

PASO ROBLES BASIN WATER DISTRICT (DISTRICT) PLAN FOR SERVICES

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1) Background

Throughout 2014, there was ongoing discussion regarding increased management of the Paso Robles Groundwater Basin (Paso Basin).¹ The primary topics of discussion were: (1) whether the Paso Basin needs increased management; (2)

¹ On March 27, 2012, the Board adopted the Paso Robles Groundwater Basin Management Plan pursuant to Water Code Section 10750 *et seq.* (AB 3030).

the mechanism for providing such management; and (3) the entity to implement the selected mechanism.

Two stakeholder groups proposed and supported the formation of a California Water District with a modified Board of Directors.² Assemblyman Katcho Achadjian introduced legislation reflective of this proposal (AB 2453) that was signed by the Governor on September 16, 2014 and became effective on January 1, 2015.³ In addition to providing for a modified Board of Directors, AB 2453 authorizes the Paso Robles Basin Water District (District) to exercise a number of groundwater management powers.

Concurrently, Senator Pavley and Assemblyman Dickinson sponsored a three-bill package (Sustainable Groundwater Management Act or SGMA) creating a statewide system for managing groundwater resources that was also signed by the Governor on September 16, 2014 and became effective on January 1, 2015. The SGMA imposes groundwater management requirements on basins that the Department of Water Resources (DWR) has designated as high- or medium-priority basins pursuant to the California Statewide Groundwater Elevation Monitoring Program (CASGEM). The SGMA permits the State Water Resources Control Board (SWRCB) to designate a high- or medium-priority basin as a “probationary basin” if a Groundwater Sustainability Agency(ies) (GSA) and a Groundwater Sustainability Plan(s) (GSP) for the basin are not established or adopted within certain specified time frames.

More specifically, the SWRCB may designate a high or medium-priority basin as a probationary basin unless one of the following has occurred on or before *June 30, 2017*: (a) a local agency has elected to be a GSA that intends to develop a GSP for the *entire* basin; (b) a collection of local agencies has formed a GSA or prepared agreements to develop one or more GSPs that will collectively serve as a GSP for the *entire* basin; (c) a local agency has submitted an alternative that has been approved or is pending approval by DWR.⁴ In addition, the SWRCB may designate a high- or medium-priority basin as a probationary basin unless one of the following has occurred on or before *January 31, 2022*: (a) a GSA has adopted a GSP for the *entire* basin; (b) a collection of local agencies has adopted GSPs that collectively serve the *entire* basin; (c) DWR has approved an alternative.⁵

It is anticipated that the District will form prior to the above deadlines and will participate in a GSA with other affected local agencies that develops a GSP for the

² AB 2453 provides that the Board of Directors shall consist of six directors elected by landowners and three directors elected by registered voters.

³ Application must be made by January 1, 2019 (Water Code § 37905(a)).

⁴ Water Code § 10735.2(a)(1).

⁵ Water Code § 10735.2(a)(4). For high- or medium-priority basins which DWR has designated in its report entitled California’s Groundwater: Bulletin 118 (Bulletin 118), as may be updated or revised on or before January 1, 2017, as “subject to critical conditions of overdraft,” the GSP deadline is shortened, and the SWRCB may designate such a basin as a probationary basin unless (a), (b) or (c) has occurred on or before *January 31, 2020* (Water Code § 10735.2(a)(2)).

Paso Basin or will enter into an agreement(s) with other affected local agencies to develop one or more GSPs for the Paso Basin consistent with Water Code Section 10727.

2) Description of Services

a. Description of the Services to be Provided by the New District:

The District will initially participate in a GSA for the Paso Basin or enter into an agreement(s) to fund and develop one or more GSPs for the Paso Basin. The GSP(s) will be used as the planning document for groundwater management in the Paso Basin. Any improvements, programs or projects (water conservation, water supply projects, etc.) recommended in the GSP adopted by the District will be considered by the District board for implementation. It is uncertain what these improvements, programs or projects may be at this time. The initial service provided by the District can be generalized as compliance with the Sustainable Groundwater Management Act (SGMA).

b. Boundary of the New District

The boundary of the District is conceptually consistent with the requirements under the SGMA. More specifically, the SGMA defines “basin” as “a groundwater basin or subbasin identified and defined in Bulletin 118 or as modified pursuant to Chapter 3 (commencing with Section 10722).”⁶ Section 10722 permits a local agency to request that DWR revise the boundaries of a basin if the local agency can demonstrate, among other things, that the proposed adjusted basin can be the subject of sustainable groundwater management.⁷ The SGMA requires DWR to adopt regulations regarding the information required to support a boundary revision request by January 1, 2016 and contemplates a revision to Bulletin 118 on or before January 1, 2017.⁸

Early proponents of the District worked to define the boundaries of the proposed District based on the Phase 1 Study of the Paso Basin prepared by Fugro and Cleath (2002) (Phase 1 Study). However, the boundaries defined in the Phase 1 Study differ from those set forth in Bulletin 118.

More specifically, the boundaries in Bulletin 118 for the Paso Basin are primarily based on surface geology information and information developed in DWR's 1979 and 1958 studies of the Paso Basin. Locally, the Flood Control District commissioned Fugro and Cleath to do a detailed analysis of the Paso Basin hydrogeology. This effort established a Paso Basin boundary based on the subsurface base of permeable sediments as documented in the Phase 1 Study. While the Phase 1 Study is referenced in the most recent update to Bulletin 118,

⁶ Water Code § 10721(b).

⁷ Water Code § 10722.2.

⁸ Id; Water Code § 10720.7.

there was no mechanism/program at that time for updating Basin boundary maps, and the original DWR boundary map still remains in Bulletin 118.

The SGMA has now established a mechanism for requesting boundary changes that will be implemented via a program administered by DWR. Based on the foregoing, with the exception noted below, the proposed boundary includes areas excluded from the Phase 1 Study boundaries but included within the Bulletin 118 boundaries as Negative Spheres of Influence. This affords LAFCO the ability to identify these areas as areas for potential detachment in the event that an application to revise the Paso Basin boundaries in accordance with the Phase 1 Study is submitted to and approved by DWR.

The Atascadero Subbasin is categorized differently than other areas falling within the Bulletin 118 boundaries but outside of the Phase 1 Study boundaries based on its identification as a subbasin with partial hydraulic separation by Fugro and Cleath. More specifically, the unincorporated parcels within the Atascadero Subbasin are excluded from the District boundaries but are designated as a (positive) Sphere of Influence. The Subbasin would be considered for potential inclusion in the event that it is determined that the Subbasin cannot be separately managed, because e.g. certain purveyors cannot serve as a GSA, a management structure is not developed, or new information challenges prior conclusions.

Figure 1 below depicts the District boundary. Cities, CSD's and other eligible water purveyors (purveyors with a governing board which may be or participate in a GSA) have been excluded from the District boundary. Figure 2 below depicts the Negative and Positive Spheres of Influence.

Figure 1 – Water District Boundary with Parcels:

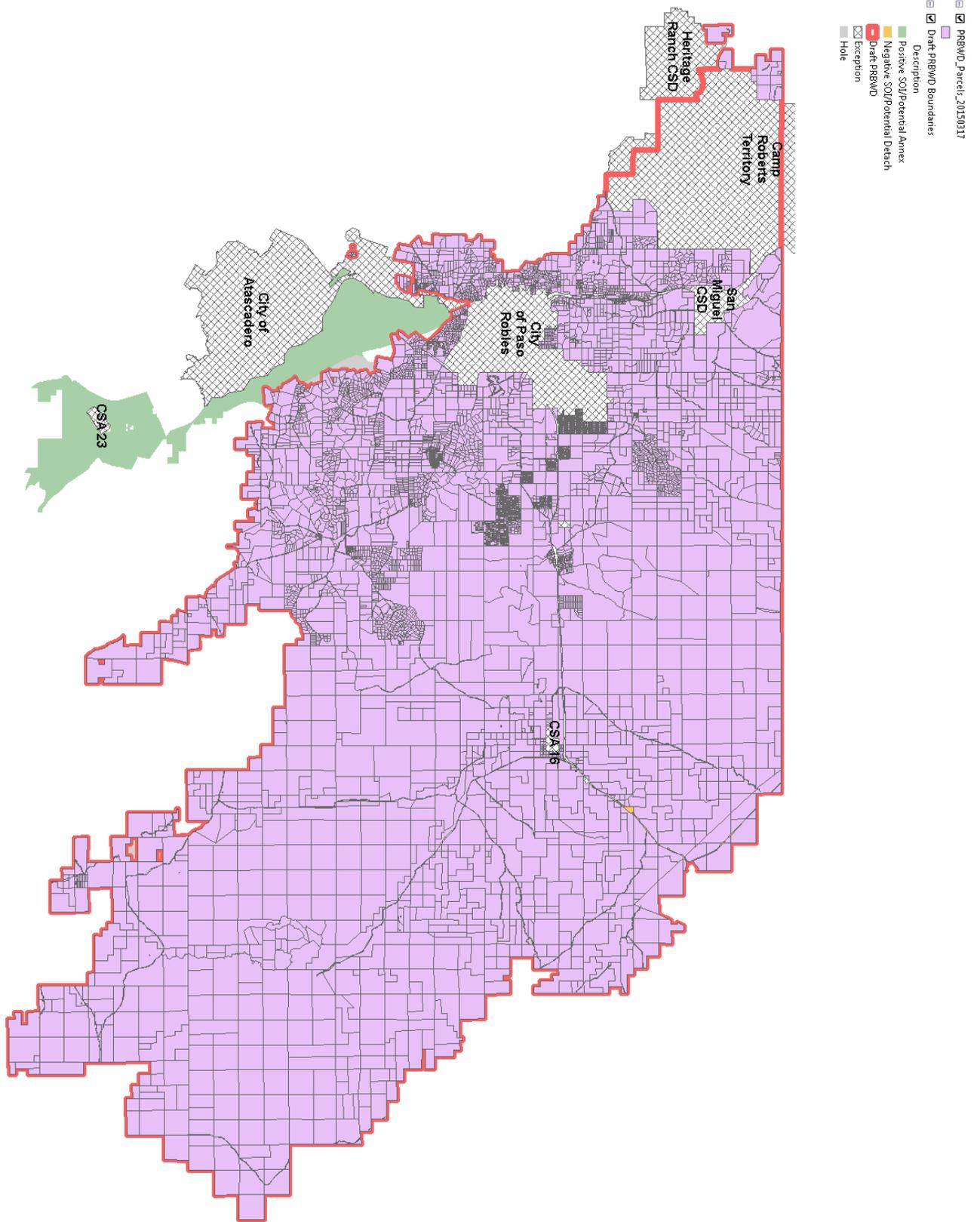
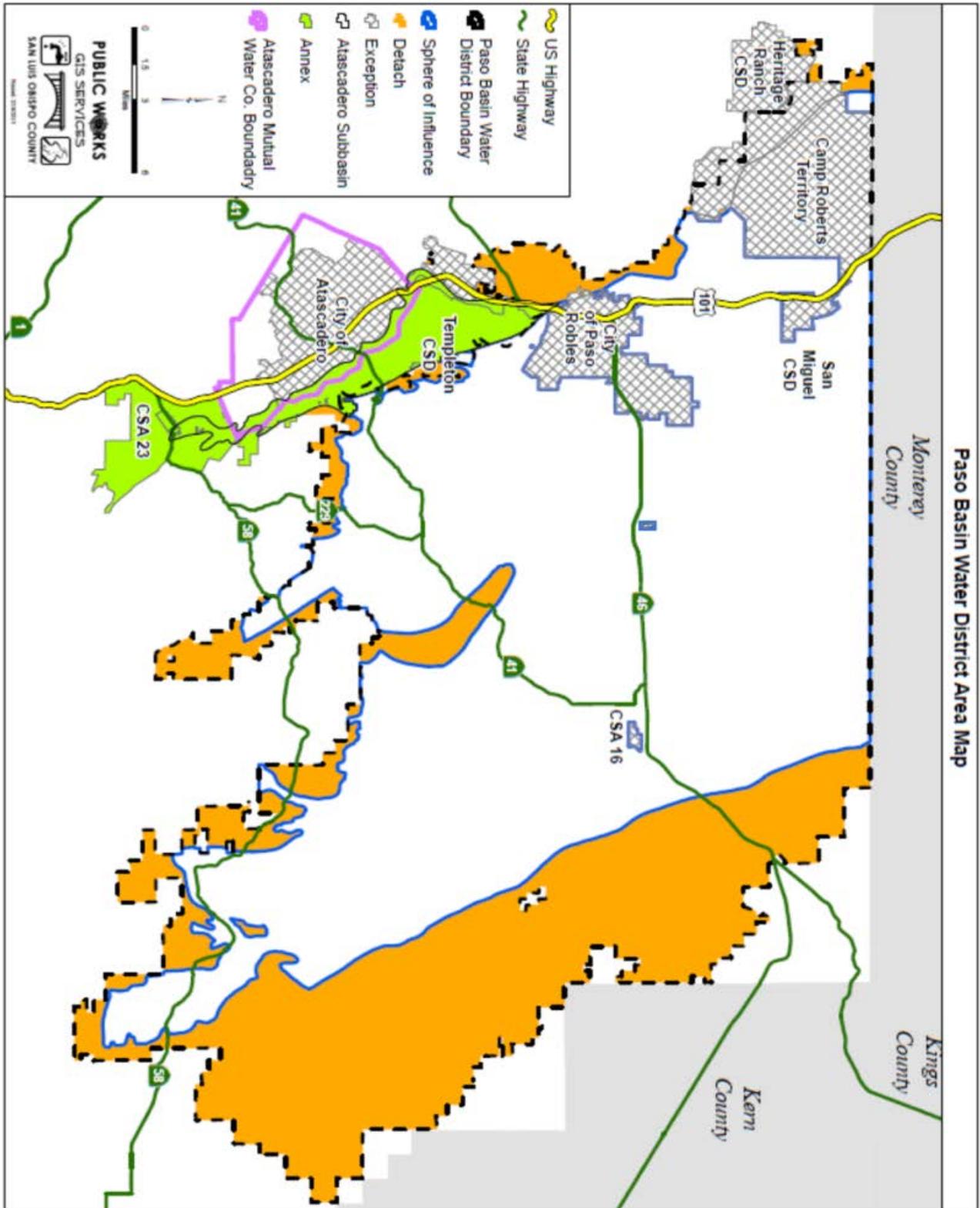


Figure 2 – Water District Boundaries with Negative & Positive Sphere of Influence:



c. Level and Range of Services to be Provided

Generally speaking, the level and range of services to be provided are those necessary to sustainably manage the groundwater basin as required by the SGMA. A list of powers potentially available to the District pursuant to AB 2453, California Water District law, and pursuant to the SGMA (assuming the District becomes a GSA and/or adopts a GSP) is set forth in Attachment A. The applicant has requested that all of the AB 2453 powers be activated by LAFCO consistent with the statutory requirement that the District receive the consent of the County, the County Flood Control District and/or any other local agency before engaging in activities normally and historically undertaken by these agencies. GSA powers are not reviewable by LAFCO, and will become activated once the District properly notices its intention to be a GSA and the noticing period runs.

The Flood Control District does, however, request that one of the enumerated powers within AB 2453 be conditionally classified as a latent power. Section 37921 of AB 2453 authorizes the District, among other things, to adopt emergency ordinances with an affirmative vote of only four members of the board of directors. The Flood Control District believes this power contains a mistake and that the intent was to permit the District to adopt emergency ordinances by an affirmative vote of seven directors. The Flood Control District is requesting LAFCO make the power to adopt an emergency ordinance latent unless and until the State Legislature amends AB 2453 to require seven votes.

d. Indicate when services can be extended to the affected area(s)

Services related to SGMA compliance, such as the development of a GSP, can be provided by the District immediately upon formation. The proposed budget, which will have had a successful Proposition 218 proceeding, only provides for enough funding to operate the District and fund the GSP. Any improvements, programs or projects deemed necessary by the GSP in order to sustainably manage the Paso Basin will need their own funding revenue source, which will be subject to the requirements of Proposition 218.

e. An indication of any improvement of structures, roads, sewer or water facilities, or other conditions the district would impose or require within the affected territory if the District is formed

Any such improvements related to groundwater sustainability are not anticipated to be imposed until after the development of the GSP. Under the SGMA, the final GSP must be submitted to DWR by either 2020 or 2022.⁹ The date that will be

⁹ Water Code § 10720.7(a) & (b). For high- or medium-priority basins which DWR has designated in Bulletin 118 as “subject to critical conditions of overdraft,” the GSP deadline will be on or before *January 31, 2020*, with all other basins having a GSP deadline on or before *January 31, 2022*.

required for the Paso Basin has yet to be determined. Therefore, any such improvements will most likely not be undertaken until at least 2020, and as discussed above, these improvements, programs or projects will be unknown until the GSP is developed.

3) Identification of existing service providers, if any, and the potential fiscal impact to the customers of those existing providers

There is no existing provider of sustainable groundwater management services as specifically described in the SGMA in the proposed District. However, the County Flood Control District has adopted a Groundwater Management Plan pursuant to AB 3030 which is currently in effect and the County has adopted an Urgency Ordinance (Ordinance No. 3246) that restricts new uses of groundwater within the Paso Basin. Aside from the foregoing, the area currently has individual well owners managing groundwater without the collaboration of others. There are, however, other existing water purveyors in the Paso Basin which will have to work collaboratively with the new District on matters related to groundwater management. These agencies will work together under the framework of a GSA or coordinated development of a GSP(s).

4) Plan for financing the establishment of the new district:

a. Total estimated cost to provide services within the special district's boundaries

The total estimated cost to provide services related to compliance with the SGMA is \$950,000. A detailed budget is provided in section (d) below.

b. Estimated cost of the services to customers within the special district's jurisdictional boundaries

A final determination of the funding mechanism under Proposition 218 (and the manner in which to impose a levy) has not been made at this time; therefore, the final allocation of the \$950,000 annual budget has not been developed. However, the Flood Control District retained the consulting firm NBS to develop a preliminary analysis on funding, which includes an estimated cost of service to customers on a per parcel basis (NBS Report). The NBS Report is attached as Attachment B.

The NBS Report assumes a \$2 per acre levy would provide revenue of approximately \$907,584, which is a theoretical levy to use for discussion purposes and almost enough to fund the preliminary budget. The actual levy for a \$950,000 District budget would be marginally higher at \$2.10 per acre. A detailed list of cost

per the Assessor's 103 land use categories at a theoretical levy of \$2 per acre is included in the NBS Report. Some highlights worth noting include the following:

- There are an estimated 1,386 Single Family Residential parcels with less than 2.49 acres. The estimated average levy for these parcels is \$3.25/year.
- Approximately 46% of the parcels in the district are Single Family Residential with less than 40 acres. The estimated average levy for these parcels ranges from \$3.25 to \$75.19 per year.
- Irrigated viticulture comprises approximately 54,046 acres or 12% of the District. The estimated average levy for this category is \$357.93 per year.

It is important to reiterate that the NBS Report is for discussion purposes only and not the final allocation of costs. Depending on the funding mechanism used, a more refined allocation of costs will still need to occur. For example, this model levies \$2 per acre equally to all land use categories, and certain categories – such as Graze and Vacant Rural - may not justify the full allocation. A reduction in their allocation would increase the cost to other land use categories. The work effort to fully refine the allocation model of a potential levy will take place during the Proposition 218 proceedings and be consistent with legal.

c. Identification and description of the revenue sources. Discuss the stability of the revenue sources and future availability

The funding will be approved pursuant to Proposition 218, which will provide for a long-term funding source. It has yet to be determined if the proposed levy will be a fee or special tax. Each has its own funding approval process, which the Flood Control District will follow to ensure compliance with the law.

Additionally, Proposition 1 provides for over \$7 billion in funding for water related projects. Almost \$1 billion is for groundwater sustainability, and it is reasonable to assume the District will be competitive for many of these grants. The initial budget does not account for a grant award, but a grant would be a welcome source of funding and help with the overall financing of compliance with the SGMA.

d. Initial budget that describes anticipated expenses associated with the service to be provided

Five Year Operating Expenditures -Paso Water District

Category	2016	2017	2018	2019	2020
Salaries & Benefits ¹⁰					
Executive Director (Division Manager - Utilities)	\$ 187,874	\$ 187,874	\$ 187,874	\$ 187,874	\$ 187,874
Groundwater Engineer (Engineer IV -Public Works)	-	-	-	\$ 163,943	\$ 163,943
Administrative Assistant/Board Clerk (Senior Account Clerk - PW)	\$ 72,894	\$ 72,894	\$ 72,894	\$ 72,894	\$ 72,894
Groundwater Sustainability Plan	\$ 250,000	\$ 250,000	\$ 250,000	\$ 100,000	\$ 100,000
Legal Services	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Grant Writing / Advocacy	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Office Lease	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
IT Support (including GIS)	\$ 10,000	\$ 10,500	\$ 11,025	\$ 11,576	\$ 12,155
Payroll Service	\$ 2,400	\$ 2,520	\$ 2,646	\$ 2,778	\$ 2,917
Software/Website	\$ 9,000	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Conferences/Training	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Travel Expenses	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788	\$ 6,078
Dues & Subscriptions	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Insurance	\$ 11,700	\$ 12,285	\$ 12,899	\$ 13,544	\$ 14,221
Legal Notices & Ads	\$ 7,500	\$ 7,875	\$ 8,269	\$ 8,682	\$ 9,116
Office Supplies	\$ 2,000	\$ 2,100	\$ 2,205	\$ 2,315	\$ 2,431
Postage	\$ 3,000	\$ 3,150	\$ 3,308	\$ 3,473	\$ 3,647
Printing	\$ 2,500	\$ 2,625	\$ 2,756	\$ 2,894	\$ 3,039
Utilities	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788	\$ 6,078
Telephone/Communications	\$ 3,500	\$ 3,675	\$ 3,859	\$ 4,052	\$ 4,254
Office Equipment Leases	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Board Elections	\$ 15,000	-	\$ 15,000	-	\$ 15,000
Future Prop 218	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
LAFCO District Fees	\$ 1,200	\$ 1,260	\$ 1,323	\$ 1,389	\$ 1,459
Collection Fee/Bad Debt	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Annual Audit	\$ 5,000	\$ 5,250	\$ 5,513	\$ 5,788	\$ 6,078
Contingency (average of 7%)	\$ 68,432	\$ 85,992	\$ 67,905	\$ 65,721	\$ 47,317
TOTAL	\$ 950,000	\$ 950,000	\$ 950,000	\$ 950,000	\$ 950,000

Attachments:

- A. AB 2453, California Water District and SGMA Power Comparison
- B. NBS Proposition 218 Preliminary Report

¹⁰ Based on County Salaries & Benefits - include medical, retirement and other non-salary benefits