

# Santa Ynez River Valley Groundwater Basin Eastern Management Area GSA Rate Study

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**Board Meeting**

December 19, 2024



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE

# Agenda

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- Introductions
- Rate Study Process
- Funding Mechanisms
- Proposition 218 and Proposition 26
- Goal of the Study
- Scope of Services
- Agency Background
- Policy Discussion



# Introductions

- Sanjay Gaur, Project Manager
  - Over 25 years of experience setting rates for water and wastewater agencies
  - Assisted over 150 different agencies in California
  - Member of the American Water Works Association Rates and Charges Committee
  - MS in Applied Economics from UC Santa Cruz and MPA from Harvard University
- Nancy Phan, Project Analyst
  - Over 8 years of experience in utility rate setting
  - Assisted over 50 water, wastewater, solid waste, and stormwater agencies along the West Coast
  - BA in Business Economics from UC Irvine

# Rate Study Process

1. **Policy framework:** Identify key policy objectives while determining readily available data
2. **Financial plan:** Develop multi-year cash flow projections to determine annual revenue requirement
3. **Rate design:** Identify appropriate funding structure and calculate proposed fee schedule
4. **Documentation:** Develop a study report to provide transparency and defensibility

# Funding Mechanisms

- Available options to fund GSA and GSP implementation:
  - Regulatory fee (Proposition 26 exempt fee)
  - Property-related fee (Proposition 218 rate)
  - Benefit assessment
  - Special tax
- Prop 26 exempt fees or Prop 218 rates are most feasible funding mechanism
- Assessments require majority approval by parcel owners (weighted based on financial obligation of parcel owner)
- Taxes require 2/3 voter approval

# Proposition 26

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- All charges imposed by state government are taxes, except:
  1. Charges for specific benefits
  2. Charges for specific government service or product
  3. Charges to fund reasonable regulatory costs of local government
  4. Charges to enter or use local government property
  5. Fines, penalties, or other charges as a result of violating the law
  6. Charges for property development
  7. Assessments and property-related charges subject to Proposition 218 requirements

# Proposition 218

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- Proposition 218 requirements for rates:
  - Rates must be proportional to and may not exceed the cost of providing service
  - One customer class (residential, commercial, etc.) may not subsidize another customer class
  - Agencies typically conduct a “cost-of-service analysis” at least once every 5 years to ensure a sufficient nexus between rates and costs

# Proposition 26 vs. Proposition 218

Comparison	Proposition 26 Exempt Fee	Proposition 218 Rate
What can it fund?	Reasonable regulatory costs (GSA administration)	All GSA and GSP implementation costs
How is it implemented?	Board action Adopted with majority Board approval	45+ day noticing period Public Hearing Adopted if no majority protest
What is the level of effort?	Less administrative burden	More administrative burden (procedural requirements, proving nexus)



# Goal of the Study

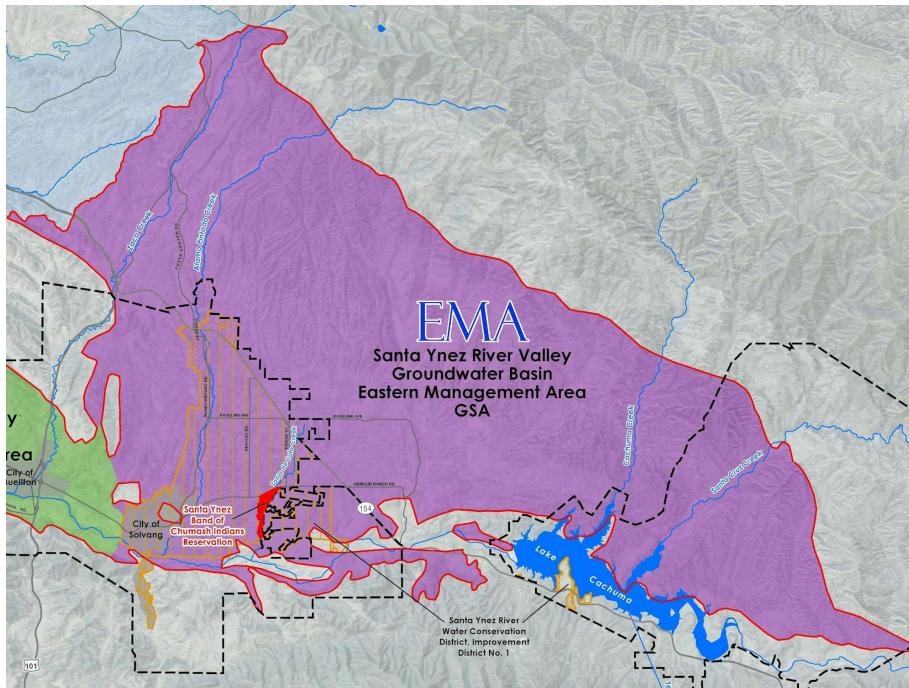
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- Develop a fee mechanism that covers the GSA's operational costs
- Steps that are required:
  - Determine the cost of running the GSA over a 3- to 5-year period
  - Assess what data is readily available and how GSA will assess the fee
  - Develop fee schedule for 3 to 5 years
  - Engage and educate the community about the study
  - Successfully adopt and implement fees

# Scope of Services

Task	Task Description
<b>Task 1: Project Management and Initiation</b>	Kick-off meeting, project management
<b>Task 2: Policy Workshop</b>	Discuss policy objectives and identify possible fee structures to evaluate – 1 in-person
<b>Task 3: Budget Review / Development</b>	Develop a multi-year budget
<b>Task 4: Financial Plan</b>	Determine the revenue needs to fund operating cost and to meet proposed reserve targets
<b>Task 5: GSA Rate/Tax/Fee Calculation</b>	Calculate proposed fee
<b>Task 6: Public Outreach Workshop</b>	Conduct workshop with stakeholders – 1 in-person
<b>Task 7: Report Development</b>	Develop the Administrative Record that supports the proposed fee
<b>Task 8: Public Hearing/Fee Adoption</b>	Conduct Public Hearing for rate adoption – 1 in-person

# Agency Background



- Eastern Management Area GSA
  - GSP adopted 1/6/2022
  - JPA formed 7/16/2024
- Four member agencies:
  - Santa Ynez River Water Conservation District (SYRWCD)
  - SYRWCD Improvement District No. 1 (ID No. 1)
  - County of Santa Barbara
  - City of Solvang

# Policy Discussion

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- Do non-groundwater users benefit from having groundwater?
- Better data provides equity
- Options for fee assessments:
  - Only retail agencies
  - Only retail and large users
  - All well owners
  - All property owners
- How to assess the fee:
  - Well production
  - Estimated well production
  - Irrigated acreage
  - Parcel acreage
  - By parcel



## **Water Resources Economics**

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# Contact Information

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