/Ag-Res Pumping Adjustment set to equate to 25% of total pumping
  - A set unit cost per acre-foot multiplied by the average adjusted groundwater extraction amount

# Inflationary Adjustments

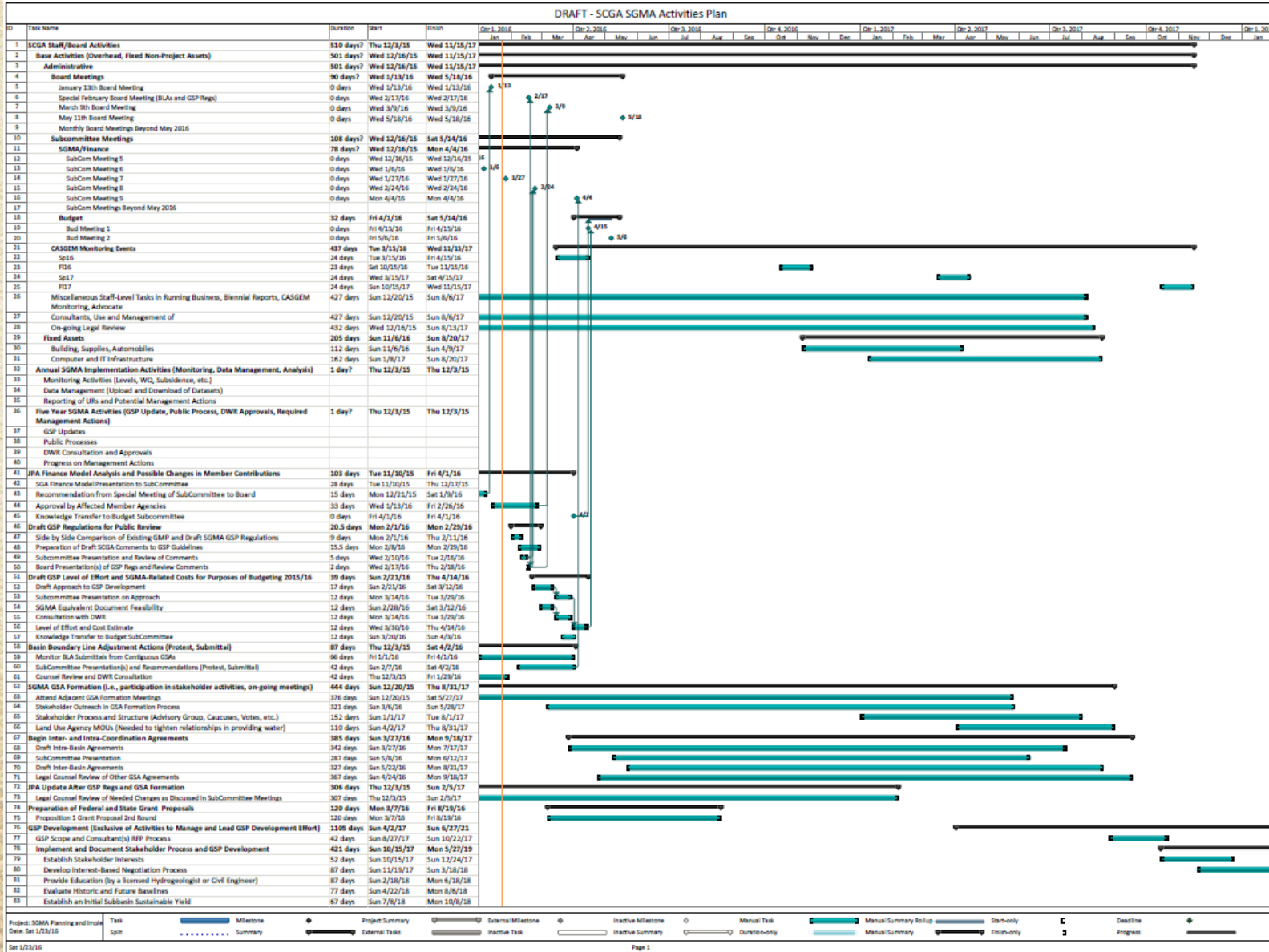
- Inflation is currently not accounted for in the Finance Model
- Language that includes inflationary adjustments will be determined in the future
  - Adjustment will likely be based on a modified cost index (e.g., ENR CCI + CPI) depending on level of capital improvement program





# Estimated Level of Effort and Costs

# Detailed Task Scheduling



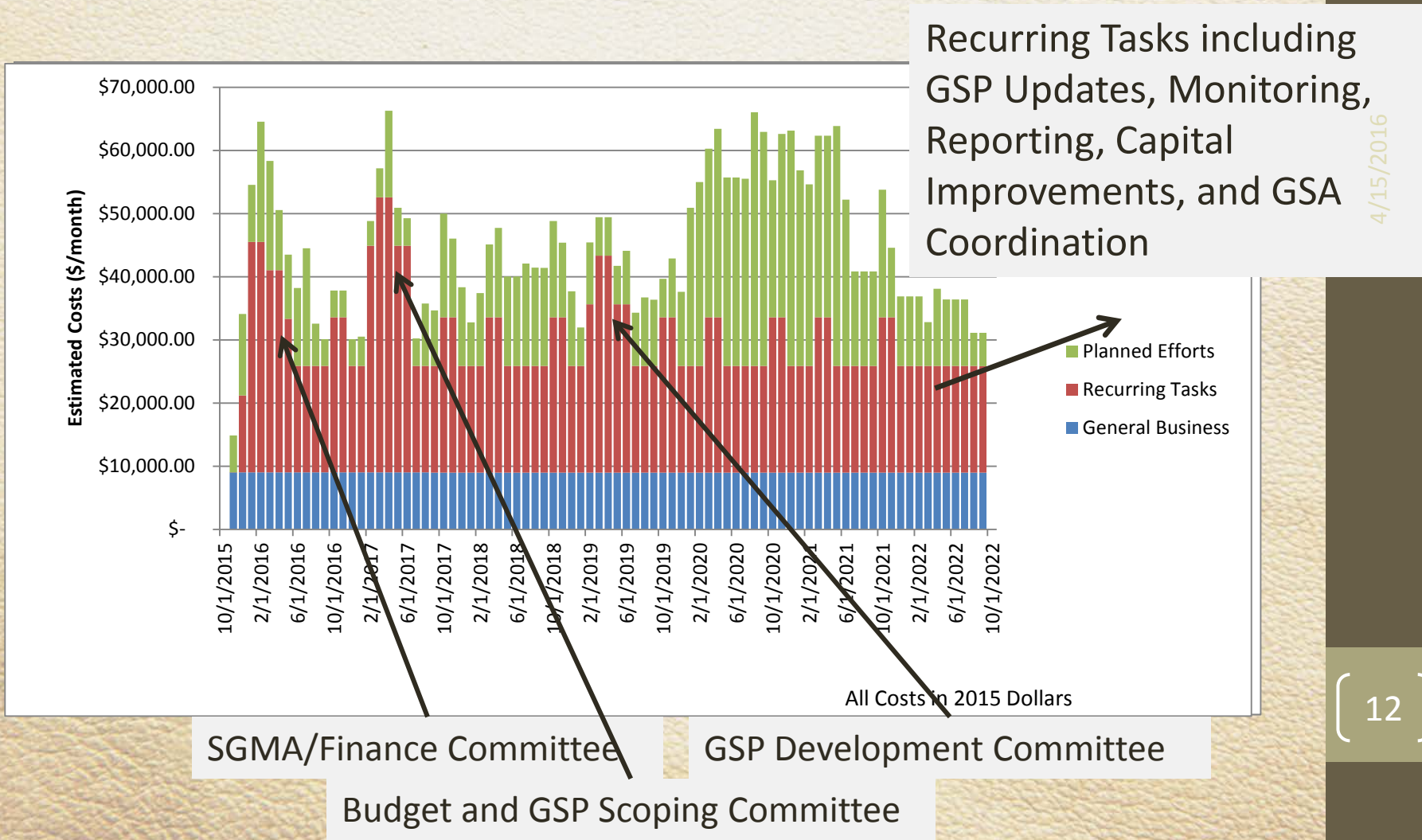
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# Summary of Estimated Costs

## SCGA Estimated Fiscal Year Costs for Budget Subcommittee (DRAFT March 31, 2016) – SCGA Using Shared Resources with SCWA

Annual Estimated Costs	2015/16(Por.)	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	6.5 Year Total	Average Annual (2016/17-2020/21)
<b>General Business</b>									
Administrative, Staff Meetings	\$ 65,897	\$ 98,846	\$ 98,819	\$ 98,814	\$ 98,814	\$ 98,814	\$ 98,814	\$ 658,818	\$ 98,821
Accounting, audits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal Counsel	\$ 9,167	\$ 13,750	\$ 13,750	\$ 13,750	\$ 13,750	\$ 13,750	\$ 13,750	\$ 91,669	\$ 13,750
Consultant/Contract Management	\$ 6,154	\$ 9,231	\$ 9,176	\$ 9,165	\$ 9,165	\$ 9,165	\$ 9,165	\$ 61,222	\$ 9,181
<b>Subtotal</b>	<b>\$ 81,218</b>	<b>\$ 121,827</b>	<b>\$ 121,746</b>	<b>\$ 121,730</b>	<b>\$ 121,730</b>	<b>\$ 121,730</b>	<b>\$ 121,730</b>	<b>\$ 811,709</b>	<b>\$ 121,752</b>
<b>Recurring Tasks</b>									
Board/Committee Meetings and Preparation	\$ 174,926	\$ 202,153	\$ 202,153	\$ 202,153	\$ 202,153	\$ 202,153	\$ 202,153	\$ 1,387,842	\$ 202,153
Biennial State of the Basin	\$ -	\$ 46,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,200	\$ 9,240
Groundwater Model Update	\$ -	\$ 48,833	\$ -	\$ 48,833	\$ -	\$ -	\$ -	\$ 97,667	\$ 19,533
CASGEM Monitoring	\$ 15,380	\$ 30,760	\$ 30,760	\$ 30,760	\$ 30,760	\$ 30,760	\$ 15,380	\$ 184,560	\$ 30,760
Management of Special GW Projects Management	\$ 266	\$ 3,196	\$ 3,196	\$ 3,196	\$ 3,196	\$ 3,196	\$ 3,196	\$ 19,442	\$ 3,196
<b>Subtotal</b>	<b>\$ 190,572</b>	<b>\$ 331,142</b>	<b>\$ 236,108</b>	<b>\$ 284,942</b>	<b>\$ 236,108</b>	<b>\$ 236,108</b>	<b>\$ 220,728</b>	<b>\$ 1,735,710</b>	<b>\$ 264,882</b>
<b>Planned Efforts</b>									
JPA Finance Model Analysis	\$ 9,580	\$ 15,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,510	\$ 3,186
Review of Draft GSP Regulations	\$ 18,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,853	\$ -
Assess GSP Level of Effort (for Budgeting)	\$ 35,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,387	\$ -
Basin Boundary Line Adjustment Actions (Protest, Submittal)	\$ 10,889	\$ 898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,787	\$ 180
GSA Formation (i.e., participation in stakeholder activities, on-going meetings)	\$ 12,388	\$ 31,110	\$ 865	\$ -	\$ -	\$ -	\$ -	\$ 44,363	\$ 6,395
Intra- and Inter-Basin GSA Coordination Agreements	\$ -	\$ 5,732	\$ 24,808	\$ 2,888	\$ -	\$ -	\$ -	\$ 33,428	\$ 6,686
JPA Updates	\$ 7,588	\$ 13,008	\$ 2,168	\$ -	\$ -	\$ -	\$ -	\$ 22,764	\$ 3,035
Federal and State Grant Proposals	\$ 1,327	\$ 3,982	\$ 3,982	\$ 3,982	\$ 664	\$ -	\$ -	\$ 13,936	\$ 2,522
GSP Stakeholder Processes	\$ -	\$ -	\$ 58,290	\$ 51,440	\$ -	\$ -	\$ -	\$ 109,730	\$ 21,946
GSP Development, Adoption, and DWR Submittal, 5 Year Updates	\$ -	\$ 8,800	\$ 34,440	\$ 45,845	\$ 182,343	\$ 176,389	\$ 32,533	\$ 480,351	\$ 89,564
GSA Facilities Planning, Coordination, CEQA, CIP	\$ -	\$ -	\$ -	\$ -	\$ 16,856	\$ 179,931	\$ 84,206	\$ 280,993	\$ 39,357
GSP Monitoring, Data Management, Annual Reporting	\$ -	\$ -	\$ 12,280	\$ 24,560	\$ 27,351	\$ 20,095	\$ 32,534	\$ 116,819	\$ 16,857
<b>Subtotal</b>	<b>\$ 96,011</b>	<b>\$ 79,460</b>	<b>\$ 136,833</b>	<b>\$ 128,715</b>	<b>\$ 227,214</b>	<b>\$ 376,415</b>	<b>\$ 149,273</b>	<b>\$ 1,193,921</b>	<b>\$ 189,727</b>
<b>Totals</b>	<b>\$ 367,802</b>	<b>\$ 532,429</b>	<b>\$ 494,687</b>	<b>\$ 535,386</b>	<b>\$ 585,052</b>	<b>\$ 734,253</b>	<b>\$ 491,731</b>	<b>\$ 3,741,340</b>	<b>\$ 576,361</b>

# Estimated Costs (2015 Dollars)

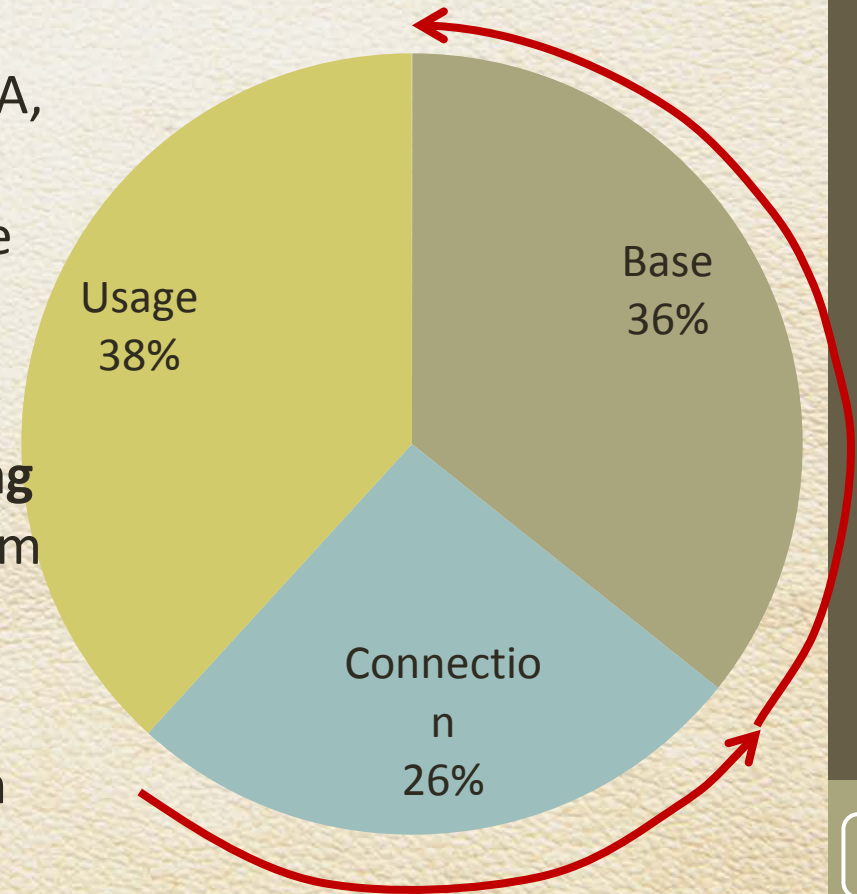




# Finance Model Assumptions

# SGMA Redefines Minimum Operating Expense

- SCGA is required to meet SGMA, regardless of the amount of groundwater pumped from the basin.
- **General Business and Recurring Tasks** are the absolute minimum level of effort
- **Connection + Base** > Minimum Expense



# Initial Finance Assumptions

- Base + Connection + Usage = Total Contribution
- Non-purveyors are **not** required to pay the minimum Connection contribution (i.e., no customers)
- Maintain 25% pumping reduction “equivalent” for Ag to effect no change in contribution with addition of Base Contribution
- Florin County, Fruitridge Vista, and Tokay Park are not included
- Keep rates proportional to SGA Model
- **No** Inflationary Increases

# Initial Finance Assumptions

- Minimum fund balance is sufficient to cover 6 months of expense, or \$100K, whichever is greater
- Contributions occur over July – Sept of each year

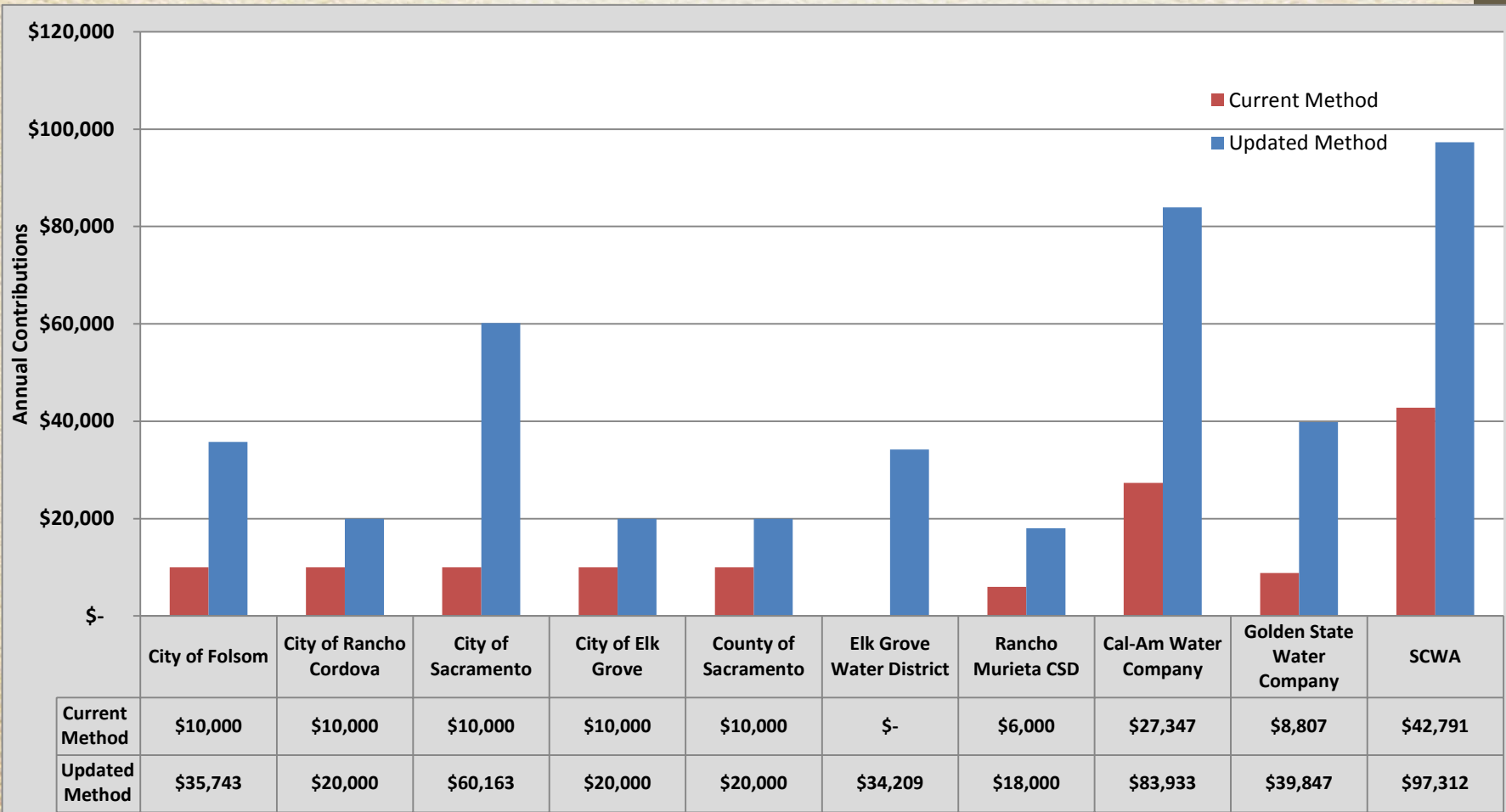


# Model Results

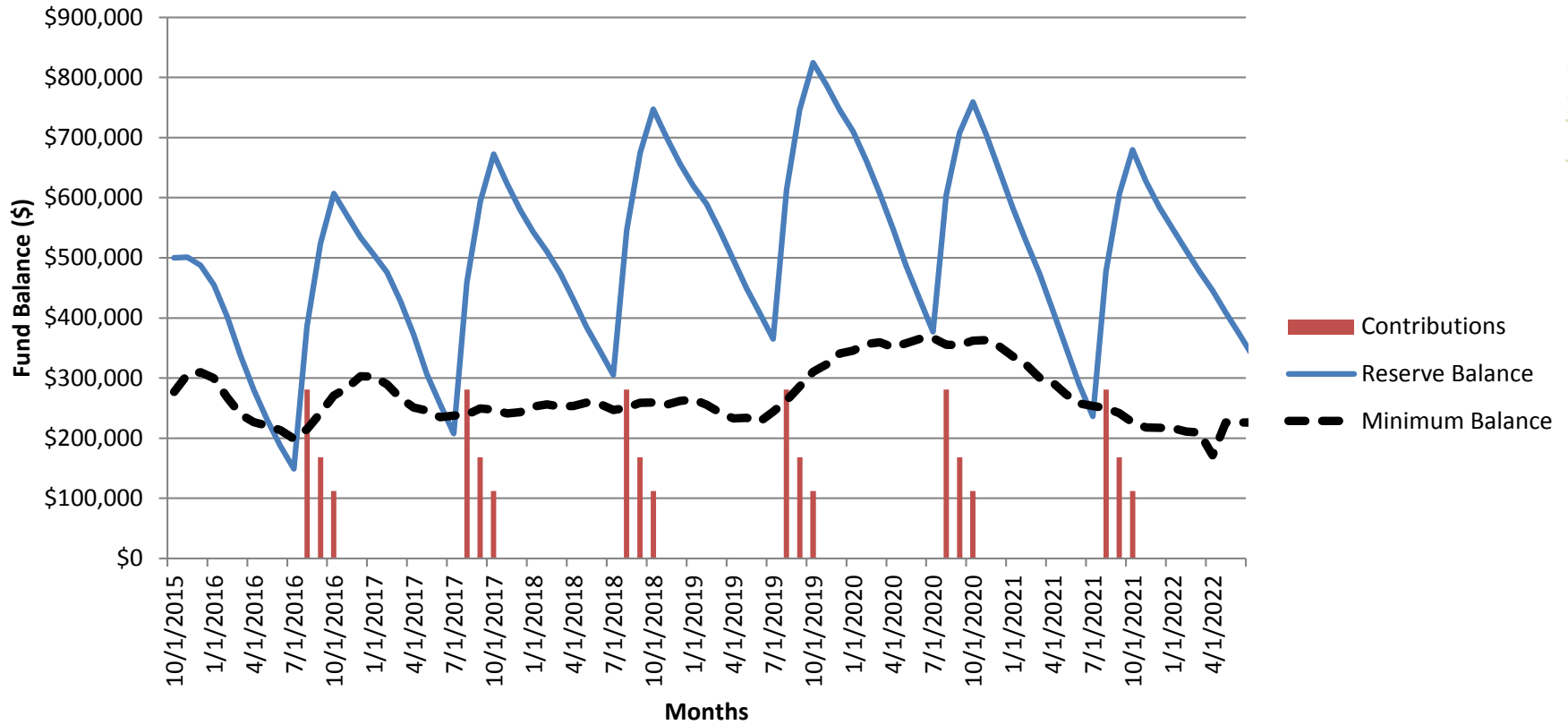
## SCGA Member Contributions for Budget Subcommittee (DRAFT March 30, 2016) – SCGA Using Shared Resources with SCWA Agency

Source of SCWA Funding	Agency	Base	Retail Water Connections (see below)	Connection (Minimum\$ or Minimum\$ + (Conn - Min Conn)*Fee\$	Groundwater Average (3 Yrs) Extraction, Acre Feet	Usage	Proposed FY Total Estimated Fees
Member Agency	City of Folsom	\$ 20,000	18,290	\$ 15,743	-	\$ -	\$ 35,743
Member Agency	City of Rancho Cordova	\$ 20,000		\$ -			\$ 20,000
Member Agency	City of Sacramento	\$ 20,000	57,052	\$ 40,163	-	\$ -	\$ 60,163
Member Agency	City of Elk Grove	\$ 20,000		\$ -			\$ 20,000
SCWA Z40	County of Sacramento	\$ 20,000		\$ -			\$ 20,000
Member Agency	Elk Grove Water District	\$ 10,000	12,159	\$ 11,880	4,237	\$ 12,329	\$ 34,209
Member Agency	Rancho Murieta CSD	\$ 10,000	1,800	\$ 8,000	-	\$ -	\$ 18,000
Member Agency	Cal-Am Water Company	\$ 10,000	31,350	\$ 23,971	17,169	\$ 49,962	\$ 83,933
Member Agency	Golden State Water Company	\$ 10,000	14,839	\$ 13,569	5,594	\$ 16,278	\$ 39,847
SCWA Z41	SCWA		49,792	\$ 35,589	21,211	\$ 61,723	\$ 97,312
SCWA Z13	Omochumne-Hartnell Water District	\$ -		\$ -	-	\$ -	\$ -
Member Agency	SRCS D	\$ 10,000		\$ -	-	\$ -	\$ 10,000
SCWA Z13	Ag Interests	\$ 10,000		\$ -	16,445	\$ 47,853	\$ 57,854
SCWA Z13	Ag-Res Interests	\$ 10,000		\$ -	3,857	\$ 11,224	\$ 21,224
SCWA Z13	Comm/Industrial Self Supplied	\$ 10,000		\$ -	-	\$ -	\$ 10,000
SCWA Z13	Public Agency Self Supplied	\$ 10,000		\$ -	-	\$ -	\$ 10,000
SCWA Z13	Conservation Land Owners	\$ 10,000		\$ -	-	\$ -	\$ 10,000
<b>TOTALS</b>		<b>\$ 200,000</b>	<b>185,283</b>	<b>\$ 148,914</b>	<b>68,512</b>	<b>\$ 199,370</b>	<b>\$ 548,285</b>
Percent of Total Annual Contribution		36%		27%		36%	

# Model Results



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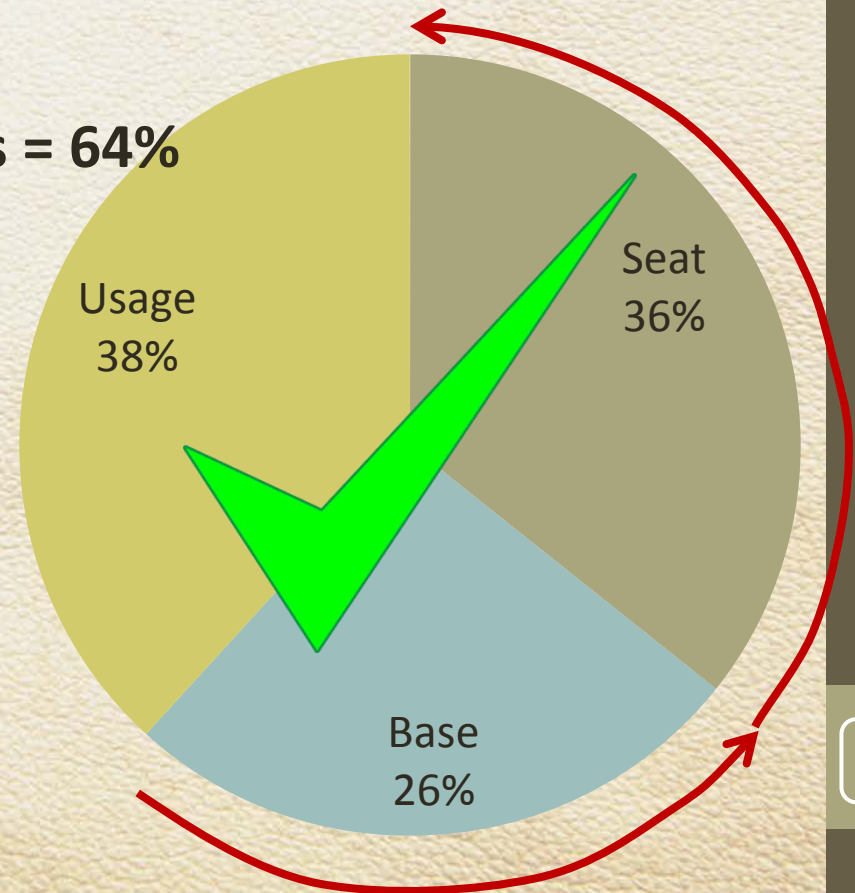


# Test for Minimum Operating Expenses

**5 Year Avg Minimum Operating Expense vs. Contributions**

**General + Recurring Costs = 68%**

**Base + Connection Contributions = 64%**



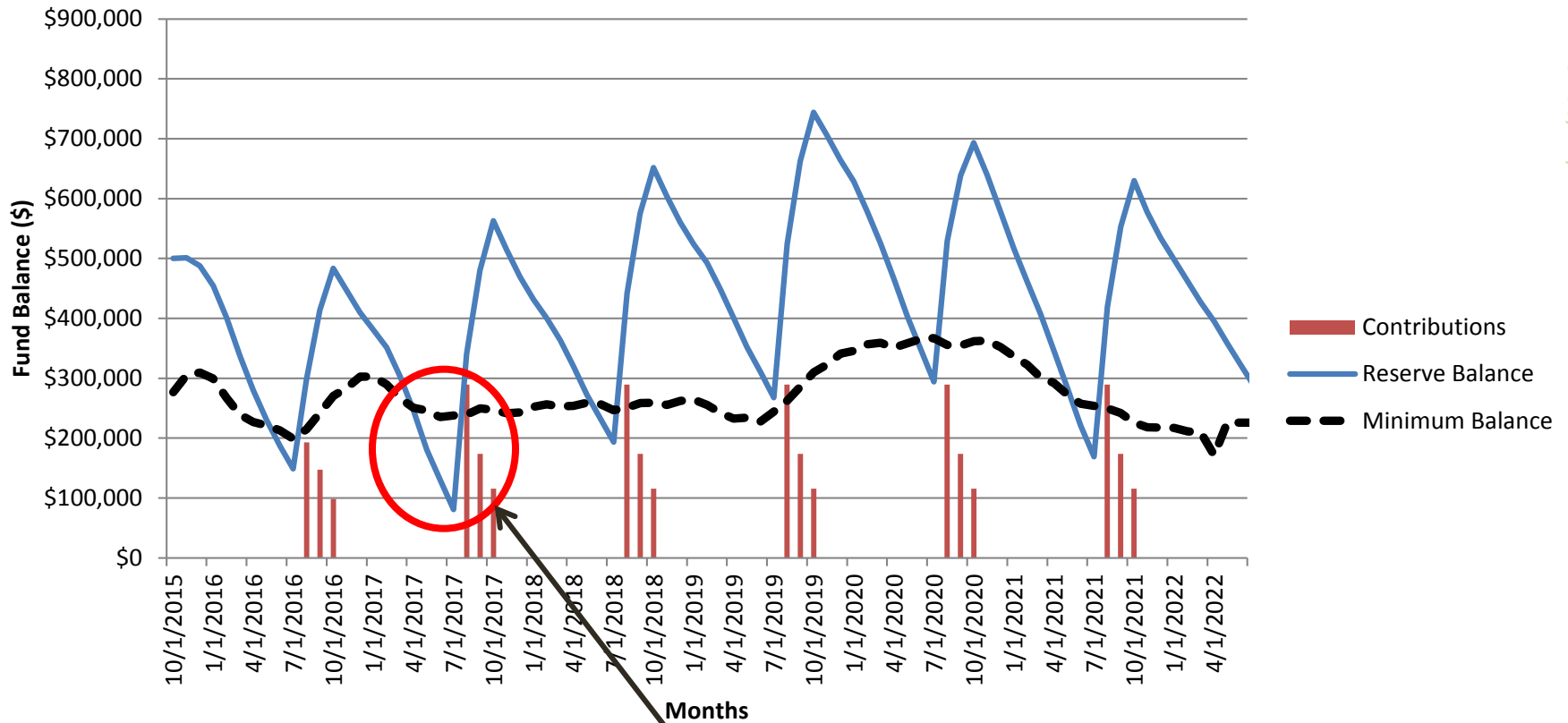
# Next Steps

- Needed changes to financial model Connectiond on Today's discussion
- Counsel review of proposed changes
- Role of Budget Subcommittee
- Determine Stakeholder review process/approval
- Approval by SCGA Board



# End of Presentation

# Model Results



Potential for Grant Funding or Remove Transition