

GSAG Meeting Notes

December 15, 2016 | Vacaville, CA



OVERVIEW

GSA Advisory Group Participants

Brian Bush, RD 2068

(alternate for Mike Hardesty, non-voting)

Jack Caldwell, Cal Water (Dixon)

Justen Cole, City of Vacaville

(alternate for Royce Cunningham, non-voting)

Royce Cunningham, City of Vacaville

John Currey, Dixon Resource Conservation District

Mike Hardesty, RD 2068

Misty Kaltreider, Solano County

Cary Keaten, Solano Irrigation District

Chris Lee, Solano County Water Agency

Russ Lester, Ag Advisory Committee

David Melilli, City of Rio Vista

Peter Miljanich, Solano County

(alternate for Misty Kaltreider, non-voting)

Felix Riesenberg, City of Fairfield

Erik Ringelberg, Northern Delta GSA

Chris Rose, Solano Resource Conservation District

**Brooking Gatewood, Ag Innovations, Facilitator*

**Tessa Opalach, Ag Innovations, Notes*

Not in attendance: Jim Christensen, Travis Air Force Base; Darrell Eck, Sacramento County; Don Holdner or Ryan Mahoney, Maine Prairie Water District; Joe Leach, City of Dixon; Derrick Lum, Solano County Farm Bureau; Tim O'Halloran, Yolo County FCWCD

Meeting Goals

- Determine a detailed budget estimate for the next few years of work
- Come to an agreement on a specific start-up cost approach
- Draft language and concepts for the finance section of the JPA

Featured Resources

1. Draft JPA document (in circulation to GSAG via email sent to group by Chris Lee 12/12/16, and re-sent by Brooking with invitation to this meeting 12/14/16).

Meeting Summary

1. **INTROS & UPDATES.** Members introduced themselves and shared important BoD updates.
2. **FINANCE WORKING SESSION.** Members agreed to a \$6,000 *per seat* seed payment to be made by each member of the GSA, including the two public seats. The agreed-upon benefit of choosing a flat over a scaled fee was that it would be easier to achieve board approval for this model, and it avoids time-intensive analysis and debate over appropriate scaled fees. SCWA will likely (pending board approval) be able to provide loans to agencies in need of financial assistance with the seed payments and for the fee study, to be paid back through user fees established by the GSA.
3. **JPA NEXT STEPS.** Members agreed to circulate comments to the draft JPA by January 3, 2016. Legal teams will have the month of January to review and comment. GSA staff and attorneys will meet in February to discuss finalizing the JPA.

Next Steps

1. **GSA Funding:** Each GSA member will get approval to contribute \$6,000 for initial costs of GSA formation and GSP planning. SCWA will provide loans to agencies in need of financial assistance.
2. **GSA Representatives and Alternates:** GSAG members will identify GSA representatives and alternates in January.
3. **GSA workshop:** The GSA Board representatives, GSA Board alternates and GSA Board staff will aim to meet from **4-6 on February 9, 2017** to provide an overview of work to date and a timeline of upcoming deadlines and decisions. Chris Lee will distribute an agenda and all members will consult with their teams re: this date and time.

4. **JPA Review:** GSAG members will provide input to the current draft JPA to Chris Lee by Tuesday, January 3, 2017. Chris and SCWA attorneys will distribute the draft JPA to GSAG members who are welcome to share with their legal teams. Legal teams will have 30 days to review the JPA draft and provide comments. The GSA Board staff and attorneys will meet in February after the GSA Workshop to discuss input to the JPA document.
5. **JPA Funding Section:** Peter will draft the JPA section on funding, which will be including the January 3, 2017 version.
6. **Budget One-Pager:** Misty, Royce and Chris Lee, with support from Ag Innovations will create a one page budget brief with timelines to show how funding is anticipated to flow, including high and low estimates so people have an idea of the gross costs.

DETAILED MEETING NOTES

Welcome and Updates

- Brooking welcomed the group and reviewed the meeting's agenda and goals. Our goals are to hash out a more detailed budget estimate for the next few years of work and come to an agreement on a specific start-up cost approach. Finally, we will draft language and concepts for the finance section of the JPA.

Updates

- John Currey: The Dixon RCD BoD is supportive of the GSA process and will make final determination in January when the BoD is finalized. They are comfortable with an initial cost in the \$3,000-\$5,000 range.
- Misty Kaltreider: A new supervisor will take office in January and an update will be provided at that time. Individual conversations have shown that the Supervisors are supportive.
- Felix Riesenber: He presented informally to the Fairfield City Council in November and there were no concerns regarding governance structure nor finances at the \$3,000-\$5,000 level initially. They did not designate who would serve on the Board. It might be the mayor to ensure continuity in water issues.
- Chris Lee: He provided an update to SCWA in October, and they told him to proceed and continue acting as an administrative liaison for the process. They approved more funding for Ag Innovations. The Ag Advisory Committee seat will be nominated by the committee, but ultimately chosen by the BoS.
- Chris Rose: He has briefed the Solano RCD BoD on the progress over the last few months. They support an initial contribution of \$3,000-5,000. They have not determined a GSA BoD representative.
- Erik Ringelberg: The Northern Delta GSA won't be a part of this GSA. They are not in a position to provide funding, but they are happy to accept Freshwater Trust in-kind funding for participation in the process. They have completed a MOA for cooperation with Sacramento County that they can copy for other districts. Sacramento County has a compliant groundwater management plan, so they are turning in an alternative compliance report. They might not have enough ag representation. The advantage to an alternative plan is you don't need to develop a GSP, which saves money. Three reclamation districts support the alternative because they want to avoid the costs. The plan can be utilized for whatever governance structure emerges. Within the Solano Subbasin the Northern Delta GSA can take authority of the reclamation district geography. Not all of the RDs in the Solano Subbasin are in the Northern Delta GSA; some are showing intention to join the Northern Delta GSA and others are waiting to see what happens to make a decision.
- Jack Caldwell: CalWater has no concerns.
- Royce Cunningham: The Vacaville City Council authorized the mayor to represent Vacaville on negotiations regarding SGMA. Any legal decisions will have to come back to the full Council. There has been no discussion on cost issue. However, we need to clarify 218 funding. Everyone has one vote, and everyone should pay the same amount.
- Russ Lester: Ag Advisory Committee nominated Russ Lester as the representative and Al Medvitz as the alternate. They will go before the BoS to be confirmed.
 - The Farm Bureau is in the process of coming up with their representative and alternate and they are aware of the tight timeline.
- Cary: The Solano Irrigation District is meeting next week on the 20th.
- Mike Hardesty: RD 2068 did not make any decisions on the JPA, nor did they talk about anticipated finances. They will stay engaged and participate to encourage consensus. Costs and legal structure will influence their decision to determine which GSA they participate in, and they want to stay in Solano if principles align.
- Dave Melilli: The Rio Vista City Manager wants more detail on what the seed money will be used for, but is not concerned about the amount.

Updates from those not present at the meeting:

- The City of Dixon recently elected a new mayor and city councilmember, both of whom need to be updated. The BoD is supportive of the process and cost range, and has requested more detail. They have some concern about the number of people on the GSA board and how decision-making will happen.
- The group did not hear an update about Maine Prairie Water District.

Finance Working Session

Misty Kaltreider compiled a document with cost estimate information from previous meetings and survey responses. The task for today is to determine an estimate for start-up costs, plan for GSA funding over the next few years, and ensure legality under Prop 218. Discussion threads are featured below, with the final decision noted at the end.

Some members wished to prioritize generating commitments for seed money rather than contributions to match a particular cost estimate.

- Seed money is a non-refundable contribution to start off the process, and it demonstrates a willingness to go along with the process.
- Contributing the same amount of seed money demonstrates a fairness and will be easier to pass by governance boards. Let's generate enough money to set up the GSA now, and if we need more money down the road the agencies will come back together and figure out how much more to contribute before a fee/tax system is established by the GSA.
- We need enough money to take us to a point where we can identify a fee mechanism. There are 16 members, is \$96,000 enough to get us to the next milestone? One intent of seed money is to cover the program gap until the GSA can fine, the other is simply start-up costs for GSA formation and early GSP planning. We estimated full start up costs to be 6 months to 12 months from June 2017. The high end of the estimate is \$160,000, which would equal \$10,000 per agency. However, in previous discussions, some members felt \$10,000 was too high and might inhibit some members from participating, so the finance team investigated a sliding scale approach.
- Fees might be lower than we thought because the complexity of GSA application process is lower than we originally anticipated, the majority of the application can be completed by staff, and SCWA is not anticipating being reimbursed for paying for Ag Innovations or legal consultation.
- \$96,000 may be enough money to get us through GSA formation phase (after June 2017) and then the GSA can vote on providing additional seed money to keep going to get through the fee study until we have adopted a fee structure. Some argue we should each contribute seed money now, then reevaluate in the future and perhaps take more money.

Some members expressed concern about focusing solely on seed money because they anticipate a gap between when the seed money runs out and when the GSA can begin levying fees/taxes.

- There will be a funding gap between ~June 2017 and when the GSA board has authority to fine the member agencies to contribute money. Some think we should prepare for that gap by including fee recommendations in the JPA.

The group discussed the role of in-kind services from member agencies.

- The group agreed that in-kind services aren't reimbursable, while loans are reimbursable. For example, if a member helps to draft the application and those hours are equal to \$10,000, then that sum wouldn't need to be reimbursed but would be considered an in-kind staff service.
- Staff will be expected to contribute time throughout the process without an expectation of being reimbursed. Seats on the board are being supported by staff, without compensation.

Some members advocated for a bifurcated system in which every members pays a base amount and those who rely on groundwater pay an extra amount.

- There is a distinction between the parties sitting at the table. For example, the City of Fairfield might not ever need groundwater and RD 2068 doesn't currently rely on groundwater, while some members do rely on groundwater.

Some members felt that a bifurcated system would be more difficult to justify to member BoDs and is more complicated than it is worth when the payment in question is \$6,000.

- Members all paying the same amount to get us to a certain place makes sense, and is easily justifiable to boards.
- There has been some talk of possible loans, and knowing there is a loan option might make it easier for smaller agencies. SCWA may be willing to be the loaner agency for the first few years, which might eliminate some of the legal issues around Prop 218 and concerns around the gap period between GSP development and implementation phases where fees can be collected. SCWA loans could be written into the JPA and reimbursed with implementation fees.
- A flat seed money contribution delays the equity discussion and gives the GSA board itself the opportunity to react to further costs at a later time.

- The Ag Advisory Committee will likely rely on the loan feature unless Solano County wants to cover their costs. Water users represented by the AAC and FB are the predominant users of groundwater and will be paying for a lot of the long term operating costs of the GSA, but formally the group has no budget.

The group discussed the need and possible methods for a fee study to determine an on-going revenue stream for the GSA and inform GSA decisions about a future fee study.

- The fee study should be conducted after the GSA forms.
- The fee structure will determine the appropriate amount to be paid by each agency, which may not be equal, but will be studied and supported by logic.
- A fee study for the subbasin will likely be much more involved than a city fee study. Cities and water agencies already have relationships with customers. Fee studies usually cost \$50,000- \$100,000 or more. Some members think a subbasin fee study will cost as much as \$200,000. There will be discussions trying to figure out different areas of active and inactive pumpers and we need to manage for both needs.
- A fee study will likely take more than one year to complete.
- Metering is expensive and meters need to be certified - there are simpler methods to measure agricultural uses other than metering that result in similar answers. For example, water use can be determined by crop and satellite imagery.
- We don't know how many acre feet are being pumped in the subbasin today. If we knew, we could determine the fee structure for acres pumped.
 - Misty's estimated groundwater use as of today is fairly good though. If we say 150,000 acre feet of water is pumped in the subbasin, then is that \$5 or \$0.35 per acre foot pumped?
 - *[The group was encouraged to refocus on the seed money issue and save likely pumping costs discussions for a later phase in the process.]*

DECISION: The group used the thumbs exercise to vote on the proposal that suggests \$6,000 seed money per agency, with the opportunity for loans financed by SCWA. No members blocked the proposal, and three members indicated minimal support.

- Some members are not comfortable with the approach in principle, but prefer to move forward to keep the process going. It's not enough money to stop the process from moving forward, but the concern should be noted for future financing discussions. The view is that agencies that have minimal or no groundwater use are in this because legally we have to be in this, and those who are dependent on the groundwater should pay more.
- A few alternative suggestions were made including implementing a one year surcharge for people represented by non-pumping agencies to be reimbursed and a system in which pumping members pay \$6,000 and non-pumping members pay \$3,000. However, these alternatives were deemed too complicated.
- For some agencies, boards would scrutinize the more complex scaled fee structure and it may slow the process down and require way more detailed budgeting than is appropriate to this phase of the process.
- Dixon RCD is trying to represent users, and see themselves as a non benefitting agency. The bifurcated fee structure for those who do use groundwater and those who may use groundwater in the future may make sense. Dixon RCD will pay \$6,000 to move the process forward, but does not use groundwater. They want to make sure those who do use ground water have a voice at the table until the data and plan are vetted in a public process.

The group agreed to include the following information in the JPA:

- There is an obligation of \$6,000 seed money by each member. In 2018 there will be a loan from SCWA for the development of a financial plan and rate study. After a couple of years the GSA will be self-funding and we will get billing and revenue stream in place for a self-sustaining agency. The JPA will need to determine the kinds of loans that SCWA will give, and a timeline for the funding.
- The group will also seek state funding to complement SCWA loans in this second phase.
- Seed money is intended to cover JPA development (mostly in-kind staff time, with some legal fees), support GSA charter development and notification/application, and staff will look at specific fee structure recommendations. Funding in the second half of the year would support a fee study. By 2018 we will have an estimated loan amount needed for the next phase. The loan will be provided by SCWA and will be paid back by fees later, and perhaps state funds.

The group discussed proactive measures members can take to help the process in the future.

- Avoid mandatory metering because the infrastructure cost (calibration costs, data collection, devices) is way more expensive than the generated fees. Furthermore, the accuracy of the data is unreliable.
- Extrapolate smartly from what we already know.

A note on CalWater and the agricultural representatives:

- The newest version of the JPA cuts CalWater out of the process. The State Water Board interpretation of SGMA states private entities cannot be signatories. However, through an MOU they can still vote and pay. The same is true for the agricultural representatives.
- Cal Water doesn't want to cause any delays in the process. They already have a draft MOU version that the SCWA team is reviewing.

Draft JPA Discussion

The task for today is to agree on the process and timeline for reviewing the JPA. Chris Lee asked for initial revisions by January 3, 2017. We want to make sure we have a review process that is equitable and makes sure the information, particularly the principles, is integrated effectively. SCWA legal team can play that role, County has offered to play that role as well.

The group discussed next steps for the JPA document.

- Staff comments on the current draft JPA will be submitted to Chris by January 3, 2017 at which time Chris will circulate the JPA to the group and appropriate attorneys.
- Some members felt the attorney review process, which includes at least 9 different attorneys, will take 3-6 months, or even longer. However, other members encouraged the process to move faster and suggested an initial 30 day review and comment period.
- The cities won't sign without their attorneys vetting the document.
- Peter from County volunteered to be a transparent aggregator of comments from various attorneys if desired. However, many members suggested it may be more unbiased for SCWA to be the attorneys who aggregate the comments because they are a neutral non-voting party, and many boards are represented on the SCWA board as well, so this can alleviate any single-entity-based trust concerns.
- The statewide Farm Bureau is going through this process on a statewide basis, and might have a recommendation to help out with this. They can bring legal expertise from other regions to help.
- We need a timeline for comments. 30 days is a reasonable cycle period for review and comments.
- The legal teams will need to meet to discuss revisions. They can meet in February with GSAG staff. Ag Innovations will poll for a meeting date and time.

ACTION ITEM: Chris Lee and Ag Innovations will synthesize ideas for timeline and poll for a meeting date and time for the GSAG staff and attorneys after the January comment period.

The group discussed next steps for GSA meetings over the next six months.

- Some member representatives will be hesitant to meet until the JPA is set.
- This staff group may continue to meet in 2017.
- **ACTION ITEM:** In January each staff member will identify the GSA board member representative and alternate and approve \$6,000 seed money funding.
- Some members expressed concern over bringing elected officials and other representatives into the process too early.
 - The SCWA board is continuing to be briefed on GSAG progress. We need to hand the baton from the SCWA board to the GSA board; several of the same people are on both boards.
 - Ideas for bringing in the new individuals included having a joint GSAG and GSA board meeting and hosting a briefing workshop.
- Members agreed that a workshop in February is a good way to start the joint conversation.
 - The workshop will include GSAG staff, GSA representatives and GSA alternates. This workshop will start the process with the prospective GSA board to brief them on what's going on with the JPA document and GSA application. Most people have little understanding of what the GSAG group has been doing to date.
 - The workshop could develop a workplan for 12-24 month for feedback, which will be a strategic plan for the immediate future between now and the GSP.
 - This could be a lot to take on in one short meeting, so staff may be best to present a draft for input.
 - The workshop will be held from 4-6pm on Thursday, February 9th
 - **ACTION ITEM:** Chris Less will create and distribute an agenda for input.

Next steps are captured at the top of this document.