



# SHANDON-SAN JUAN WATER DISTRICT SHANDON-SAN JUAN GSA

## MEETING AGENDA March 27, 2024

The Board of Directors of the Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency will hold a regularly scheduled meeting at **9:00 A.M. on Wednesday, March 27, 2024**, at the Illy Lodge at Illy Sunnyslope Farms located at 3385 Truesdale Rd., Shandon, CA 93461.

Alternate Locations: Director Miller will participate in the meeting via teleconference from 132 E. Carrillo Street, Santa Barbara, 93101.

### Virtual Options for Public Participation:

<https://us06web.zoom.us/j/88510055315?pwd=Y0hpaZI2NWZsU2dvSGZsREwydUgvdz09>

**Meeting ID:** 885 1005 5315 **Passcode:** 095610 **Dial:** (669) 900-6833

**To view supporting documents, go to:** <https://www.ssjwd.org/agendas-minutes>

1. **Call to Order**
2. **Roll Call**
3. **Public Comment**
4. **Consent Agenda**
  - a. Meeting Minutes – December 14, 2023
  - b. Secretary/Treasurer’s Report – March 22, 2024
5. **Presentation from Wagner & Bonsignore Regarding Applications to the SWRCB for Supplemental Water**
6. **Paso Basin Cooperative Committee Updates on SGMA/GSP Implementations**
  - a. Review and Discuss Draft PBCC Budget Framework. SSJGSA’s portion is 20.2%.
  - b. Update on Cost of Service Rate Study RFP
    - i. Discuss DWR’s Resource Guide for Funding SGMA Implementation
  - c. Update on Governance Structure
  - d. Update on SGMA GSP Round 1 Grant Implementation
  - e. Satellite-Based Evapotranspiration (ET) Methodology for Agricultural Water Use Estimates
  - f. Alluvial Monitoring Well Installation Plan
  - g. Expanding Monitoring Network up to 151 More Wells
  - h. State Water Project Recharge Pilot Project and Next Steps
  - i. DWR Periodic Evaluation due 1/30/25
  - j. Next PBCC Meeting is March 27, 2024 at 4pm
7. **Discuss LAFCO File No. 1-R-24 Sphere of Influence Amendment and Annexation No. 1 to Shandon San-Juan Water District (Skyview)**
8. **Next Regularly Scheduled Meeting – Wednesday, April 24, 2024 @ 9am.**
9. **Adjourn**

*NOTE: In compliance with the American with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), if you need special assistance to access the meeting room or otherwise participate at this meeting, including auxiliary aids or services, please contact Bertoux & Co. 930 Nysted Dr. St. A Solvang, CA 93463 805-451-0841 [admin@ssjwd.org](mailto:admin@ssjwd.org). Notification of at least forty-eight (48) hours prior to the meeting will help enable reasonable arrangements to ensure accessibility to the meeting. Copies of Meeting Documents can be found on our District Website <https://www.ssjwd.org/> or requested by contacting Bertoux & Co. 930 Nysted Dr. St. A Solvang, CA 93463 805-451-0841 [admin@ssjwd.org](mailto:admin@ssjwd.org).*



# SHANDON-SAN JUAN WATER DISTRICT

## SHANDON-SAN JUAN GSA

### UNAPPROVED MEETING MINUTES December 14, 2023

The Board of Directors of the Shandon-San Juan Water District (SSJWD) and Shandon-San Juan Groundwater Sustainability Agency (SSJGSA) held a regularly scheduled meeting on Thursday, December 14, 2023, at 9:00am at the Illy Lodge at Illy Sunnyslope Farms located at 3385 Truesdale Rd., Shandon, CA 93461. Virtual options were made available for public participation. The agenda and all supporting documents were posted at <https://www.ssjwd.org/agendas-minutes>.

#### **I. Call to Order**

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President Cunha called the meeting to order at 9:03am on Thursday, December 14, 2023 at Illy Sunnyslope Farms.

#### **II. Roll Call**

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Directors Present:	Willy Cunha	Steve Sinton
	Ray Shady	Matt Turrentine

Directors Absent: Marshall Miller

#### **III. Public Comment**

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No public comments received.

#### **IV. Consent Agenda**

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The following motion was made by Director Sinton, seconded by Director Turrentine, and passed 4-0 with a roll call vote.

**MOTION – Approve the minutes from the September 27, 2023 Board meeting and the Secretary/Treasurer’s Report dated December 8, 2023, as presented.**

#### **V. Directors Reports**

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No Directors Reports.

#### **VI. Paso Basin Cooperative Committee (PBCC)**

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- A. Discuss and Consider Approving MOA Amendment No. 2. The Board reviewed and discussed Amendment No. 2 that would allow the County of San Luis Obispo GSA, in addition the City of Paso Robles GSA, to act as the Contracting Agent on behalf of the Paso Basin Cooperative Committee (PBCC) for the retention of consultants subject to the approval of the PBCC. This flexibility is particularly important as the PBCC works to implement the Groundwater Sustainability Plan and is an essential step for administering the \$7.6 million SGMA GSP Round 1 Grant received from the Department of Water Resources. The following motion was made by Director Shady, seconded by Director Sinton, and passed 4-0 with a roll call vote.

**MOTION – Approve Amendment No. 2 to the Memorandum of Agreement regarding Preparation of a Groundwater Sustainability Plan for the Paso Robles Groundwater Basin, as presented.**

- B. PBCC Updates: The \$7.6 million grant is being implemented. Highlights include: RFP for a rate study; Expanded Monitoring Network that includes more than 150 wells, 3 new stream gages, and 8 new

monitoring wells, and 2 climatologic stations; and Feasibility and Preliminary Engineering Study RFP for the Blended Water Project.

C. Next PBCC Meeting: January 24, 2024 @ 4pm.

**VII. SLO County Master Water Report and Data Management System**

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The County of SLO is working with a consultant to develop a water data and information management system and update the Countywide Master Water Report. SSJGSA would like to learn more about County’s long-term strategy for data management regarding GSP implementation, groundwater levels, extraction data and/or how GSA’s can connect and/or utilize the system. Director Shady volunteered to reach out to Blaine Reely and Brendan Clark for more information.

**VIII. Next Meeting**

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The next Board of Directors meeting scheduled for Wednesday, January 24, 2024, has been moved to Thursday, January 18, 2024 at 9am at the Illy House.

**IX. Adjourn**

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President Cunha adjourned the meeting at 9:44am.

**Accepted:**

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Stephanie Bertoux, Secretary  
February 28, 2024



# SHANDON-SAN JUAN WATER DISTRICT

## SHANDON-SAN JUAN GSA

### Secretary/Treasurer's Report: December 9, 2023 – March 22, 2024

Date: March 22, 2024

To: Shandon-San Juan Water District Board of Directors

From: Stephanie Bertoux, District Secretary/Treasurer/Assessor

#### Assessments for FY 2023/24:

Assessments were levied on July 26, 2023. \$401,140.26 was due January 26, 2024. \$389,938.35 has been collected to date.

#### Income:

Income for the period totaled \$155,428.01 from FY 23-24 Assessments.

- 12/28/23 Deposit: \$79,179.61
- 02/07/24 Deposit: \$76,248.40

#### Account Receivable:

The A/R total for FY 23-24 Assessments is \$11,202.01.

#### Expenses

Expenses for the period totaled \$21,438.75.

#### FY 2023-24 Budget Summary – Year to Date

	FY 23-24 Budget	FY 23-24 YTD Total	FY 23-24 Balance
Income	\$401,140.26	\$389,938.25	\$11,202.01
Expenses	\$305,414.75	\$98,575.15	\$206,839.60
Contingency (10%)	\$30,500 (could move to project fund at year end if unused)	\$0	\$30,500
Projected YE Balance	\$65,225.51 (could move to project fund at year end)		

#### Cash Position

After paying expenses noted above, the District has a current cash position of \$678,196.35. Managing on a cash basis, the District's fund balance is:

- \$237,339.60 – Remaining operating funds for FY 23-24 plus 10% contingency
- \$440,856.75 – Funds earmarked for GSP Implementation projects, management actions, and studies

### Board Training & Certifications

- Form 700s – due April 1, 2024. Filed through Netfile. Each Director should have received an email from the County.
- Ethics Training is required every two years. <https://localethics.fppc.ca.gov/login.aspx>.
- Sexual Harassment Training is required every two years.

Director	COI – Form 700 (Required Annually by April 1)	Ethics Training (Required Biannually)	Sexual Harassment Training (Required Biannually)
Willy Cunha	Completed 01/22/24	Completed 02/17/23	Completed 02/01/23
Marshall Miller	<b><i>Need to Complete</i></b>	<b><i>Need to Complete</i></b>	Completed 03/10/23
Ray Shady	<b><i>Need to Complete</i></b>	Completed 09/23/23	<b><i>Need to Complete</i></b>
Steve Sinton	<b><i>Need to Complete</i></b>	Completed 08/25/22	Completed 03/10/23
Matt Turrentine	<b><i>Need to Complete</i></b>	Completed 03/19/23	Completed 03/10/23

### 2023 State Controller’s Report

SSJWD’s Special District Financial Transaction Report was electronically submitted on January 31, 2024.

### 2023 Government Compensation Report

SSJWD’s Government Compensation Report was electronically submitted on February 28, 2024.

### Audit for FY 22-23

SSJWD’s audit for FY 22-23 is being prepared by Moss, Levy, & Hartzheim. It is due to both the County and the State by June 30, 2024.

PASO BASIN COORDINATION COMMITTEE

**Draft FY 2024-2025 Expenses Budget**

Budget Components	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Currently Funded by GSAs	Notes
<b>Grant Funded Cost Components</b>						
<b>Grant Funded</b>						
1 ET Ag Water Usage Program		\$ 120,000			Required by Grant	Comp 5, Task 2 = extraction reporting from gw pumping
2 Cost of Service Rate Study		\$ 150,000			Required by Grant	Comp 6, Task 3
3 Address High Priority GSP Data Gaps (Expanded Monitoring Network)		\$ 1,400,000			Required by Grant	Comp 4
4 MILR Program Framework		\$ 380,000			Required by Grant	Comp 5, Task 4
5 Well Verification/Registration Program		\$ 100,000			Required by Grant	Comp 5, Task 1
6 Drinking Well Impact Mitigation Program Development		\$ 200,000			Required by Grant	Comp 5, Task 3
7 Blended Irrigation Water Supply Program		\$ 300,000			Required by Grant	Comp 6, Task 1, approx 25% expended prior to FY 24/25
8 SWP Feasibility Project		\$ 200,000			Required by Grant	Comp 6, Task 2
9 City of Paso Robles Recycled Water Distribution System - Salinas River Segment	\$ 3,500,000				Required by Grant	Comp 2, to be expended prior to FY 24-25
10 San Miguel CSD Recycled Water Supply Project		\$ 1,000,000			Required by Grant	Comp 3
<b>Grant Funded Total</b>	<b>\$ 3,500,000</b>	<b>\$ 3,850,000</b>				

Budget Components	FY 23-24	FY 24-25	FY 25-26	FY 26-27	Currently Funded by GSAs	Notes
<b>PBCC Funded Cost Components</b>						
<b>SGMA-Required</b>						
11 Annual Report WY 2024	\$ 95,000	\$ 100,000	\$ 110,000	\$ 121,000	✓	Required by DWR
12 GSP Fifth Year Evaluation		\$ 300,000			New item	Required by DWR
13 ET Ag Water Usage Program			\$ 120,000	\$ 120,000	New item	
14 Ongoing Basin Monitoring Operations & Maintenance		\$ 75,000	\$ 82,500	\$ 90,750	✓ / New item	Required by DWR
<b>GSP Initiatives</b>						
15 Outreach Program (Continued efforts including new website)		\$ 75,000	\$ 82,500	\$ 90,750	✓ / New item	Recommended
<b>Administrative</b>						
16 Develop Governance Structure (e.g. JPA, etc.)		\$ 50,000		\$ -	New item	Discretionary
17 Executive Director and Support Staff			\$ 180,000	\$ 200,000	New item	Discretionary
18 Legal Counsel			\$ 82,500	\$ 90,750	New item	Discretionary
19 PBCC Administrative Costs (Insurance, Audit, Accounting, etc.)			\$ 82,500	\$ 90,750	New item	Discretionary
20 Grant Development (2 grants)			\$ 82,500	\$ 90,750	New item	Discretionary
21 Technical Consultant(s) (as necessary)			\$ 110,000	\$ 121,000	New item	Discretionary
<b>TOTAL</b>	<b>\$ 95,000</b>	<b>\$ 600,000</b>	<b>\$ 932,500</b>	<b>\$ 1,015,750</b>		

	GSA Cost Share	FY 23-24	FY 24-25	FY 25-26	FY 26-27	GSA Cost Share %
a	County of San Luis Obispo GSA	\$ 30,685	\$ 193,800	\$ 301,198	\$ 328,087	32.3%
b	Estrella-El Pomar-Creston Water District GSA	\$ 27,835	\$ 175,800	\$ 273,223	\$ 297,615	29.3%
c	Shandon San Juan Water District GSA	\$ 19,190	\$ 121,200	\$ 188,365	\$ 205,182	20.2%
d	City of Paso Robles GSA	\$ 14,440	\$ 91,200	\$ 141,740	\$ 154,394	15.2%
e	San Miguel Community Services District GSA	\$ 2,850	\$ 18,000	\$ 27,975	\$ 30,473	3.0%



RESOURCE GUIDE

# Funding SGMA Implementation

Sustainable Groundwater  
Management Program



MARCH 2024

**This resource document was developed with the support of:**

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### **External Review Panel**

Kassy Chauhan, North Kings GSA  
Marina Deligiannis, Lake County Groundwater Sustainability Agency (GSA)  
Ann DuBay, Sonoma County Water Agency (retired)  
Aaron Fukuda, Mid-Kaweah GSA  
Tom Henderson, West San Jacinto GSA  
Adam Hutchinson, Orange County Water District  
Sierra Ryan, Santa Cruz Mid-County Groundwater Agency GSA  
Kerry Schmitz, Sacramento County GSA  
Kristin Sicke, Yolo Subbasin GSA



## **CALIFORNIA DEPARTMENT OF WATER RESOURCES**

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## SECTION 1: ABOUT THIS DOCUMENT

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### ***Purpose of this Resource Guide***

The Sustainable Groundwater Management Act (SGMA) establishes a statewide framework to help protect groundwater resources over the long-term. SGMA entrusts local, public Groundwater Sustainability Agencies<sup>1</sup> (GSAs) with new authorities, including fee authorities, to work with their communities to develop and implement Groundwater Sustainability Plans (GSPs) or Alternatives to GSPs (collectively referred to as GSPs throughout this document) to bring California's groundwater basins into sustainability.

Successful implementation of these plans requires a reliable stream of funding. While the Department of Water Resources (DWR) has awarded more than \$500 million in grant funding to date for the development and initial implementation of GSPs, DWR lacks the resources to fund the entire estimated cost of SGMA implementation over the 20-year horizon. This means GSAs will need to self-fund actions associated with day-to-day administration, implementation of projects and management actions, outreach and engagement, and other efforts.

The objective of this high-level resource guide is to provide GSAs with information that will support the selection and development of self-funding streams. The document outlines common funding mechanisms available to GSAs and provides a general approach that agencies can consider when developing a funding mechanism and rate structure. The guide also references existing resources related to development of funding strategies for SGMA implementation.

DWR recognizes that GSAs are at different stages of SGMA compliance, GSP implementation, and the funding process. Those earlier in the process may find this document most useful as it is intended to provide a resource on funding selection and development. Further, the varying characteristics of each GSA and those within its jurisdiction could affect the selection of a preferred funding mechanism(s). While it is not possible to provide specific guidance for each GSA, as there is no "one size fits all" approach, various resources and guiding questions are provided for consideration.

### ***How to Use this Resource Guide***

This resource guide is subdivided into three general sections:

- [Section 2](#) provides an overview of common funding mechanisms available to GSAs for SGMA implementation;
- [Section 3](#) walks through a general approach for developing a funding strategy, poses guiding questions for consideration and includes a discussion on engagement with interested parties; and
- [Section 4](#) provides a high-level overview of federal, state, and local funding opportunities to support SGMA implementation.

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<sup>1</sup> The term GSA is intended to capture both GSAs as well as local agencies responsible for SGMA compliance.

To support this resource guide, three appendices are provided at the end of the document, including: [Appendix A - Glossary](#), [Appendix B - Resources](#), and [Appendix C - References](#). The Glossary (Appendix A) defines how key terms are used within this guide.

### ***Limitations and Use of this Resource Guide***

This resource guide is not intended to prescribe specific fiscal planning methods for GSAs or other local agencies to follow, but to provide resources, guiding questions and examples for consideration. The guide summarizes common funding mechanisms available to GSAs and outlines general requirements that must be met to implement them consistent with SGMA and State regulations; **however, GSAs should obtain their own legal and technical counsel when considering, and before adopting, specific funding mechanisms.**

As this document demonstrates, and as is consistent with State policy favoring local control and management of groundwater, GSAs have discretion and flexibility over what funding mechanisms to use and how they communicate and engage with the ratepayers and beneficiaries of groundwater within a basin.

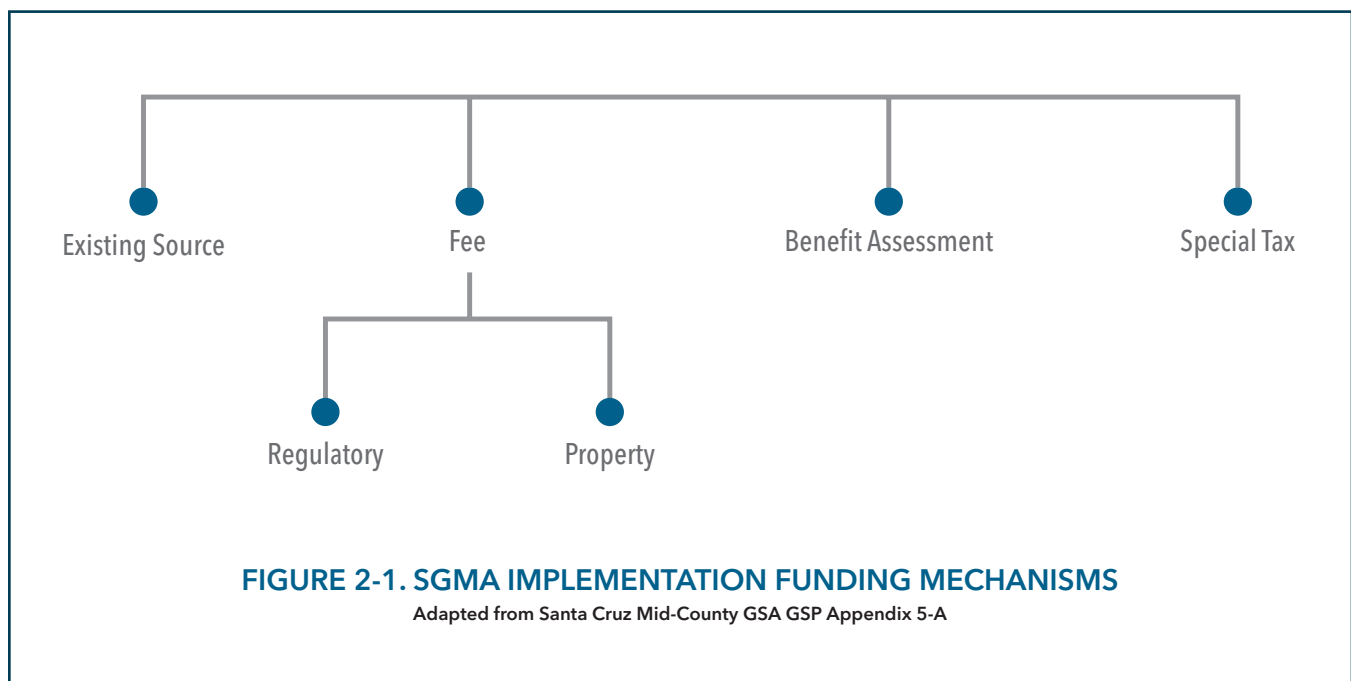
## SECTION 2: SGMA IMPLEMENTATION FUNDING MECHANISMS

SGMA granted new and specific local fee authorities to GSAs to fund their local activities. As authorized by California Water Code (CWC) Sections 10730 and 10730.2 of SGMA, in addition to other powers authorized by the California Constitution and other applicable laws, GSAs may levy taxes and fees. The funding mechanisms available to a GSA depend on the powers granted to that GSA by the law. GSAs should consult with their legal counsel to confirm which funding mechanism(s) they can pursue.

While not exhaustive, five common self-funding mechanisms that may be available to GSAs for SGMA implementation are listed below.

- Existing Funding Source(s)
- Regulatory Fee
- Property Related Fee
- Benefit Assessment
- Special Taxes

Each of these funding mechanisms can have multiple, or different, approaches regarding how to structure the cost allocation (e.g., users can be charged per wellhead, parcel, acre-foot, etc.). These cost allocation methods are discussed further in [Section 3, Step 3](#). Additionally, the self-funding mechanisms listed do not cover other funding options, such as long-term borrowing, or grants. For more information on local, state, and federal funding opportunities, see [Section 4](#).



The following sections introduce the funding mechanisms and include the statutory authorization and associated requirements. Note this content is intended to provide a high-level overview and is not a substitute for case-specific legal advice or intended to dictate the specific approach a GSA should undertake.

**TABLE 2-1. COMPARISON OF SGMA IMPLEMENTATION FUNDING OPTIONS**

FUNDING MECHANISM	REGULATORY MECHANISM	BALLOT REQUIRED	APPROVAL	COLLECTION	PUBLIC OUTREACH REQUIREMENTS
<b>Regulatory Fee</b>	Proposition 26	No	Board Approval	Direct or County Tax Roll	Public Meeting Notice
<b>Property Fee</b>	Proposition 218	No	No Majority Protest and Board Approval	Direct or County Tax Roll	Mailed Notice to impacted customers, Public Hearing
<b>Benefit Assessment</b>	Proposition 218	Yes	No Majority Protest and Board Approval	County Tax Roll	Mailed Notice to impacted customers, Public Hearing
<b>Special Tax</b>	California Government Code	Yes	Two-thirds approval from electorate	County Tax Roll	Mailed Notice to impacted customers, Public Hearing

**EXISTING FUNDING SOURCES**

A GSA may have an existing funding source, or sources, which can be used for SGMA implementation. This funding source may be in the form of a contribution(s) from a general fund, existing charges (property tax, special tax, assessment, water rate), existing grants and loans, and member agencies. For example, a GSA could continue to use the same self-funding sources from GSP development into SGMA implementation for certain activities, if appropriate and allowable.

**Requirements for Existing Funding Sources**

The implementation requirements will vary based on the type of funding that is in place. Requirements related to customer noticing, public hearings/meetings, approval process, documentation, and implementation, will be guided by the existing fee approach. In some situations, the process may be simple and straightforward. For example, a County Board of Supervisors, which also governs the GSA, could take action to use existing property taxes to fund the GSA. In other situations, the process may be complex and involve a public notice, customer voting, and approval.

The foremost consideration when utilizing existing funding sources is to determine whether the existing funds can be used for SGMA implementation activities, as some funding sources have restrictions on how they can be used. If the funds can be used for SGMA implementation, the next consideration is whether the existing funds are sufficient. Insufficient funds would either require reduced funding for other programs, the development of additional funding (e.g., increase rates), or identification of new funding sources. Should a GSA decide to move forward with an existing funding source, the next consideration is how to collect the fee from the various entities and customers of the GSA (e.g., cost allocation methods). A benefit of using existing funding sources is that the administrative infrastructure to collect the funds already exists (e.g., billing system, personnel, etc.).

## **REGULATORY FEE**

As defined by California Constitution Article XIII C, and outlined in Proposition 26 (Prop 26), a regulatory fee refers to a charge that meets one of seven exemptions to the definition of a tax.<sup>2</sup> The exemptions are charges for specific benefits, specific services, reasonable regulatory costs, use of government property, violations of law, conditions of property development, and property-related fees.

GSAs are granted regulatory fee authority under CWC Section 10730(a) - (e). GSAs may determine that the fee imposed on users is a reasonable regulatory cost for SGMA implementation. However, GSAs cannot impose fees on de minimis extractors (i.e., a user who extracts 2 acre-feet (AF) or less per year for domestic purposes) unless the agency has determined to regulate de minimis extractors pursuant to SGMA.<sup>3</sup> Regulating de minimis users is a consideration when implementing a regulatory fee under Prop 26.

As authorized by CWC Section 10730, a GSA may impose fees, including but not limited to, permit fees and fees on groundwater extraction or other regulated activity to fund the costs of a groundwater sustainability program, including, but not limited to, preparation, adoption, and amendment of a GSP, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

### **Regulatory Fee Requirements**

The requirements for establishing and implementing a regulatory fee are defined by Prop 26 and California Constitution Article XIII C. The requirements related to documentation, public noticing, approval, and collection have been organized and distilled here for ease of reading. See California Constitution Article XIII C for the full, unabridged text.

**Documentation.** GSAs need to document that the revenue generated by the regulatory fee is equal to, or less than, the cost of providing the service. This type of documentation is often referred to as a fee study, but other documentation may be used such that it meets the legal requirements. This information, and associated data, is to be made publicly available at least 20 days prior to the public meeting.

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<sup>2</sup> California Constitution Article XIII C, Section 1 (e) (1) - (6)

<sup>3</sup> The term regulated is not defined by the California Water Code and is open for interpretation. Consult your legal counsel to determine if de minimis users can be considered "regulated."

**Public Meeting and Notice.** A GSA must hold at least one public meeting prior to imposing or increasing a regulatory fee. The GSA must provide notice of the meeting time and place with a general explanation of the fee, or fee increase, being considered. The notice should be posted on the GSA website and mailed to anyone who files a written request.

**Approval.** A regulatory fee is adopted by the agency governing body generally through an ordinance or resolution. No balloting or voter-approval is required to impose a regulatory fee.

**Collection.** The regulatory fee may be collected on a monthly to annual basis. The fee can be charged directly to the customer, or through other means (e.g., property tax bill).

### ***PROPERTY RELATED FEE***

As defined by the California Constitution and outlined in Proposition 218 (Prop 218), a property related fee refers to fees and charges other than taxes and assessments imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service. These fees are exempt from the definition of a tax.

GSA that adopt GSPs pursuant to SGMA are granted property fee authority under CWC Section 10730.2(a) - (e). To enact a property related fee a GSA must comply with the substantive approval requirements as outlined in the California Constitution Article XII D. These are summarized below

- **Cost of Service.** The revenue generated by the fee/charge should not exceed the cost of providing the service.
- **Intended Purpose.** The fee cannot be used for anything other than its intended purpose.
- **Proportional Cost.** The fee must be proportional to the cost of the service. In other words, the fee must reflect the cost of providing the service, and like customers should have a like fee.
- **Available Service.** Customers must use, or have available to them, the service for which they are being charged.
- **Not a General Government Service.** The fee is not for services available to the public at large such as police, fire, or library services.

As authorized by CWC Section 10730.2(a), fees can be used to fund the cost of groundwater management, including, but not limited to, the cost of administration, operation and maintenance, a prudent reserve, land and other property acquisition, water supply production, treatment or distribution, and other activities.

### **Property Related Fee Requirements**

The requirements for establishing and implementing a property related fee, on the extraction of groundwater, are defined by Prop 218 and California Constitution Article XII D. The requirements have been organized and distilled here for ease of reading. See Article XII D for the full, unabridged text.

**Documentation.** GSAs must develop the administrative record for the proposed fee, which may include the written record that documents the cost-basis and proportionality, and the customer notification and protest processes.

**Public Hearing and Notice.** A GSA must send out a mailed notice to all landowners which includes the following: a description of the proposed fee (or change in the fee), the dollar amount, how the fee was calculated, and the date, time, and location of the public hearing for the proposed fee. At least 45 days after the notices are mailed, GSAs must hold a public hearing and consider all protests against the proposed fee.

**Approval.** If there is no majority protest at the public hearing, the GSA may adopt the fee or charge. A majority protest is defined when more than 50 percent of the customers impacted by the fee submit a protest.

**Collection.** The fee may be collected on a monthly to annual basis. The fee can be charged directly to the customer, or through other means (e.g., property tax bill).

## ***BENEFIT ASSESSMENT***

As defined by Prop 218, an assessment is any levy or charge upon real property by an agency conferring a special benefit upon the property.<sup>4</sup> A benefit or special assessment is a charge imposed on particular real property for a local public improvement of direct benefit to that property. Assessments are exempt from the definition of a tax under Prop 26. To impose a benefit assessment, a GSA must demonstrate the following:

- **Proportional Benefit.** The assessment is proportional to the special benefit. Similar to a property related fee, the assessment must reflect the value or cost of the benefit received by the customer.
- **Exclusion of General Benefits.** Only special benefits are assessable. A general benefit is a service fee assessed to all customers.
- **Limited on Exemptions.** Publicly owned lands are included in the assessment unless the GSA demonstrates that those parcels do not receive a special benefit.

SGMA grants powers to GSAs in addition to, and not a limitation on, any existing powers agencies may have under any other law (CWC Sections 10725, 10730, 10730.2.). Many public agencies that have become, or formed, a GSA have the independent statutory ability to adopt and implement a benefit assessment. A benefit assessment can be used to fund a range of activities. These activities must be explicitly outlined and defined by the engineer's report.

### **Benefit Assessment Requirements**

The requirements for establishing and implementing a benefit assessment are defined by Prop 218 and California Constitution Article XIII D. The requirements have been organized and distilled here for ease of reading. See the California Constitution Article XIII D for the full, unabridged text.

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<sup>4</sup> California Constitution Article XIII D, Section 2 (b)



**Documentation.** As part of the benefit assessment, a GSA must rely on an engineer's report. The report must be prepared by a professional engineer certified by the State of California. The report is used to determine the special benefit amount allocated to each parcel.

**Public Hearing and Notice.** Once the engineer's report is approved by the GSA governing body, a GSA must mail a notice at least 45 days prior to the public hearing. The notice, sent to parcel owners impacted by the assessment, needs to include the following: the total proposed assessment to the entire district [GSA], the proposed amount chargeable to the owner's particular parcel, payment duration, reason and basis for the assessment, description of the voting procedures, and information on the public hearing. GSAs must include a ballot with the notice as well. At the public hearing, GSAs must consider all protests against the proposed assessment and tabulate the ballots.

**Approval:** A GSA may adopt the proposed assessment if there is no majority protest. A majority protest is defined by opposing ballots exceeding supporting ballots. Note that ballots are weighted in proportion to the financial obligation of each parcel owner.

**Collection.** GSAs typically collect the benefit assessment through the property tax roll.

## ***SPECIAL TAXES***

GSAs that are governing bodies with legislative authority (such as counties, cities, and special purpose districts) may impose special taxes as authorized under California Constitution, Article XIII C, Section 2. As defined by this section of the California Constitution, a special tax is any tax imposed for a specific purpose. GSAs need to demonstrate that the special tax is reasonable and is not levied for general revenue purposes. Note that government properties are exempt from special taxes.

### ***Special Tax Requirements***

**Public Hearing and Notice.** A GSA must provide a notice and public hearing for the special tax. Following this, the GSA proposes an ordinance or resolution to adopt the special tax. The ordinance or resolution must contain the type of tax and rate to be levied, the method of collection, and the election date to approve the levy of the tax.

**Approval.** A special tax requires two-thirds approval by the electorate (i.e., registered voters).

**Documentation.** The GSA, or taxing agency, must publish or approve an annual financial report on the special tax. The report must contain the amount of funds collected and expended and the status of any projects that will be funded through the special tax. Note this is different from the GSP Annual Report.

**Collection.** A special tax is collected by the County Assessor through the property tax roll. The GSA must create a separate account to deposit the collected proceeds. This ensures that the funds are used for their intended purpose and supports accounting ease and transparency.

## SECTION 3: FUNDING STRATEGY PROCESS

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This section describes the general process that agencies can consider when developing a funding mechanism and rate structure. The included information provides guidance and not a specific course of action that must be followed.

### **PREPARING FOR AND GUIDING THE FUNDING STRATEGY**

Prior to initiating a funding strategy process, GSAs should consider the questions listed below and keep them in mind throughout the process.

**What funding mechanisms are available to the GSA?** The authority to use certain funding mechanisms is granted through the California Water Code, other applicable statutes, and the California Constitution. The governance structure of a GSA will impact what funding mechanisms are available to that agency. Each agency should check with their legal counsel to determine the range of potential funding mechanisms available to them.

**How does GSA governance impact the funding mechanism and process?** GSA governance structures vary, along with decision-making processes and representation. For example, a basin with multiple GSAs may have GSAs contribute individually to projects or management actions within their boundaries and collectively to activities throughout the basin.

**Does the GSA have staff with legal and technical expertise in public agency financing?** Assessing in-house expertise is important prior to developing the funding strategy. External expertise may be necessary and could include management or financial consultants and/or external legal counsel. Experts could be obtained through a retainer or through a Request for Proposal, or RFP process. If external support is needed, legal and consultant fees should be incorporated into the budget. Who needs to be involved in the decision-making process? Use the key interested parties identified in the GSP to determine who should be involved in the funding process. This could include board members, legal counsel, and interested parties.

**Who needs to be involved in the decision-making process?** Use the key interested parties identified in the GSP to determine who should be involved in the funding process. This could include board members, legal counsel, and interested parties.

**What is important to the GSA(s)?** Consider GSA preferences and priorities related to equity, proportionality, perceived fairness, efficiency of administration, availability of data, cost and timing of funding mechanism implementation, legal defensibility, enforceability, political viability, and community acceptance, among other considerations.

**What is important to the community?** It is important to understand and consider community characteristics, strengths, needs, and concerns. See the Interested Party Communication and Outreach callout below for more information.

### ***Interested Party Communication and Outreach***

As demonstrated throughout this resource guide, funding GSP implementation is highly nuanced and complicated. Therefore, interested party/ratepayer education is essential. Clear and consistent messaging is necessary to describe why the fee is needed, what the money will be used for, and what the associated benefits are. When GSAs can deliver targeted information about how a specific group of ratepayers will benefit from GSA activities, it supports long-term engagement and understanding.

It is also important to solicit input from interested parties/ratepayers throughout the funding strategy process. GSAs may consider soliciting input on topics such as preferred approaches, fee allocation, equity and parity as related to the basin funding strategy. Similarly, it is important that GSAs understand community preferences, particularly if voter approval is needed. In some situations, funding approaches may vary within a basin and having a well understood fee can minimize conflict.

DWR's [Resource Guide for Groundwater Sustainability Plan Stakeholder Communication and Engagement](#) is a useful resource for planning and executing a communication and outreach program, is a useful resource for planning and executing a communication and outreach program, that could be used throughout the funding assessment process. Additionally, there are nonprofit organizations and other programs (such as DWR's Facilitation Support Services or DWR's Written Translation and Verbal Interpretive Services) that can support interested party and public outreach and engagement efforts.

## ***FUNDING STRATEGY DEVELOPMENT***

The funding strategy outlined in this section is a six-step approach that agencies can consider when developing a funding mechanism and rate structure. The approach is similar to that of a rate or fee study (**see Figure 3-1**). This process provides guidance and is not a specific course of action that must be followed to achieve successful funding, and includes the following steps:

- 1. Analyze Funding Needs**
- 2. Identify Customers or Beneficiaries**
- 3. Develop Cost of Service**
- 4. Determine Average Unit Cost by Customer or Beneficiaries.**
- 5. Develop Rates for Target Revenue**
- 6. Reevaluate and Update**

As shown in **Figure 3-1**, the process is non-linear and iterative. A GSA may find that as the agency is determining revenues by customer, it needs to re-identify customers. In addition, the figure shows that interested party outreach occurs throughout the entire funding development process. Interested party outreach is critical to, and required for, successful adoption and implementation of the

proposed rate or charge. The six steps are described in the following sections. To contextualize and illustrate these steps, a fictitious GSA (Everytown GSA) is used to provide a potential GSA approach for example purposes only. The example GSA is in no way based on any one GSA or type of GSA.

**Step 1: Analyze Funding Needs**

**Objective**

In Step 1, the GSA determines how much funding (the cost) is needed for the agency to implement SGMA on an average annual basis.

**Overview and Questions to Consider**

There are several types of costs associated with SGMA implementation. These can include, but are not limited to:

- **Administrative Costs.** Ongoing tasks to conduct governance.
- **Regulatory Costs.** Mandatory and voluntary activities associated with SGMA regulatory compliance.
- **Project and Capital Costs.** Activities associated with projects and management actions.

GSA's can use the following questions to guide the analysis of funding needs.

- **What is the budget planning horizon?** Choosing a budget planning horizon may be dependent upon timing of planning documents and projects, projected inflation, political acceptability, cost and regulatory uncertainty, and more. Given that SGMA implementation occurs over a 20-year period, a multi-year planning horizon is recommended with periodic reviews.
- **What are the annual administrative and/or regulatory tasks that need to be funded?** Identify the ongoing (e.g., annual) costs of implementing the tasks as outlined in the GSP, or ongoing administrative costs associated with managing the GSA and the GSP.
- **What are the non-annual administrative and/or regulatory tasks that require funding?** There are costs that occur at different frequencies (e.g., every other year) that need to be included in the budget. For example, this could include costs related to the mandated periodic GSP assessments (occur every 5 years or sooner), maintenance and replacement for instrumentation, model updates, and programs to fill data gaps.
- **Should the budget include funding for a plan administrator and/or staff?** Consider whether to hire an external plan administrator and/or dedicated full-time staff to support ongoing SGMA implementation and regulatory compliance.



**FIGURE 3-1. FUNDING STRATEGY APPROACH**

- ***Should the budget include fiscal reserves and/or a funding approach for unforeseen expenses?*** As a practical matter, the GSA's prudent financial management should include some level of financial stability, which could be through the establishment of reserves. Furthermore, as the SGMA process matures, there may be new requirements or opportunities that GSAs will need to fund and proactively planning for those costs can minimize future budget and fee impacts.
- ***Should the budget include costs associated with the development and implementation of projects and/or management actions?*** If there are projects and management actions identified in the GSP and/or during the periodic GSP evaluation process, then those costs should be included in the budget and the fee development.
- ***If the budget includes projects and management actions, how will they be funded?*** These costs can be funded with existing funding sources (if applicable), newly adopted fees specifically for these costs, and/or outside funding sources (e.g., grants, debt).

### **SGMA Implementation Costs**

There are common costs associated with SGMA implementation. Example costs are highlighted below for reference but should not be taken as an exhaustive list.

#### **Administrative Costs**

- GSA Board or Committee meetings
- Staff
- Legal counsel/consultants
- Fiscal responsibilities (e.g., budgeting, annual audits)
- Interested-party outreach and engagement
- Acquiring/maintaining fixed assets
- Website
- General operation and maintenance needs

#### **Regulatory Costs**

- Annual reports
- GSP periodic evaluations Monitoring
- Data Management System maintenance

#### **Project and Capital Costs**

- Planning, design, and construction of projects (e.g., monitoring wells, recharge basins, well mitigation, storage facilities, etc.)
- New tool development and construction

### **Example Scenario**

Everytown GSA organized its budget into three categories over the next three fiscal years (see **Table 3-1**). Administrative costs increase slightly for inflation. Regulatory requirements can change from year to year to account for the five-year evaluation in FY 24/25 and other routine reporting requirements and programmatic costs. Projects/capital also vary based on the projects and management actions Everytown GSA identified in their GSP. The overall budget ranges from \$19,000 to \$39,200 annually.

TABLE 3-1. EVERYTOWN GSA BUDGET\*

FISCAL YEAR	FY 23/24	FY 24/25	FY 25/26
Administrative Costs	\$9,000	\$9,100	\$9,200
Regulatory Costs	\$10,000	\$20,000	\$15,000
Projects and Capital Costs	\$0	\$10,000	\$2,500
<b>TOTAL</b>	<b>\$19,000</b>	<b>\$39,200</b>	<b>\$26,700</b>

\* Values shown are not typical budget amounts and were chosen for illustrative purposes only.



## ***Step 2: Identify Customers or Beneficiaries***

### ***Objective***

Determine who within the GSA will be responsible for funding the activities identified in Step 1.

### ***Overview and Questions to Consider***

As a GSA responsible for sustainable groundwater management, the agency offers benefits to those within its jurisdiction. Benefits include, but are not limited to, monitoring groundwater levels and quality, developing new water supplies, and protecting groundwater dependent ecosystems. A GSA will need to identify who benefits from these services and how. This may be individual customers, customer class, or different types of customers or groups. For ease of discussion, this document refers to customers in the general sense, which reflects the various types or groupings of parties or entities a GSA serves. The guiding questions below are relevant to identifying those beneficiaries of receiving service from the GSA.

- ***Who is the GSA serving?*** Determine who receives benefits from the GSA; this will vary by basin and user type. This will help guide how the fee is developed, who the GSA should charge, and how the fee is implemented.
- ***Is there a difference in the level of service between customers?*** This question determines if everyone served by the GSA should be treated the same or instead be separated based on the benefits received.
- ***If there is a difference in service levels, are there different types of users or beneficiaries of the service?*** Consider if there are different types of users or customer classes within the GSA or basin. Examples can include residential, agricultural residential, agriculture, industrial, urban purveyor, environmental, etc.

### ***Example Scenario***

Everytown GSA defines customers, regardless of groundwater use, through parcel ownership. Customers include two distinct customer classes, non-groundwater users and groundwater users. Groundwater users are pumpers who extract more than 2 AF per year. Within Everytown GSA, there are a total of 300 parcels and 1,000 AF per year of groundwater extracted.

### **Step 3: Develop Cost of Service**

#### **Objective**

Review the costs identified in Step 1 and determine why they are incurred. From this determination, allocate the costs to appropriate components for distribution in Step 4.

#### **Overview and Questions to Consider**

The cost of service is based on the total amount that must be collected in rates or fees for the GSA to cover its costs (as completed in Step 1). In Step 3, the GSA reviews these costs and determines how and why the costs are incurred and what benefit(s) are provided. This involves parsing the costs into different “buckets” or cost categories. These cost categories will vary from agency to agency given the agency’s specific costs, customer classes, and approach to developing the fee. The cost of service provides support to meet Prop 26 and/or Prop 218 requirements.

As part of Step 3, the GSA also determines how to structure the cost allocation and how the costs should be divided among the different customers. There are several common structures that can be used to allocate costs including, but not limited to, wellhead, parcel, per acre, per irrigated acre, per connection, and extraction volume. The structures can be compared and evaluated on simplicity, equity, administrative ease, enforceability, data requirements, and other factors. It is important for the GSA to consider these factors to help assist in the identification of why and how costs are incurred and who those costs may benefit. It is also important to determine if the data is available to support the allocation and eventual distribution of costs to the identified customers (Step 4).

The guiding questions below support developing the cost of service.

- ***Should there be fees common to all?*** A GSA could determine that some, or all, fees apply to everyone (e.g., landowner, well owner, water user, etc.) within its jurisdiction. The rationale could be that sustainable groundwater management is a public service that everyone benefits from.
- ***Should the funding approach incorporate special factors?*** The basin’s characteristics and demographics can be taken into consideration such as groundwater access, subsidence zones, groundwater management areas, and so on.

#### **Data Needs and Funding**

Data is an essential component of funding development and implementation. Data availability, quality, access, and cost to collect should be taken into consideration when developing fees. Data limitations, such as metered groundwater extractions, may restrict a GSA from pursuing certain implementation approaches. Data needs may include, but are not limited to:

- Population
- Customer Income
- Irrigated acreage
- Crop type
- Land use
- Evapotranspiration
- Number of connections
- Metered groundwater extractions
- Total number of wells
- Habitat and other information

- ***Does a more complex fee support the equity and proportionality between customers or beneficiaries?*** A sophisticated fee structure that is tailored to the basin’s unique characteristics and users may be seen as more equitable by ratepayers. For example, a straightforward per acre fee may not consider the differences between municipal and agricultural water users since each area would be charged the same rate regardless of actual water use. Alternatively, an irrigated acre fee is more complex, but better reflects differences in the amount of groundwater used.
- ***How predictable is the fee revenue given the fee structure?*** Some options, such as a per parcel fee, will provide consistent and reliable revenue year after year. Other options, particularly those tied to hydrology or extractions, could cause revenue to fluctuate.
- ***How much time does it take to calculate the fee each year and collect the revenue?*** Some fee structures take more time to calculate than others. For example, parcel fees are easy to calculate because this number is generally static and constantly updated by the County Assessor’s office.
- ***How well does the fee capture groundwater use?*** Some options capture groundwater use better than others. For example, per irrigated acre and volumetric extraction fees recognize the differences in water use, whereas parcel and per connection fees may not. It is important to identify how the charge relates to the benefit (nexus or relationship) received.
- ***What data do the GSA need to support the funding mechanism?*** Data such as groundwater pumping rates, meter size, or land cover may be needed to support the funding mechanism. Consider data availability, quality, and cost to collect when evaluating funding mechanisms. See the call out on the previous page for more information.

### ***Example Scenario***

Everytown GSA determined that all parcels, regardless of groundwater usage or existence of a private well, benefit from governance activities (i.e., planning, implementation, monitoring). Maintaining a healthy and sustainable groundwater basin benefits all parcels in the area and protects groundwater resources for the long-term. As such, there are common costs to all customers, defined as administrative costs. Customers reliant on groundwater are recognized as receiving additional direct and indirect benefits of GSA-related actions. These customers are charged for groundwater-specific costs.

Everytown GSA decided to use two different fees - a parcel fee and groundwater usage fee - as an equitable and proportional approach (see **Table 3-2**). The two fees reflect differences in the groundwater extraction and costs that benefit all customers and reflect customer concerns voiced during workshops that this approach was more equitable than a flat parcel fee alone. Further, Everytown GSA had sufficient data to support these fees. Parcel data are readily available from Everytown County Assessor’s database, and the groundwater usage data from metered wells.



**TABLE 3-2. EVERYTOWN GSA COST OF SERVICE\***

COST OF SERVICE	FY 23/24	FY 24/25	FY 25/26
Common Costs (Administrative)	\$9,000	\$9,100	\$9,200
Groundwater-specific Costs (Regulatory + Projects and Capital)	\$10,000	\$30,000	\$17,500
<b>TOTAL</b>	<b>\$19,000</b>	<b>\$39,200</b>	<b>\$26,700</b>

\*Values shown are not typical budget amounts and were chosen for example purposes only.  
 Note: The total cost of service is equivalent to the funding needs identified above in Table 3-1



**Step 4: Determine Average Unit Cost by Customer or Beneficiary**

**Objective**

Distribute the total cost to each customer class identified in Step 2 based on their proportional benefit received, and cost allocation approach developed in Step 3.

**Overview and Questions to Consider**

In Step 4, the GSA will establish how to proportionally distribute costs between the identified customer class(es) or beneficiaries. Regardless of the types of costs incurred to provide service, each customer should have a proportional cost based on the level of service or benefits received. Note that Steps 3 and 4 are highly interconnected and may not necessarily be done sequentially. It is more likely that Steps 3 and 4 are done iteratively as options are considered and decisions made. Review the guiding questions below for support.

- **Are there exceptions or special considerations in the funding approach?** GSAs may determine that certain customer classes or types of customers, such as de minimis users, disadvantaged users, or environmental users, are exempt from fees.
- **Is sufficient data available to develop distribution factors for a proportional distribution?** The GSA needs to consider the availability of data and the ability to maintain the data and replicate it for future (e.g., annual) evaluations and updates.

**Example Scenario**

As shown in **Table 3-3**, all customers, including groundwater users, are responsible for paying all common costs. Groundwater-specific costs are entirely borne by groundwater users. For the Everytown GSA basin, only environmental users of groundwater (such as groundwater-dependent ecosystems) are considered exempt from the fee.

**TABLE 3-3. DISTRIBUTION PERCENTAGE BREAKDOWN BY CUSTOMER CLASS**

	ALL CUSTOMERS (INCLUDING GROUNDWATER USERS)	GROUNDWATER USERS ONLY
Common Costs	100%	0%
Groundwater-Specific Costs	0%	100%

Given the cost distribution, average unit costs can be calculated, which become the basis for the proposed rates. Provided in **Table 3-4** is a summary of the average unit costs. The common costs are divided by the total number of parcels (300), while the groundwater specific costs are divided by the total acre-feet of water metered (1,000 AF).

**TABLE 3-4. EVERYTOWN GSA AVERAGE UNIT COST\***

	FY 23/24	FY 24/25	FY 25/26	NOTES
Common Costs	\$30	\$31	\$31	Per parcel charge. Common costs divided by total number of parcels.
Groundwater-Specific Costs	\$10	\$30	\$18	Per AF charge. Groundwater-specific costs divided by total AF of use.

\* Not typical budget amounts. Numbers chosen for example purposes only.



**Step 5: Develop Rates for Target Revenue**

**Objective**

Determine the approach and structure for collecting fees.

**Overview and Questions to Consider**

Step 5 involves developing the final rate structure, method of charging each customer class or customer type, and method of recovering costs based on the decisions made in Steps 3 and 4.

Review the guiding questions to support rate development.

- **Is the GSA able to bill in the manner that it has identified (acres, extraction, parcel, etc.)?** Ensure that there is consistency between the rate structure and distribution approach. For example, an extraction-based fee requires that the actual or estimated groundwater use is quantifiable and was used to distribute the costs in Step 4.
- **Who is billing for the services?** Consider who will bill and collect the revenue. Billing infrastructure (personnel, software, etc.) is necessary for this process.
- **How will the fee/charge be collected?** Consider the mechanism for collecting the fee or charge based on administrative ease. Options may include, but are not limited to, direct billing or through a property tax roll. If using the property tax roll, coordinate with the County Assessor on the required procedures and any associated costs for their services.

- **How will the fee/charge be enforced?** If one does not already exist, develop a method to enforce the payment or recover fees from customers or beneficiaries. In some cases, agencies will bill the fees on the property tax rolls which provides some guarantee of payment.
- **What is the relative ability of ratepayers to absorb the new cost?** As part of the process, affordability discussions can be a component in decision making.

**Example Scenario**

Based on the distributed costs and target revenues, Everytown GSA developed its rates for non-groundwater users and groundwater users (see **Table 3-5**). These are based on the average unit costs as developed in the prior step.

**TABLE 3-5. EVERYTOWN GSA RATES BY CUSTOMER CLASS IN FISCAL YEAR 23/24\***

CUSTOMER CLASS	PARCEL CHARGE	PER ACRE FOOT CHARGE	NOTES
Non-Groundwater User	\$30	\$0	\$31
Groundwater User	\$30	\$10	Excludes de minimis users

Not typical budget amounts. Numbers chosen for example purposes only.

Using these costs, Customer 1 has seven parcels and pumps 14 AF in fiscal year 2023/2024. As a groundwater user, their bill would be \$350 for the year [(7 parcels X \$30/parcel) + (14 AF X \$10/AF)]. Customer 2 only has three parcels and does not use groundwater, so their yearly bill is \$90 (3 parcels X \$30/parcel). Everytown GSA decided to collect the fees on the property tax roll for efficiency and administrative ease.



**Step 6: Reevaluate and Update**

**Objective**

Develop a process for periodic review and reassessment of the costs of providing service, proportional distribution of costs, and appropriateness of the fee structure.

**Overview and Questions to Consider**

As SGMA implementation progresses, and GSAs mature, funding needs will likely evolve, as costs associated with implementation of projects and management actions shift. Additional funding needs that relate to new mandates and management actions, model updates, and data gathering may necessitate that GSAs periodically reevaluate their funding.

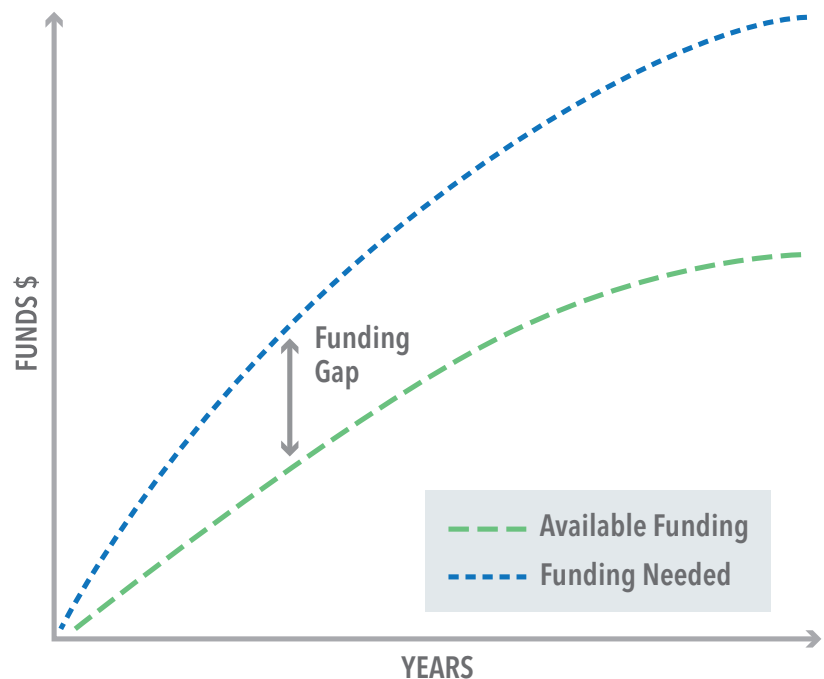
In addition to shifting funding needs, there may be changes within the basin that need to be incorporated. These include, but are not limited to, changes in population, land use, and water use. For example, over the 20-year implementation horizon, a basin could experience significant urbanization and mandated water conservation requirements. If the GSA collects fees based on

groundwater extraction, their revenue could diminish to a point where they are unable to recover all their costs. If the costs are not reevaluated and updated, a funding gap may occur (see **Figure 3-2**).

A GSA can opt to reevaluate its funding on an annual basis, during the annual report preparation, in parallel with the mandated five-year GSP evaluation, or at some other frequency. A GSA may even choose to put a duration on its fee(s), which would automatically trigger a re-evaluation and update. If, during the funding re-evaluation, a GSA finds that funding needs exceed available funding, additional funding and financing sources should be assessed and pursued.

The guiding questions below can support a GSA in deciding if a re-evaluation is necessary.

- **Is the revenue sufficient to cover all costs?** If a funding shortfall is identified during the re-evaluation process, the GSA will need to determine what additional costs are being incurred, assign those costs to the appropriate customer class, and recalculate the rates.
- **Have significant changes in population, land use, or water use impacted the revenue stream?** If significant changes have occurred, the existing rate structure may need to be retired and a new rate structure developed.
- **Are there new regulations that cannot be covered by the existing budget?** While unexpected costs can be covered to some extent through the establishment of fiscal reserves, new regulations may result in a new expense that cannot be covered under the existing rate structure. It is important that GSAs track pending legislation and actions that could result in significant cost increases and have a methodology established to address these pending costs should implementation result in a funding gap.



**FIGURE 3-2. FUNDING ASSESSMENT**

If a GSA is unwilling or unable to sustainably manage its basin and the basin is designated as probationary, the State Water Resources Control Board (State Water Board) will likely impose fees to cover the costs of State intervention. SGMA authorizes the State Water Board to collect fees from any person that extracts or pumps groundwater from unmanaged areas or probationary basins.<sup>5</sup> The fees are determined based on an annual groundwater extraction report (see **Table 3-6** for fees as of 2023). The State Water Board is required to set report filing fees to recover the cost of State intervention activities in groundwater basins. For more information on State Intervention Fees, visit the State Water Board's [website](#).

<sup>5</sup> An unmanaged area is part of a groundwater basin that is not under GSA management. A probationary basin is a designation determined by the State Water Board.

**TABLE 3-6. GROUNDWATER EXTRACTION REPORT FILING FEES**

FEE CATEGORY	FEE AMOUNT	APPLICABLE PARTIES
Base Filing Fee	\$300 per well	All extractors required to report (excludes de minimis extractors).
Unmanaged Area Rate	\$10 per AF \$25 per AF	Extractors in unmanaged areas (excludes de minimis extractors).
Probationary Rate	\$40 per AF	Extractors in probationary basins (excludes de minimis extractors).
Interim Plan Rate	\$55 per AF	Extractors in probationary basins where the State Water Board determines an interim plan is required (excludes de minimis extractors).
De minimis Fee	\$100 per well	De minimis extractors in probationary basins (if determined by the State Water Board at a public hearing).
Automatic Late Fee	25% per month	Extractors that do not file reports by the due date.

Key: AF = acre-foot; Note: These report filing fees are in addition to costs associated with revisions to and implementation of the GSPs which must continue while the State intervention process is conducted.; Source: State Water Board, July 27, 2023

**Example Scenario**

As part of its outreach and engagement, Everytown GSA compared the cost of its proposed rates to the costs associated with report filing fees associated with State intervention. **Table 3-7** shows that cost comparison for the same two customers described in Step 5, assuming one well per parcel and probationary rate for groundwater extraction. Note that the costs associated with the ongoing GSP implementation are not included here as they are assumed to be the same for both customers as both reside within the boundaries of the Everytown GSA.

**TABLE 3-7. EVERYTOWN GSA RATES COMPARED TO STATE REPORT FILING FEES IN FISCAL YEAR 23/24**

CUSTOMER	NO. OF PARCELS	GROUNDWATER EXTRACTED (AF)	EVERYTOWN GSA ANNUAL FEE	STATE FEES	NOTES
Customer 1	7	14	\$350	\$2,660*	
Customer 2	3	0	\$90	\$0	Excludes de minimis users

\*Assumes Customer 1 has seven wells (one per parcel) and is charged the probationary rate.

## SECTION 4: ADDITIONAL FUNDING OPPORTUNITIES

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Leveraging additional funding opportunities can reduce the overall impact to ratepayers and local self-funding required for SGMA compliance and implementation. GSAs may elect to take a hybrid approach where, for example, fees are supplemented through additional funding opportunities. A variety of supplemental funding and financing sources are available to GSAs in the form of grants, loans, bonds, and more.

The processes for securing funding and financing vary by program and mechanism. Many of the programs are administered by State and Federal agencies, including, but not limited to, DWR, State Water Board, the U.S. Bureau of Reclamation (Reclamation) and U.S. Environmental Protection Agency (USEPA). Items such as eligibility, deadlines, and local/funding match requirements, are included in the program's resource guide or announcement, and should be referred to prior to, and during, funding or finance pursuits.

This section provides a high-level overview of Federal, State, and local funding opportunities to support SGMA implementation and SGMA compliance. For additional resources on grant portals, links to state and federal granting agencies, tips for success, and catalogs refer to [Appendix B](#).

### GRANTS

Grants are funds given to an organization that do not have to be repaid. Depending on the program, grants can cover a variety of costs such as agency staff time, consultant/contractor services, environmental review, and construction (including labor, equipment, materials, etc.).

When reviewing and applying for grant opportunities, there are several factors GSAs should consider such as:

- **Grant application cost.** The more complex and detailed a grant is, the more it will cost to apply for. Using external support can also add to the application cost and should be weighed against the likelihood and benefits of receiving the grant.
- **Project eligibility and competitiveness.** Understanding the funding program's priorities will help determine how competitive the project and application may be. If the application resource guide details scoring criteria or evaluation criteria, self-score the project to gauge potential success in securing funding.
- **Funding match.** If a funding program requires a match, make sure the GSA has the necessary funds so there are no issues after the funding agreement is executed. Documentation of the match must be provided to the funding agency during grant administration.
- **Grant-specific requirements.** Some grant programs have specific requirements for complying with state and/or federal programs such as the Buy American Iron and Steel Act or prevailing wage requirements. Additionally, many of the grant program agreements include requirements for competitive bidding, which adds time and costs associated with implementing the grant-funded program(s).
- **Cash flow.** Most grant program payments are by reimbursement. Grant reimbursement times vary, with many taking several months before payment is received, and in some rare cases, over a year. GSAs entering into a grant agreement should consider whether they have the funds necessary to carry through until they are reimbursed.

- **Grant administration.** Grants typically require submittal of reports and disbursement requests (consisting of annotated invoices) to the funding agency. GSAs should carefully consider the staff time or consultant support needed for grant administration.

Common grants available for water resources projects include DWR's Sustainable Groundwater Management (SGM) grants, Integrated Regional Water Management (IRWM) grants, and Water-Energy grants; Reclamation's Title XVI Water Reclamation & Reuse/Water Infrastructure Improvements for the Nation (WIIN) and other WaterSMART grants; and State Water Board's Water Recycling Funding Program (WRF) grants, among others.

## LOANS

Loans are a type of credit where money is lent to another party in exchange for future repayment of the principal amount plus interest. Loans have some basic components such as the principal (amount borrowed), interest (cost of the loan to pay back), installment payments (how much is paid and when), and term (how long to pay back the loan in full). The loan application processes, terms, and eligibility requirements may differ by program. Some loan programs may be leveraged to provide the necessary funding match for a grant.

A GSA may already have an internal debt policy in place to guide loan decisions. Important considerations for financing a project with a loan are:

- **Interest Rate.** Interest rates vary by loan program and impact the overall cost. Low-interest loan programs offer large cost savings compared to other higher-interest financing options.
- **Application Submittal and Review Timeline.** Some programs have a lengthy review process and can impact project schedules.
- **Loan Repayment.** Loan programs have debt service coverage requirements; if the borrower is unable to meet the requirement, the borrower would be unable to execute the financing agreement.
- **Potential Federal Requirements.** Several loan programs, such as the Clean Water State Revolving Fund (SRF) and Water Infrastructure Finance and Innovation Act (WIFIA), require compliance with Federal laws and requirements such as National Environmental Policy Act (NEPA), the National Historic Preservation Act, Clean Air Act, and the Federal Endangered Species Act. These additional requirements can add time and cost of the project.

### ***Loan Spotlight: Infrastructure State Revolving Fund Program***

The Infrastructure State Revolving Fund Program (ISRF) is a financing program providing low-cost loans to state and local government entities for public infrastructure and economic expansion projects. ISRF uses a proprietary interest rate to provide below-market interest rates. Financing amounts range from \$50,000 to \$25 million. GSAs can apply at any time and there are no matching fund requirements. GSAs can use the ISRF for planning, environmental permitting, engineering design, construction, and matching funds for other financing. For more information on ISRF visit the program [website](#).

Common loans available for water resources projects include, but are not limited to, State Water Board's Drinking Water and Clean Water State Revolving Fund (SRF), California Infrastructure and Economic Development Bank (I-Bank) Infrastructure SRF Program (ISRF), and USEPA's Water Infrastructure Finance and Innovation Act (WIFIA) program.

## **BONDS**

A bond is a fixed-income instrument that represents a loan made by an investor to a borrower—which in this case would be the GSA. GSAs may issue bonds when they need capital, particularly for larger, and more costly projects or management actions. Bonds have a principal and interest repayment, maturity (length of time the bond is fully repaid), and service. Bonds are generally serviced over a 20- to 30-year timeframe. Bond interest rates fluctuate with the market.

Bonds have an intergenerational equity component to them. The costs are spread out over the lifetime of the project/management action. This means future rate payers financially contribute to the projects/management actions they will benefit from.

There are several types of bonds that may be available to GSAs which include, but are not limited to:

- **General Obligation.** General Obligation bonds are a type of municipal bond that is backed by the credit and taxing power of the issuing jurisdiction (the GSA). Borrowers of General Obligation bonds can tax their citizens (e.g., property tax, sales tax, special tax) to repay the bond and associated interest. No assets are used as collateral.
- **Revenue.** Revenue bonds are a type of municipal bond repaid through a certain stream of revenue such as fees (e.g., usage fee, assessment fee, development fee). Revenue bonds are project-specific and are not funded by general taxpayers.
- **Public Agency Revenue Bonds (PARBS).** Public Agency Revenue Bonds are offered by I-Bank to finance projects such as construction of water systems for both private and public organizations. Bond financing applications are continuously accepted.
- **Commercial Paper.** Commercial paper is an interest-only debt instrument with maturities of 270 days or less. Commercial paper requires a letter of credit and active day-to-day management.

## **ALTERNATIVES TO DIRECT FUNDING SOURCES**

While not direct sources of funding, DWR assistance programs are examples of other opportunities that can help reduce the cost of SGMA implementation or provide data collection and/or groundwater management efforts funded outside the basin's self-funding streams.

### **Assistance Programs**

In addition to Federal and State funding and financing programs, there are other programs offered by DWR, State Water Board, non-profit organizations and associations, as well as quasi-governmental entities focused on providing technical assistance and support in project development or outreach. DWR offers various assistance programs to local agencies to support SGMA implementation, including Technical Support Services (TSS), Facilitation Support Services (FSS), Written Translation



Services (WTS), and verbal interpretation services. The types of TSS offered by DWR include monitoring well installation; geophysical logging; geologic logging; groundwater level monitoring training; borehole video logging; other field activities; and modeling training and support. FSS are provided by DWR-funded professional facilitators and can include interested-party assessments; governance development; interested-party communication and engagement planning and support; public outreach; targeted outreach to underrepresented groundwater users; Tribal government outreach and engagement; identification and engagement of interested parties; meeting facilitation; intra-basin and inter-basin coordination support; and interest-based negotiation/consensus building. WTS are offered by DWR and may be provided to GSAs or others working with GSAs to support SGMA implementation. Applications for TSS, FSS, and WTS are accepted by DWR on a continuous basis and in coordination with local DWR Regional Offices.

State Water Board also administers a technical assistance funding program for small, disadvantaged communities.<sup>6</sup> Although not specifically for SGMA, this program does support the nexus between groundwater and drinking water needs. Assistance providers support applicants with project coordination and development, legal assistance, and / or engineering and environmental analyses. Rather than grant funding being provided, these technical assistance services are provided at no cost.

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<sup>6</sup> See the TA Funding Program website for definitions of small, disadvantaged communities and eligibility.

## APPENDIX A - GLOSSARY

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**Administrative Costs:** Costs incurred to cover ongoing tasks associated with conducting governance.

**Benefit Assessment:** A type of fee or charge levied on property owners based on the benefit they receive from a specific public improvement or service. Assessments are exempt from the definition of a tax under Proposition 26.

**California Water Code (CWC) Sections 10730 and 10730.2:** Sections of the California Water Code that authorize Groundwater Sustainability Agencies to levy taxes and fees.

**Charge type:** Refers to the specific method or basis upon which fees or charges are levied. This can vary based on the nature of the service, the beneficiary, and other factors.

**Cost allocation methods:** The methods or formulas used to determine how costs are divided among different parties or entities. This can be based on factors like usage, benefit received, or other relevant metrics.

**Cost of service:** The allocation of costs that a Groundwater Sustainability Agency must collect to cover its costs, to various customer groups based on a proportional benefit the groups receive. The revenue generated by the fee/charge should not exceed the cost of providing the service.

**De-minimis users:** As defined by the Sustainable Groundwater Management Act, a person who extracts, for domestic purposes, two acre-feet or less (of groundwater) per year.

**Direct collection:** A method of fee collection where the agency directly bills the affected parties. This contrasts with indirect methods like adding the fee to a county tax roll.

**Disadvantaged Communities:** Defined as United States Census Blocks, Tracts and Places where the median household income (MHI) is 80% or less of the statewide MHI (California Code, Public Resources Code § 75005(g)).

**Financing:** Receiving or providing a sum of money for a project that needs to be repaid (e.g., loans, bonds).

**Funding:** Providing internal or external money for a specific project, needs, or item. For example, a Groundwater Sustainability Agency could fund a project, but a portion of it may be financed. Generally, a term closely related to use of grants from an external source such as federal, state, or local agencies.

**Funding authority:** The legal power or mandate given to an entity, such as a Groundwater Sustainability Agency, to raise funds. This can be derived from statutes, regulations, or other legal sources.

**Grants:** Funds given to an organization that do not have to be repaid.

**Groundwater Sustainability Agencies (GSAs):** Defined in CWC Section 10721 as one or more local agencies that implement the provisions of this part. For purposes of imposing fees pursuant to Chapter 8 (commencing with Section 10730) or taking action to enforce a groundwater sustainability plan, "groundwater sustainability agency" also means each local agency comprising the groundwater sustainability agency if the plan authorizes separate agency action.

**Groundwater Sustainability Plans (GSPs):** Defined in CWC Section 10721 as a plan of a groundwater sustainability agency proposed or adopted pursuant to this part.

**Loans:** A type of credit where money is lent to another party in exchange for future repayment of the principal amount plus interest.

**Long-term borrowing:** The act of taking on debt with a repayment term that extends beyond one year.

**Property fee:** Fees and charges other than taxes and assessments imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.

**Proposition 26:** A California constitutional amendment that requires a two-thirds majority vote in both chambers of the California State Legislature to pass certain kinds of state tax increases. It also requires voters to approve local tax increases.

**Proposition 218:** A California constitutional amendment that requires voter approval before a local government can impose, increase, or extend taxes, assessments, fees, or charges.

**Regulatory costs:** Costs incurred to cover mandatory and voluntary activities associated with regulatory compliance.

**Regulatory fee:** A charge that meets one of seven exemptions to the definition of a tax. The exemptions are charges for specific benefits, specific services, reasonable regulatory costs, use of government property, violations of law, conditions of property development, and property-related fees.

**Regulatory funding mechanism:** A tool or method used by regulatory bodies to generate funds. This can include fees, charges, and other revenue-generating mechanisms that are used to fund regulatory activities.

**Reserve:** Funds set aside by an agency from revenues to cover unexpected costs or revenue shortfalls. It provides funds in case of unforeseen circumstances. Establishing minimum target reserve levels should follow industry standard approaches (i.e., Government Finance Officers Association).

**Service connection fee:** A fee charged to entities or individuals based on their connection to a service, such as a water supply system.

**Special taxes:** Taxes that are levied for a specific purpose or project, rather than for general governmental expenses.

**Tiered fee structure:** A fee structure where different rates are applied based on certain criteria. For example, higher rates might be applied to larger water users, while smaller users pay a reduced rate.

**Volumetric Charge:** A type of fee that is based on the volume of something, such as the amount of water extracted from a groundwater basin.

**Water Rates:** Rates for regulated water utilities that are set and approved by public officials for the recovery of costs associated with the operations and maintenance of a water system.

## APPENDIX B - RESOURCES

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### **FUNDING AND FINANCE IN CALIFORNIA**

The League of California Cities' [Propositions 26 and 218 Implementation Guide](#) provides information about the constitutional limitations applicable to taxes and other sources of revenue for local governments.

Institute for Local Government's [Understanding the Basics of Municipal Revenues in California: Cities, Counties and Special Districts](#) provides an overview of the sources of county, city and special district revenues in California.

### **INTERESTED PARTY ENGAGEMENT RESOURCES**

Department of Water Resources' (DWR) [Guidance Document for Groundwater Sustainability Plan Stakeholder Communication and Engagement](#) is a useful resource for planning and executing a communication and outreach program throughout the funding assessment process.

### **GRANT RESOURCES**

#### **DWR-Specific**

DWR maintains a [Grants Best Practices and Tips for Success](#) website. The website is intended to help reduce roadblocks in the DWR-specific grant application process by walking through each step of the process and identifying helpful tips and best practices, as well as providing other resources that may be beneficial.

#### **State Resources**

The California Financing Coordinating Committee (CFCC) combines the resources of four State and two Federal funding agencies to provide a one-stop shop for available grants, loans and bond financing for infrastructure projects. The CFCC conducts free annual funding fairs statewide to educate the public and offer potential customers the opportunity to meet with representatives from each agency and learn more about currently available funding programs. The [CFCC website](#) and funding fairs are a valuable resource.

The [California Grants Portal](#) is a searchable, online library of grants and loans available through State agencies. The library is for all project types, from animal to veteran services, so when searching, the categories selected should be project specific. For example, most Groundwater Sustainability Plan-related projects would fall into the category of Environment & Water. The portal also allows you to filter by eligible applicant type, administering agency, active/closed, disbursement method, and by keyword.

#### **Federal Resources**

The United States Department of Health and Human Services manages a [website](#) for agencies to post federal grant opportunities and for applicants to find and apply to them. Funding opportunities can be searched by keyword, opportunity number, status (posted/closed), eligible applicant, category, and funding agency. The website is for all project types, from arts to transportation, so when searching, the categories selected should be project specific.

## **ALTERNATIVES TO DIRECT FUNDING SOURCES**

### **DWR Assistance Services**

DWR offers various assistance programs to local agencies to support SGMA implementation, including Technical Support Services, Facilitation Support Services, Written Translation Services, and verbal interpretation services. DWR's [Assistance and Engagement website](#) provides more information on these services.

### **SWRCB Technical Assistance Program**

The State Water Board administers a technical assistance funding program for small, disadvantaged communities. Although not specifically for SGMA, this program does support the nexus between groundwater and drinking water needs. State Water Board's [Technical Assistance Funding Program webpage](#) provides more information on these services.

## APPENDIX C - REFERENCES

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# San Luis Obispo Local Agency Formation Commission

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**LAFCO File No. 1-R-24**

**Comments Due: March 11, 2024**

**To:**

**Stephanie Bertoux, Shandon-San Juan Water District**  
**Marc Lea, County Department of Agriculture**  
**Ian Landreth, County Depart. of Agriculture**  
**Leslie Terry, County Environmental Health**  
**Trevor Keith, County Planning & Building**  
**Airlin Singewald, County Planning & Building**  
**Schani Siong, County Planning & Building**  
**Andy Mutziger, APCD**  
**Eddy Moore, CAL Fire**  
**Peter Rodgers, SLOCOG**  
**Sara Sanders, SLOCOG**  
**Devin Best, Upper Salinas Las Tablas RCD**

**Kate Twisselman, Shandon Cemetery District**  
**Tom Flynn, Paso Robles Cemetery District**  
**Susan Velasquez, Pleasant Valley Estrella Cemetery District**  
**Dr. Kristina Benson, Shandon Joint Unified School District**  
**Tom Butler, Atascadero Unified School District,**  
**Curt Dubost, Paso Robles Joint Unified School District**  
**Wendy Nielsen, Pleasant Valley Elementary School District**  
**James Brescia, County Superintendent**

**From: Morgan Bing, Clerk Analyst**

**Date: February 26, 2024**

**Proposal: Sphere of Influence Amendment & Annexation No. 1 to Shandon-San Juan Water District (Skyview)**

This letter is to advise your agency that the above-titled application has been filed with LAFCO on February 22, 2024. This notice is pursuant to Government Code Sections 56658 (b) and 56662 (c). Available on the website for your review and comment are application materials for the sphere of influence amendment and annexation to Shandon-San Juan Water District. Please provide any comment relative to the purview of your department. **Please advise of any appeals, conditions of approval, litigation, or entitlement issues that could affect annexation and the associated discretionary action by LAFCO.**

The proposed project includes an annexation of approximately 3,946.75 acres of property into the Shandon-San Juan Water District. The property is located in the unincorporated area of the County at 3425 Truesdale Road in rural Shandon.

Copies of the application and related support documents can be reviewed on the LAFCO website at: <https://slo.lafco.ca.gov/referrals>. If your agency has any comments please respond by **March 11, 2024**. If you have any questions, please contact Morgan Bing at [mbing@slo.lafco.ca.gov](mailto:mbing@slo.lafco.ca.gov).