



# SCGA Finance Update

*SCGA Update of Financial Methodologies*

**January 25, 2016**

2/1/2016

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*SGMA/Finance Subcommittee Meeting No. 6*



# Presentation Overview

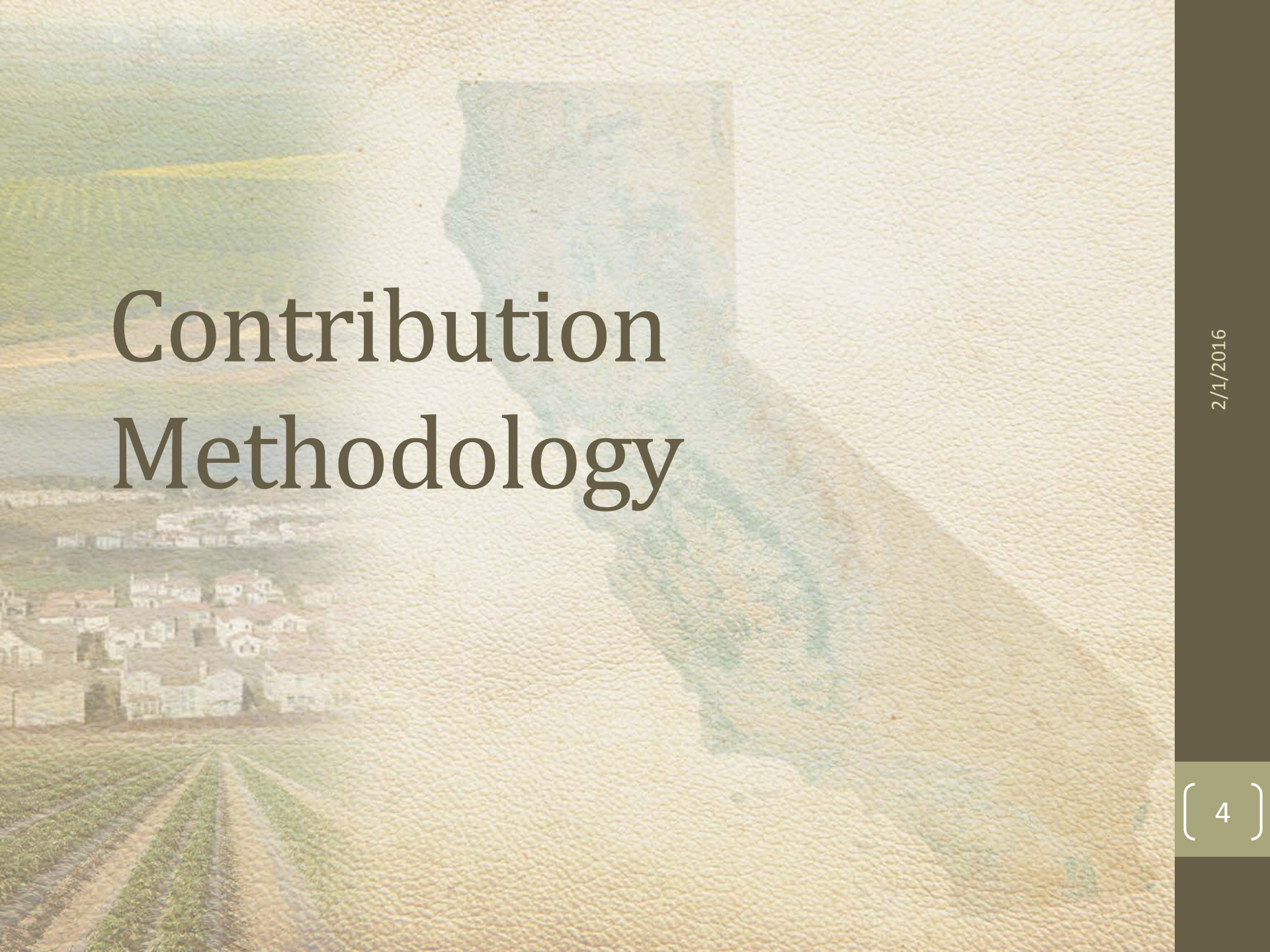
- Prior Meeting Discussion
- Contribution Methodology
- Estimated Level of Effort and Costs
- Finance Model Assumptions and Results



# Prior Meeting Discussion

- Current finance methodology results in shortage (i.e., pre- and post- SGMA)
- JPA already provides a means to adjust contributions
- Conversion to a SGA-like methodology
- Include a minimum contribution to participate as a voting Board member
- Keep current labor and overhead sharing structure



The background of the slide features a soft-focus photograph of a vineyard with rows of grapevines in the foreground and a small town in the distance. Overlaid on this is a large, semi-transparent map of the state of California.

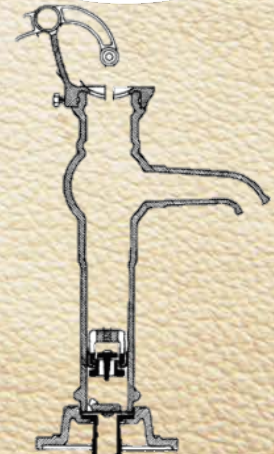
# Contribution Methodology



# Establishing a Clear Nexus

## Nexus Categories

- **Seat** (ability to vote)
  - Basis: Being a Board Member/Signatory
  - Nexus: Pays for benefits of having a vote
- **Base** (assurance of available groundwater)
  - Basis: Number of Water Service Accounts
  - Nexus: Assures access to an alternative source of water supply
- **Usage** (ability to extract groundwater)
  - Basis: Amount of Groundwater Pumped
  - Nexus: Continued reliable use of groundwater

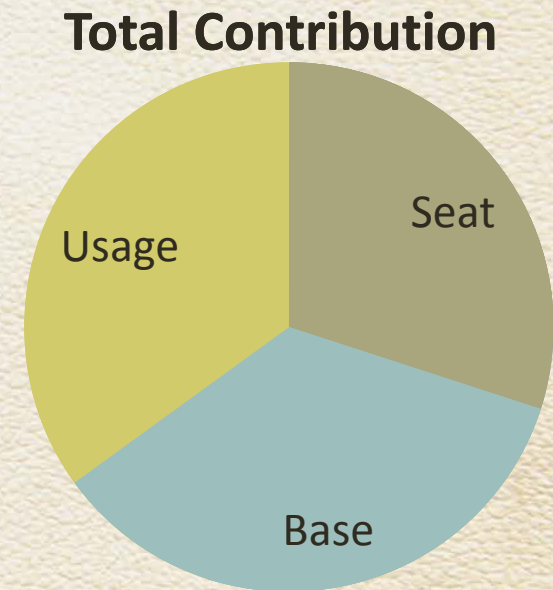




# Weighing Importance to the Agency

**Example: A large water district which is also a JPA Signatory reliant on surface water (dry – wet years)**

- **Seat** -Having an ability to vote on matters related to groundwater and its governance
- **Base** – “Peace of Mind” in having an alternative source of water supply in critical drought and emergency backup conditions
- **Usage** – Having an ability to pay more, or less, based on actual average groundwater use





# Methodology Assumptions

## ***“Qualitative” Definition of Unit Contributions***

- **Seat**
  - JPA Appointed Members pay a fixed amount
  - Signatory Members pay 2 times Appointed Members amount
- **Base (applies only to water purveyors)**
  - Water purveyors pay a fee if number of service connections exceed a fixed amount
  - A set minimum fee amount
  - A set unit cost per water service connection + minimum fee amount
  - Base contribution is greater of the two
- **Usage**
  - Average groundwater extraction defined by average pumping over last 3 yrs
  - Ag/Ag-Res Pumping Adjustment set to equate to 25%
  - A set unit cost per acre-foot multiplied by the average adjusted groundwater extraction amount



# Inflationary Adjustments

- Inflation is currently not accounted for in the Finance Model
- Language that includes inflationary adjustments will be determined in the future
  - Adjustment will likely be based on a modified cost index (e.g., ENR CCI + CPI) depending on level of capital improvement program



The background of the slide features a photograph of a vineyard with rows of grapevines in the foreground and a small town in the distance. Overlaid on this is a semi-transparent map of California, with the central and southern regions highlighted in a light green color.

# Estimated Level of Effort and Costs



# Estimated Future Efforts

## 1. General Business

- Administrative
- Accounting
- Staff Meetings
- Coordination
- Legal Counsel
- Consultant/Contract Management



## 2. Recurring Tasks

- Board/Committee Meetings and Preparation
- GMP Implementation
- Biennial State of the Basin
- Groundwater Model Update
- CASGEM Monitoring
- Management of Special GW Projects Management





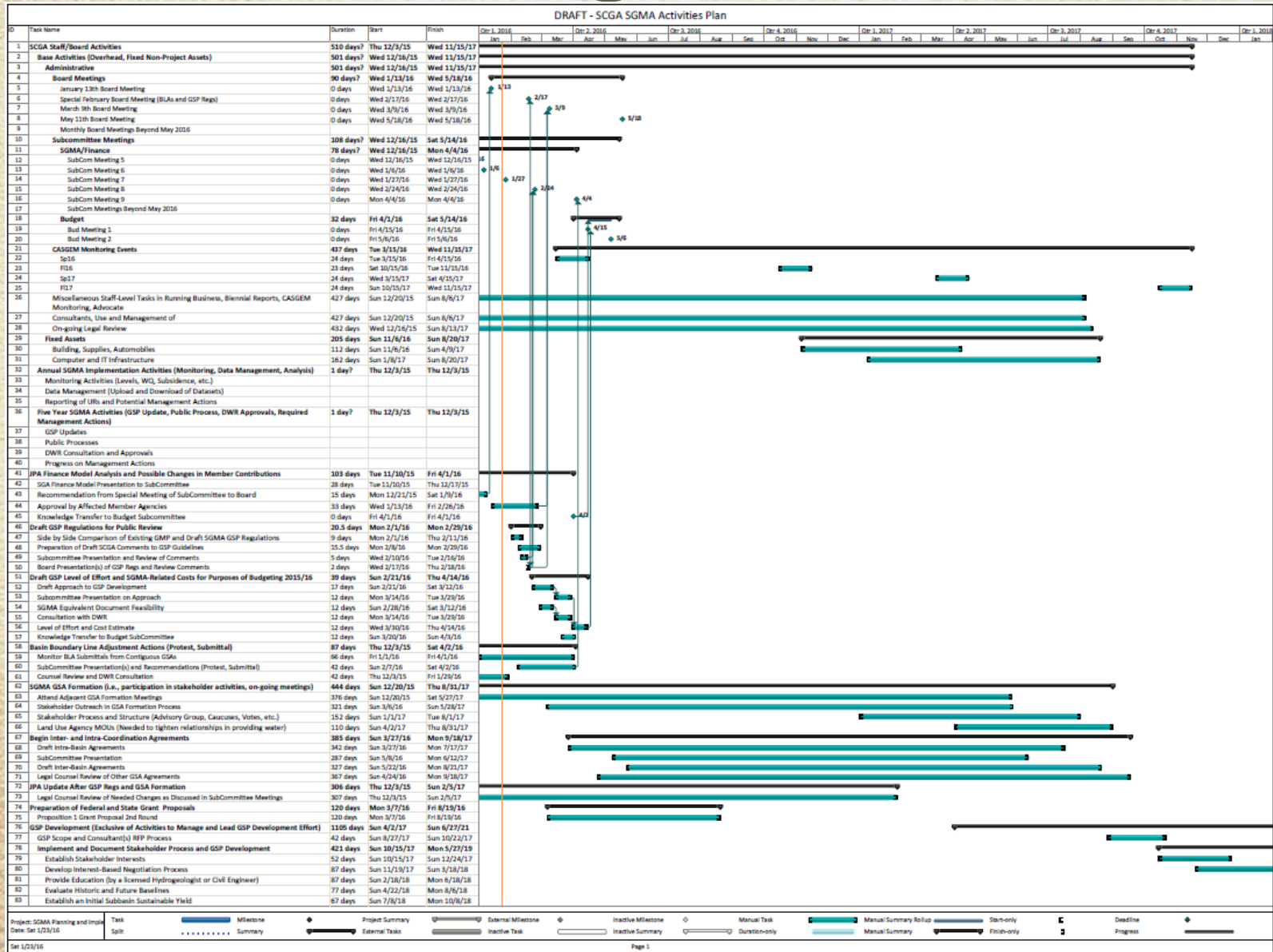
# Planned Efforts (including SGMA Implementation)

## 3. Planned Efforts

- JPA Finance Model Analysis
- Review of Draft GSP Regulations
- Assess GSP Level of Effort (for Budgeting)
- Basin Boundary Line Adjustment Actions (Protest, Submittal)
- GSA Formation (i.e., participation in stakeholder activities, on-going meetings)
- Intra- and Inter-Basin GSA Coordination Agreements
- JPA Updates
- Federal and State Grant Proposals
- GSP Stakeholder Processes
- GSP Development, Adoption, and DWR Submittal



# Task Scheduling

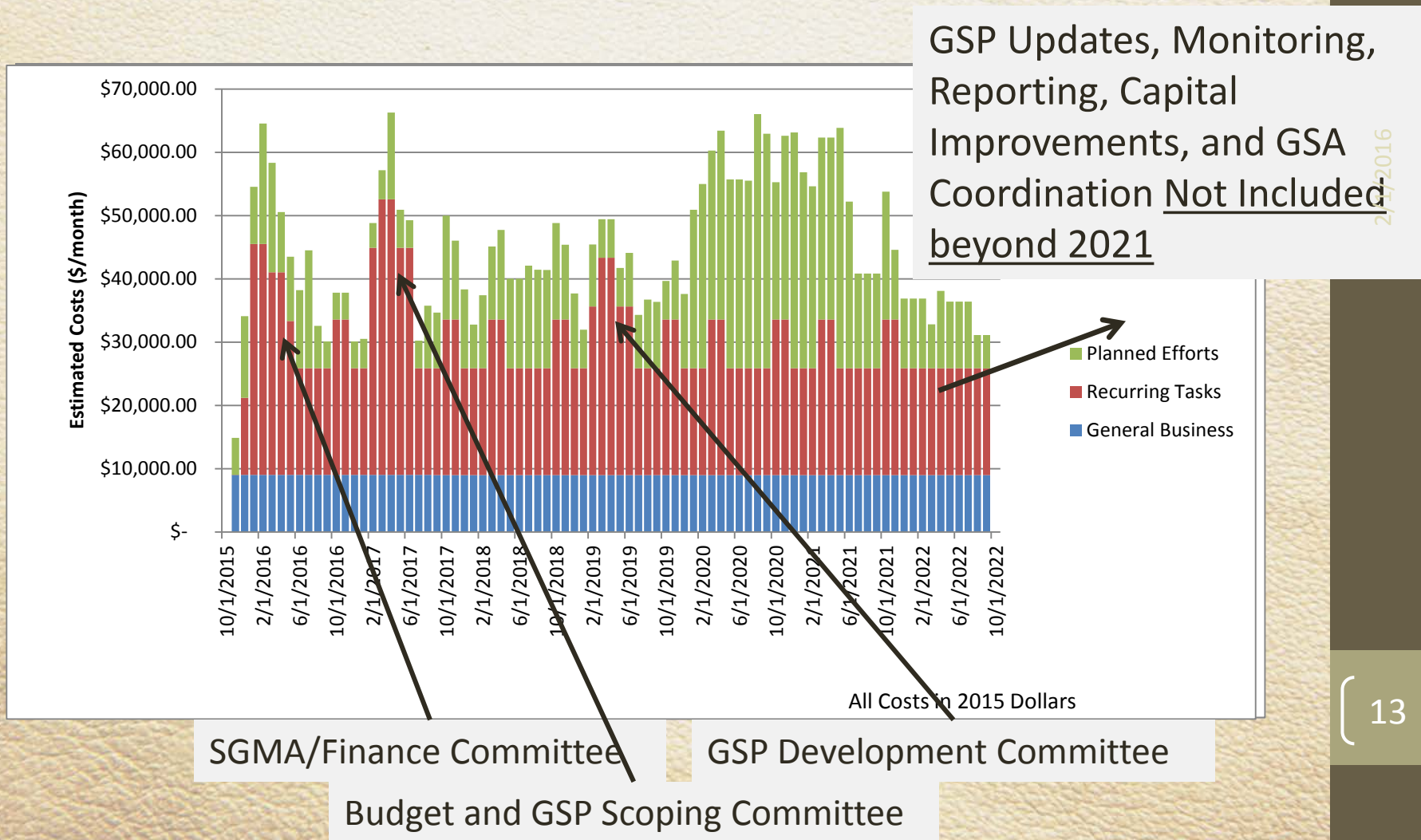


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# Estimated Costs (2015 Dollars)





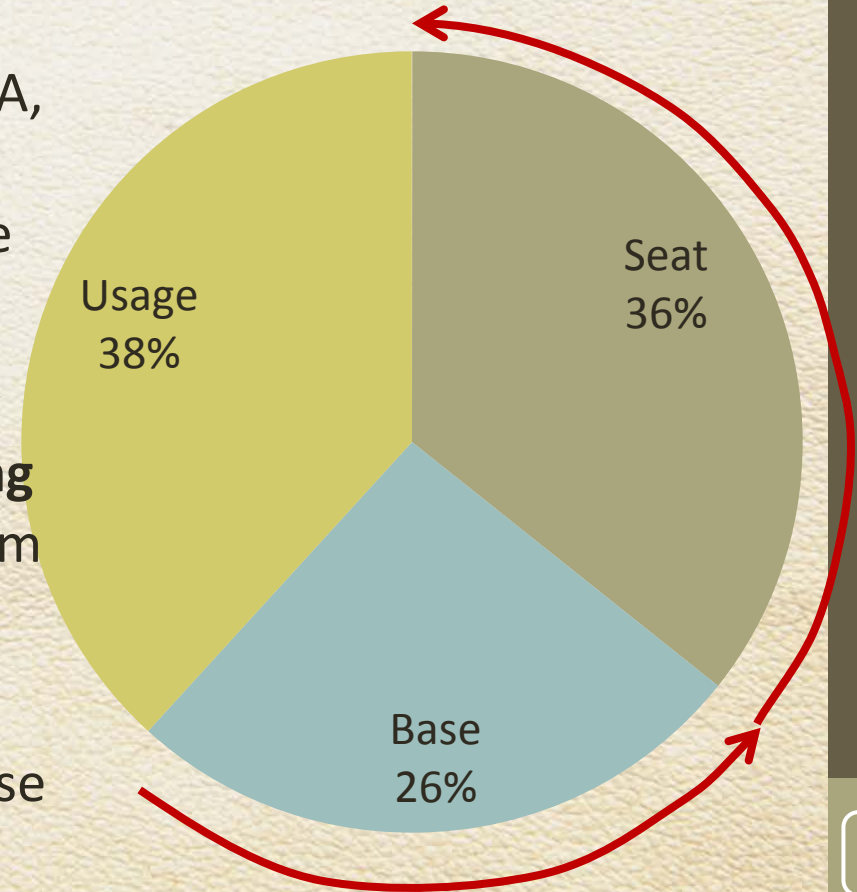


# Finance Model Assumptions



# SGMA Redefines Minimum Operating Expense

- SCGA is required to meet SGMA, regardless of the amount of groundwater pumped from the basin.
- **General Business and Recurring Tasks** are the absolute minimum level of effort
- **Base + Seat** > Minimum Expense





# Initial Finance Assumptions

- $\text{Seat} + \text{Base} + \text{Usage} = \text{Total Contribution}$
- Non-purveyors are **not** required to pay the minimum base contribution (i.e., no customers)
- Maintain 25% pumping reduction “equivalent” for Ag to effect no change in contribution with addition of Seat Contribution
- Florin County, Fruitridge Vista, and Tokay Park are not included
- Keep rates proportional to SGA Model
- **No** Inflationary Increases



# Initial Finance Assumptions

- Minimum fund balance is sufficient to cover 6 months of expense, or \$100K, whichever is greater
- Contributions occur over July – Sept of each year



# Model Results

## Seat Contribution

- Signatory \$20K
- Non-Signatory \$10K

| Agency                            | Seat              |
|-----------------------------------|-------------------|
|                                   |                   |
| City of Folsom                    | \$ 20,000         |
| City of Rancho Cordova            | \$ 20,000         |
| City of Sacramento                | \$ 20,000         |
| City of Elk Grove                 | \$ 20,000         |
| County of Sacramento              | \$ 20,000         |
| Elk Grove Water District          | \$ 10,000         |
| Rancho Murieta CSD                | \$ 10,000         |
| Cal-Am Water Company              | \$ 10,000         |
| Golden State Water Company        | \$ 10,000         |
| SCWA                              |                   |
| Omochumne-Hartnell Water District |                   |
| SRCS                              | \$ 10,000         |
| Ag Interests                      | \$ 10,000         |
| Ag-Res Interests                  | \$ 10,000         |
| Comm/Industrial Self Supplied     | \$ 10,000         |
| Public Agency Self Supplied       | \$ 10,000         |
| Conservation Land Owners          | \$ 10,000         |
| <b>TOTALS</b>                     | <b>\$ 200,000</b> |



# Model Results

## Base Contribution

- \$0.63/Connection
- Minimum 6,000 Connections
- Minimum Base Fee \$8,000

| Agency                            | Base           |
|-----------------------------------|----------------|
| City of Folsom                    | \$ 14,816      |
| City of Rancho Cordova            | \$ -           |
| City of Sacramento                | \$ 40,163      |
| City of Elk Grove                 | \$ -           |
| County of Sacramento              | \$ -           |
| Elk Grove Water District          | \$ 12,293      |
| Rancho Murieta CSD                | \$ 8,000       |
| Cal-Am Water Company              | \$ 18,440      |
| Golden State Water Company        | \$ 13,912      |
| SCWA                              | \$ 39,026      |
| Omochumne-Hartnell Water District |                |
| SRCSD                             | \$ -           |
| Ag Interests                      | \$ -           |
| Ag-Res Interests                  | \$ -           |
| Comm/Industrial Self Supplied     | \$ -           |
| Public Agency Self Supplied       | \$ -           |
| Conservation Land Owners          | \$ -           |
| <b>TOTALS</b>                     | <b>146,650</b> |



# Model Results

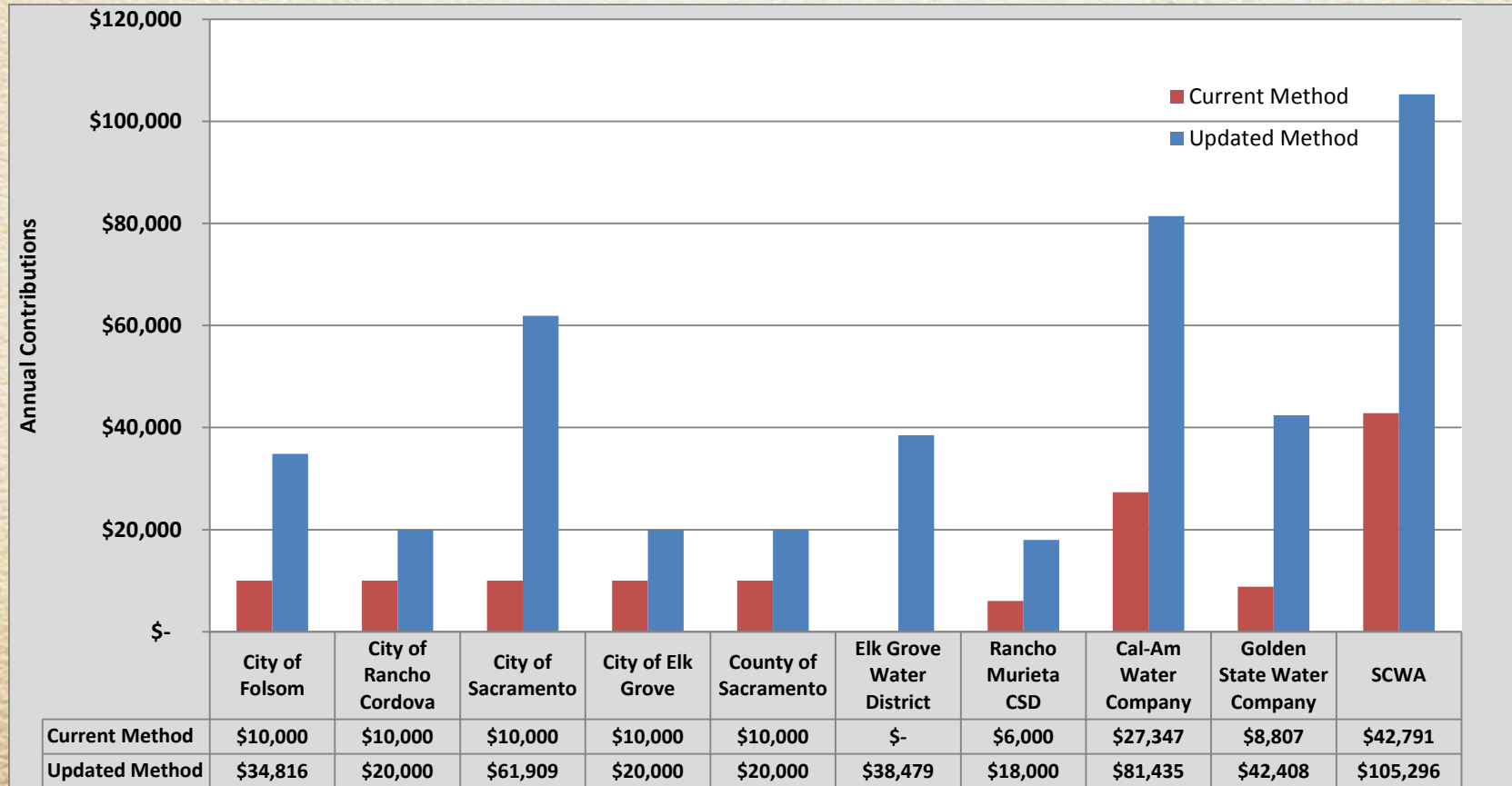
## Usage Contribution

- \$2.91/AF
- 19% Pumping Reduction for Ag

| Agency                            | Usage             |
|-----------------------------------|-------------------|
|                                   |                   |
| City of Folsom                    | \$ -              |
| City of Rancho Cordova            |                   |
| City of Sacramento                | \$ 1,746          |
| City of Elk Grove                 |                   |
| County of Sacramento              |                   |
| Elk Grove Water District          | \$ 16,185         |
| Rancho Murieta CSD                | \$ -              |
| Cal-Am Water Company              | \$ 52,994         |
| Golden State Water Company        | \$ 18,496         |
| SCWA                              | \$ 66,269         |
| Omochumne-Hartnell Water District | not a member of   |
| SRCS                              | \$ -              |
| Ag Interests                      | \$ 47,853         |
| Ag-Res Interests                  | \$ 11,224         |
| Comm/Industrial Self Supplied     | \$ -              |
| Public Agency Self Supplied       | \$ -              |
| Conservation Land Owners          | \$ -              |
| <b>TOTALS</b>                     | <b>\$ 214,769</b> |



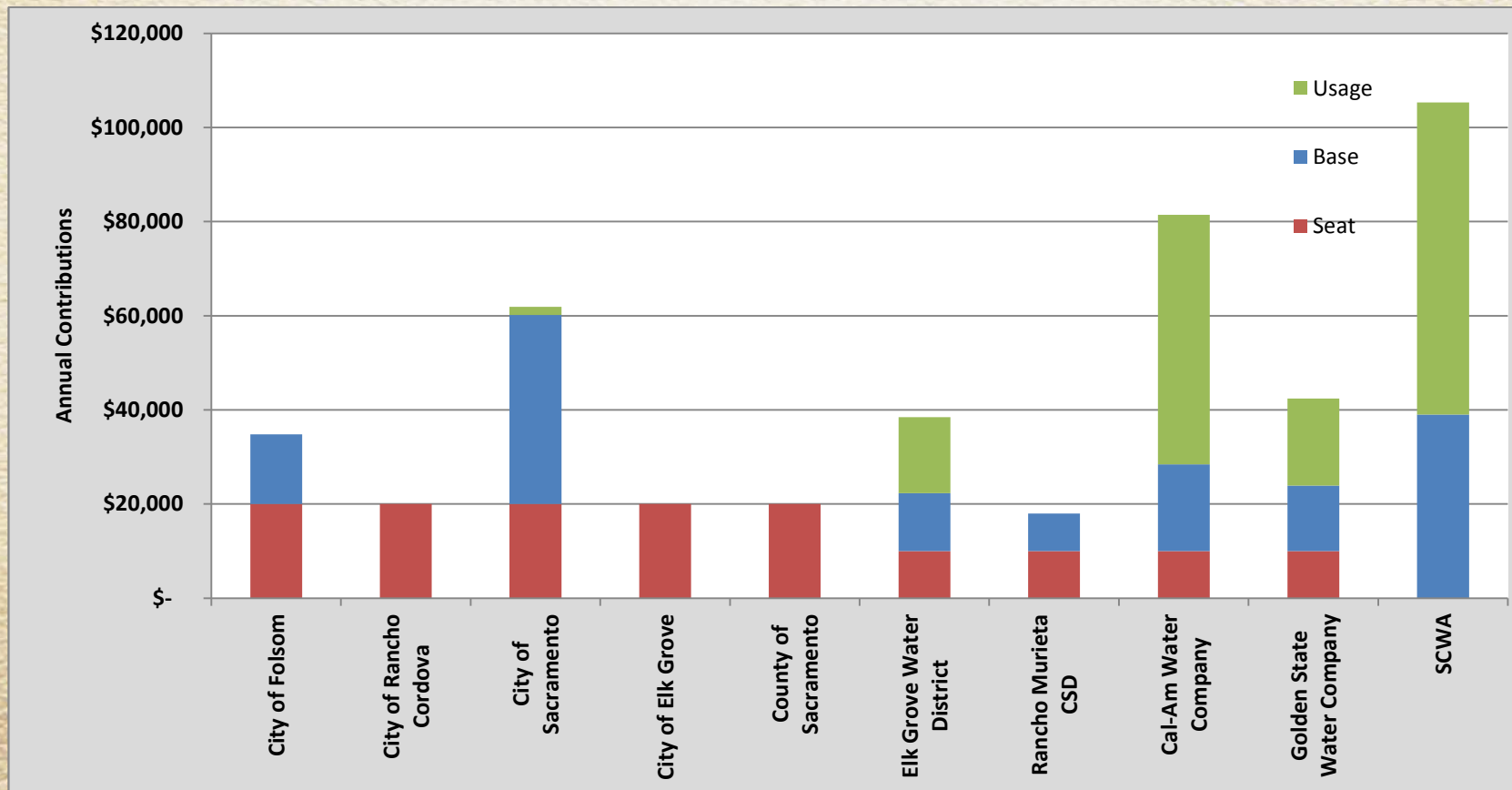
# Model Results





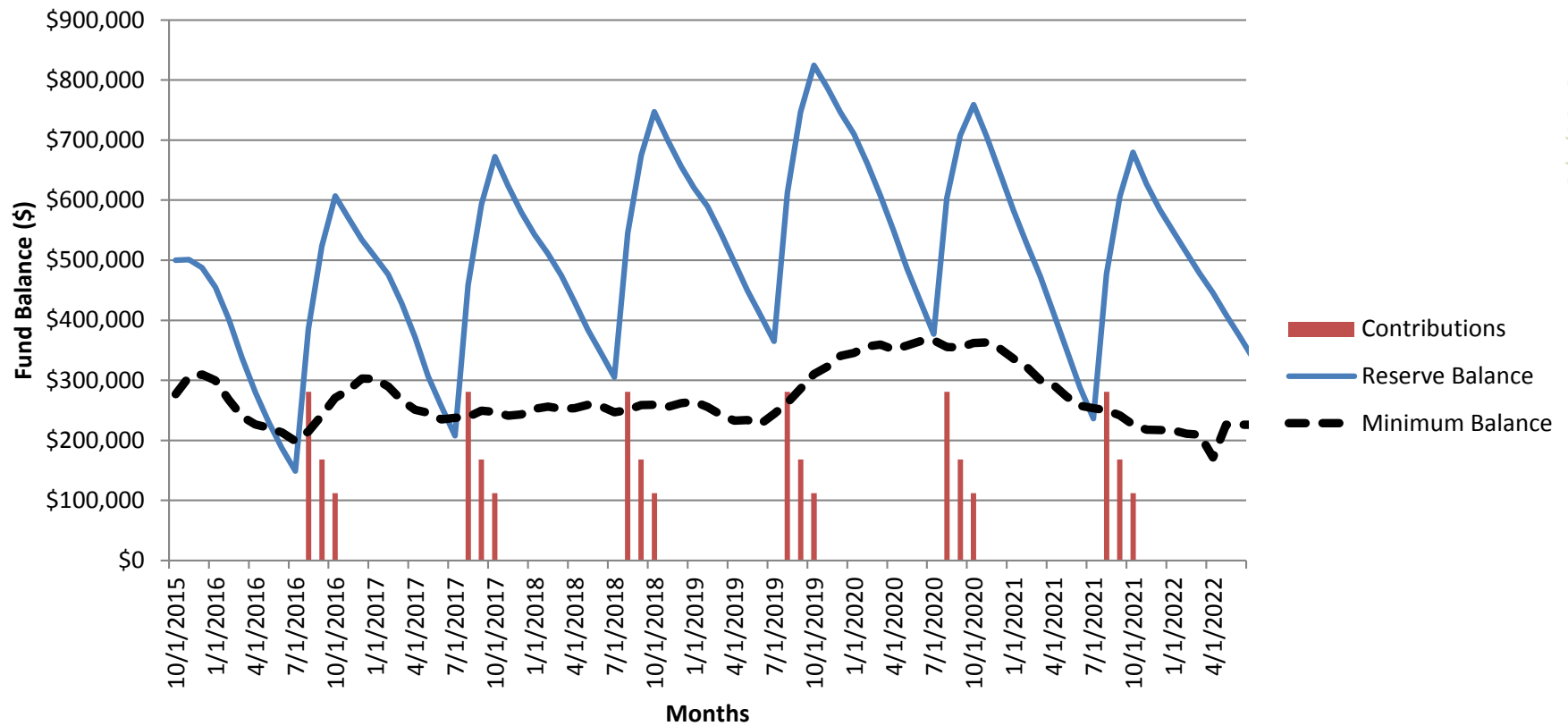
# Model Results

- $\text{Seat} + \text{Base} + \text{Usage} = \text{Total Contribution}$





# Model Results



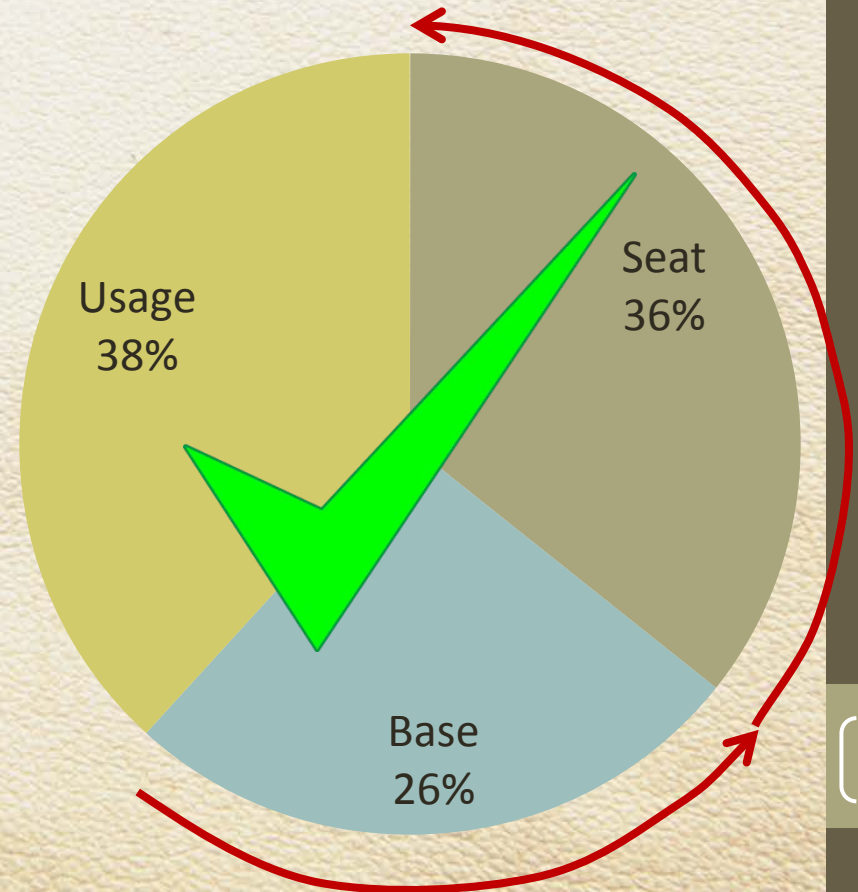


# Test for Minimum Operating Expenses

**5 Year Avg Minimum Operating Expense vs. Contributions**

**General + Recurring = 68%**

**Seat + Base = 62%**





# Next Steps

- Needed changes to financial model based on Today's discussion
- Counsel review of proposed changes
- Role of Budget Subcommittee
- Determine Stakeholder review process/approval
- Approval by SCGA Board

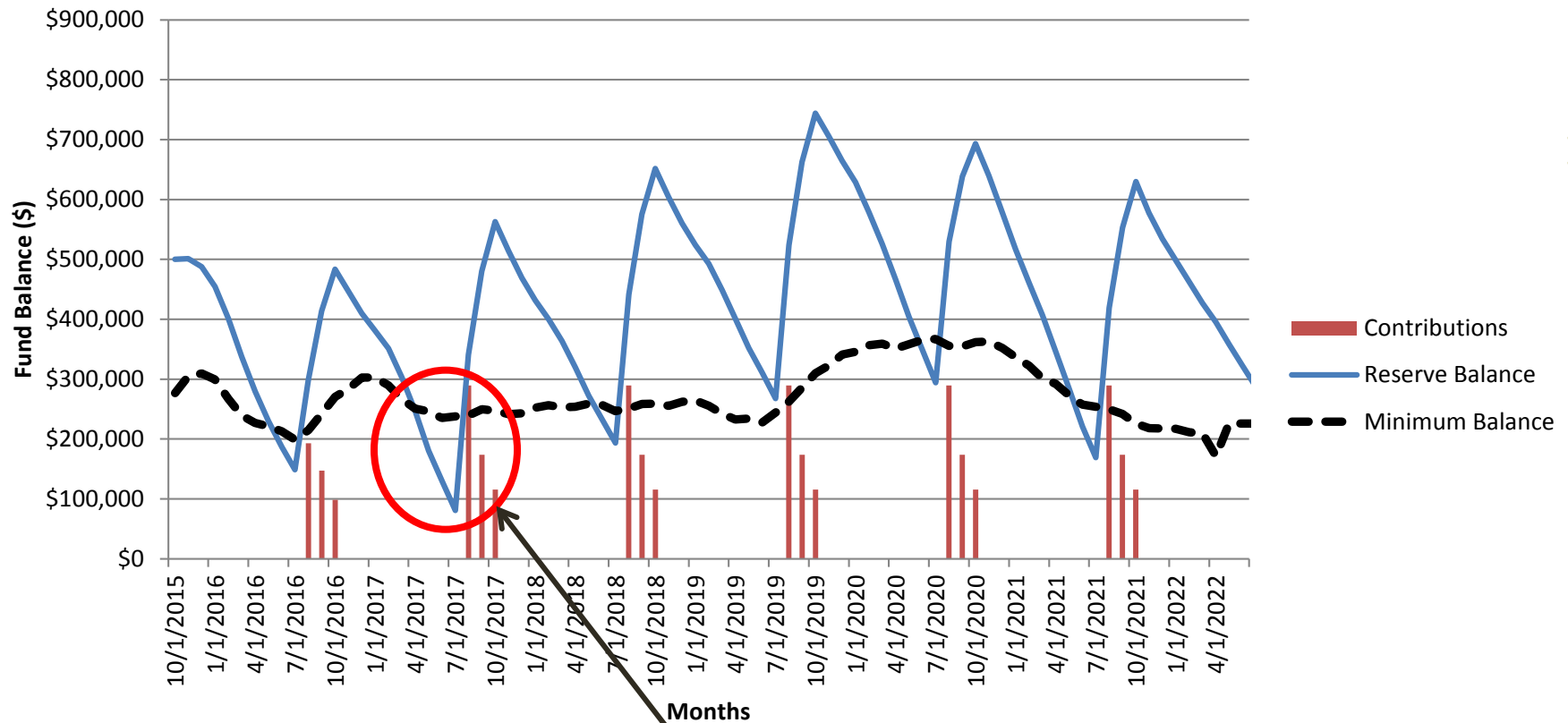




# End of Presentation



# Model Results



Potential for Grant Funding or Remove Transition