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Consider recommending the Board of Directors consider a Groundwater Monitoring Program Regulatory Fee Stabilization Policy. (Staff Presenting: Ara Azhderian)

RECOMMENDATION:
It is recommended that the Finance and Administration Committee:

Recommend the Board of Directors consider a Groundwater Monitoring Program Regulatory Fee Stabilization Policy.

SUMMARY/DISCUSSION:
In 2014, the California legislature enacted the Sustainable Groundwater Management Act (SGMA) for the purpose of achieving and maintaining sustainability in the State's groundwater basins. In the Monterey County portion of the Salinas Valley Groundwater Basin (Basin), the Salinas Valley Basin Groundwater Sustainability Agency (SVB) is responsible for managing the preponderance of the Basin, in cooperation with other local entities, including the Monterey County Water Resources Agency (Agency). The SVB has prepared six Groundwater Sustainability Plans (GSPs) to address each subbasin within its jurisdiction.

For each GSP, SGMA requires the SVB to develop a monitoring network and describe the conventions necessary to establish and monitor Sustainable Management Criteria, which define the conditions that constitute groundwater sustainability, including characterizing undesirable results and establishing minimum thresholds and measurable objectives for each sustainability indicator. The monitoring networks were developed pursuant to the California Code of Regulations (CCR), Title 23 (23 CCR), Division 2, Chapter 1.5, Subchapter 2, Article 5, Sections 354.32 et seq.. More specifically, § 354.34 establishes the minimum requirements for a monitoring network, including:

> § 354.34 (a) Each Agency shall develop a monitoring network capable of collecting sufficient data to demonstrate short-term, seasonal, and long-term trends in groundwater and related surface conditions, and yield representative information about groundwater conditions as necessary to evaluate Plan implementation.
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> § 354.34 (b) Each Plan shall include a description of the monitoring network objectives for the basin, including an explanation of how the network will be developed and implemented to monitor groundwater and related surface conditions, and the interconnection of surface water and groundwater, with sufficient temporal frequency and spatial density to evaluate the effects and effectiveness of Plan

implementation. The monitoring network objectives shall be implemented to accomplish the following:

(1) Demonstrate progress toward achieving measurable objectives described in the Plan.
(2) Monitor impacts to the beneficial uses or users of groundwater.
(3) Monitor changes in groundwater conditions relative to measurable objectives and minimum thresholds.
(4) Quantify annual changes in water budget components.

In order to reliably and cost effectively implement its monitoring networks, the SVB partnered with the Agency to leverage its groundwater monitoring expertise and historical, long-term trend-data to avoid creating a duplicative program, with additional costs. The partnership establishes one cohesive Groundwater Monitoring Program (GMP) to comply with the SGMA monitoring requirements, while ensuring efficiency and transparency. The key goal is to improve the availability of accurate, timely, and reliable groundwater information, which aids in effectively managing all water resources.

To meet the requirements of 23 CCR § 354.32 et seq., the Agency had to establish a reliable funding mechanism to recover the reasonable costs necessary to ensure regulatory compliance. In October 2024, the Board of Supervisors adopted a new groundwater monitoring ordinance and Groundwater Monitoring Program Manual. Among other things, the ordinance authorizes the Agency to allocate and recover costs associated with the GMP on a per-well basis. In July 2024, the Agency initiated a Groundwater Monitoring Program Fee Study, completed in May 2025, which established a schedule of cost-based fees under section 1(e)(3) of Article XIII C of the California Constitution (Proposition 26).

Each year, the GMP is reevaluated to ensure regulatory objectives are being met reliably and cost effectively. The annual GMP budget preparation and fee-setting process entails numerous public meetings and two public hearings before final consideration for approval by the Board of Supervisors. The regulatory fees ultimately set are consistent with Gov. Code § 53758(c), which states in part: "…that the amount [of the fee] is no more than necessary to cover the reasonable costs to the local government in providing the specific benefit or specific government service…" While great care is taken to plan for effective implementation of the GMP, not all uncertainty can be eliminated. Because the GMP is in place to meet SGMA regulatory mandates, unforeseen yet necessary actions cannot simply be dismissed or delayed. If an unforeseen action becomes necessary, the Agency has two options: 1) it can amend the GMP budget and fee in the then current fiscal-year if cash is insufficient, or 2) it can rely upon cash in hand and recover the cost of the action in the subsequent fiscal-year. Either alternative results in uncontrolled fee volatility.

Generally Accepted Accounting Principles (GAAP) recommend that governments establish a formal policy to indicate an appropriate level of reserves to be maintained for rate stability, capital improvement projects, and other operational obligations. The purpose of the GMP Regulatory Fee Stabilization Policy (RFSP) is to implement financial best management practices consistent with the GAAP recommendation, and moderate the potential for fee

volatility due to unforeseeable circumstances. The RFSP proposes to establish two reserve funds within the GMP, a Capital Reserve and an Operating Reserve, and to limit the accumulation and replenishment of the reserve within any given fiscal-year to 20% of the reserve target. Examples of how the limitation on the accumulation and replenishment of reserves would work, and the effect upon the regulatory fee follow.

These examples are, of course, simplified illustrations of how the RFSP is intended to work but real-world fiscal dynamics will ultimately dictate the volatility of GMP regulatory fees. Absent a reserve policy, the potential for program interruption or disruptive fee changes within any given fiscal-year persists. The aim of the RFSP is to balance the need of the Agency to reliably and consistently implement the GMP to fulfill SGMA mandates while protecting well owners from undesirable fee volatility.

STRATEGIC PLAN ALIGNMENT:
The above staff recommendation aligns with the Board of Directors adopted 2020 Strategic Plan Goal A, Strategies 3 & 4; Goal B, Strategies 2 & 7; and Goal D, Strategy 1.
OTHER AGENCY INVOLVEMENT:
None
FINANCING:
Implementing the recommendation may require a FY27 budget amendment to augment revenues and appropriations by $120,000.

Prepared and Approved by: Ara Azhderian, General Manager, (831) 755-4860

1. Attachment A.
2. Attachment B.
3. Attachment C.
4. Attachment D.