

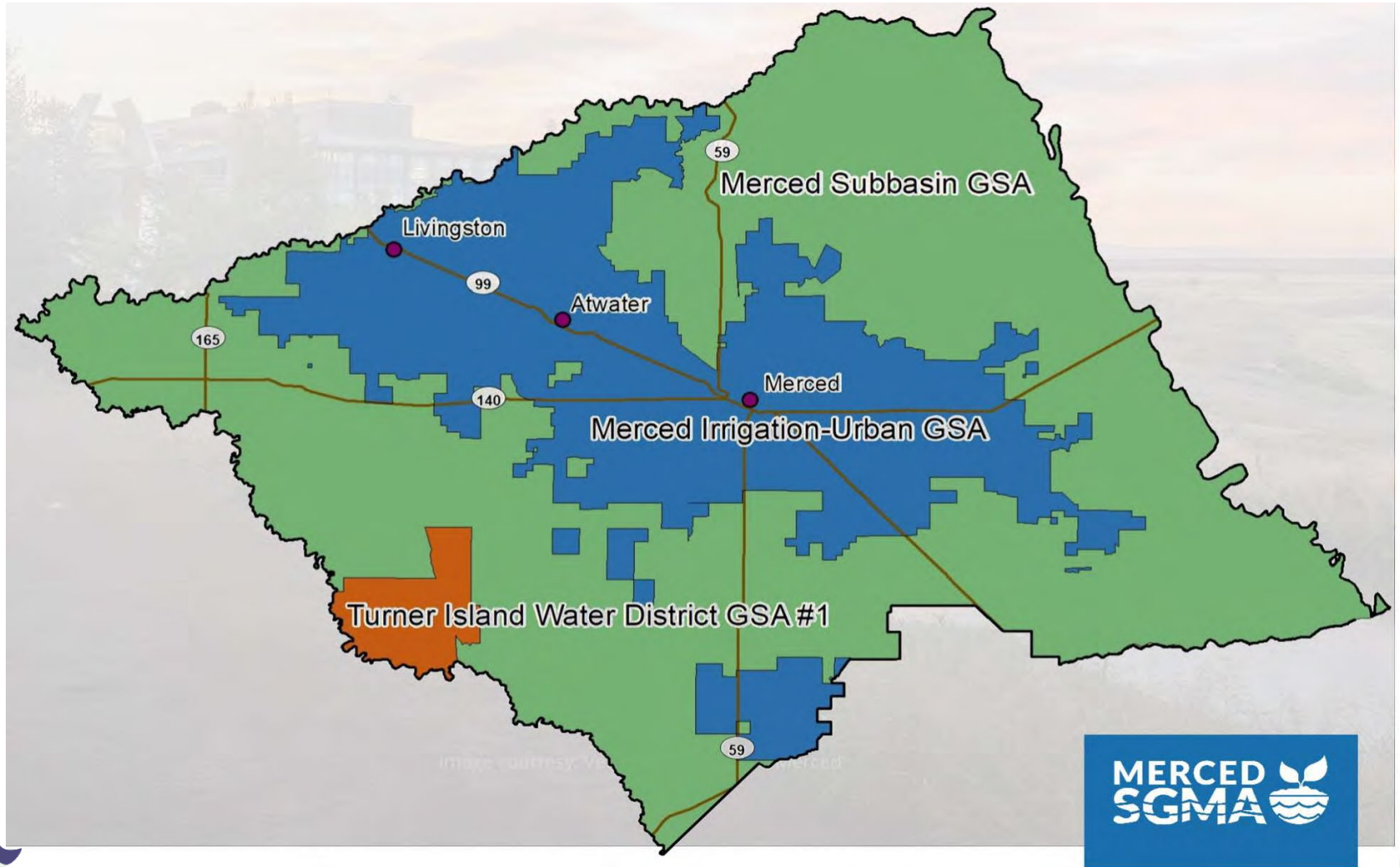


2020 Regulatory Fee Study

Public Hearing

July 28th 2020

MIUGSA Management Area and Merced Sub-Basin



What is SGMA?

The Sustainable Groundwater Management Act (SGMA) was enacted in 2014 with the stated purpose of halting overdraft and bringing groundwater basins into balanced levels of pumping and recharge.

SGMA allows for the local control of groundwater resources, within the criteria provided in the California Water Code.

The state does not provide funding for SGMA related activities, but does provide authority for funding at the local level.



Need for a MIUGSA Regulatory Fee

The California Water Code allows GSAs to fund the costs of:

- Developing and implementing a groundwater sustainability plan
- Investigations, inspections, compliance assistance, enforcement, program administration, and
- A prudent reserve



MIUGSA's Budget

To date, costs incurred have been paid for by the member agencies. These costs, and future regulatory activity cost, need to be paid for by the beneficiaries of MIUGSA's activities.

Budget Item	Amount
Staffing	\$150,000
Professional Services	\$205,000
Compliance & Administration	\$210,600
Repay Prior Year Costs	\$149,500
Prudent Reserve	\$84,900
TOTAL	\$800,000



Who will pay the Regulatory Fee?

All property owners are beneficiaries of regulatory activities in the MIUGSA management area. It is proposed that All property owners will pay a fee, including those with a domestic well.

Beneficiaries are classified as either Urban or Agricultural Production

Urban

Residential

Non-Residential

Agricultural Production



Agricultural Production and Urban Users Definitions

Agricultural Production

“All real property classified by the Merced County Assessor as Agriculture, Dairy, Grazing, Poultry and Poultry/Trees”

Urban Residential and Non-Residential

“All real property that is not classified by the Merced County Assessor as Agriculture, Dairy, Grazing, Poultry and Poultry/Trees”



Clarifying Points

This is a fee of the Merced-Irrigation Urban GSA (MIUGSA).

- It is NOT a fee or an increase of a fee charged by water service providers. It is NOT a fee charged by any of the member agencies (i.e. Merced Irrigation District, City of Merced, etc.)

The MIUGSA regulatory fee is not a charge for water service.

- It is a charge for regulatory activity to meet the requirements of SGMA.

SGMA allows GSAs to charge fees to de minimis extractors (domestic well owners) with certain rules.

- MIUGSA passed Resolution 2020-01, acknowledging the regulation of de minimis extractors pursuant to California Water Code § 10730(a). GSAs do not have legal authority to require meters on de minimis wells.



Fee Development

- Began with a review of different funding structures and fee amounts adopted by other GSAs in California
- Fee goals discussion with the Board:
Simplicity, Equity, Administrative Ease, Enforceability, Financial Stability
- Initial stakeholder interviews pointed to an expectation that groundwater use would be incorporated into the fee
- Two fee options were developed. Both options account for the amount of groundwater use between Urban and Agricultural Production beneficiaries



Fee Options

Two fee options were developed. Under both fee options, the fees would be collected with property taxes.

Option A

Per Agricultural Acre

Per Urban Acre

*(same fee per acre for
all urban properties)*

Option B

Per Agricultural Acre

Per Weighted Urban Acre

*(weighted fee structure that
accounts for acreage & land use)*



Fee Options Similarities and Differences

Both options involve a fee methodology with 3 steps:

1. Allocate cost between Urban and Agricultural Production uses of groundwater (**same for both options**)
2. Calculate the Agricultural fee (**same for both options**)
3. Calculate the Urban fee (**different for each option**)



Step 1 (applies to both fee options)

Allocate costs between urban and agricultural production uses of groundwater

Estimated pumping based on historical data:

22% Urban, 78% Agricultural split

Pumping by each group could change over time; periodic fee reviews will update the percentages as necessary



Step 2 – Agricultural Fee (applies to both options)

- Divide allocated Agricultural cost share by Agricultural Acres
- Agricultural Acres defined as parcels classified by the Merced County Assessor as:
 - Agriculture (General Farming)
 - Dairy
 - Grazing
 - Orchard
 - Poultry

All parcels pay the same per acre regardless of use and regardless whether currently in use or currently irrigated



Illustration of Steps 1 and 2 for Agricultural Fee

Acreage of parcels is based on mapping software (GIS acres) and may not exactly match Assessor records of situs acreage

Step	Item	Calculation	Cost
Step 1	Estimated Cost Shares		
	Total Cost	a	\$800,000
	Agricultural Production Share	b = a*78%	\$624,000
	Urban Share	c = a*22%	\$176,000
Step 2	Agricultural Beneficiaries		
	Agricultural Production Acres	d	119,158
	Allowance for Errors	e = d*5%	5,958
	Acres in Fee Calculation	f = d-e	113,200
	Cost per Ag. Production Acre	g = b/f	\$5.52 per acre



Step 3 –Urban Fee Option 2A

- Divide allocated Urban cost share by number of Urban Acres
- Urban Acres defined as all Merced County Assessor land use classifications that are NOT Agricultural Acres



Illustration of Steps 1 and 3 for Option 2A

Acreage of parcels is based on mapping software (GIS acres) and may not exactly match Assessor records of situs acreage

Step	Item	Calculation	Cost
Step 1	Estimated Cost Shares		
	Total Cost	a	\$800,000
	Agricultural Production Share	b = a*78%	\$624,000
	Urban Share	c = a*22%	\$176,000
Step 3	Urban Beneficiaries		OPTION A
	Total Acres	h	29,582
	Allowance for Errors	i = h*5%	1,479
	Urban Acres in Fee Calculation	j = h-i	28,103
	Cost per Urban Acre	k = c/j	\$6.26 per acre



Step 3 –Urban Fee Option 2B

- Divide allocated Urban cost share by number of Weighted Urban Acres
- Weighted Urban Acres are Urban Acres weighted by water use coefficients
- More intensive water users (on a per acre basis) will pay a higher per acre fee under Option 2B



Illustration of Steps 1 and 3 for Option 2B

Step	Item	Calculation	Cost
Step 1 Estimated Cost Shares			
	Total Cost	a	\$800,000
	Agricultural Production Share	b = a*78%	\$624,000
	Urban Share	c = a*22%	\$176,000
<hr/>			
Step 3	Urban Beneficiaries		OPTION B
	Urban Weighted Acres	h	30,399
	Allowance for Errors	i = h*5%	1,520
	Weighted Acres in Fee Calculation	j = h-i	28,879
	Cost per Urban Weighted Acre	k = c/j	\$6.10 per acre
	Residential	factor	
	Mobile Home	k*weighting 0.96	\$5.86 per acre
	Single Family Detached	k*weighting 1.00	\$6.10 per acre
	Single Family >0.9 acre lot	k*weighting 1.28	\$7.80 per acre
	Single Family Attached	k*weighting 1.58	\$9.64 per acre
	Apartments	k*weighting 2.36	\$14.40 per acre
	Non-Residential		
	Commercial	k*weighting 1.32	\$8.06 per acre
	Industrial	k*weighting 1.36	\$8.30 per acre
	Religious	k*weighting 0.90	\$5.50 per acre
	Government	k*weighting 1.16	\$7.08 per acre
	Railroad/Utilities	k*weighting 0.18	\$1.10 per acre
	Open Space	k*weighting 0.64	\$3.90 per acre
	Vacant	k*weighting 0.10	\$0.62 per acre



Examples of FY 2020/21 Residential Fees

Property	Acres	Option A	Option B
		\$6.26 per acre	varies
		Annual Fee per Unit	
Mobile Home	0.10	\$0.62	\$0.58
Home on Typical Lot	0.17	\$1.06	\$1.04
Home on Cul-de-Sac	0.22	\$1.38	\$1.34
Home on Lot >0.9 acres	2.00	\$12.52	\$15.60
Condo	0.07	\$0.44	\$0.68
Apartment	0.04	\$0.26	\$0.58

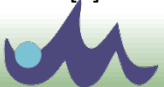


Examples of FY 2020/21 Non-Residential Fees

Non-Residential Owner	Water System		Cost per	Weighted	Acreage Owned	FY 2021 Fee	
	Type	Category	Urban Acre	Cost per Acre		Option A	Option B
Dole Packing Plant (Atwater)	Public	Industrial	\$6.26	\$8.30	82.8	\$518	\$687
Malibu Boats (Merced)	Municipal	Industrial	\$6.26	\$8.30	21.0	\$131	\$174
Live Oak Farms (Le Grand)	Municipal	Industrial	\$6.26	\$8.30	8.5	\$53	\$71
Wallace Transport (Tuttle)	Private	Industrial	\$6.26	\$8.30	7.6	\$48	\$63
White Rock Land and Cattle (Le Grand)	Municipal	Industrial	\$6.26	\$8.30	1.6	\$10	\$13
Foster Farms (Livingston) [1]	Municipal	Industrial	\$6.26	\$8.30	209.8	\$1,313	\$1,741
Save Mart (Atwater)	Municipal	Commercial	\$6.26	\$8.06	1.2	\$8	\$10
Walmart (Merced)	Municipal	Commercial	\$6.26	\$8.06	14.7	\$92	\$118
Motel 6 (Livingston)	Municipal	Commercial	\$6.26	\$8.06	2.0	\$12	\$16
Mercy Medical Complex (Merced)	Municipal	Commercial	\$6.26	\$8.06	19.7	\$123	\$159
Rancho Del Rey Golf Course (Atwater)	Private	Commercial	\$6.26	\$8.06	118.3	\$741	\$953
Livingston Middle School	Municipal	Government	\$6.26	\$7.08	33.7	\$211	\$239
Planada Elementary	Municipal	Government	\$6.26	\$7.08	23.4	\$146	\$165
Cressey Fire Station	Private	Government	\$6.26	\$7.08	0.7	\$5	\$5
Winton Community Park	Municipal	Government	\$6.26	\$7.08	21.4	\$134	\$152
LDS Church (Merced)	Public	Religious	\$6.26	\$5.50	5.6	\$35	\$31

Source: HEC May 2020.

[1] Foster Farms also owns agricultural, commercial, and residential parcels.



July 2, 2020 Final Fee Study Recommendation

Adopt the **Option 2B** fee methodology and rate structure:

- Stakeholder/public comment that the fee for Urban parcels should account for water use by different users or land use types.
- While Option A provides sufficient evidence of a reasonable relationship between the amount of the fee allocated to each payor and the benefits received by each payor, Option B provides a stronger relationship because land uses that have more intensive water use per acre will pay more.



Recommended Fiscal Year 2020/21 Fee

**Fiscal Year 2020/21 Fee
by Land Use Type**

Merced County Assessor Land Use Codes

Agricultural (per Acre)

\$5.52 All Agricultural 0701 0702 0703 0704 0706 0707 0708 0711 0712
0801 0802 0804 0806 0807 0808 0813 0814
0909 0911 1207 1208 1313 1408 1414

Urban Residential (per Acre)

\$5.86 Mobile Home 1702 1703 1704 1717
\$6.10 Single Family Detached 0101 0102 0103 0104 0105 0106 0117 0125 1201 1212
\$7.80 Single Family >0.9 acre lot same codes as for Single Family Detached
\$9.64 Single Family Attached 0130 0201 0202 0203 0204 1202 1203
\$14.40 Apartments 0301 0302 0303 0304

Urban Non-Residential (per Acre)

\$8.06 Commercial 0402 0403 0404 0405 0406 0407 0408 0430 0505 1204
\$8.30 Industrial 0601 0603 0604 0606
\$5.50 Religious 1020 2020
\$7.08 Government 1515 1919
\$1.10 Railroad/Utilities 1616
\$3.90 Open Space 1818 2121 3030
\$0.62 Vacant 1001 1002 1003 1004 1005 1006 1012 1030



Public Outreach Efforts (chronological)

- Key stakeholders (from community and sectors of commerce) telephone interviews in March
- Mailers to all property owners in MIUGSA's boundaries end of May
- Display ads in the Merced County Times, Atwater-Winton Times, Merced Sun-Star, and Vida En El Valle early June
- Public outreach materials posted to the miugsa.org website May and June, including short videos explaining the fee for different land use types
- Interactive map placed on miugsa.org website so that property owners can check if they are in the Management Area



Public Outreach Efforts (continued)

- Public workshops June 15 and 16
- July 2nd Board meeting – the final fee study report was accepted by the Board of Directors. This report provides the justification for the fee, the data upon which the fee is calculated, and demonstrates that a reasonable relationship exists between the fee amount and the purpose of the fee.

Per the California Constitution, fees cannot exceed amount necessary to cover reasonable costs of the governmental activity and the amount allocated to each payor must bear a reasonable relationship to the payor's burdens on the benefits received.

- A public hearing notice was circulated in the Merced Sun-Star and its weeklies, as well as the Merced County Times, for 14 consecutive days before the public hearing.



Fee Revisions

- Annual automatic fee inflator would be applied each year (for example the Bureau of Labor Statistics West Region CPI)
 - Average annual increase past 20 years = 2.32%
- MIUGSA Board has ability to revise the fee whenever needed by following procedures in the California Constitution



Fee Appeals

An appeals process is included in the fee resolution.

- The Person responsible for the Fee shall first be required to pay the fee as charged.
- Within 30 days following payment, the Person may file an appeal with MIUGSA.
- Within 30 days of filing the appeal, the Chair or their designee(s) shall confer with the Person to discuss the basis of the appeal. Within 15 days of that meeting, a determination shall be made and delivered to the Person.
- If the Person is dissatisfied with the determination, the Person may file an appeal to the MIUGSA governing Board within 15 days of receipt of the determination.
- At the next available MIUGSA Board meeting, the appeal may be granted in full, granted in part, or denied.

