

**Appendix 5-C Financial Analysis for GSP  
Implementation**

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**SISKIYOU COUNTY FLOOD CONTROL AND WATER  
CONSERVATION DISTRICT  
GROUNDWATER SUSTAINABILITY AGENCY**

**BUTTE VALLEY, SCOTT VALLEY, AND  
SHASTA VALLEY BASINS**

**FUNDING OPTIONS TECHNICAL MEMORANDUM**

JULY 2021

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**SISKIYOU COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT  
GROUNDWATER SUSTAINABILITY AGENCY**

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## INTRODUCTION AND EXECUTIVE SUMMARY

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### INTRODUCTION AND GOALS

The Siskiyou County Flood Control and Water Conservation District (District) was enacted in 1957 to provide for the control and conservation of flood and storm waters and the protection of watercourses, watersheds, public highways, life and property damage or destruction from such waters; to provide for the acquisition, retention, and reclaiming of drainage, storm, flood, and other waters; to save, conserve, and distribute such waters for beneficial use within the District boundaries, and to replenish and augment the supply of water in natural underground reservoirs. The boundaries of the District coincide with the County, and the Siskiyou County Board of Supervisors serve as the Board of Directors (Board) of the Flood and Water Conservation District; however, the District is a separate legal entity from the County, with independent rights and limited powers set forth in its originating act.

The Board passed a resolution on April 4<sup>th</sup>, 2017 to serve as the Groundwater Sustainability Agency (GSA or Agency) for the Butte Valley, Scott Valley, and Shasta Valley Basins (basins) as required by the Sustainable Groundwater Management (SGMA) Act of 2014.

In the Winter of 2018, the Agency engaged a consultant team led by Larry Walker Associates (LWA Team) to develop the Groundwater Sustainability Plan in compliance with the SGMA for the three basins.

A Groundwater Sustainability Plan (GSP) for each of the three basins includes goals and recommendations, as well as the associated costs required for its implementation. Accordingly, the purpose of this technical memorandum is to describe a path forward to fund the GSP's implementation. It should be noted that SGMA and its associated requirements and goals are quite new, and there is not a clear, well-tested path forward to fund GSP implementations. Rather, the funding efforts for GSP implementation in the three basins need to be carefully crafted for local conditions, preferences, and politics – as well as being flexible, creative, and reactive.

The GSA has been initially funded by existing general funds and grants. The general direction from the GSA Board of Directors in regard to funding the GSP implementation can be summarized as:

- GSA expenses should be well-controlled
- Funding strategy needs to be locally viable and right-sized
- Metering of wells is not desired

### EXECUTIVE SUMMARY

Following is a brief summary of the findings and recommendations contained within this Technical Memo, including a summary of the GSP implementation costs, potential funding mechanisms, and recommendations for funding of the implementation.

### REVENUE NEEDED FOR GROUNDWATER SUSTAINABILITY PLAN IMPLEMENTATION

The GSP makes numerous implementation recommendations, including annual operations and maintenance as well as capital projects. The associated costs for these tasks, including the low range and high range, are summarized in Tables 1, 2, and 3 below. The total estimated annual costs for all three basins combined ranges from \$438,750 to \$747,500.

**TABLE 1 – SUMMARY OF TOTAL ESTIMATED ANNUAL COSTS FOR BUTTE VALLEY BASIN**

Summary	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$120,000	\$210,000
Grant Writing	\$15,000	\$20,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$135,000</b>	<b>\$230,000</b>

**TABLE 2 – SUMMARY OF TOTAL ESTIMATED ANNUAL COSTS FOR SCOTT VALLEY BASIN**

Summary	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$120,000	\$210,000
Grant Writing	\$15,000	\$20,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$135,000</b>	<b>\$230,000</b>

**TABLE 3 – SUMMARY OF TOTAL ESTIMATED ANNUAL COSTS FOR SHASTA VALLEY BASIN**

Summary	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$150,000	\$262,500
Grant Writing	\$18,750	\$25,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$168,750</b>	<b>\$287,500</b>



It is anticipated that capital projects will be primarily grant-funded. More detail is provided in Section II., below.

### **FUNDING APPROACHES AND OPTIONS FOR GSP IMPLEMENTATION**

There are a variety of funding approaches, each with pros and cons, and most likely a portfolio of various approaches will prove optimal. The likely most optimal funding mechanisms are listed below:

#### Best Options

- Existing Revenue Sources
- Grants and Loans
- Regulatory Fees

If additional revenue is needed:

- Property Related Fees – non-Balloted (*allocated to well owners*)
- Special Taxes – Balloted (allocated to all property owners within the basins or County)

#### Less optimal

- Property Related Fees – Balloted
- Benefit Assessments

Each funding mechanism and approach has key attributes - each of which should be considered to select the optimal funding portfolio, including:

- Flexibility of Methodology (per acre, per acre-feet pumped, per well, etc.)
- Costs of Implementation
- Revenue Potential
- Political Viability / Community Acceptance
- Legal Rigor
- Administration

### **ALLOCATING IMPLEMENTATION COSTS TO WELL OWNERS VERSUS PROPERTY OWNERS**

If funding beyond use of existing sources, grants and regulatory fees is needed, then one of the most important considerations for the GSP's is the allocation of the GSP implementation cost between the well owners and the larger group of all property owners within the three basins, or even County-wide. Conventional wisdom suggests that the costs of the implementation of groundwater mitigation policies should be directly borne by the immediate users of the groundwater – the well owners. However, there are clear benefits to all properties and residents within a well-managed groundwater basin that provides additional, lower cost water resources. It can be argued that a community-wide funding mechanism in which all properties and/or residents pay their fair share is a more optimal approach. Both types of approaches are discussed in Section II of this technical memo.

## ROADMAP FORWARD AND RECOMMENDATIONS

A summary of this Technical Memo's major recommendations for implementation includes a step sequential roadmap as summarized below:

1. Conduct community outreach regarding the GSP and its implementation
2. Pursue use of existing revenue sources, grants, and regulatory fees to fund implementation

If additional revenue is needed:

3. Conduct a public opinion survey and focused community outreach
4. Implement a property related fee or special tax

The process of establishing long-term, sustainable, comprehensive funding for GSP implementation will likely take at least 18 months to complete. More detail is provided in Section III., below.

## I. DETAILED REVENUE NEEDS

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### ANNUAL OPERATIONS AND MAINTENANCE COSTS

The GSP includes numerous recommendations for annual operations and maintenance in support of the long-term sustainability of the three basins. The costs of these recommendations have been developed and bracketed with a low range of \$120,000 per year and a high range of \$210,000 for Butte Valley and Scott Valley Basins, and a low range of \$150,000 per year and a high range of \$262,500 for Shasta Valley Basin. These figures are detailed in Tables 4, 5, and 6 below:

**Table 4 – Detailed Summary of Estimated Maintenance and Operations Costs for Butte Valley Basin**

Operations and Maintenance	Annual Budget	
	Low Range	High Range
General GSA Operations	\$10,000	\$25,000
Annual Reporting	\$15,000	\$25,000
Model Maintenance	\$40,000	\$80,000
Monitoring	\$45,000	\$60,000
Future Stakeholder Engagement	\$10,000	\$20,000
Mediation Fund	TBD	TBD
<b>Total</b>	<b>\$120,000</b>	<b>\$210,000</b>

**Table 5 – Detailed Summary of Estimated Maintenance and Operations Costs for Scott Valley Basin**

Operations and Maintenance	Annual Budget	
	Low Range	High Range
General GSA Operations	\$10,000	\$25,000
Annual Reporting	\$15,000	\$25,000
Model Maintenance	\$40,000	\$80,000
Monitoring	\$45,000	\$60,000
Future Stakeholder Engagement	\$10,000	\$20,000
Mediation Fund	TBD	TBD
<b>Total</b>	<b>\$120,000</b>	<b>\$210,000</b>

**Table 6 – Detailed Summary of Estimated Maintenance and Operations Costs for Shasta Valley Basin**

**Operations and Maintenance**

	Annual Budget	
	Low Range	High Range
General GSA Operations	\$12,500	\$31,250
Annual Reporting	\$18,750	\$31,250
Model Maintenance	\$50,000	\$100,000
Monitoring	\$56,250	\$75,000
Future Stakeholder Engagement	\$12,500	\$25,000
Mediation Fund	TBD	TBD
<b>Total</b>	<b>\$150,000</b>	<b>\$262,500</b>

Where:

General GSA Operations includes costs to operate the GSA including supporting and facilitating Board and committee meetings, disseminating information, satisfying existing grant administrative requirements, managing contracts for tasks listed below, maintaining the website, etc.

Annual Reporting: includes costs to draft and submit all required annual reports.

Model Maintenance: includes the annual installment costs to use the models every year to test scenarios of Projects and Management Actions and to recalibrate and update the model every 5 years.

Monitoring – Interconnected Surface Water: costs are different in Shasta and Scott Valley, and they do not apply to Butte Valley. In Shasta Valley, cost includes the periodic (likely semi-annual) inspection and maintenance at 3 transects sites already fully installed and equipped - approximately 6 visits per year. For both Shasta and Scott, cost of monitoring of the wells located near the river and already equipped with continuous data is already included in the Water Level Monitoring. Further data collections for SW/GW in both Shasta and Scott will be coordinated with other partners and included in the GSP as management action.

Monitoring - Water Level: includes the periodic (likely semi-annual) inspection of water level monitoring equipment at CASGEM and DWR well sites and 10-15 additional well sites with continuous monitoring – approximately 6 visits per year and, as needed, hardware replacement.

Monitoring - Water Quality: includes the periodic sampling of water quality – approximately 10-15 samples per year.

Mediation Fund: is a placeholder for funds in support of mediation. For example, a grant program could be established for local well-owners to access capital to address compliance issues.

Future Stakeholder Engagement: Costs for future stakeholder engagement have not been included in these budgets but may be incurred.

### ANNUAL CAPITAL COSTS

The GSPs include numerous recommendations for capital improvements in support of the long-term sustainability of the Basins. Most likely, these capital improvements will be implemented if and only if significant grant funding is available. However, there are often associated costs with grants including grants writing and grants administration.

The costs of these recommendations have been developed and bracketed with a low range of \$10,000 per year and a high range of \$40,000, and are detailed in Tables 7, 8, and 9 below:

**TABLE 7 – DETAILED SUMMARY OF ESTIMATED MAINTENANCE AND OPERATIONS COSTS FOR BUTTE VALLEY BASIN**

Capital Projects	Annual Budget	
	Low Range	High Range
Grant Writing	\$15,000	\$20,000
Annual Grant Administration	TBD	TBD
Capital Projects Costs	TBD	TBD
<b>Total</b>	<b>\$15,000</b>	<b>\$20,000</b>

**TABLE 8 – DETAILED SUMMARY OF ESTIMATED MAINTENANCE AND OPERATIONS COSTS FOR SCOTT VALLEY BASIN**

Capital Projects	Annual Budget	
	Low Range	High Range
Grant Writing	\$15,000	\$20,000
Annual Grant Administration	TBD	TBD
Capital Projects Costs	TBD	TBD
<b>Total</b>	<b>\$15,000</b>	<b>\$20,000</b>

**TABLE 9 – DETAILED SUMMARY OF ESTIMATED MAINTENANCE AND OPERATIONS COSTS FOR SHASTA VALLEY BASIN**

**Capital Projects**

	Annual Budget	
	Low Range	High Range
Grant Writing	\$18,750	\$25,000
Annual Grant Administration	TBD	TBD
Capital Projects Costs	TBD	TBD
<b>Total</b>	<b>\$18,750</b>	<b>\$25,000</b>

Where:

Grant Writing: includes periodic grant writing primarily for capital projects.

Annual Grant Administration: includes costs satisfying annual grant administrative requirements including reporting and budget management.

**TOTAL ANNUAL IMPLEMENTATION COSTS**

The total costs of these recommendations have been developed and bracketed with a low range of \$90,000 per year and a high range of \$182,500, and are detailed in Tables 10, 11, and 12 below:

**TABLE 10 – SUMMARY OF TOTAL ESTIMATED COSTS FOR BUTTE VALLEY BASIN****Summary**

	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$120,000	\$210,000
Grant Writing	\$15,000	\$20,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$135,000</b>	<b>\$230,000</b>

**TABLE 11 – SUMMARY OF TOTAL ESTIMATED COSTS FOR SCOTT VALLEY BASIN****Summary**

	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$120,000	\$210,000
Grant Writing	\$15,000	\$20,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$135,000</b>	<b>\$230,000</b>

**TABLE 12 – SUMMARY OF TOTAL ESTIMATED COSTS FOR SHASTA VALLEY BASIN**

Summary	Annual Budget	
	Low Range	High Range
Operations and Maintenance	\$150,000	\$262,500
Grant Writing	\$18,750	\$25,000
Capital Projects	TBD	TBD
<b>Total</b>	<b>\$168,750</b>	<b>\$287,500</b>

Shasta Valley Basin costs: Total estimated costs for the Shasta Valley Basin are generally estimated to be 25% higher than for Butte Valley and Scott Valley.

## II. EVALUATION OF POTENTIAL FUNDING MECHANISMS

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### INTRODUCTION TO AVAILABLE POTENTIAL FUNDING MECHANISMS OPTIONS IN CALIFORNIA

Existing California law provides a relatively finite number of mechanisms for local public agencies to reliably generate revenue to provide services. In many cases, a portfolio approach of several of these mechanisms will be optimal. Also, it is crucial to work closely with legal counsel on the implementation of all funding mechanisms to ensure legal compliance. This section provides a discussion of the mechanisms best suited to provide funding for groundwater management services recommended in the Agency GSP, including, but not limited to, the following:

#### Best Options

- Existing Revenue Sources
- Grants and Loans
- Regulatory Fees

#### If Additional Revenue is Needed

- Property Related Fees – non-Balloted (*allocated to well owners*)
- Special Taxes – Balloted (allocated to all property owners within the basin)

#### Less Optimal

- Property Related Fees – Balloted
- Benefit Assessments

#### Existing Revenue Sources and Grants Are Likely the Preferred Approach

Of course, it is recommended that the Agency rigorously explore all opportunities to fund the recommended groundwater management services through existing revenue sources and grants, eliminating the need for an additional allocation for well owners or all basin property owners. However, there are likely not sufficient available existing revenue sources to support GSP implementation, especially over the long term. See the discussion “Grants and Loans” below.

#### Regulatory Fee Should Be Imposed

Regulatory fees are an excellent source of reimbursement of actual costs for inspections, plan checks, etc., and should be imposed.

#### However, If Additional Revenue is Needed

If additional revenue is need beyond the amount that can be generated by existing revenue sources, there are two primary approaches:

Revenue Generated from  
Well Owners  
All Property Owners

Optimal Revenue Mechanism  
Property Related Fee (non-balloted)  
Special Tax (balloting is required)



### Additional Funding from Well Owners or Community Property Owners

One unique challenge, and opportunity, associated with implementation of a funding mechanism for groundwater sustainability management is the decision regarding how costs will be allocated between well owners and the overall community of property owners. Generally speaking, the development of the Sustainable Groundwater Management Act was based upon the assumption that the allocation of costs would be primarily, perhaps exclusively, assigned to well owners, with some consideration of *de minimis* ground water users. However, there are clear benefits to all properties and residents within a basin, or even the entire county, with well managed groundwater resources. It can be argued that a community-wide funding mechanism in which all properties and/or residents pay their fair share is a more optimal approach.

Local political forces, often concentrated with well owners, may dictate a preference for allocating the GSP implementation costs more broadly to all property owners within the basins or county, but it should be noted that California law requires that special taxes, which would be the mechanism required for an allocation on all basins or county property owners, requires a balloting. Balloted revenue mechanisms are arguably more legally rigorous, and legal challenges to voter-approved fees have rarely been successful. However, the balloting requirement significantly limits the total revenue that may be generated, as it is limited by the political "willingness to pay" of the local voters or property owners. Ballotings are also expensive and politically risky. For that reason, non-balloted approaches are typically preferable, and do not have the same apparent political limitation on the amount of revenue that can be generated, but political realities and influences are still significant.

As the Agency determines its funding strategy, it should take an in-depth look at many attributes, including flexibility of methodology (per acres, per water quantity, per well, per parcel, etc.), costs of implementation, revenue generation potential, political viability, legal rigor, administrative burden, etc., as described below.

### **EXISTING REVENUE SOURCES**

If the Agency can fund the groundwater management services with existing revenue sources, that is certainly optimal. However, even if this is possible in the short term, it is likely not possible very far into the future.

### **GRANTS AND LOANS**

Grant funding is highly desirable, as it eliminates/lessens the need to generate revenue directly from well owners and/or the broader community of property owners. Grant funding is typically available for capital projects but can be available for other programmatic activities, including maintenance and operations. It is worth noting that grants often come with other funding requirements such as matching funds or requirements for post-project maintenance. For these reasons, an underlying revenue stream is very important to have access to leverage these opportunities.

California has a limited number of State grants and programs which provide funding opportunities for groundwater sustainability. The primary grants in support of SGMA are described below (from <https://water.ca.gov/Work-With-Us/Grants-And-Loans/Sustainable-Groundwater>):

“The SGMA Grant Program is funded by Proposition 68 and Proposition 1. To date, the California Department of Water resources (DWR) has awarded \$139.5 million in three rounds of planning grants for development of Groundwater Sustainability Plans (GSPs) and related projects. All Proposition 1 funds have been awarded, with about \$103 million now remaining to be awarded using Proposition 68 funds. Additional information can be found below.

#### **PROPOSITION 1, CHAPTER 10: GROUNDWATER SUSTAINABILITY**

On November 4, 2014, California voters approved Proposition 1, which authorized \$100 million be made available for competitive grants for projects that develop and implement groundwater plans and projects in accordance with groundwater planning requirements established under Division 6, commencing with §10000, Water Code §79775. DWR completed two grant solicitations for planning grants.

#### **PROPOSITION 68, CHAPTER 11.6: REGIONAL SUSTAINABILITY FOR DROUGHT AND GROUNDWATER, AND WATER RECYCLING**

On June 5, 2018, California voters approved Proposition 68, which amended the Water Code to add, among other articles, §80146, authorizing the Legislature to appropriate funds for competitive grants for proposals that:

- Develop and implement groundwater plans and projects in accordance with groundwater planning requirements.
- Address drought and groundwater investments to achieve regional sustainability for investments in groundwater recharge with surface water, stormwater, recycled water, and other conjunctive use projects, and projects to prevent or cleanup contamination of groundwater that serves as a source of drinking water.”

The Agency should plan to submit an application for the next round of Proposition 68 funding.

#### **FUTURE STATE GRANT OPPORTUNITIES**

Since all of Proposition 1 funding has been awarded and the remaining portion of Proposition 68 funding (just over \$100 million) will be awarded over the next several years, there will likely be a shortfall of grant funding for GSP implementation in the near future. Unfortunately, there are not any large statewide bond measures (with grant opportunities) on the political horizon, but the Agency should continue to track such efforts. Also, future bond measures will likely emphasize funding for multi-benefit projects and programs that cross traditional organizational structures, and the Agency should also consider coordinating with other affected local agencies to put forth larger and potentially more competitive grant applications.

### **Proposition 68**

The final Proposition 68 Implementation Proposal contains \$103 million in available funding. DWR has released Round 1 draft funding recommendations, allocating \$26 million to high priority basins.<sup>1</sup> Of the remaining \$77 million, \$15 million will be reserved for Underrepresented Communities, leaving \$62 million available for general awards in Round 2 Implementation.<sup>2</sup>

Round 2 Grant Solicitation will open in spring of 2022, with final awards disbursed in fall of that year. Awards will be allocated to medium and high priority basins that have adopted a GSP that has been deemed complete by DWR. Grant amounts must be between \$2 million and \$5 million, with a 25% locally matched cost share requirement. A cost share waiver is available for eligible projects proportionate to the degree that they serve Underrepresented Communities. Any local cost share cannot have contributed to other grant awarded projects. Project expenses must be incurred after January 31, 2022, the due date for medium and high priority basin GSPs. The state encourages applicants to work with the stakeholders and other non-member agencies in their basin that have potential activities and tasks that are complimentary to the overall project. Eligible projects are defined by Proposition 68 Chapter 11.6 and include sustainability measures such as groundwater recharge and contamination prevention.

### **OTHER TYPES OF GRANTS**

The Agency should work to identify applicable Federal grants, if any, and compete, in coordination with other affected local agencies for funding. Also, the Agency should consider working with local elected officials to pursue provisions that direct approved funds to be spent on specific projects, often called earmarks.

Grants from non-profits, foundations, high-net-worth individuals, and other stakeholders should be considered, especially with an emphasis on environmental sustainability.

### **REQUIRED DOCUMENTS FOR GRANTS**

- Grant applications meeting specific requirements.

### **FLEXIBILITY OF METHODOLOGY**

Use of grant funding is well-specific in the specific grant.

### **REVENUE GENERATION POTENTIAL**

Amount of grant funding is well-specific in the specific grant.

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<sup>1</sup> Proposition 68 SGM Grant Program's Implementation – Round 1 Draft Award List (ca.gov)

<sup>2</sup> <https://www.grants.ca.gov/grants/sustainable-groundwater-management-sgm-grant-programs-proposition-68-implementation-round-2/>

### ADVANTAGES

- Does not require cost to be allocated to local well owners or property owners.
- Revenue generation can be sufficient to offset significant costs of certain key activities.
- Legally rigorous as long as grants are expended on eligible activities.

### CHALLENGES

- Provides funding for a limited time period only – difficult for long term planning solution.
- Awarded through a highly competitive process.
- Often requires matching local funds, tends to be focused on capital expenses, and are often narrowly focused in terms of scope and services.

### REGULATORY FEES

Public agencies throughout California often reimburse themselves for the costs of site inspections, permits, plan checks, plan reviews, and associated administrative and enforcement activities using regulatory fees. These fees are often approved and published as part of a "Master Fee Schedule," and are often collected as part of review for approval process. This approach can assist in significantly reducing the GSA's financial burden.

Proposition 26, approved by California voters in 2010, tightened the definition of regulatory fees. It defined a special tax to be "*any levy, charge, or exaction of any kind imposed by a local government*" with certain exceptions. Pursuant to law, all special taxes must be approved by a two-thirds vote of the electorate.

Regulatory fees are thus defined through the cited exceptions. The pertinent exception is, "a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof." The other pertinent exception is, "assessments and property-related fees imposed in accordance with the provisions of Article XIID."

The Proposition goes on to state that, "the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Proposition 26 provides the primary guidance for the funding of the Agency's plan review and inspection fees as regulatory fees. Moreover, Section 10730 of the California Water Code, (which corresponds well with Proposition 26 guidance) stipulates that these fees can be used "to fund the costs of a groundwater sustainability program, including, but not limited to, preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program

administration, including a prudent reserve.” Hence, it seems that the intent of this section is that the development of the plan can be financed through regulatory fees (and this has been widely agreed upon) as well as some, but not all, GSP implementation activities. In any case, Water Code Section 10730 includes several unique requirements that should be carefully followed when implementing regulatory fees for GSP implementation.

### **REGULATORY FEE IMPLEMENTATION PROCESS**

Regulatory fees are relatively easy and straightforward to implement. Neither a public noticing nor a balloting is required. Typically, a public agency will engage a specialized consultant to conduct a Fee Study. This Study will present findings to meet the procedural requirements of Proposition 26, which require analysis and support that:

1. The levy, charge, or other exaction is not a tax; and
2. The amount is not more than necessary to cover the reasonable cost of the governmental activity; and
3. The way those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burden on, or benefits received from, the governmental activity.

Additionally, case law has provided further clarification of these substantive requirements, that:

1. The costs need not be “finely calibrated to the precise benefit each individual fee payor might derive.”
2. The payor’s burden or benefit from the program is not measured on an individual basis. Rather, it is measured collectively, considering all fee payors.
3. That the amount collected is no more than is necessary to cover the reasonable costs of the program is satisfied by estimating the approximate cost of the activity and demonstrating that this cost is equal to or greater than the fee revenue to be received. Reasonable costs associated with the creation of the regulatory program may be recovered by the regulatory fee.

### **REQUIRED DOCUMENTS FOR REGULATORY FEES**

- A Fee Study, reviewed by legal counsel and adopted by the governing authority.

### **FLEXIBILITY OF METHODOLOGY**

Legal requirements and industry practice limit these fees to recovery of costs associated with eligible activities (e.g., inspections, permits, etc.) The Agency is advised to work closely with legal counsel and review Proposition 26 and Water Code Section 10730 requirements.

### **REVENUE GENERATION POTENTIAL**

Full recovery of costs associated with eligible activities (e.g., inspections, permits, etc.)

### **ADVANTAGES**

- Quick and inexpensive to implement. No noticing nor balloting is required.

- Revenue generation is sufficient to offset significant costs of certain key activities.
- Legally rigorous as long as fees are for eligible activities.
- Efficient administration.

#### **CHALLENGES**

- Very limited revenue generation potential
- Potential for “push back” from affected well owners against fees.
- Potential legal scrutiny if fee covers non-eligible activities.
- Do not typically apply to infrastructure operations and capital costs.

#### **IF ADDITIONAL REVENUE IS NEEDED**

To be clear, this technical memorandum is recommending that (if the costs of GSP implementation necessitate it) the Agency consider either a Non-balloted Property Related Fee on Well Owner parcels or a Special Tax on all property owners in the basin, but likely not both, unless the financial need is very significant.

#### **PROPERTY-RELATED FEE – (NON- BALLOTTED) ON WELL OWNERS**

Property-related fees were first described in 1996’s Proposition 218, (which is manifested as Section 6 of Article XIII D of the California Constitution) and are commonly used today to fund water, sewer, solid waste and even storm drainage. They are most commonly referred to as a “water charge or a “sewer charge,” etc., but are technically a property-related fee.

Proposition 218 imposes certain procedural requirements for imposing or increasing property related fees. There are two distinct steps: 1.) a mailed noticing of all affected property owners (well owners in this case) and 2.) a mailed balloting on all affected property owners requiring a 50% approval for adoption.

#### **A REALLY IMPORTANT EXEMPTION ELIMINATES THE BALLOTTING REQUIREMENT**

Proposition 218 goes on to exempt fees for water, sewer and refuse collection from the second step – the balloting. Hence, a property-related fee imposed on well owners’ properties would be exempt from the balloting requirement. This is very significant because it reduces costs and political risk and lessens willingness-to-pay limitations.

#### **California Water Code Provides Additional Clarity in 10730.2**

California Water Code, Division 6., Part 2.74., Chapter 8. Financial Authority [10730 - 10731] provides considerable direction and authority to local governments tasked with groundwater sustainability regarding property-related fees.

In particular, Section 10730.2 (c) in the water code states:

“Fees imposed pursuant to this section shall be adopted in accordance with subdivisions (a) and (b) of Section 6 of Article XIII D of the California Constitution.”

Section 6 of Article XIII of the California Constitution describes the specific requirements of the implementation of a property related fee, and most importantly, refers to subdivision (a) as the noticing requirement, (b) as the limitations on fees and services, and subdivision (c) as the balloting requirement. Hence, by omission of (c) in Section 10730.2, balloting is not required for property related fees for groundwater sustainability.

#### **PROPERTY RELATED FEE IMPLEMENTATION PROCESS**

As described above, only the first step of the two-step process applies to property related fees in this context. That step is the noticed public hearing. Once the Agency has determined the fees they wish to impose, they must mail a written notice to each affected property owner at least 45 days prior to the public hearing. During that time, and up until the conclusion of the hearing, any affected property owner may file a written protest opposing the proposed fees. If the owners of a majority of the affected parcels file a written protest, the agency cannot impose the fee (known as a “majority protest”). If a majority protest is not formed, the agency may impose the fees.

Also, Section 10730.2 of the California Water Code includes several unique requirements that should be carefully followed when implementing property related fees for GSP implementation.

#### **REQUIRED DOCUMENTS FOR A PROPERTY RELATED FEE**

- Mailed Notices of Rate Proposal/Opportunity to Protest/Public Hearing.
- Fee Report and Presentation for Public Hearing.
- Report to Governing Board (assumes < 50% protest).
- Ordinance or Resolution Adopting Fees (assumes >50% support).

#### **FLEXIBILITY OF METHODOLOGY**

Long standing use of property related fees for water charges support relatively flexible use of this approach to fund a wide range of GSP implementation activities.

Section 10730.2 of the California Water Code lists potential uses as:

- (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.

This section also specifies that “fees imposed pursuant to this section may include fixed fees and fees charged on a volumetric basis, including, but not limited to, fees that increase based on the quantity of groundwater produced annually, the year in which the production of groundwater commenced from a groundwater extraction facility, and impacts to the basin.”

Other ideas to consider include:

- Parcel-based Administration Fee,
- Remediation Fee for over-pumping.

- Augmentation Fee on over users to pay to import water.

### REVENUE GENERATION POTENTIAL

Two potential revenue methodologies are modelled below based upon the use of a property related fee. Tables 13, 14, and 15 model rates and revenue generated using a hypothetical “flat” annual rate for each type of well. Most notably, this approach relies on “estimated usage” based upon attributes such as land use, affected acreage, etc., and does not rely on use of metered extraction amount. (Number and types of wells is approximate):

**TABLE 13 – MODEL OF ESTIMATED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON WELLS IN BUTTE VALLEY BASIN**

Basin Wells	Approx. Number	Low Range		High Range	
		Rate	Revenue	Rate	Revenue
		Agricultural	34	\$3,000.00	\$102,000
Industrial	0	\$3,000.00	\$0	\$5,300.00	\$0
Municipal	7	\$3,000.00	\$21,000	\$5,300.00	\$37,100
Domestic	73	\$125.00	\$9,125	\$150.00	\$10,950
Other (Monitoring, injection, etc.)	24	\$125.00	\$3,000	\$150.00	\$3,600
<b>Total</b>	<b>138</b>		<b>\$135,125</b>		<b>\$231,850</b>
	Revenue Goals:		\$135,000		\$230,000

**TABLE 14 –MODEL OF ESTIMATED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON WELLS IN SCOTT VALLEY BASIN**

Basin Wells	Approx. Number	Low Range		High Range	
		Rate	Revenue	Rate	Revenue
		Agricultural	88	\$1,100.00	\$96,800
Industrial	0	\$1,100.00	\$0	\$2,000.00	\$0
Municipal	7	\$1,100.00	\$7,700	\$2,000.00	\$14,000
Domestic	336	\$75.00	\$25,200	\$100.00	\$33,600
Other (Monitoring, injection, etc.)	86	\$75.00	\$6,450	\$100.00	\$8,600
<b>Total</b>	<b>517</b>		<b>\$136,150</b>		<b>\$232,200</b>
	Revenue Goals:		\$135,000		\$230,000



**TABLE 15 – MODEL OF ESTIMATED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON WELLS IN SHASTA VALLEY BASIN**

Basin Wells	Approx. Number	Low Range		High Range	
		Rate	Revenue	Rate	Revenue
		Agricultural	139	\$850.00	\$118,150
Industrial	8	\$850.00	\$6,800	\$1,500.00	\$12,000
Municipal	10	\$850.00	\$8,500	\$1,500.00	\$15,000
Domestic	885	\$30.00	\$26,550	\$50.00	\$44,250
Other (Monitoring, injection, etc.)	206	\$30.00	\$6,180	\$50.00	\$10,300
<b>Total</b>	<b>1,248</b>		<b>\$166,180</b>		<b>\$290,050</b>
	Revenue Goals:		\$168,750		\$287,500

Also, a property related fee could be established based upon water drawn out of the basin (which would require of metered measuring of extraction amount), as modelled in Tables 16, 17 and 18, below:

**TABLE 16 – MODEL OF METERED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON ACRE-FEET IN BUTTE VALLEY BASIN**

Basin Wells	Approx. Acre Feet	Low Range		High Range	
		Rate	Revenue	Rate	Revenue
		All Wells	85,000	\$1.60	\$136,000
<b>Total</b>	<b>85,000</b>		<b>\$136,000</b>		<b>\$233,750</b>
	Revenue Goals:		\$135,000		\$230,000

**TABLE 17 – MODEL OF METERED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON ACRE-FEET IN SCOTT VALLEY BASIN**

**Basin Wells**

	<u>Approx. Acre Feet</u>	<u>Low Range</u>		<u>High Range</u>	
		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
All Wells	40,000	\$3.25	\$130,000	\$5.75	\$230,000
<b>Total</b>	<b>40,000</b>		<b>\$130,000</b>		<b>\$230,000</b>
	Revenue Goals:		\$135,000		\$230,000

**TABLE 18 – MODEL OF METERED USAGE RATE AND REVENUE FOR PROPERTY RELATED FEE ON ACRE-FEET IN SHASTA VALLEY BASIN**

**Basin Wells**

	<u>Approx. Acre Feet</u>	<u>Low Range</u>		<u>High Range</u>	
		<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
All Wells	44,000	\$3.75	\$165,000	\$6.50	\$286,000
<b>Total</b>	<b>44,000</b>		<b>\$165,000</b>		<b>\$286,000</b>
	Revenue Goals:		\$150,000		\$262,500

It should be noted that while a “metered usage” rate fee will fluctuate each year with the amount of water drawn, and a fixed “estimated usage” rate fee would be relatively uniform each year. Costs are likely to be relatively uniform and do not fluctuate with amount of water drawn out of the basins.

**ADVANTAGES**

- Revenue generation is likely sufficient to fund all GSP implementation costs.
- Legally rigorous. Property related fees are the described in the Water Code for funding groundwater sustainability.
- Process is exempt from a balloting, and the likelihood of a 50% protest (out of +- 1,900) well owners is unprecedented.
- Cost of implementation is relatively low and includes a fee study, a mailing and additional outreach.
- Efficient administration.

**CHALLENGES**

- Politically challenging. Many well owners within the basins have made it clear that they prefer the costs be allocated to all properties within the basin and/or county

and not just the well owners. Well owners exert significant political influence within the basins. Although a balloting is not required, well owners may be able to stop the process legislatively or possibly could attain a 50% protest, which would force a balloting.

- **Unfamiliar Process.** One potential criticism of the property-related fee is that property owners are generally unfamiliar with the process, and opponents can exploit this. However, with the recent dramatic increase in voting by mail in California, this is less of a major issue. Nonetheless, political opponents can exploit this unfamiliarity and focus the public's attention on the Proposition 218 process, and away from the proposed groundwater sustainability goals and messaging.

### **SPECIAL TAX ON ALL PROPERTY OWNERS IN THE BASINS OR COUNTY-WIDE**

Special taxes are decided by registered voters and almost always require a two-thirds majority for approval. Traditionally, special taxes have been decided at polling places, or more recently by mail, corresponding with general and special elections. Special taxes are well known to Californians but are not as common as property related fees for funding of water-related services and infrastructure activities.

As a reminder, this technical memorandum is recommending that (only if the costs of GSP implementation requires it) the Agency consider either a Non-balloted Property Related Fee on Well Owner parcels or a Special Tax (described below) on all property owners in the basin, but likely not both, unless the financial need is very significant.

### **PARCEL BASED TAXES**

Many special taxes are conducted on a parcel basis with a uniform “flat” rate across all parcels, or varied rates based upon property attributes such as use and/or size. Parcel taxes based upon the assessed value of a property are not allowed. Parcel based taxes (as opposed to sales taxes, etc.) are the most viable type of special tax for funding water-related activities. As such, most discussion of special taxes in this report will focus on parcel taxes.

### **LIMITATIONS OF TAXING AUTHORITY – FLOOD CONTROL DISTRICT VERSUS COUNTY**

State law requires that only a local government agency, with specific taxing authority, may propose and potentially impose a tax on its underlying parcels. (SGMA does not grant GSAs with specific taxing authority.) The Flood Control District, Siskiyou County and the potentially affected incorporated cities of (Etan, Dorris, Fort Jones, Montague, Yreka and Weed within the basins as well as Dunsmuir, Mount Shasta and Tule Lake if the effort was county-wide) do have taxing authority. Neither the Flood Control District, nor Siskiyou County can tax within the incorporated cities without specific permission.

The Flood Control District is likely the optimal agency to propose the tax, either county-wide or in specific basin areas. The Siskiyou County Flood Control District has the authority, granted by its establishing Act, to establish zones within its boundaries for the purpose of levying taxes. For the GSA to levy a special tax in specific basin areas these areas would need to be established as the zones of benefit for the purposes of the GSA and the

implementation of the GSP. The governing board (Siskiyou County Board of Supervisors) is granted the authority to levy taxes upon the taxable property in the benefitting zones to carry out the purposes of its establishing Act, and “to pay the costs and expenses of maintaining, operating, extending and repairing any work or improvement of such zones for the ensuing fiscal year” (Cal Uncod. Water Deer, Act 1240 § 33). The Act stipulates that the Board shall have the power to control and order the expenditures of all tax revenue, with a limitation \$0.05 per one hundred dollars of the assessed valuation of property within each zone, and that all taxes levied shall be apportioned in accordance with the established zones.

Other requirements and limitations are included in the Siskiyou County Flood Control District Act that may additionally hamper the District’s ability to efficiently and effectively propose a well-designed tax. Modification of the Act, albeit requiring legislative State-level consideration and approval, should be considered.

### **COUNTY-WIDE VERSUS BASIN SPECIFIC SPECIAL TAX**

Both a county-wide and basin area special tax should be considered. A county-wide tax would result in a lower and more voter-palatable proposed tax rate as the needed revenue would be spread over a large number of parcels. However, voters who do not reside within the basin areas may be significantly less likely to vote in favor of a proposed tax as they would be less likely to perceive a direct benefit. Also, special consideration would need to be made for the Tule Lake area which has a different GSA. See Table 26 for a county-wide model of the tax rates that would be need.

Because the tax rates are relatively low for all tax models (<<\$15.00 per year) (Tables 23-26), the political advantage of a county-wide tax is muted.

### **SPECIAL TAX IMPLEMENTATION PROCESS**

Public agencies typically work with special consultants familiar with the administrative and political aspects of proposing a special tax to a community. Special tax elections held at polling places are conducted on the statutorily designated dates (typically in November for the general election and either March or June for the primary).

If the Agency ultimately decides to pursue a special tax, it is highly recommended that a special all-mail election be considered. Special all-mail ballot elections are often less expensive and allow for more optimization of the election date, as well as having the advantage of presenting a single issue to the voters.

### **REQUIRED DOCUMENTS FOR A PARCEL BASED SPECIAL TAX**

- Ordinance or Resolution stating: tax type, tax rates, collection method, election date and services provided
- Notice to the Registrar of Voters of measure submitted to voters
- Measure Text including:
  - Ballot question (75 words or less)
  - Full ballot text (300 words or less) including rate structure
  - Arguments in favor or against and independent analysis

- Tax Report

#### FLEXIBILITY OF METHODOLOGY

There is considerable flexibility in tax methodology. The Agency could propose a flat tax rate in which all parcels are charged the same or a “tiered approach” where, for example larger, and/or commercial parcels may be taxed more than vacant lots. If a tiered approach is considered, the Agency should consider using existing Community Facilities District (“CFD”) law and practice which better defends the use of a tiered structure.

#### REVENUE GENERATION POTENTIAL

A detail breakdown of the parcel attributes including number of parcels, number of residential units (for multi-family parcels) and acres for agricultural parcels in the three basins is shown in Tables 19, 20, and 21 below:

**TABLE 19 – PARCEL ATTRIBUTES WITHIN BUTTE VALLEY BASIN**

	Residential		
	Parcels	Units	Acres
Single Family	410	434	1,318
Multi: 2 - 4 units	68	136	117
Mobile Home	117	117	4,821
Commercial/Industrial	79	NA	114
Office	12	NA	6
Vacant	540	NA	2,198
Parking & Storage	11	0	16
Agricultural	442	NA	51,904
Timber & Pasture	119	NA	40,372
Not Assessable	55	NA	168
<b>Totals</b>	<b>1,853</b>	<b>687</b>	<b>101,035</b>

**TABLE 20 – PARCEL ATTRIBUTES WITHIN SCOTT VALLEY BASIN**

	Residential		
	Parcels	Units	Acres
Single Family	1,375	1,401	10,684
Multi: 2 - 4 units	140	280	599
Mobile Home	191	191	3,926
Commercial/Industrial	150	NA	376
Office	16	NA	17
Vacant	659	NA	8,271
Institutional & Gov't	9	0	54
Multi: 5+ units	13	NA	80
Cemetaries	2	NA	34
Agricultural	972	NA	66,763
Timber & Pasture	77		13,981
Not Assessable	167		617
<b>Totals</b>	<b>3,527</b>	<b>1,872</b>	<b>90,803</b>

**TABLE 21 – PARCEL ATTRIBUTES WITHIN SHASTA VALLEY BASIN**

	Residential		
	Parcels	Units	Acres
Single Family	4,671	4,868	19,828
Multi: 2 - 4 units	441	882	1,526
Condo	21	21	19
Mobile Home	465	465	8,921
Commercial/Industrial	384	NA	1,099
Office	89	NA	32
Vacant	5,303	0	27,291
Parking & Storage	11	NA	19
Multi: 5+ units	28	NA	10
Cemeteries	344	NA	2,405
Agricultural	1,238	NA	167,985
Timber & Pasture	136	NA	31,400
Unassessable	363	NA	1,822
<b>Totals</b>	<b>13,494</b>	<b>6,236</b>	<b>262,355</b>

Next, we have modelled hypothetical rates to generate the revenue goals in the three basins Tables 22, 23, and 24. Table 25 models Shasta Valley is the boundaries are enlarged to

include all parcels with the Shasta Valley Watershed. Table 26 models a special tax for all of Siskiyou County (including the Tule Lake GSA area).

**TABLE 22 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX IN BUTTE VALLEY BASIN**

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	410	434	1,318	\$4.50	\$1,953	\$10.50	\$4,557	<i>per residential unit</i>
Multi: 2 - 4 units	68	136	117	\$4.50	\$612	\$10.50	\$1,428	<i>per residential unit</i>
Mobile Home	117	117	4,821	\$4.50	\$527	\$10.50	\$1,229	<i>per residential unit</i>
Commercial/Industrial	79	NA	114	\$4.50	\$356	\$10.50	\$830	<i>per parcel</i>
Office	12	NA	6	\$4.50	\$54	\$10.50	\$126	<i>per parcel</i>
Vacant	540	NA	2,198	\$4.50	\$2,430	\$10.50	\$5,670	<i>per parcel</i>
Parking & Storage	11	0	16	\$4.50	\$0	\$10.50	\$116	<i>per parcel</i>
Agricultural	442	NA	51,904	\$1.40	\$72,666	\$2.35	\$121,975	<i>per acre</i>
Timber & Pasture	119	NA	40,372	\$1.40	\$56,521	\$2.35	\$94,875	<i>per acre</i>
Not Assessable	55	NA	168	\$0.00	\$0	\$0.00	\$0	<i>per parcel</i>
<b>Totals</b>	<b>1,853</b>	<b>687</b>	<b>101,035</b>		<b>\$135,118</b>		<b>\$230,805</b>	
				Revenue Goals:	\$135,000		\$230,000	

**TABLE 23 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX IN SCOTT VALLEY BASIN**

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	1,375	1,401	10,684	\$6.50	\$9,107	\$13.00	\$18,213	<i>per residential unit</i>
Multi: 2 - 4 units	140	280	599	\$6.50	\$1,820	\$13.00	\$3,640	<i>per residential unit</i>
Mobile Home	191	191	3,926	\$6.50	\$1,242	\$13.00	\$2,483	<i>per residential unit</i>
Commercial/Industrial	150	NA	376	\$6.50	\$975	\$13.00	\$1,950	<i>per parcel</i>
Office	16	NA	17	\$6.50	\$104	\$13.00	\$208	<i>per parcel</i>
Vacant	659	NA	8,271	\$6.50	\$4,284	\$13.00	\$8,567	<i>per parcel</i>
Institutional & Gov't	9	0	54	\$6.50	\$0	\$13.00	\$117	<i>per parcel</i>
Multi: 5+ units	13	NA	80	\$1.75	\$140	\$3.00	\$240	<i>per acre</i>
Cemetaries	2	NA	34	\$1.75	\$59	\$3.00	\$101	<i>per acre</i>
Agricultural	972	NA	66,763	\$1.75	\$116,835	\$3.00	\$200,289	<i>per acre</i>
Timber & Pasture	77		13,981	\$1.75	\$24,466	\$2.75	\$38,447	<i>per acre</i>
Not Assessable	167		617	\$0.00	\$0	\$0.00	\$0	<i>per parcel</i>
<b>Totals</b>	<b>3,527</b>	<b>1,872</b>	<b>90,803</b>		<b>\$134,565</b>		<b>\$235,808</b>	
				Revenue Goals:	\$135,000		\$230,000	

**TABLE 24 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX IN SHASTA VALLEY BASIN**

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	4,671	4,868	19,828	\$3.00	\$14,604	\$7.00	\$34,076	<i>per residential unit</i>
Multi: 2 - 4 units	441	882	1,526	\$3.00	\$2,646	\$7.00	\$6,174	<i>per residential unit</i>
Condo	21	21	19	\$3.00	\$63	\$7.00	\$147	<i>per residential unit</i>
Mobile Home	465	465	8,921	\$3.00	\$1,395	\$7.00	\$3,255	<i>per parcel</i>
Commercial/Industrial	384	NA	1,099	\$3.00	\$1,152	\$7.00	\$2,688	<i>per parcel</i>
Office	89	NA	32	\$3.00	\$267	\$7.00	\$623	<i>per parcel</i>
Vacant	5,303	0	27,291	\$3.00	\$0	\$7.00	\$37,121	<i>per parcel</i>
Parking & Storage	11	NA	19	\$0.75	\$14	\$1.00	\$19	<i>per acre</i>
Multi: 5+ units	28	NA	10	\$0.75	\$8	\$1.00	\$10	<i>per acre</i>
Cemeteries	344	NA	2,405	\$0.75	\$1,804	\$1.00	\$2,405	<i>per acre</i>
Agricultural	1,238	NA	167,985	\$0.75	\$125,989	\$1.00	\$167,985	<i>per acre</i>
Timber & Pasture	136	NA	31,400	\$0.75	\$23,550	\$1.00	\$31,400	<i>per acre</i>
Unassessable	363	NA	1,822	\$0.00	\$0	\$0.00	\$0	<i>per parcel</i>
<b>Totals</b>	<b>13,494</b>	<b>6,236</b>	<b>262,355</b>		<b>\$171,491</b>		<b>\$285,903</b>	
				Revenue Goals:	\$168,750		\$287,500	

Alternatively, a model of tax rate and revenues might be considered for the Shasta watershed as a whole, given the amount of interconnected surface water above the Basin. This model is shown in table 25 below:

**TABLE 25 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX IN THE ENTIRE SHASTA VALLEY WATERSHED**

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	6,556	5,033	25,487	\$2.50	\$12,583	\$4.50	\$22,649	<i>per residential unit</i>
Multi: 2 - 4 units	552	882	552	\$2.50	\$2,205	\$4.50	\$3,969	<i>per residential unit</i>
Mobile Home	671	483	9,880	\$2.50	\$1,208	\$4.50	\$2,174	<i>per residential unit</i>
Commercial/Industrial	563	N/A	1,856	\$2.50	\$1,408	\$4.50	\$2,534	<i>per parcel</i>
Office	105	N/A	38	\$2.50	\$263	\$4.50	\$473	<i>per parcel</i>
Vacant	6,653	N/A	49,196	\$2.50	\$16,633	\$4.50	\$29,939	<i>per parcel</i>
Parking & Storage	11	N/A	19	\$2.50	\$28	\$4.50	\$50	<i>per parcel</i>
Agricultural	1,397	N/A	196,618	\$0.50	\$98,309	\$0.85	\$167,125	<i>per acre</i>
Timber & Pasture	266	N/A	76,341	\$0.50	\$38,170	\$0.85	\$64,890	<i>per acre</i>
Not Assessable	393	N/A	1,872	\$0.00	\$0	\$0.00	\$0	<i>per parcel</i>
<b>Totals</b>	<b>17,167</b>	<b>6,398</b>	<b>361,857</b>		<b>\$170,804</b>		<b>\$293,800</b>	
				Revenue Goals:	\$168,750		\$287,500	

Another consideration for a special tax is implementing a county-wide model. This would help to spread costs out among all landowners in the county, lessening the financial burden for well owners. This may be perceived as unfair to those who do not reside above the basins, but it can be asserted that the GSP implementation is beneficial to all county residents. A county-wide special tax is modelled below in Table 26:



**TABLE 26 – MODEL OF TAX RATE AND REVENUES FOR SPECIAL TAX IN ENTIRE SISKIYOU COUNTY**

	Residential			Low Range		High Range		Units
	Parcels	Units	Acres					
Single Family	14,863	7,725	69,376	\$2.75	\$21,244	\$5.25	\$40,556	<i>per residential unit</i>
Multi: 2 - 4 units	2,185	1,323	5,993	\$2.75	\$3,638	\$5.25	\$6,946	<i>per residential unit</i>
Mobile Home	2,914	921	32,626	\$2.75	\$2,533	\$5.25	\$4,835	<i>per residential unit</i>
Commercial/Industrial	1,415	N/A	6,067	\$2.75	\$3,891	\$5.25	\$7,429	<i>per parcel</i>
Office	186	N/A	66	\$2.75	\$512	\$5.25	\$977	<i>per parcel</i>
Vacant	16,833	N/A	169,920	\$2.75	\$46,291	\$5.25	\$88,373	<i>per parcel</i>
Parking & Storage	46	N/A	135	\$2.75	\$127	\$5.25	\$242	<i>per parcel</i>
Agricultural	4,078	N/A	548,372	\$0.30	\$164,512	\$0.50	\$274,186	<i>per acre</i>
Timber & Pasture	2,078	N/A	660,295	\$0.30	\$198,088	\$0.50	\$330,147	<i>per acre</i>
Not Assessable	988	N/A	21,473	\$0.00	\$0	\$0.00	\$0	<i>per parcel</i>
<b>Totals</b>	<b>45,586</b>	<b>9,969</b>	<b>1,514,323</b>	<b>\$440,835</b>		<b>\$753,691</b>		
				Revenue Goals:	\$438,750		\$747,500	

### ADVANTAGES

- Revenue generation is likely sufficient to fund all GSP implementation costs if voter approved.
- Legally rigorous. Special taxes, if approved by two-thirds of the registered voters within a community, are very reliable and very rarely legally challenged successfully. Special tax revenue has not been subject to state level "take-aways" like ERAF.
- Well known. Most property owners are aware and comfortable with (but not necessarily supportive of) the special taxes and the special tax process.
- Very low tax rates (<<\$15.00) per year are often reasonably well-supported by voters
- Efficient administration

### CHALLENGES

- Political support at required rate and revenue may be difficult. Generally speaking, the two-thirds majority threshold for approval is very politically challenging. Special taxes are subject to significant outside influence from media and opposition groups during voting and are more vulnerable to other measures and candidates that share the ballot. (However, a recent California Supreme Court decision called the "Upland Case" allows for voter initiatives to be approved with a more easily achievable 50% threshold. The Agency should evaluate the pros and cons of the effectiveness of a voter initiative.)

### GENERAL OBLIGATION BONDS SUPPORTED BY A SPECIAL TAX

In California, special taxes can be linked directly to the sale of general obligation bonds to finance the construction of infrastructure. In 2004, the City of Los Angeles successfully passed "Measure O" which provided funding for a variety of capital improvements related to water quality. Arguably, voters are more likely to support general obligation bond special taxes than parcel-based taxes at equivalent rates.

However, since special taxes for general obligations bonds can only be used for the financing of capital improvements, this mechanism could only be used to fund the CIP portion of the needs – not the operating costs of the groundwater management infrastructure.

In other words, the passage of a G.O. Bond would not satisfy the Agency's overall groundwater management funding goals, because this source could not fund ongoing operations and maintenance. However, it is possible that community priorities and a revised funding strategy could dictate that pursuit of a G.O. bond measure is optimal to fund any significant groundwater management capital projects. Results of the public opinion survey should help guide this decision.

## **OTHER APPROACHES – LESS OPTIMAL**

### **BALLOTTED PROPERTY-RELATED FEE OR BENEFIT ASSESSMENTS ON ALL PROPERTY OWNERS IN THE BASIN**

If the Agency decides to pursue a revenue mechanism applied to well owners, a non-balloted property related fee is optimal, and if the Agency decides to pursue a revenue mechanism applied to all property owners in the basin, a special tax is most likely the best choice. However, there are two other approaches described in Proposition 218 worthy of discussion, especially if voter support is marginal: 1.) a balloted property related fee or 2.) a benefit assessment. Both of these are more expensive to implement and administer and are considerably less legally rigorous (especially with no current precedent) than a special tax. Nonetheless, both require only a 50% approval for implementation. Further research and evaluation would need to be pursued.

## **OTHER CONSIDERATIONS**

### **CONDUCT A SURVEY IF CONSIDERING A PROPERTY-RELATED FEE OR SPECIAL TAX**

See a full discussion in the next section.

### **IMPLEMENT RIGOROUS COMMUNITY OUTREACH IF CONSIDERING A PROPERTY-RELATED FEE OR SPECIAL TAX**

See a full discussion in the next section.

### **TIMING AND SCHEDULE**

The selection of the balloting date is one of the most important factors affecting the success of any measure. Potential competition with other measures, income and property tax due dates, seasons, and holidays, etc. should all be evaluated when choosing a balloting date.

### **A COST ESCALATOR IS RECOMMENDED FOR BALLOTTED MECHANISMS**

Non-balloted funding mechanisms can be updated periodically using the noticed public hearing procedure described above. This is the typical method of keeping revenues aligned with costs through the years as in the case for retail water and sewer fees. Accordingly, the rates can be kept updated for inflationary forces and other cost increases on a five-year recurrence cycle.

However, for balloted mechanisms, any increase or change in rate structures requires a re-balloting unless the original balloting included a pre-determined formula for escalation – such as the Consumer Price Index (CPI). Infrastructure-intensive utilities are driven by many different forces than those that drive the CPI, including the need for capital investment programs, regulatory programs, and the economics of sustainability, conservation, and commodity constraints. Due, in part, to these other drivers, rates for utilities have not traditionally been tied to a straightforward CPI, but rather have been expressed as a specific rate amount for a given year based on actual projected costs. Nonetheless, costs do increase over time and a cost escalator is recommended to reimburse the Agency for this increase. The simplest to explain to property owners and to administer annually is a CPI, based upon a readily available index such as the U.S. Department of Labor, which would allow for annual rate increases without annual balloting. A CPI escalator is legally defensible with property related fees, regulatory fees, and special taxes.

However, a CPI approach may make it difficult to accommodate infrastructure-driven cost increases in coming years. An alternative approach would be to include a rate adjustment schedule that would include specific increases in future years that meet the UVBGAS's needs. (This approach, commonly used by water and sewer providers, often communicates to the property owner in table form with the proposed rate corresponding to each year for the next four or five years.)

At this point in the process, it is difficult to make a concise recommendation for the escalator mechanism. It would depend on the escalating costs and how they affect the proposed rates in the foreseeable future. It would also depend in part on the proposed rate structure itself, as some structures may be based on variables that intrinsically accommodate increasing groundwater management needs. Finally, it would depend on the political considerations that come with any ballot measure. Historically, the majority of survey data supports the fact that a CPI escalator introduces minimal decay in overall support.

### **A SUNSET PROVISION IS NOT RECOMMENDED, BUT SHOULD BE CONSIDERED**

A “Sunset Provision” is a mechanism used to increase political support by setting an expiration date for a measure, and can be used with a property related fee, regulatory fee, or tax. Sunset provisions typically range from five years to as much as 20 years in some rare cases. However, the political advantage may be slight and does not outweigh the negative aspect of the increased costs and political risk of having to re-ballot at the termination of the sunset period.

One variation is the “sundown” clause. This is the name given to a tax or fee that would reduce after a specific date – leaving a portion of the tax or fee to continue indefinitely. This tactic is useful for programs that have a one-time capital need and then would reduce to fund only operations and maintenance beyond that. If the one-time capital need is debt financed, the “sundown” period would need to be at least as long as the debt repayment period.

**A “DISCOUNT MECHANISM” SHOULD BE CONSIDERED, BUT MAY NOT BE COST-EFFECTIVE**

Consistent with the efforts of obtaining higher quality groundwater, a discount or “rate reduction” program should be considered which rewards well owners implementing groundwater sustainability management measures on their properties with a lower fee, based on the reduced cost of providing groundwater service. Any such program would need to be coordinated with whatever rate structure the Agency decides on to ensure that it fits with the rationale and is compliant with Proposition 218.

The advantages of such a program include improved water quality, improved engagement by the community, as well as a rate more tailored to individual usage. Also, discount programs tend to be well received by the electorate, although most people do not participate. The downside of such a program is that the benefit may not justify the cost of administering this program, because the inspection of property-specific improvements is expensive and time consuming. Nonetheless, a couple of public agencies including the cities of Portland, Oregon, South Lake Tahoe, and Palo Alto have successfully implemented discount programs on their storm drainage fees. The community’s interest level for a discount mechanism will be evaluated as part of the mail survey opinion research.

### III. RECOMMENDATIONS FOR IMPLEMENTATION OF FUNDING MECHANISMS

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Following is a “Game Plan” outline of the recommended steps for implementation of funding for the GSA’s GSP implementation. Most of the steps have been discussed above – a discussion of community public opinion surveying and community outreach is included below.

#### GAME PLAN

1. Conduct community outreach regarding the Plan and its implementation.
2. Pursue use of existing revenue sources to fund implementation.
3. Pursue Grants and Loan Opportunities to fund implementation.
4. Implement Regulatory Fees to offset eligible implementation costs.

If additional revenue is needed:

5. Conduct a survey and stakeholder outreach to better evaluate:
  - a. Community priorities and associated messaging.
  - b. Optimal rate.
  - c. Preference of non-balloted property related fee versus special tax.
6. Use results of surveys, stakeholder input and other analyses to develop a community outreach plan.
7. Implement the community outreach.
8. Implement a property related fee or special tax balloting:
  - a. Include a cost escalator schedule or mechanism.
  - b. Include the use of rate zones or other distinguishing factors.
  - c. Do not include a rate expiration date (also known as a “Sunset Clause”).
  - d. Include a Discount Program to encourage better groundwater management by well owners.

#### CONSIDER A PUBLIC OPINION SURVEY

The primary purpose of the public opinion survey is to produce an unbiased, statistically reliable evaluation of voters’ and property owners’ interest in supporting a local revenue measure. Should the Agency decide to move forward with a revenue measure (property-related fee or special tax), the survey data provides guidance as to how to structure the measure so that it is consistent with the community’s priorities and expressed needs. Agencies typically engage specialized survey firms to conduct surveys.

Specifically, the survey should:

- Gauge current, baseline support for a local revenue measure associated with specific dollar amounts. (How much are well owners/property owners willing to pay?)
- Identify the types of services and projects that voters and property owners are most interested in funding.
- Identify the issues voters and property owners are most responsive to (e.g., preventing subsidence, maintaining water availability, reducing pumping costs, protecting water quality, etc.).

- Expose respondents to arguments in favor of—and against—the proposed revenue measure to gauge how information affects support for the measure.
- Identify whether local residents prefer the measure as a property related fee or a special tax.

As the nation struggles with the COVID-19 pandemic, it is more important than ever to measure a community's position on all of these elements. What community leaders thought they knew about public opinion may no longer be accurate in a post-COVID world. And while a survey can provide the Agency with valuable information, it will also be an opportunity to begin getting the groundwater "brand" out into the community – a valuable early step in this process.

## COMMUNITY SUPPORT AND ENGAGEMENT

Clear, concise, and appropriate community outreach is one of the most important elements for successful implementation of a funding mechanism. The basic message components need to be simple, clear, and transparent, and need to be well supported with detailed and substantive information. Credibility is the most important factor in this outreach.

Agencies often, but not always, will engage specialized consultants to assist with community outreach in support of implementation of funding mechanisms. A community outreach plan should be developed and implemented. Three major steps are described below.

### Develop Communication Infrastructure

The GSA should carefully evaluate and develop potential communication infrastructure, ultimately coordinating with existing communication infrastructure, including stakeholder contacts, print media, website, social media, print publications, neighborhood groups, and newsletters, etc. Use of e-mail contacts (with HOA, neighborhood and stakeholder groups and leaders, and web-based platforms like nextdoor.com is encouraged). Develop a schedule of community stakeholder meetings, due dates for local group newsletters, etc.

In most cases, the most effective communication mechanisms for this type of infrastructure are small, local, and neighborhood-based, with personal communication or face-to-face (as appropriate in COVID-19 environment). This approach is not expensive, but it is a significant amount of work and is very effective when well-executed.

### Develop Communication Messaging

The development of the messaging and supporting information is an iterative process with staff, consultant, and community members. (If a community survey is conducted, it can be extremely helpful in developing the most effective messaging.) Throughout this process, the Agency and consultant will analyze and refine messaging associated with groundwater sustainability management benefits. In this task, the Agency should develop draft communications of various types, including Frequently Asked Questions documents, social media content, mailers and brochures, PowerPoint presentations, and e-mails, scripts, and other adaptable messages.

### Communications Rollout and Implementation

Once the outreach plan is well-vetted, reviewed, and refined, the Agency should coordinate the plan's rollout and implementation.