

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

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**Board Meeting**

February 27, 2025



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE

# Agenda

- Goal of the Study and Today's Workshop
- Financial Condition
- Fee Implementation Options
- Fee and Policy Considerations
- Next Steps and Schedule

# Goal of the Study

- 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

# Goal of Today's Workshop

- We would like to receive direction from the Board on the following polices:
  - When should we implement the new fee?
    - July 1<sup>st</sup> , which would allow us to access the fee on the property roll; Or
    - January 1<sup>st</sup> , which would mean that the GSA would have to send bills directly to customers
  - For rural domestic / AG should we utilize estimated water use or should we do self-reporting?

# Financial Condition of GSA

- Currently the GSA is receiving loans from participating agencies to fund its operation
  - Current loan amount is \$200,000
  - If the GSA doesn't adopt revenue within the next year, additional loans would need to be acquired
  - Are participating agencies willing to fund GSA for another year?
    - Provides additional time to determine the actual water use occurring
  - Or are we comfortable to utilize estimated water use?

# Administrative Cost of Collecting Revenue

- Should the GSA utilize the county to invoice and collect the revenue?
  - The fee would be assessed on the county parcel bill, which implies 100% collection
  - The cost to the GSA from the County is TBD
- Or should the GSA send bills directly to the customer; consistent with Conservation District billing methodology
  - Self reporting bills are sent twice a year. Each customer states their pumped water and calculates their bill
  - The cost to the District is TBD

# Who is Our Customer?

- Customer types from Annual Report:
  - Municipal
  - Mutual Water Companies
  - Rural Domestic
  - Agriculture
- How should customer types be charged for the fee?
  - Municipal / Mutual Water Companies – bill municipalities or mutuals directly or bill end user?
  - Rural Domestic / Agriculture – bill end user

# Estimated Groundwater Extraction

Water Year	Municipalities	Mutual Water Companies	Rural Domestic/ Agriculture	Total
2019	1,431	951	12,583	<b>14,965</b>
2020	1,880	957	12,119	<b>14,956</b>
2021	2,320	963	13,688	<b>16,971</b>
2022	2,516	969	13,575	<b>17,060</b>
2023	2,516	975	9,412	<b>12,903</b>
5-Year Average	2,133	963	12,275	<b>15,371</b>
<b>5-Year Average Allocation</b>	<b>13.9%</b>	<b>6.3%</b>	<b>79.9%</b>	<b>100.0%</b>



# Fee Assessment Options

Basis of Fee	Benefits	Challenges
By Parcel	Easy to implement, provides revenue stability	Potential equity concerns (assumes all customers benefit similarly)
By Acreage	Easy to implement, provides revenue stability	Potential equity concerns (assumes all land can be irrigated)
Groundwater Extracted (Estimated Water Use)	Provides revenue stability if averaged over several years, creates incentives for pumpers to conserve	Processing data is required, may cause revenue instability if using one year of water use
Groundwater Extracted (Annual Self-Reporting)	Could reflect more current irrigation water use, creates incentives for pumpers to conserve	Potential gaming of the system, may cause revenue instability due to fluctuations in reported water use

# Fee Implementation Options

- Option 1: Assess fee on property tax roll
  - Benefits: Easy to implement, reduced administrative burden, guaranteed payments
  - Challenges: Inflexible schedule, can only utilize historical data
- Option 2: Bill customer directly
  - Benefits: Can receive revenues more frequently, can utilize more current data
  - Challenges: May not reliably receive payments, more administrative burden

# Board Direction

- Bill municipalities / mutual water companies directly
- Bill end users for agricultural use:
  - Approach 1:
    - On the property tax roll - July 1, 2025
    - Estimated water use
  - Approach 2:
    - Send bills directly to customers – Jan 1, 2026
    - Self-reporting

# Schedule for Prop 218 Fee Implementation

- Board workshop: **March 2025**
- Special Board meeting to receive report: April 17, 2025
- Proposition 218 notice (60 days before hearing): April 25, 2025
- Proposition 218 public hearing: June 26, 2025
- Rates implemented: July 1, 2025



## Water Resources Economics

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# Contact Information

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# Legal Framework

- 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

- 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

- 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



# Legal Framework

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)

# Representative Fee Options

Basis of Fee	Units of Service	Representative First Year Fee*
By Parcel	5,636 parcels (EMA GSA less Zone A)	\$177.44 Per parcel per year
By Acreage	79,643 acres (EMA GSA less Zone A)	\$12.56 Per acre per year
By Irrigated Acreage	6,037 irrigated acres (EMA GSA less Zone A)	\$165.65 Per irrigated acre per year
By Groundwater Pumped in AF	15,335 AF (5-Year Average)	\$65.22 Per AF of groundwater pumped

\*All fees assume revenue requirement of \$1,000,000 in first year (FY 2026); these fees may change based on fee methodology and implementation selection