



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 5/21/2019

To: Board of Supervisors and Board of Directors, Sonoma County Water Agency

Department or Agency Name(s): Board of Supervisors, Sonoma County Water Agency

Staff Name and Phone Number: Jay Jasperse - 547-1959, Supervisor Lynda Hopkins - 565-2241, Supervisor Shirlee Zane - 565-2241

Vote Requirement: 4/5

Supervisorial District(s): All

Title:

Funding for Santa Rosa Plain Groundwater Sustainability Agency

Recommended Actions:

- A) Authorize the County of Sonoma funding not to exceed \$100,000 annually in General Fund Contingency for fiscal years 2019-2020, 2020-2021 and 2021-2022 for the Santa Rosa Plain Groundwater Sustainability Agency.
- B) Authorize Sonoma County Water Agency Tribal Mitigation Funding not to exceed \$100,000 annually for fiscal years 2019-2020, 2020-2021 and 2021-2022 for the Santa Rosa Plain Groundwater Sustainability Agency
- C) Authorize Sonoma County Water Agency funding, not to exceed \$40,000 annually for fiscal years 2019-2020, 2020-2021 and 2021-2022 for the Santa Rosa Plain Groundwater Sustainability Agency.
- D) Approve a budget resolution that authorizes \$22,000 in General Fund Contingency to cover a portion of the Gold Ridge Resource Conservation District's Groundwater Sustainability member contribution fee for FY 2018-19.

Executive Summary:

The purpose of this agenda item is to request authorization for funding from the County Board of Supervisors (County) and Sonoma County Water Agency's (Sonoma Water) Board of Directors to support the activities of the Santa Rosa Plain Groundwater Sustainability Agency (GSA) in order to comply with the Sustainable Groundwater Management Act (Act) for Fiscal Years 2019-2020 through 2021-2022. The requested funding of \$100,000 from County Contingency and \$100,000 from Sonoma Water Tribal Mitigation funds would offset potential fees to groundwater users within the unincorporated areas of the Santa Rosa Plain (for rural residential, agriculture and commercial uses). It is anticipated that contributions by the city of Sebastopol will offset fees from groundwater users within incorporated areas of the basin (if approved by the Sebastopol City Council). However, as the major supplier of water to the urban areas of the Santa Rosa Plain Basin, a portion of the requested funding from Sonoma Water may be used to offset a portion of these fees. In addition, the agenda item would provide \$22,000 in County Contingency funding to support a portion of Gold Ridge Resource Conservation District's participation in the GSA for the current fiscal year. This item is being brought to the Board outside of the normal budget process because the Santa Rosa Plain GSA must approve the proposed fees prior to the June budget hearings.

Discussion:

Background

The Sustainable Groundwater Management Act (Act) required the formation of groundwater sustainability agencies by June 30, 2017, to manage groundwater in the Petaluma Valley, Sonoma Valley, and Santa Rosa Plain groundwater basins. Joint Powers Agreements (JPAs) were entered into in all three basins to create the Petaluma Valley, Santa Rosa Plain and Sonoma Valley Groundwater Sustainability Agencies (GSAs). The Board and the Board of Directors of Sonoma Water authorized the County and Sonoma Water participation in the JPAs on April 25, 2017.

Each of the GSAs need to establish funding to support their required activities under the Act, most notably development of the groundwater sustainability plan by 2022 and the administration/operation of the GSA. For the Santa Rosa Plain GSA, the total estimated cost for the required activities between Fiscal Years 2017-2018 to 2021-2022 is approximately \$3,000,000. These activities include preparation of a groundwater sustainability plan, public outreach, complying with the Brown Act for the board and advisory committees, and other required administrative functions (legal, insurance, audits, etc.). The Santa Rosa Plain GSA member agencies provided \$992,000 to fund fiscal years 2017-2018 and 2018-2019 (which could be repaid in the future), with the County and Sonoma Water each providing \$119,000. In addition, the Santa Rosa Plan GSA received a \$1,000,000 grant from the State to prepare the groundwater sustainability plan. The remaining unfunded amount is \$1,008,000 (\$336,000 per year for three years).

Gold Ridge Resource Conservation District Funding

In the Santa Rosa Plain GSA, payments were split equally among member agencies without regard to size (Sonoma Resource Conservation District was the exception, with a payment of \$20,000 annually). Gold Ridge Resource Conservation District (GRRCD) entered the negotiations late, and was required to pay the same contribution as other member agencies -- \$55,000 in 2017 and \$64,000 in 2018. GRRCD faced significant fundraising challenges in the current fiscal year, and asked Sonoma Water and the County for assistance in covering its GSA contribution. GRRCD has been a valuable partner in providing a voice from rural and agricultural landowners on the GSA Board, and in educating rural landowners on the Act. Sonoma Water provided \$22,000 to assist GRRCD in 2018. Supervisors Hopkins and Zane, the County and Sonoma Water representatives on the Santa Rosa Plain GSA Board recommend the use of contingency funds to assist GRRCD in FY 2018.

Santa Rosa Plain GSA 'Alternative Plan' Proposal

In addition to multiple GSA Board and Advisory Committee meetings, four community meetings were held in early 2019 to educate people about the fee. More than 500 people attended the meetings. The majority of the attendees were residential well owners. A total of about 100 people provided comments, most who expressed opposition to the fee for a variety of reasons, including future uncertainty about the fee amount; concern with government regulation; dissatisfaction with the 0.5 acre foot use estimate; and a sense that the fee was unfair

to smaller groundwater users. In addition to residential well owners, farmers expressed significant concerns with the proposed fee, including: the use of estimates which fail to reward farmers who've invested in water-saving irrigation equipment and practices; the fee would pay for studies and operations, not programs and projects; and the fee fails to recognize the recharge benefits of agricultural land.

At its March, 2019 meeting, the GSA Board approved the methodology used to calculate the fee. However, several board members expressed concerns, due to the following challenges:

- 1) Despite extensive outreach efforts, most well owners have not heard of the Act or the GSA, and would be surprised to find that they are being charged for groundwater use;
- 2) People living or farming in neighboring basins or outside the basin won't pay the fee, creating inequities between neighbors;
- 3) Because of limited data, the GSA must estimate residential groundwater use, and many people felt that the estimated residential use of 0.5 acre feet of groundwater annually is too high;
- 4) The fee wouldn't pay for projects or programs to improve groundwater conditions, but would pay for the operation of the GSA and for the unfunded component of the groundwater sustainability plan; and
- 5) To comply with the Act, the GSA must "regulate" residential well owners before a fee can be assessed, which meant the GSA was also proposing to launch the groundwater user registration program in 2019 - potentially adding costs and complexity to the fee program in a short timeframe.

At its April 11, 2019 meeting, the GSA Board continued its discussion of the fee, and again heard from several residential well owners who expressed strong objections to the fee. As a result of the feedback, Supervisors Hopkins and Zane, the County and Sonoma Water representatives on the Santa Rosa Plain GSA Board proposed a draft alternative, referred to as "Alternative Plan". The purpose of the alternative plan is to provide equity to and reduce confusion between groundwater users in the three basins by ensuring that all rural landowners and agricultural producers are treated similarly until groundwater sustainability plans are developed and basin-specific problems and solutions are identified. The Santa Rosa Plain GSA Board will consider the proposal at its June 13 meeting.

Under the proposed Alternative Plan, and subject to Santa Rosa Plain GSA Board approval, the groundwater sustainability fee and the accompanying Groundwater Users Registration Ordinance would be implemented, but contributions paid by the County and Sonoma Water plus Sebastopol's payments (if the city joins the GSA board) would result in three user and fee categories. See Attachment 2 for the user categories and fees.

This alternative approach was preliminarily discussed with the Board of Supervisors at its April 10 budget workshop, and the Board directed staff to bring back a specific proposal for County/Sonoma Water funding to support the Alternative Plan for consideration in May that was equal to the subsidies provided by the County and Sonoma Water to the other two GSAs. □

Proposed Ongoing GSA Funding

In December 2017, all three GSAs began rate/fee studies with the goal of funding the GSAs through fees

beginning in fiscal year 2019-2020. Petaluma Valley and Sonoma Valley GSAs ended the fee studies in August 2018, and agreed to continue funding the respective GSAs with member agency contributions through 2021-2022. Santa Rosa Plain GSA continued its fee study, and in December 2018, its Board held an extensive study session on the fee methodology.

The following table details the member contributions from the County, Sonoma Water, and Other Agencies through FY 2021, including the proposed amount from the County for the Santa Rosa GSA. In total, the Petaluma Valley GSA will receive a combined contribution from the County and Sonoma Water of \$1,104,082, the Sonoma Valley GSA will receive \$947,932 in combined funding, and the Santa Rosa Plain GSA is proposed to receive \$958,000 in combined funding.

| Fiscal Year | County | Sonoma Water | Other Agencies |
|------------------------------|--------------------|---------------------|-----------------------|
| Petaluma Valley | | | |
| 2017 | \$143,333 | \$143,333 | \$183,333 |
| 2018 | \$143,333 | \$143,333 | \$183,333 |
| 2019 | \$43,000 | \$121,000 | \$40,000 |
| 2020 | \$67,000 | \$125,000 | \$49,000 |
| 2021 | \$49,750 | \$125,000 | \$43,250 |
| Total Petaluma Valley | \$446,416 | \$657,666 | \$498,916 |
| Sonoma Valley | | | |
| 2017 | \$117,233 | \$117,233 | \$235,534 |
| 2018 | \$117,233 | \$117,233 | \$235,534 |
| 2019 | \$25,000 | \$64,000 | \$70,000 |
| 2020 | \$84,000 | \$125,000 | \$70,000 |
| 2021 | \$56,000 | \$125,000 | \$70,000 |
| Total Sonoma Valley | \$399,466 | \$548,466 | \$681,086 |
| Santa Rosa Plain | | | |
| 2017 | \$55,000 | \$55,000 | \$350,000 |
| 2018 | \$64,000 | \$64,000 | \$404,000 |
| 2019 (Alternative Plan) | \$100,000□ | \$140,000* | \$109,000** |
| 2020 (Alternative Plan) | \$100,000□ | \$140,000* | \$109,000** |
| 2021 (Alternative Plan) | \$100,000□ | \$140,000* | \$109,000** |
| Total Santa Rosa Plain | \$419,000 | \$539,000 | \$1,081,000 |
| GRAND TOTAL, all GSAs | \$1,264,882 | \$1,745,132 | \$2,262,502 |

**Sonoma Water payments are up to \$140,000 and include \$100,000 annually from Tribal Mitigation funding, plus approximately \$12,000 for its annual groundwater sustainability fee based on pumping, plus a maximum*

contribution of up to \$28,000. □

*** In years 2017 and 2018, other agencies paid contributions to the GSA. In years 2019-2021, the other agencies would pay a groundwater sustainability fee based on the amount of water pumped.*

This item would authorize Sonoma Water to spend a portion of Tribal Mitigation Funds to offset up to \$100,000 in groundwater sustainability fees for unincorporated groundwater users. Use of the Tribal Mitigation Funds for this purpose is guided by Water Conservation Program section 3(i) of the 2012 Graton Mitigation Agreement. By ensuring that the Santa Rosa Plain GSA can complete its Groundwater Sustainability Plan on time and in compliance with state law, the Tribal Mitigation Funding will help ensure groundwater resources in the basin are being sustainably managed.

This item would also authorize the County to spend a portion of Contingency funds to offset up to \$100,000 in groundwater sustainability fees for unincorporated groundwater users. If there is a future shortfall in County Contingency funds as a result of this item, the Board could authorize the reimbursement of Contingency funds by a transfer of additional revenues from Tribal Mitigation funds.

Alternatively, the Board could choose to contribute to the Santa Rosa Plain GSA to offset the fees of *selected* categories of unincorporated groundwater users (for example rural residential users, mutual water companies, agriculture, etc, as described in Attachment 2). Any alternative that requires users to be assessed will increase the complexity of administrating the fee program, and could increase GSA costs which could result in slightly higher fees.

Groundwater User Ordinance: The Act requires de minimis users to be ‘otherwise regulated’ if they are required to pay a fee. Under the Alternative Plan, de minimis users would pay \$0 annually - but they would still be technically subject to the fee, meaning that some minimal regulation is required. The simple, opt-out registration program would serve as the regulation and will also provide valuable data to the GSA. At its June meeting, in addition to consideration of the Alternative Plan, the Santa Rosa Plain GSA Board would move forward with consideration of a Groundwater Users Ordinance, as proposed at its April meeting. The ordinance consists of two components: (1) regulation of de minimis users; and (2) authorization to assess fees.

The GSA Board will hold a second reading of the Ordinance Requiring Registration of Groundwater Use Facilities, Water User Reporting and authorizing The Adoption of Groundwater Sustainability Fee at its June 12, 2019 meeting. The GSA Board will also consider adoption of the groundwater sustainability fee. If both the ordinance and the fee are approved, a registration program would begin in summer 2019 and fees would be invoiced to Sonoma Water, the cities, the Town of Windsor and Cal-American in the summer of 2019. GSA staff would provide a dataset of all known groundwater users in the basin to the County Assessor in mid-July, for inclusion in the 2019-2020 property tax bill. The dataset would include estimated groundwater use and the total fee to be assessed. If the Alternative Plan is approved, the dataset would be completed to ensure the

accuracy of the fee, but the dataset would not be provided to the assessor and only the municipal pumpers listed above would be invoiced. In addition, the groundwater users registration program would be initiated in fiscal year 2019-2020. If the Alternative Plan is approved, the registration program roll-out would be slowly phased, with rural residential well owners being the last category of users to be registered.

Next Steps

This item would authorize Sonoma Water to spend a portion of Tribal Mitigation Funds to offset up to \$100,000 in groundwater sustainability fees for unincorporated groundwater users. The funding appropriation from the County to Sonoma Water would be included in the County's 2019-2020 Tribal Budget to be considered in June 2019.

The Santa Rosa Plain GSA Board will consider approving the fees and user registration program at its June 13 meeting. If both the fees proposal and the ordinance are approved by the GSA Board, the fee will become effective July 1, 2019. Sonoma Water, cities, towns, and Cal-American will be billed directly by the GSA. If the County and Sonoma Water funding for the Alternative Plan is authorized by the Board of Supervisors/Directors and the City of Sebastopol agrees to provide funding to join the JPA (\$23,800 per year), then rural residential, urban groundwater, agricultural users and other groundwater users in the unincorporated areas of the basin would not be invoiced.

The funding commitment for the County and Sonoma Water would remain the same for the three years, with the County contributing \$100,000 annually for a total of \$300,000. Sonoma Water would also contribute up to \$140,000 annually for a total of up to \$420,000. (This amount includes (1) \$100,000 annually from Tribal Mitigation funds allocated to reduce the impacts on the Santa Rosa Plain basin; (2) Sonoma Water's estimated annual fee of approximately \$12,000 based on pumping records; and (3) a maximum contribution of \$28,000 annually.) See Table 1, attached, for the five year funding allocation for Santa Rosa Plain GSA.

Prior Board Actions:

- 11/13/2018 - Authorized Sonoma Water staff to provide administrative services to Petaluma and Sonoma Valley GSAs; authorized Sonoma Water staff to provide technical, grant administration and outreach services to all three GSAs.
- 4/25/2017 - Authorized the County and Sonoma Water participating in Joint Powers Authorities to create the Petaluma Valley, Santa Rosa Plain and Sonoma Valley GSAs; appointed Board members to serve on the GSAs; authorized staff to provide in-kind services to the GSAs; and approved initial funding agreements.
- 3/28/2017 - Receive an update on the implementation of the Sustainable Groundwater Management Act and appointed initial representatives to the Groundwater Sustainability Agency Boards.
- 3/15/2016 - Approve the charter of the Sustainable Groundwater Management Act ad hoc committee and authorize the chair to submit comments to the Department of Water Resources on Draft Groundwater Sustainability Plan Emergency Regulations.

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- 1/5/2016 - Creation of Ad-Hoc Committee for implementation of the Sustainable Groundwater Management Act.
- 10/13/2015 - Receive an update on the Sustainable Groundwater Management Act and approve principles for developing groundwater sustainability agency governance options, recommended groundwater sustainability agency structure, and communication and outreach plan.
- 3/17/2015 - Receive a report on the Sustainable Groundwater Management Act and the recommended strategy for initial implementation in Sonoma County.

FISCAL SUMMARY

| Expenditures | FY 18-19 Adopted | FY19-20 Projected | FY 20-21 Projected |
|--|-----------------------------|------------------------------|-------------------------------|
| Budgeted Expenses | | 40,000 | 40,000 |
| Additional Appropriation Requested | 22,000 | 200,000 | 200,000 |
| Total Expenditures | \$22,000 | \$240,000 | \$240,000 |
| Funding Sources | | | |
| Sonoma Water General Fund/Water Transmission Fund | | \$40,000 | \$40,000 |
| State/Federal | | | |
| Fees/Other | | | |
| Use of Fund Balance from Sonoma Water's share of County's Tribal Mitigation Fund | | \$100,000 | \$100,000 |
| General Fund Contingencies | \$22,000 | \$100,000 | \$100,000 |
| Total Sources | \$22,000 | \$240,000 | \$240,000 |

Narrative Explanation of Fiscal Impacts:

For the Santa Rosa Plain GSA, in FY19-20, \$100,000 annually will be paid from the County's Graton Casino groundwater mitigation fund, which was negotiated by the County and Sonoma Water and \$100,000 from the County's Contingency Fund. Budget appropriations of \$40,000 are available in Sonoma Water's Recommended FY 2019-2020 General Fund Budget. Pursuant to the April 25, 2017 Board Agenda Item on Formation of Groundwater Sustainability Agencies, Sonoma Water received Board approval for Sonoma Water's share of costs for the GSA's coming 2/3 from the Sonoma Water General Fund and 1/3 from the Water Transmission fund. The additional FY 2019-20 budget appropriations needed to utilize General Fund Contingencies and tribal funds will be incorporated as part of 1st Quarter Consolidated Budget Adjustments in October 2019. The FY 2020-2021 and FY 2021-2022 budget appropriations needed for General Fund and tribal funds will be programmed as part of the annual budget development process. □The funding for the Gold Ridge Resource Conservation District will be paid from FY 2018-19 General Fund Contingencies.

| Staffing Impacts: | | | |
|---------------------------------|--|-------------------------------|-------------------------------|
| Position Title (Payroll) | Monthly Salary Range (A - I Step) | Additions (number) | Deletions (number) |
| | | | |

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Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Attachment 1 Budget Resolution

Attachment 2 User Categories and Fees

Related Items “On File” with the Clerk of the Board:

N/A