EAST TURLOCK GROUNDWATER SUSTAINABILITY AGENCY

Proposition 218 Workshop for Owners of Non-Irrigated Land

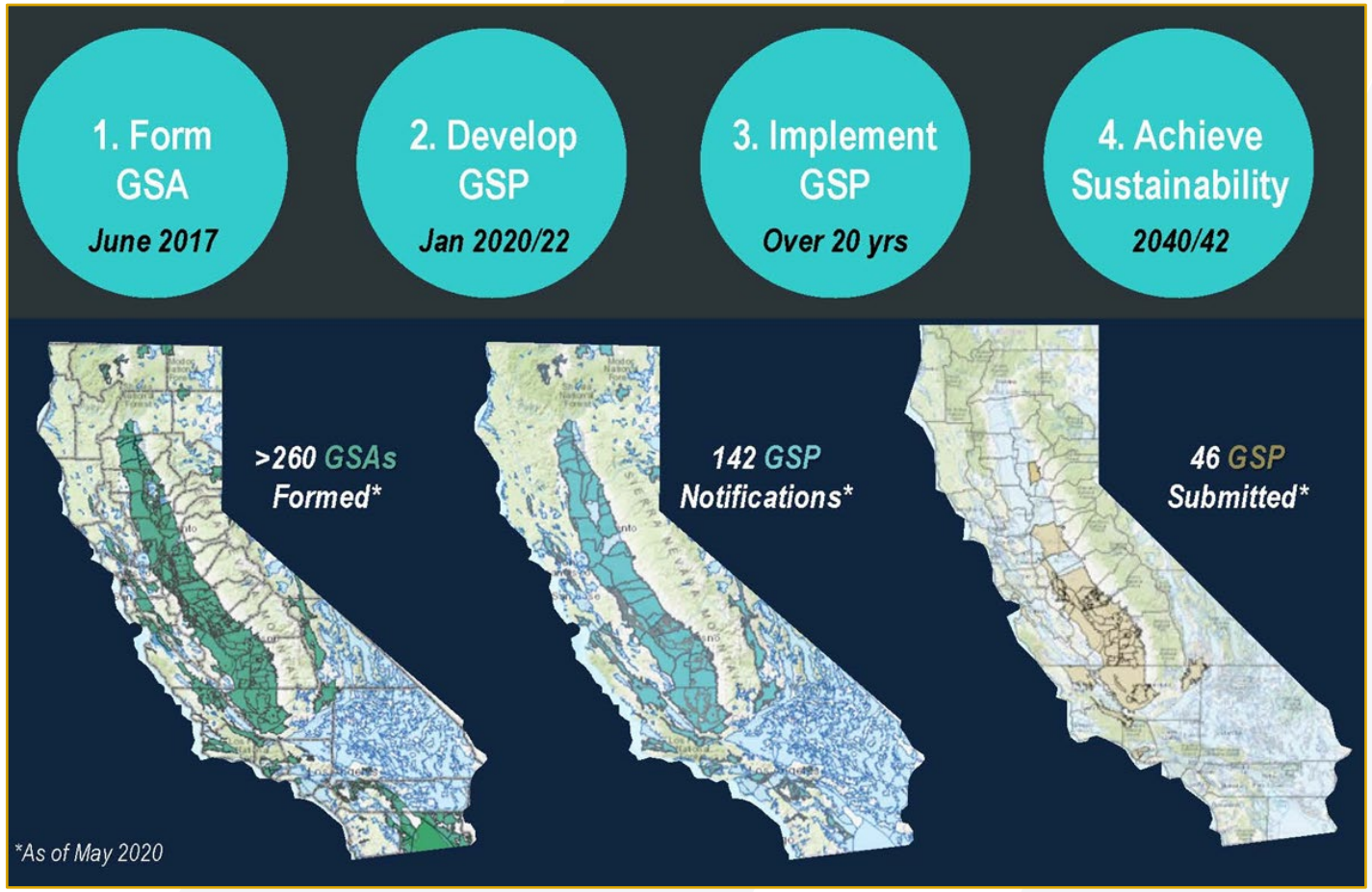
January 10, 2024

TOPICS

- Introduction and Background
- General Approach
- Proposed Proposition 218 Assessment
- Comments and Questions

INTRODUCTION AND BACKGROUND

SUSTAINABLE GROUNDWATER MANAGEMENT ACT (SGMA)



- Achieve groundwater sustainability in medium and high priority GW basins.
- Implement monitoring, projects and management actions to achieve sustainability in 20 years.
- Local control if successful, backstopped by State intervention.

Our Goal: Sustainable Groundwater Management Under Local Control by 2042

Sustainable Yield Definition: *"The maximum quantity of water … that can be withdrawn annually from a groundwater supply without causing an undesirable result."* (California Water Code §10721(w))

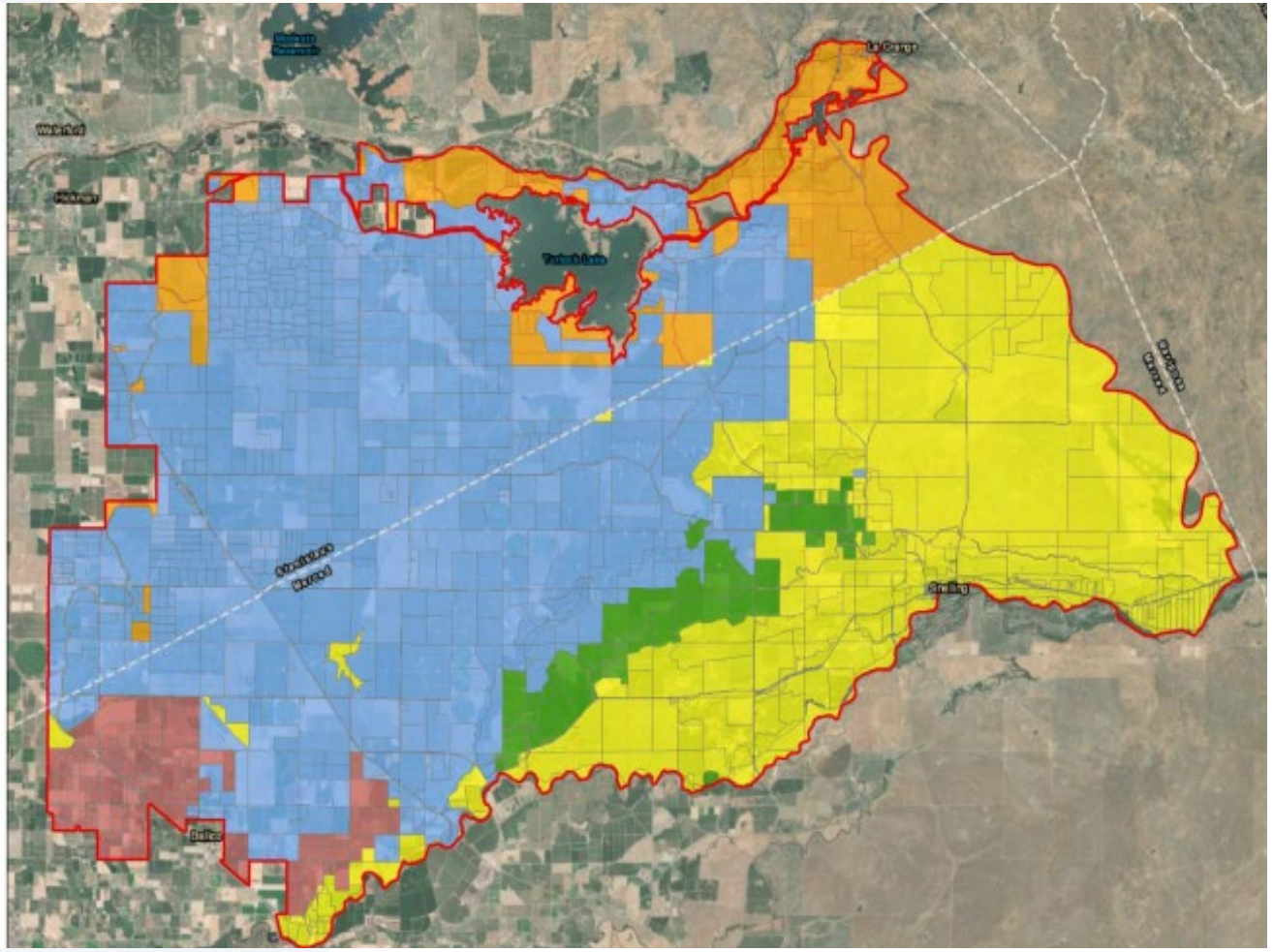
Undesirable Results:

WHO WE ARE

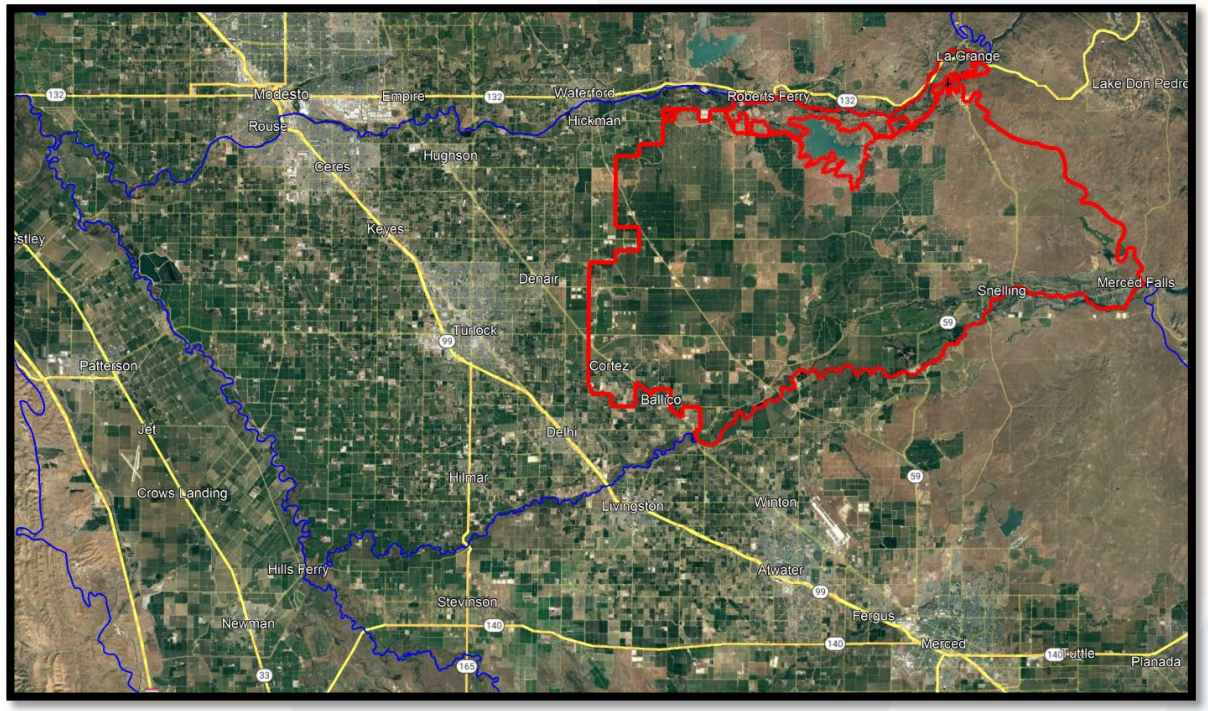
East Turlock Subbasin Groundwater Sustainability Agency JPA

- ✓ Eastside Water District
- ✓ Ballico-Cortez Water District
- ✓ Merced Irrigation District
- ✓ Merced County
- ✓ Stanislaus County

One GSP adopted and being implemented jointly with West Turlock Subbasin GSA

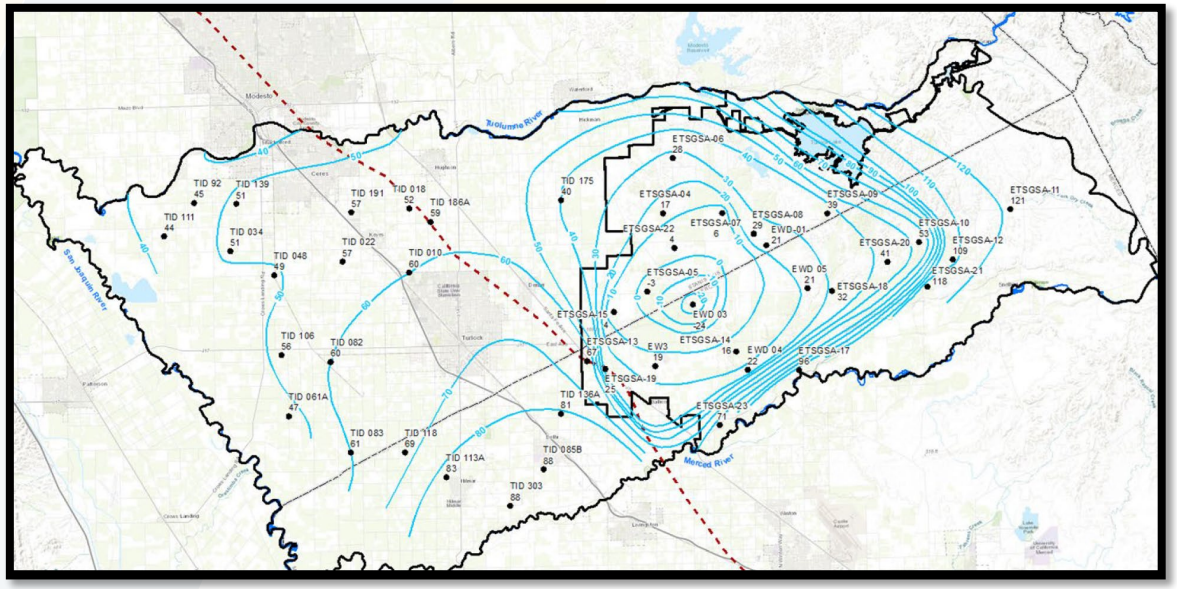


LOCATION AND OVERVIEW



- Over 90,000 acres of high value agricultural land, mostly nuts and vines
- Depends mostly on groundwater

- Current groundwater demand exceeds long-term sustainable yield
- Large cone of depression under eastern subbasin
- Little opportunity for more surface water delivery or recharge



BENEFITS OF SUSTAINABLE GROUNDWATER MANAGEMENT BY THE GSA

Preserve Reliable Access to Water Resources	• Improved management ensures long-term groundwater access for everyone • Reliable irrigation, dairy, poultry, stock, domestic and municipal supply • Basin-wide data assures water supply development proceeds sustainably
Gather Data for Future Supply Development	• Investigation, monitoring and modeling will help define Sustainable Yield • Knowledge of Sustainable Yield will clarify allocations for all parcels and future water development potential of non-irrigated parcels
Protect Property Values	• Reliable access to water will help protect existing irrigated land value • Clarification of the Sustainable Yield and available allocations will clarify and enhance future non-irrigated land value
Promote Economic Stability	• Enhanced water supply management will allow irrigated land uses to continue and provide a predictable water supply for other economic activities • Avoid the cost of undesirable results associated with unsustainable extraction
Promote Community Wellbeing	• Maintain access to reliable water supplies for domestic and community use • Support a variety of economic land use choices • Promote community reputation for sustainable water management

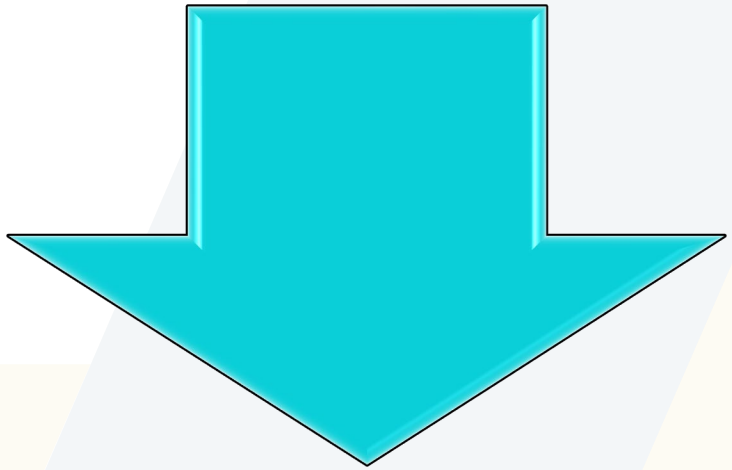
BENEFITS OF SUSTAINABLE GROUNDWATER MANAGEMENT BY THE GSA (CONTINUED)

Promote Regulatory Certainty	• Define SGMA compliance requirements for long term business planning • Locally driven management decisions and tailoring of strategies to local needs.
Avoid State Intervention	• Avoid the expenses associated with state intervention • Retain local control of groundwater management decisions and assure spending provides the maximum local benefits
Avoid Environmental Impacts	• Avoid damage of aquatic, riparian and wetland resources and sensitive habitat • Avoid additional regulatory requirements and scrutiny • Enhance environmental and conservation funding opportunities
Promote Water Supply and Economic Resilience	• Sustainable management provides improved ability to adapt to changing conditions, reducing the financial impact of unexpected challenges. • Locally-driven sustainable management provides an alternative to adjudication

STATE INTERVENTION

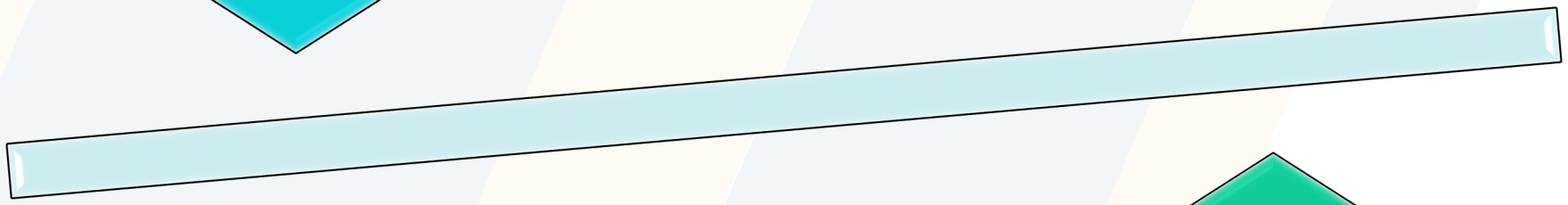
- ✓DWR can refer a basin to the State Water Resources Control Board for intervention under the following circumstances:
  - The GSP is found to be inadequate; or
  - The GSP is being inadequately implemented.
- ✓State intervention includes the following:
  - Local input would be severely limited.
  - Groundwater users would be required to register wells, install meters, and report extractions to the State.
  - Addressing identified deficiencies in the GSP or its implementation
  - $300/well registration fee; $100/well fee for de minimis wells
  - Groundwater extraction fee of $40 - $55/acre-foot
  - Potential pumping regulation and overdraft penalties

STATE INTERVENTION



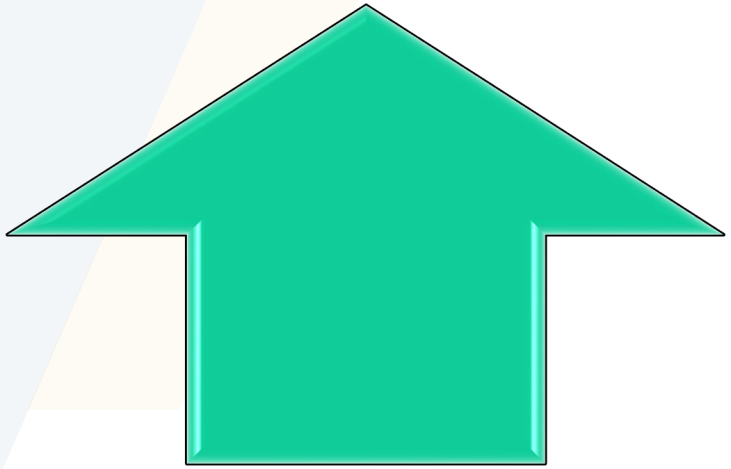
SGMA Compliance

- GSA Administrative Expenses
- Cost of Projects and Management Actions



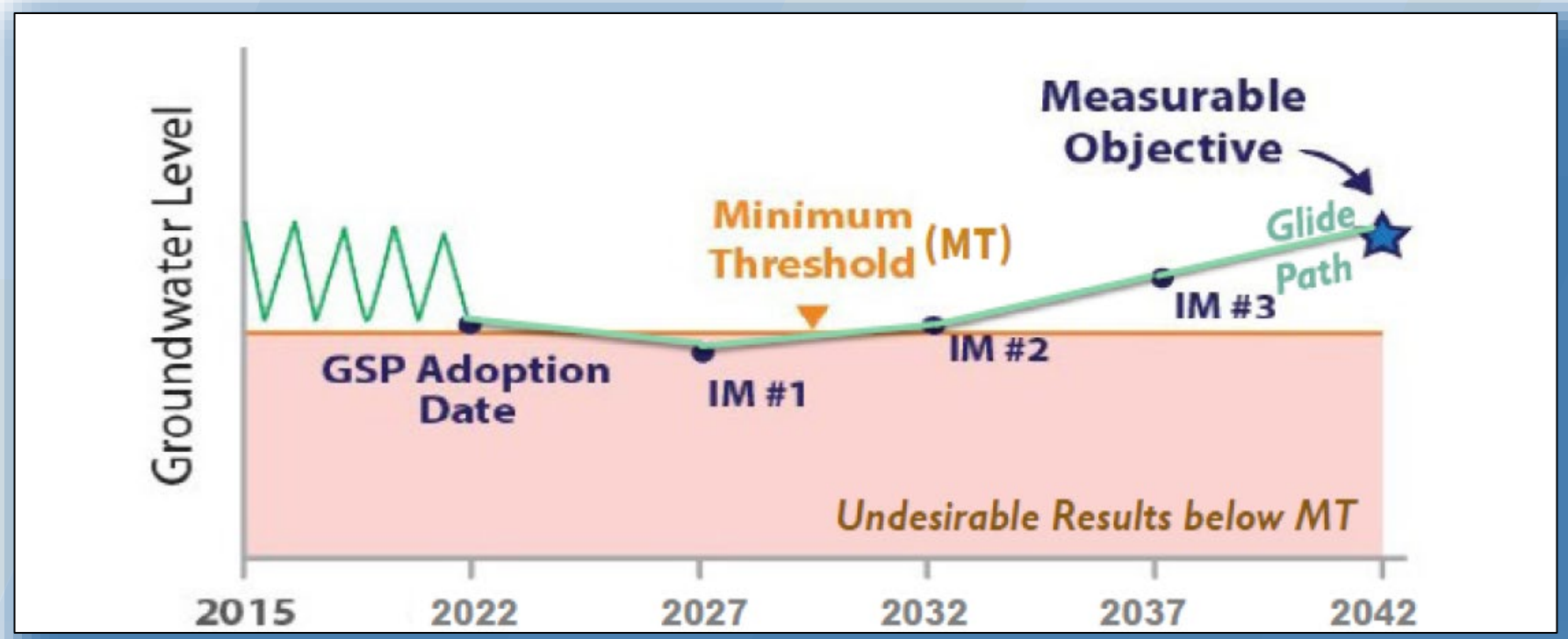
State Intervention

- Well Registration (estimated ~$500,000)
- Extraction Fee (estimated ~$10,000,000)
- GSA Administrative, P&MA Costs
- Increased reporting and compliance costs

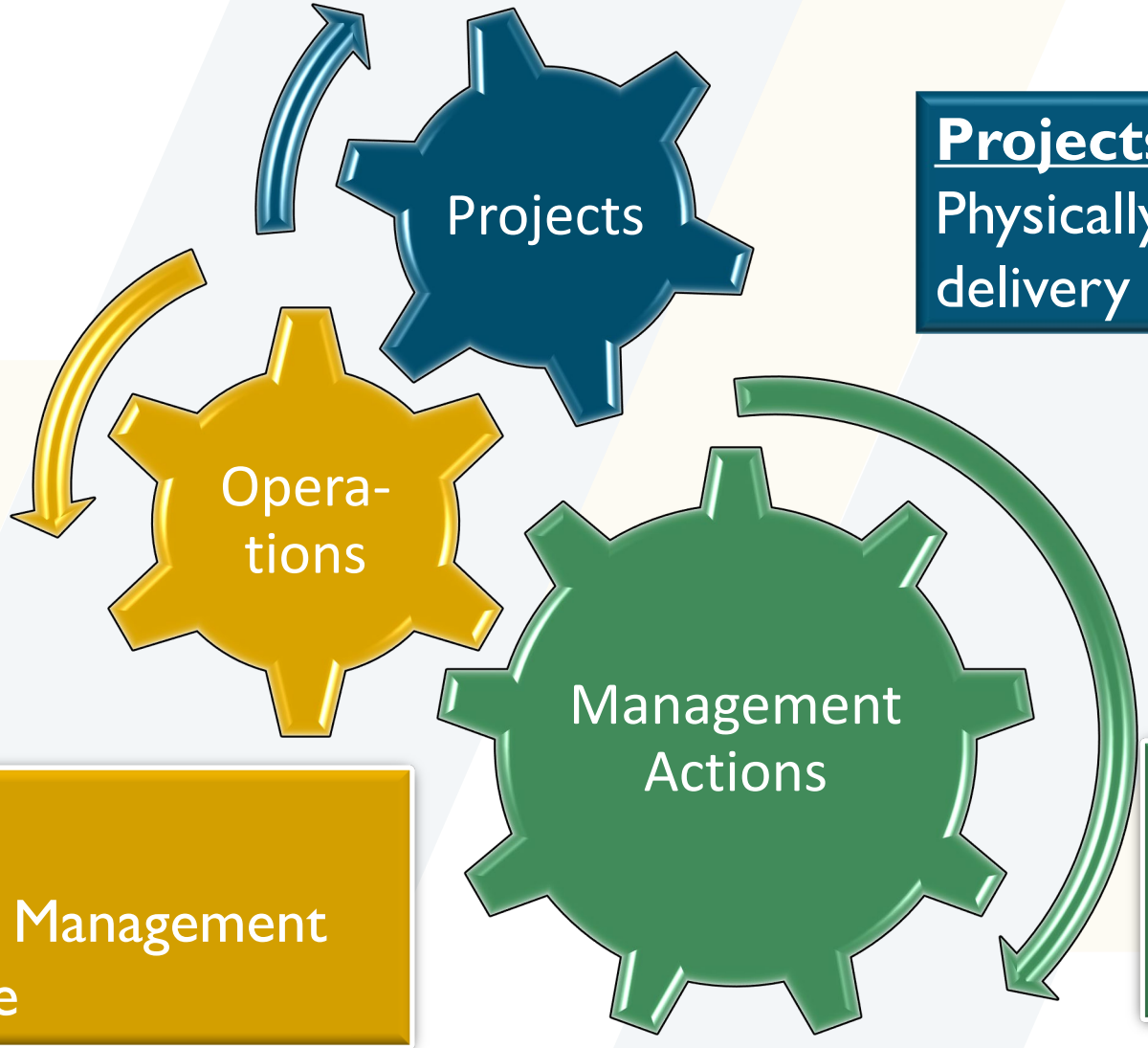


GENERAL APPROACH

IMPLEMENTATION OVER TIME (ADAPTIVE MANAGEMENT)



HOW WE MEET SUBBASIN SUSTAINABILITY GOALS



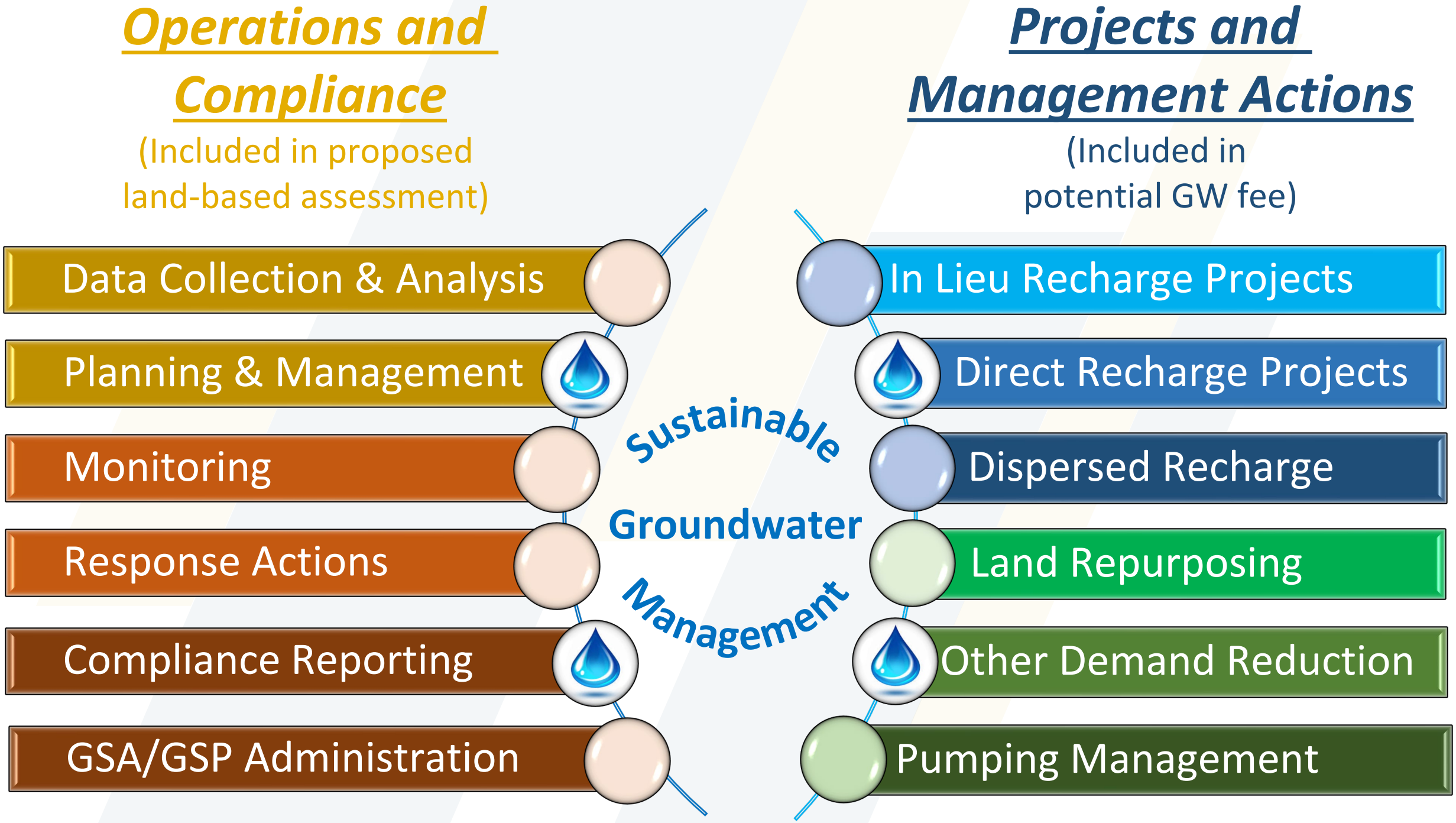
Projects:
Physically constructed water delivery and recharge projects

Operations:

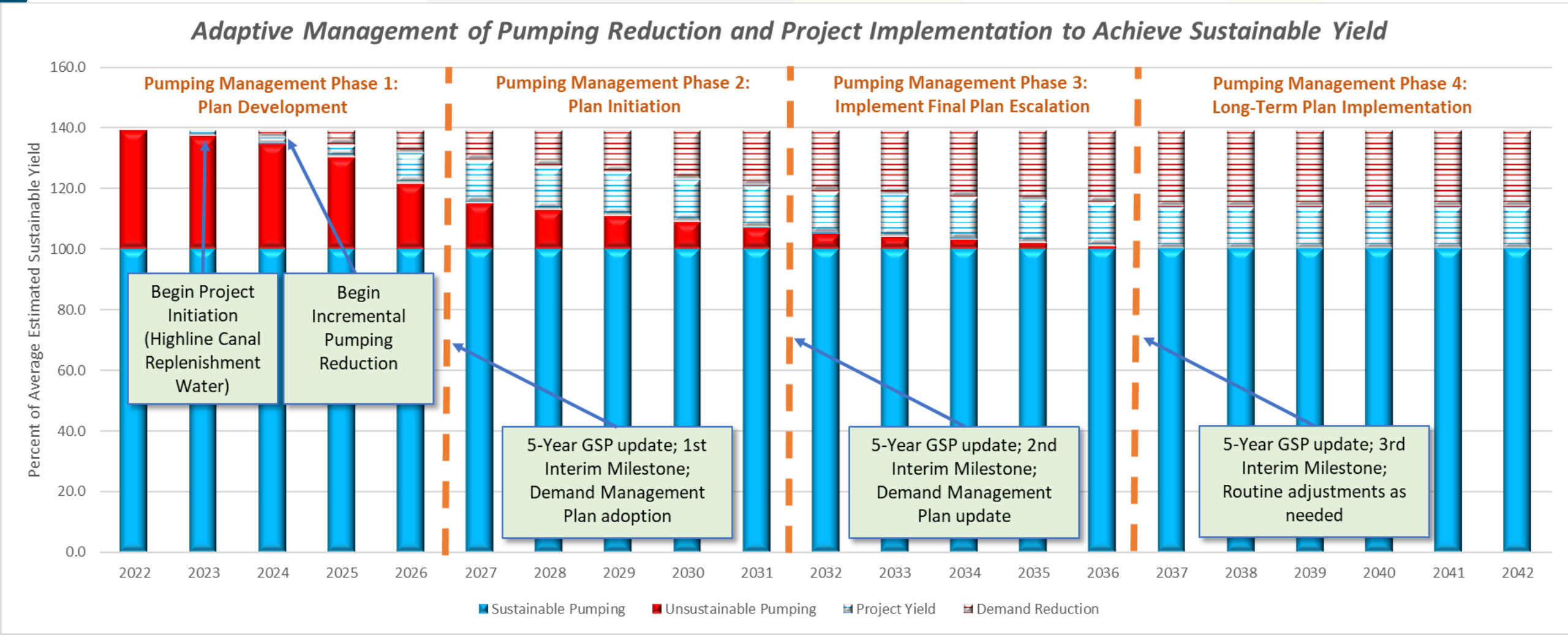
Administration, Management and Compliance

Management Actions:

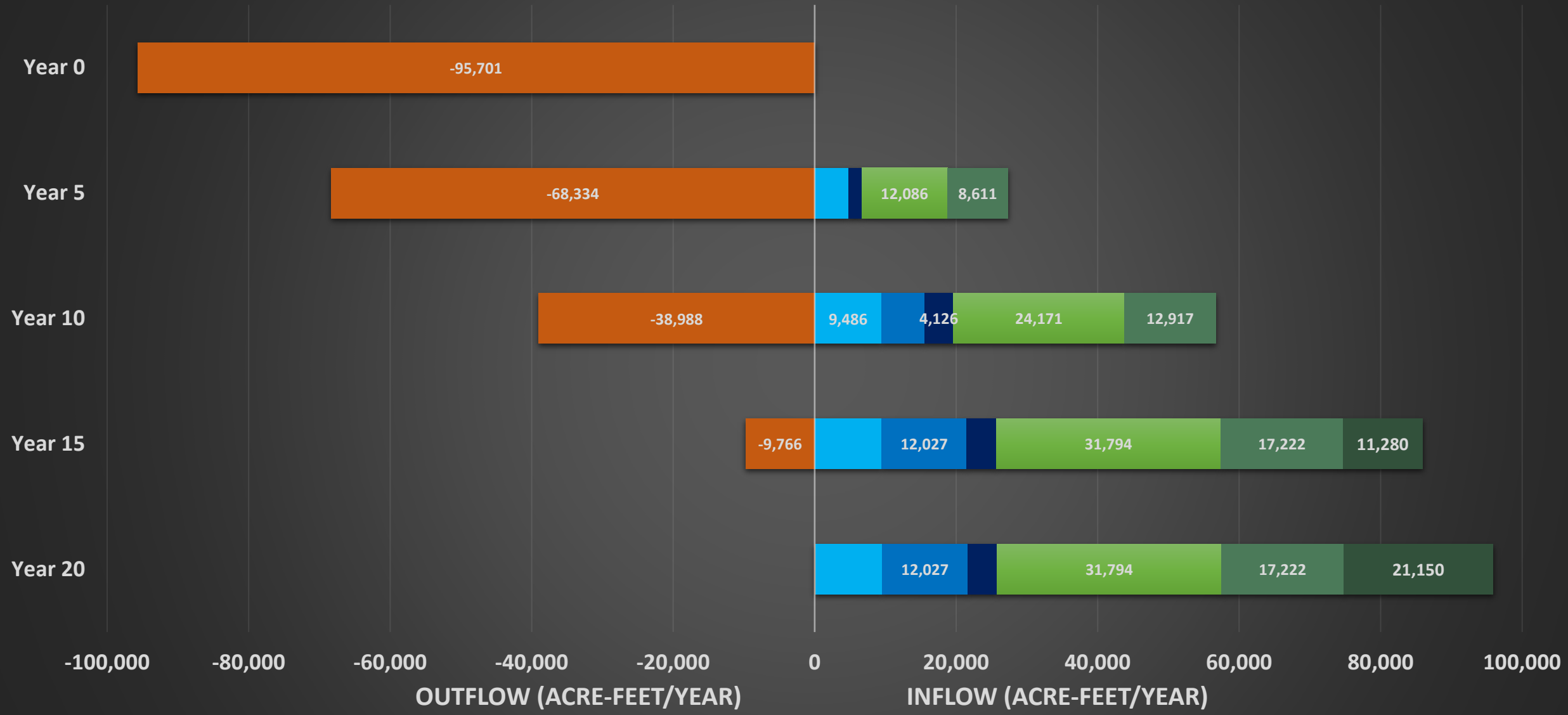
Programs or policies that reduce groundwater demand


Operations and Compliance
(Included in proposed land-based assessment)
Data Collection & Analysis
Planning & Management
Monitoring
Response Actions
Compliance Reporting
GSA/GSP Administration
Sustainable Groundwater Management
Projects and Management Actions
(Included in potential GW fee)
In Lieu Recharge Projects
Direct Recharge Projects
Dispersed Recharge
Land Repurposing
Other Demand Reduction
Pumping Management

ADAPTIVE MANAGEMENT STRATEGY



Conceptual Path to Sustainable Yield



RULES AND REGULATIONS

Supports justification of ratepayer benefits from land-based assessment

Supports implementation of volume-based pumping fees

Definitions and Framework

Irrigated and Non-Irrigated Land definitions; Application of assessments; Appeals

Measuring Groundwater Use (Draft)

How will groundwater use be monitored?

Water Accounting

Pumping accounting methods; Tracking and reporting; Credits

Operational Rules

Pooling, carryover rules, transfers, etc.

Penalties & Appeals

Enforcement mechanisms and appeals

ETSGSA FUNDING

ETSGSA FUNDING (1)

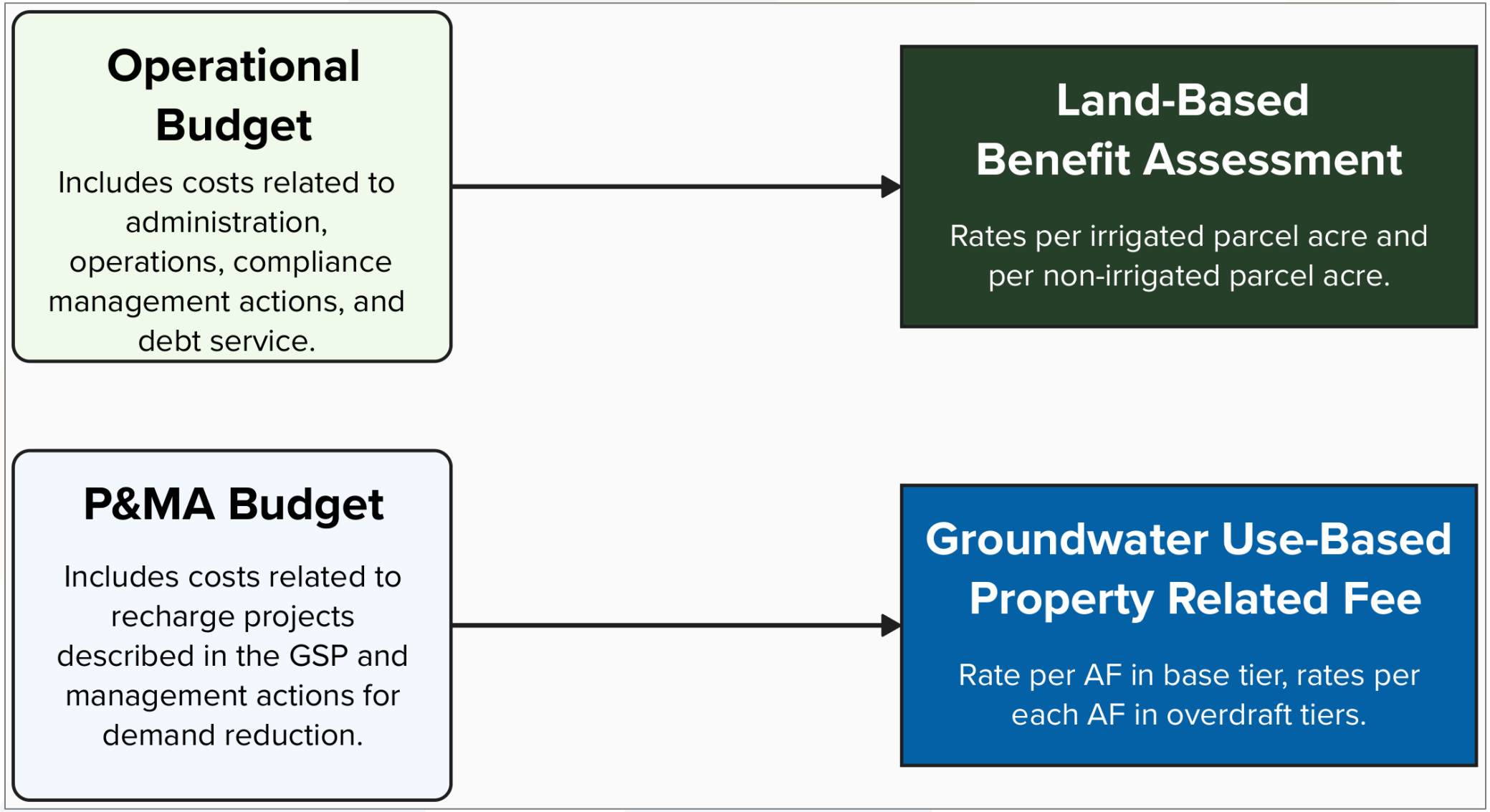
- ETSGSA's current fee program is charged to all GSA parcels outside of Eastside Water District (EWD). EWD charges an assessment to its parcels and contributes revenue directly to the GSA on their behalf.
- The Current fee program was intended to support GSP development and GSA administration and does not generate enough revenue to implement the plan.
- ETSGSA is preparing to implement an Operational Assessment to fund ongoing operations.

ETSGSA FUNDING (2)

- ETSGSA is planning to implement two separate funding mechanisms to support GSP implementation:
    1. A benefit assessment in early 2024 to support its operational budget through land-based charges. This is the focus of today's workshop.
    2. A property related fee later in 2024 to support its project budget through groundwater use-based charges. A separate workshop will be held regarding this fee in 2024.

- If successful, the proposed assessment would replace the ETSGSA's current fee program.
- EWD's current assessment would continue, and EWD property owners would not directly pay the new proposed assessment until their current assessment expires.

ETSGSA FUNDING (3)



PROPOSITION 218 BENEFIT ASSESSMENTS

Procedural Requirements

BENEFIT ASSESSMENT PROCEDURES (1)

- Passed by California Voters in 1996, Proposition 218 provides the substantive and procedural requirements for benefit assessments.
- Benefit assessments require greater than 50% support (50% plus 1) through an all-mail landowner election.
- Each landowner will receive a notice and ballot, which will provide the proposed assessment amount for their parcel(s).
- The voting is weighted by assessment amount – meaning a higher assessment means more voting power.
  - This can be thought of as $1 = 1 vote.

BENEFIT ASSESSMENT PROCEDURES (2)

- Once ballots have been mailed, there will be a 60-day voting period.
- At the close of this voting period, there will be a public hearing and ballot tabulation to process the results.
- Landowners may mail their ballot to the GSA during the voting period or bring their ballot to the public hearing.
- If a property owner needs a replacement ballot for any reason, it can be requested from the GSA.
- If greater than 50% (50% plus 1) of submitted ballots vote in favor of the assessment, it can be implemented by the Board.

BUDGET CONSIDERATIONS

ETSGSA Operational Budget

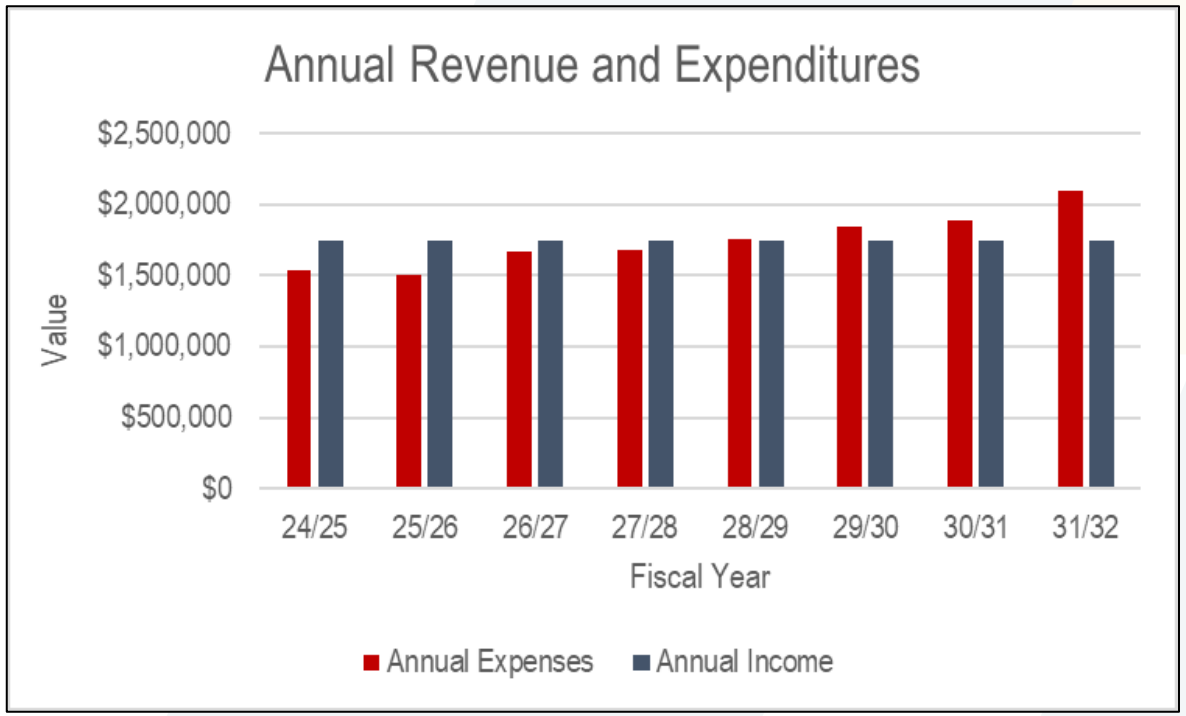
ETSGSA OPERATIONAL BUDGET (1)

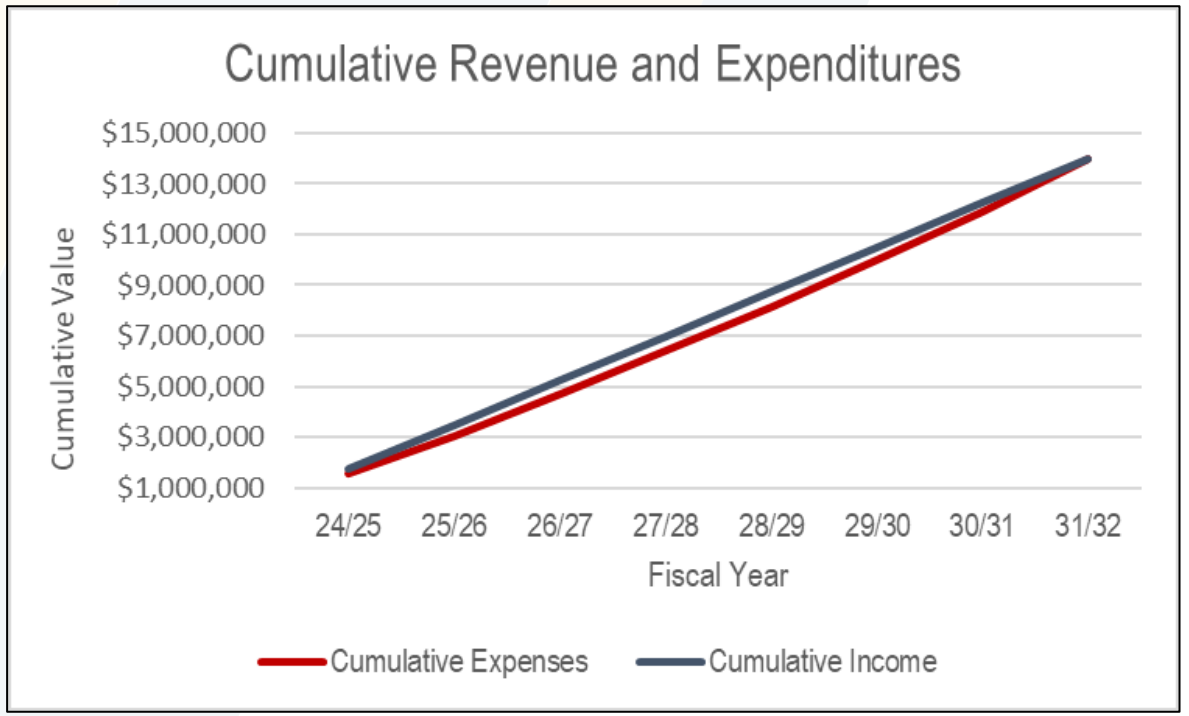
- ETSGSA has determined the annual revenue need by calculating the projected budget over the course of eight years and averaging these annual budgets, as shown below.

Operational Funding Needs									
	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	Eight-Year Average
Base Operational Budget	$1,420,508	$1,383,513	$1,543,412	$1,557,579	$1,635,458	$1,726,636	$1,765,752	$1,969,829	$1,625,336
Debt Service Budget	$121,201	$121,201	$121,201	$121,201	$121,201	$121,201	$121,201	$121,201	$121,201
Total Operational Budget	$1,541,709	$1,504,714	$1,664,613	$1,678,780	$1,756,659	$1,847,837	$1,886,953	$2,091,030	**$1,746,537**

ETSGSA OPERATIONAL BUDGET (2)

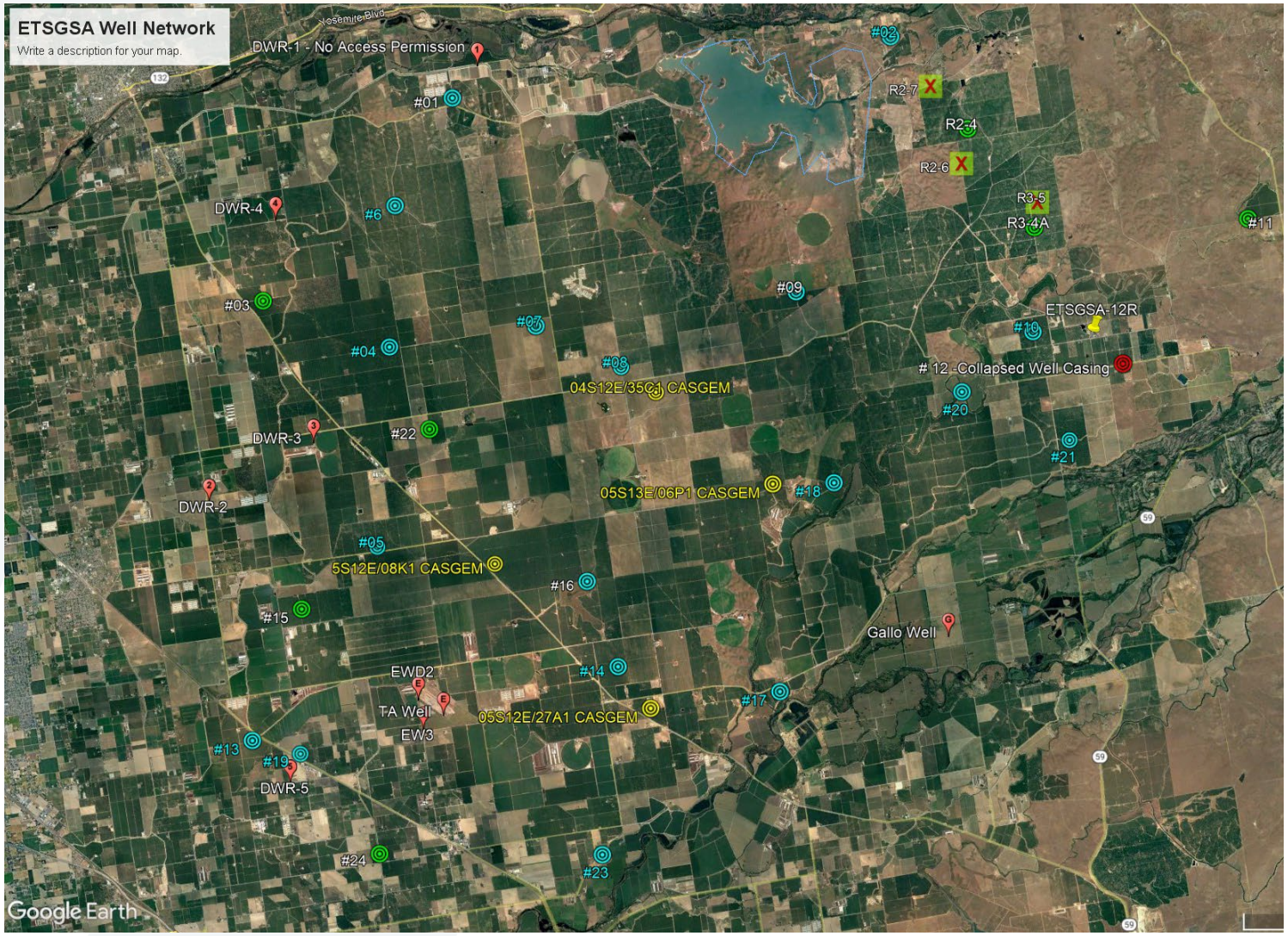
- As shown below, while the annual revenue does not match budget in every year, the cumulative expenses over this eight-year period equal the cumulative projected expenses during this time.





STATE-MANDATED MONITORING AND REPORTING

- Compliance with groundwater level, groundwater storage and river flow interaction thresholds and objectives
- Monitor 43 wells: Compliance and advisory wells
- Electronic measurement
- Well maintenance, replacement and expansion
- Data uploads
- Annual reporting



COMPLIANCE MANAGEMENT ACTIONS

Annual Reporting	• Groundwater levels and compliance evaluation • Water budgets • Projects and Management Actions
Five-Year GSP Updates	• Update understanding, Address data gaps • Refine Sustainable Management Criteria • Update Projects, Management Actions and Implementation Activities
Pumping Management	• Framework development and management • Measurement (Land IQ ET, metering) • Implementation; Internet portal
Domestic Well Mitigation & Minimum Threshold Exceedance	• Policy development • Monitoring and verification • Tiered response actions
Planning and Implementation Management	• Project planning, evaluation and prioritization • Multi-Benefit Land Repurposing planning and program management

AGENCY ADMINISTRATION AND COORDINATION

Regional Coordination	• Coordinate with neighboring basins
Stakeholder and Community Engagement	• Outreach and engagement • Community/Stakeholder meetings • Website and mailings
Meetings	• Board and TAC meetings • Public workshops • Record keeping
Business and Finance	• Financial management • Insurance, facilities and supplies • Fees, assessments and grant pursuits
Staff and Legal	• GSA staff • Board Secretary • Legal

ETSGSA ASSESSMENT METHODOLOGY

Basis of Assessment Charges

ETSGSA ASSESSMENT METHODOLOGY (1)

Two rates:

- Charge per irrigated parcel acre.
- Charge per non-irrigated parcel acre.

Determination of irrigation status:

- Baseline determination of a parcel's status as 'irrigated' or 'non-irrigated' stems from County use codes and DWR land use mapping. This may be refined in the future using ET analysis, aerial imagery and other data.
- Parcels will be charged based on their irrigation status and according to their entire parcel acreage per the Assessor's lien roll.
- An appeals process is being developed through which property owners can submit claims that their parcel(s) have been incorrectly categorized.

ETSGSA ASSESSMENT METHODOLOGY (2)

Assessment of Eastside Water District Parcels

- If successful, EWD will pay this proposed assessment on behalf of its property owners while the current EWD assessment is active.
- Once the current EWD assessment expires in 2025, EWD property owners would be charged directly for this assessment.
- EWD property owners *will not* be charged both assessments concurrently.

Balloting of Eastside Water District Parcels

- EWD property owners will be balloted along with all other ETSGSA property owners.

BENEFIT FACTORS

Improved Water Supply Management

- Based on improved management of water resources within ETSGSA.
- Effective management improves availability and resilience of all water sources.
- Avoidance of **undesirable results** due to lowering of groundwater levels, reduction of groundwater storage, depletion of interconnected surface water, degradation of water quality, and land subsidence.

Effective SGMA Compliance

- Avoidance of State intervention; maintaining local control.

PRELIMINARY RATES

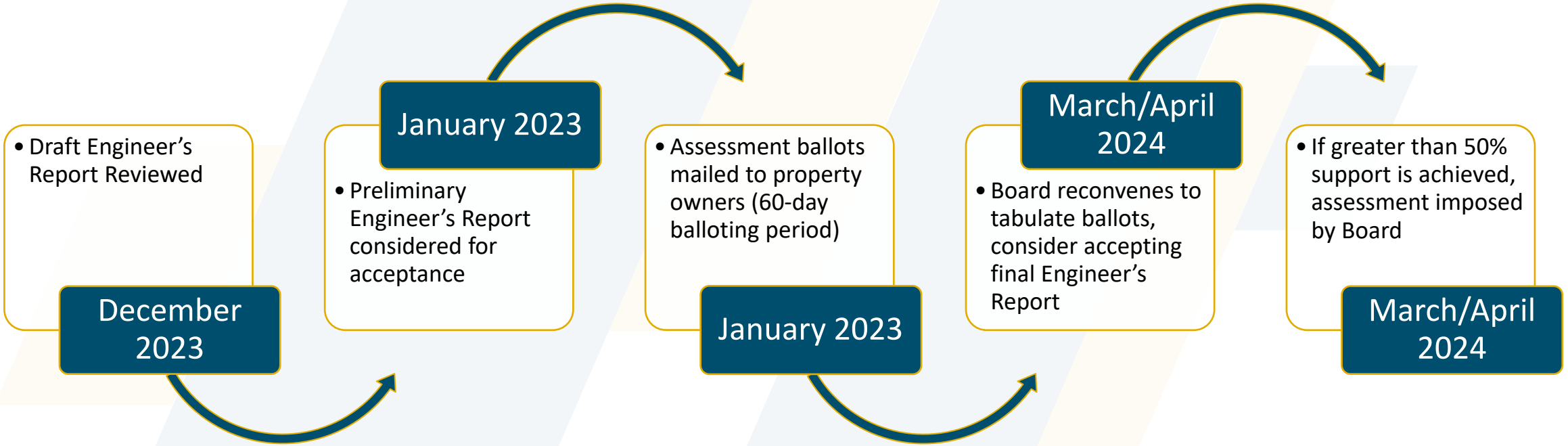
- Preliminary Annual Rates:
  - **Irrigated Parcels:** **$17.30 per acre**
  - **Non-Irrigated Parcels:** **$2.56 per acre**

- Non-Irrigated rate is roughly 15% of Irrigated parcel rate.
- Based on the concept that non-irrigated parcels receive roughly 15% of the special benefit that irrigated parcels receive.

PRELIMINARY RATES AND REVENUE

Land Use	Acres	Preliminary Rates	Units	Revenue	Revenue %
Irrigated Parcel Land	94,699	**$17.30**	acre	$1,638,293	94%
Non-Irrigated Parcel Land	42,358	**$2.56**	acre	$108,436	6%
Totals	137,057			$1,746,729	100%

ASSESSMENT TIMELINE



WHAT WOULD HAPPEN IF THE ASSESSMENT IS NOT SUCCESSFUL?

- If the proposed assessment is not successful, ETSGSA would be limited in its options for implementation of the GSP and may be unable to fulfill its obligations under SGMA. In this case, the State could intervene and take over management of the subbasin.

- ETSGSA would still be required to address deficiencies and correct the course of GSP implementation.

- ETSGSA would be forced to explore other funding options pursuant to SGMA and the California Water Code.

QUESTIONS?

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for Owners of Non-Irrigated Land

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