

# SCGA Budget Subcommittee – Funding Discussion

*SCGA Budget Subcommittee*

*January 26, 2017*

# Discussion Overview

- Past and Current Finance Models
- Transitioning to Next FY Budget
- Migrating from Contribution to Rate-based Model (Pros and Cons)
- Issues Raised from Previous Budget SC and Board Meetings
- Rate Consultant and Issues/Questions
- Schedule

# Past and Current Finance Models

- SCGA JPA establishes who pays, contribution basis, and use of external sources of revenue
- Original model (**Base + Usage**)
- Updated in FY 16/17 to:
  - address declining contributions (i.e., due to conservation, improved ET estimates, etc.)
  - recognize higher cost due to SGMA requirements
  - develop a uniform base contribution (**Base+Connection+Usage**)

# FY 2016/17 Finance Model

- **Base or Minimum Annual Contribution**

- Basis: Membership
- Benefit: Stabilizes funding



- **Connection**

- Basis: Number of Water Service Accounts
- Benefit: Assures access to alternative sources of water



- **Usage**

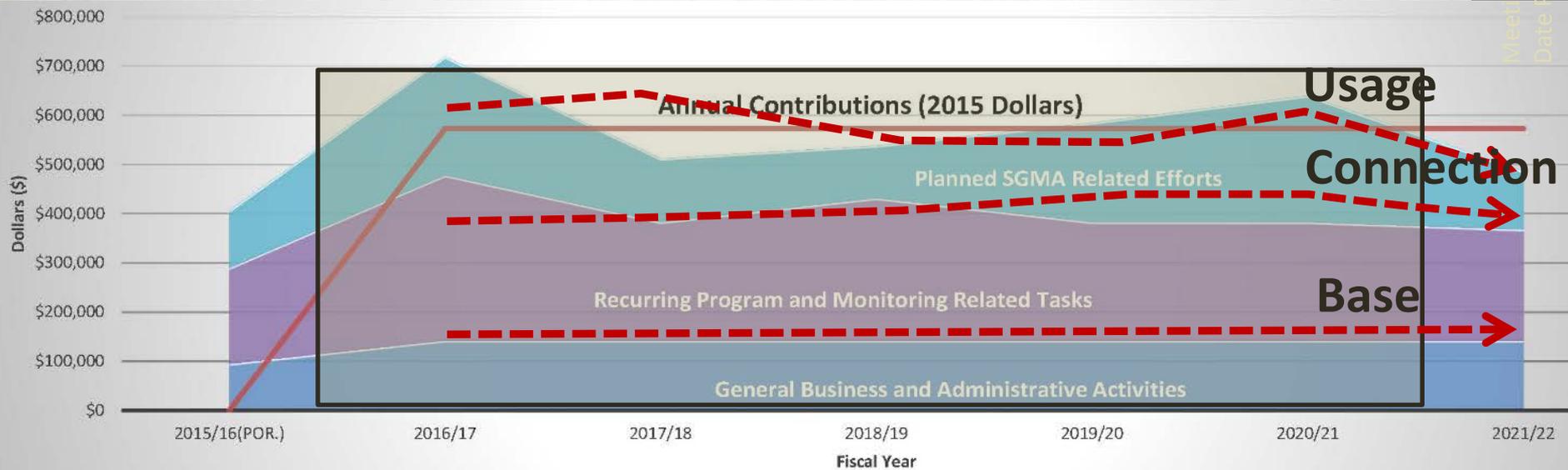
- Basis: Amount of Groundwater Pumped
- Benefit: Groundwater is maintained as a sustainable water supply



# FY 2016/17 Budgeting Process

- Moving 5-Year Work Plan
- Stabilize Contributions vs. Changing Costs

Meeting Date 1/26/2017  
Date Printed 1/31/2017



# FY 2017/18 Budgeting Process

- **Recommend continuing FY 16/17 interim finance model with modifications:**
  - limit number of accounts to in-basin only
  - recognize OH Water District Base contribution as an agricultural cost (i.e., JPA eligibility as recipient of Z13)
- **Update 5 Year Work Plan**
  - Considerations of different outcomes of Alternative Submittal process
  - Potential for increased legal and consultant efforts in Alternative Submittal Process and 2018 Basin Boundary Modification
  - CASGEM program improvements and BMR/SGMA reporting
  - State BMPs, gw/sw model development, etc.
- **Assess adequacy of current contributions**

# Migrating from Contribution to “Rate-Based” Model

- Pros and Cons of a Rate-based Model



- Pros

- Everybody pays fair share of the cost to manage and operate SCGA
- Defined level of benefit to rate payer is based on a quantified service provided by SCGA
- Increased transparency of cost model
- Addresses fairness question for non-pumpers
- Creates identity for SCGA as a standalone agency operating separately from Sac County

# Migrating, continued...

- Pros and Cons of a Rate-based Model, continued
  - Cons
    - **Challenge** in determining fairness
    - **Affordability** in certain sectors do not align with benefits
    - **Policing non-payers** may be cost prohibitive
    - **Higher costs** to develop, implement, billing services, audits, and updating of finance program
    - **Metered GW usage** (vs. estimated) in ag and ag-res sectors likely required (i.e., difficult and costly)
    - **Likely to cause rate-payer confusion:**
      - Intangible services and benefits
      - Double-billing for water in urban sectors
      - Paying for property right in private well use sectors
    - **Difficult to modify** under changing conditions

# Issues Raised in Presentation and Previous Budget SC Meetings

- Setting of rates is something that most board members haven't had to deal with...
- Can SGMA elements be treated differently from other traditional responsibilities?
- What are SCGA services and categories of groundwater users?
- Non-pumpers (or purveyors with little GW use) seek to better understand the relationship between costs and fairness for the benefits (access to GW in future) received?
- Need for a Rate Consultant?

# Rate Consultant

- Rate study needed, regardless of finance model, to establish nexus arguments for member agencies
  - **Defining nexus arguments is understood as being more challenging than a water utility**
  - **Current FY16/17 budget insufficient to undertake full scope**
  - **Emergency funding mechanism or donations as potential solution to increase current FY16/17 budget**
- Reached out to Shawn Koorn, HDR
  - **Feb Subcommittee Meeting to occur on Feb 21<sup>st</sup>, 22<sup>nd</sup>, or 23<sup>rd</sup>**
  - **Issues and Questions...**

# Issues and Questions

## **1. Assessments within multiple land use agencies**

- Coordination with Cities and County

## **2. Definition of what SCGA will be funding**

- Management and oversight responsibilities
- SGMA related actions above and beyond

## **3. Defining Customer Categories**

- Differing levels of groundwater benefits

## **4. Metric(s) for assessment**

- Flat rate per parcel, GW use, # of well(s) on property, well construction, parcel size, etc.

## **5. Pros and Cons of a flat tax rate model**

- How difficult to update if conditions change

# Issues and Questions

## 1. **Assess administrative cost argument for Delta Areas**

- The need to fund previously unmanaged areas
- Boundary Modification may remove this issue

# Budget SC Schedule

- Schedule to May 2017
  - Approximate 4-month time frame
    - End of Jan – Initial Meeting Defining Parallel Efforts
    - Feb – HDR Q&A, Scoping of Initial Steps
    - Mar – No Budget SC Meeting due to SGMA SC
    - April – Draft FY 2017/18 Finance Model
    - May – Finalize FY2017/18 Finance Model
- June – Budget Adoption
- July – Update of Rate Consultant Efforts

# Actions

- Enter into Exploration Phase contract with Rate Consultant
- Schedule February Subcommittee Meeting
- Prepare minutes and recommendations for February board meeting (i.e., need for emergency funding source vs. donation)
- Update 5 Year Work Plan
- Determine estimated contributions for FY 17/18

# End of Presentation

# GMP Area vs. Subbasin Area

