MERCED IRRIGATION-URBAN GSA

2020 Fee Study

All figures are preliminary and subject to change

Board Meeting

April 29, 2020

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Objectives of Board Discussion

- Update on Work Completed
  - Input/ feedback
- Discuss Two Fee Structure Options
  - Pros and Cons input
- Outreach Plan
  - COVID-19 disruption & public meetings
- Schedule
  - Board input

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This Presentation

- Intended to outline potential procedures
- Model input values presented are not final; they are place-holders for the purpose of discussion
- All figures may be revised until the Final Report is accepted by the Board of Directors.

Fee Study Progress

- Conducted case study research
- Obtained Board direction February 12
- Meetings with Atwater and Merced city staffs
- Tour of agricultural portion of the management area with MID staff
- Tour of Planada WWTP, self-tour from Le Grand to El Nido to Livingston
- Built GIS tool to display data and run queries in support of fee calculations
- Socioeconomic & agricultural production data gathering
- GW Pumping data obtained (GSP and MID AWMP)
- County Department of Public Heath, Assessor, Auditor-Controller have all provided data and/or information
- Initial stakeholder meetings held by telephone
- Draft budget and cash flow developed
- Fee options developed

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Mapping

A screen will be shared on your computer monitor showing the mapping tool.

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Review of Deliverable 2 PowerPoint

- Highlights of findings of research
- Recommendations for fee options

*The next 5 slides are **Slides 15-19** of Deliverable 2*

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Fee Structure Considerations

Fee Goals	Fee Basis		
	Parcel	**Acre**	**Connection**
Simplicity	All parcels benefit from groundwater availability	Understandable; decisions needed about vacant parcels etc.	Good nexus; any property with a connection has the ability to use water
Equity	Different sized parcels pay the same fee & does not recognize different land uses have different water demands	Good equity for groups of similar water users (ag, industry, resid)	Does not recognize different land uses have different water demands
Administrative Ease	Straightforward	Straightforward	Requires effort by water providers every year (list of APNs and # of connections)
Enforceability	Easy to enforce, everybody treated the same	Easy to enforce	Easy to enforce with water provider coooperation, otherwise water provider gets 1 bill and they recoup from customers
Financial Stability	Predictable, easy to collect with property taxes	Predictable, easy to collect with property taxes	Predictable, easy to collect with property taxes

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Fee Structure Options (Hybrid Ideas)

Per Agricultural Acre / per Connection	Per Agricultural Acre / Per Urban Acre
Step 1: Allocate total cost to ag and urban properties using long-term historical pumping.	**Step 1:** Allocate total cost to ag and urban properties using long-term historical pumping.
Step 2: Agricultural parcels- use Assessor land use codes to determine ag parcels. Fee is allocated cost divided by total parcel acreage. County GIS acreage will be used (no net for buildings, roads, etc.).	**Step 2:** Agricultural parcels- use Assessor land use codes to determine ag parcels. Fee is allocated cost divided by total parcel acreage. County GIS acreage will be used (no net for buildings, roads, etc.).
Step 3: Urban parcels - divide urban cost allocation by total number of service connections. **Issue:** Domestic well equity. Several subdivisions have individual wells. If include domestic wells, how to be sure you get them all? Poor records available.	**Step 3:** Urban parcels - divide urban cost allocation by total acreage of urban parcels. **Issue:** No recognition of water use by different land use type. Should some parcels be exempt from the fee?

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Suggested Hybrid Fee Options

Option 1: Acreage / Connection Fee

1A

Per Agricultural Acre

Per Urban Connection

Per Domestic Well

1B

Per Agricultural Acre

Per Urban Connection

Option 2: Acreage Fee

2A

Per Agricultural Acre

Per Urban Acre

(with exemptions)

2B

Per Agricultural Acre

Per Weighted Urban Acre

(with exemptions)

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Fee Options Benefits and Drawbacks

Approach	Achieves	Benefits	Considerations
#1 Connection Fee / per Agriculture Acre Fee Hybrid	Allows for quantity of water used by ag & urban to be factored into the fee; allows for different fee structure for ag & urban water users.	Predictable revenue stream; easily enforceable	Water systems have option to either provide data identifying which parcels receive water service to put on tax roll OR GSA can bill the system directly based on # connections; requires all parties agree to ag/muni percentage cost split for Step 1. Equity concern not all urban land uses have same water requirements but pay same fee. Foster Farms would pay the same as a business or home, unless it was an exception and was categorized as agriculture. Have to decide whether to include domestic wells.
#3 Acreage Fee Hybrid	Allows for quantity of water used by ag & urban to be factored into the fee; can account for different land use water demands.	Most administratively easy; Predictable revenue stream; includes de minimis users so all urban users treated equally; easily enforceable	Requires all parties agree to ag/muni percentage cost split for Step 1. No input needed by water providers. Fee calculated entirely with County records. **Option 2A:** Little consideration in fee determination how much water is used by each parcel (equity concern). **Option 2B:** Need to define what (if any) parcels are exempt and water use weighting factors.

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Fee Revisions

- MIUGSA Board has ability to revise the fee whenever needed by following procedures in the California Constitution
- Recommend annual automatic fee inflator (suggest the Bureau of Labor Statistics Western Region CPI)
  - Average annual increase past 20 years = 2.32%

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Draft Budget and Cash Flow

Table 1: Accumulated Expenses and Five-Year Budget

Table 2: Estimated Cash Flow

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Approach to Regulatory Fee Structure Options

- Initial stakeholder interviews pointed to an expectation that groundwater use would be incorporated into the fee
- Both options presented allocate the costs between urban and agricultural users of groundwater as a first step in the fee methodology
- Option 1 is the same as the Salinas Valley Groundwater Basin GSA (SVGBSA, Salinas) case study model

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Two Fee Structure Options

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.

Option 1: Acreage / Connection Fee (the Salinas model)

1A

Per Agricultural Acre

Per Urban Connection

Per Domestic Well

1B

Per Agricultural Acre

Per Urban Connection

Option 2: Acreage Fee (new model for local attributes)

2A

Per Agricultural Acre

Per Urban Acre

(with exemptions)

2B

Per Agricultural Acre

Per Weighted Urban Acre

(with exemptions)

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Fee Options Similarities and Differences

Both options involve a fee methodology with 3 steps:

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

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Step 1 (applies to both options)

Allocate costs between urban and agricultural uses of groundwater

Table 3: Estimated pumping based on historical best estimates:

20% Urban, 80% Agricultural split

Could change over time; could be a rolling average or 5-year review for example

Table 4: Agricultural pumping estimate (Acre Feet)

Step 2 – Agricultural Fee (applies to both options)

- Divide allocated Agricultural cost share by Agricultural Production Acres
- Agricultural Production 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

Table 5: Assessor Parcel Acreage

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Step 3 – Urban Fee Options 1A & 1B

- Divide allocated Urban cost share by number of Urban Connections
- Urban Connections defined as "a point of connection between the customer's piping or constructed conveyance and the water system's meter, service pipe, or constructed conveyance". *(CA Health & Safety Code Section 11675 (s))*
- De minimis users (those properties with a domestic well) can be added to the definition for purposes of the fee

Table 6: Urban Groundwater Users

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Option 1 Fee Illustration

Table 7: Acreage / Connection Fee Calculation

5% allowance for errors included

Cost per Agricultural Production Acre = $5.08

Cost per Connection:

Option 1A = $3.76 (includes de minimis)

Option 1B = $3.91 (excludes de minimis)

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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 Production Acres
- May be appropriate to make some land uses exempt from the fee (review Table 5)
  - Some land is vacant for a purpose (such as railroad)
  - A fee applied to some land could be 'hiding' customer costs; for example if a City park is charged the fee, the City will recoup this in water rates, so the same customers will pay both in property taxes and in a 'hidden' form in their water rates
  - Or, no exemptions on the principal that everybody pays

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Step 3 –Urban Fee Option 2B

- Divide allocated Urban cost share by number of Weighted Urban Acres
- Weighted Urban Acres are Urban Acres (defined under Option 2A) weighted by water use coefficients

Table 8: Comparison of Water Use per Acre by Land Use

Table 9: Urban Weighting Factors

Table 10: Calculation of Urban Weighted Acres

- May be appropriate to make some land uses exempt from the fee (as under Option 2A)

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Option 2 Fee Illustration

Table 11: Acreage Fee Calculation

5% allowance for errors included

Cost per Agricultural Production Acre = $5.08

Cost per Urban Acre = $7.23

Cost per Weighted Urban Acre = $7.10

In the Urban Fee illustration government land is excluded

** Policy needed what land uses, if any, to exempt, and if any land uses should have a lower fee (vacant land for example)*

Urban Fee Comparisons Options 2A & 2B

- More intensive water users (on a per acre basis) will pay a higher fee under Option 2B

Table 12: Urban Residential

Table 13: Urban Non-Residential

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Fee Options Annual Fee Amounts Summary

	Option 1A	Option 1B	Option 2A	Option 2B
Agriculture Per Acre	$5.08	$5.08	$5.08	$5.08
Urban per Connection	$3.76	$3.91	--	--
Urban per Acre				
Residential				
Mobile Homes	--	--	$7.23	$6.82
Single Family Detached	--	--	$7.23	$7.10
Single Family Attached	--	--	$7.23	$11.22
Multi-Family	--	--	$7.23	$16.76
Non-Residential				
Commercial	--	--	$7.23	$9.38
Industrial	--	--	$7.23	$10.73
Governmental	--	--	$0.00	$0.00
Railroad/Utilities	--	--	$7.23	$3.55
Vacant	--	--	$7.23	$3.55
Common Areas	--	--	$7.23	$4.55
Religious	--	--	$7.23	$7.10

Note: Policies to exempt or not exempt certain Urban land use types would change the Option 2 Urban fees.

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