

Agenda Report Reviewed by:
 City Manager: 

**CITY OF SEBASTOPOL
 CITY COUNCIL
 AGENDA ITEM**

Meeting Date: June 4, 2019
 To: Honorable Mayor and City Councilmembers
 From: Engineering Manager Henry J. Mikus
 Subject: Discussion and Approval of the Annual GSA Fee Assessment resulting from Sebastopol joining the Santa Rosa Plain GSA Basin
 Recommendation: Approve a GSA entry fee of \$71,400 spread across three years.
 Funding: Currently Budgeted: *X Yes **X No N/A
 Net General Fund Cost: N/A Amount: N/A

*The City Council approved a set aside of \$33,000 for this entry fee for FY 18-19 during mid-year budget review.

**An additional \$38,400 is requested to add to the \$33,000 in the FY 18-19 budget to cover both FY19-20 and FY 20-21 . The Water Fund would be used for these funds if approved by City Council. This does not include the yearly usage fee estimated between \$18,000 and \$25,000 which is anticipated to be effective FY 19-20.

Introduction: This item is for City Council Discussion and Consideration of the Annual GSA Fee Assessment resulting from the City of Sebastopol joining the Santa Rosa Plain GSA Basin. The requested funding amount is as follows: \$71,400 GSA fee, which could either be paid in three annual installments of \$23,800, or the fee could be split into \$33,000 for FY 18-19 (utilizing the full amount budgeted) followed by two equal payments of \$19,200 for each of FY 19-20 and FY 20-21. Staff is also seeking Council direction to follow the requisite steps so that the City is part of the Santa Rosa Groundwater Sub-Basin.

Background:

At the City Council meeting of September 4, 2018 a Public Hearing was held, and Council approved staff preparing and submitting a Jurisdictional Boundary Adjustment Request so that the City would become part wholly and solely of the Santa Rosa Plain Sub-Basin Groundwater Sustainability Agency (GSA). A Resolution of Approval was discussed and approved by Council at the meeting held September 18, 2018. Staff prepared the Boundary Adjustment Request and submitted it to the California Department of Water Resources (DWR) by late September 2018. The Final Approval of the adjustment request was made public mid-February 2019.

The GSA was formed in July 2017 as a Joint Powers Authority (JPA). Members from the start have been:

- County of Sonoma
- Sonoma County Water Agency
- City of Cotati
- City of Rohnert Park
- City of Santa Rosa
- Town of Windsor
- Independent Water Systems

Gold Ridge Resource Conservation District
Sonoma Resource Conservation District

These groups each have one representative on the GSA governing Board. In addition the GSA utilizes a Technical Advisory Committee (TAC) which has representatives from each of the members plus representatives from other groups with a real interest. Due to its proximity to the Santa Rosa Basin, Sebastopol has participated on the TAC.

Discussion:

Funds for the first five years' GSA efforts were initially covered from two sources: a \$1M DWR grant to aid GSA formation and plan preparation, and annual assessments on the GSA members. For FY 17-18 this fee was approximately \$55,000 per member, and for the current FY 18-19 the annual members' fee is \$64,000 each. Beginning with FY 19-20, it is anticipated revenue will be generated by groundwater usage fees and annual member assessments will no longer be needed. A process is ongoing via a rate study to establish these user fees. It is anticipated the fee range will be between \$18 and \$25 per acre-foot of groundwater used. For Sebastopol, which historically uses about 1,000 acre feet of groundwater each year, the annual GSA cost going forward would be between \$18,000 and \$25,000 per year.

Beginning last December, in anticipation of eventual DWR approval of the Boundary Request, City staff had several initial conversations and meetings with GSA management to initiate discussions about whatever procedural steps had to occur for Sebastopol to formally join the GSA. One action is a formal vote of approval by the GSA Board, which does not appear to be a problem. However, GSA staff expressed an expectation Sebastopol would have to pay a fee to support GSA activities similar to other current members. In these initial discussions, with the expectation that Sebastopol would join the GSA for about half of FY 18-19, City staff suggested a fee assessment of \$33,000 to equate to the half-year membership. However, in subsequent negotiations, GSA staff have indicated their desired fee level is the per member assessed total for the first two years at \$119,000. Per discussion by City Council on March 19, 2019 this amount was considered to be too high. City staff made GSA administration know that Sebastopol was unwilling to pay the full two-year assessment.

GSA administrative staff has since communicated to City staff with a revised fee proposal. Given that Sebastopol would be a GSA member for the remaining three of the initial five years of GSA existence, the entry fee was proposed to be 3/5 of the \$119,000 member assessments which equals \$71,400. However, to mitigate a hard, single-year impact, GSA also proposes that this \$71,400 be paid in installments over three fiscal years. Staff believes this proposal to be much fairer and realistic.

The requested funding amount is as follows: a total \$71,400 GSA entry fee, which could either be paid in three annual installments of \$23,800, or the fee could be split into \$33,000 for FY 18-19 (utilizing the full amount budgeted) followed by two equal payments of \$19,200 for each of FY 19-20 and FY 20-21.

For FY 18-19, the payment would be adequately covered by the \$33,000 mid-year budget adjustment. For FY 19-20 and FY 20-21, the annual GSA payment would be the remaining amount owed in two equal years' payments, plus the anticipated annual water usage based fee, which for Sebastopol would be in the range of \$18,000 to \$25,000 annually. For FY 21-22 and after, the GSA payments would only be the water usage amount between \$18,000 and \$25,000 per year.

Letter Request: GSA staff recently asked Sebastopol to send a letter formally requesting admission to the Santa Rosa GSA that would address three issues:

1. Does Sebastopol have jurisdictional boundaries within the basin?
2. Is Sebastopol qualified to join the GSA based on the requirements of the Sustainable Groundwater Management Act (SGMA)?
3. Will Sebastopol commit to the GSA funding obligations?

Staff believes such a letter to be unnecessary. The first two items are moot points that are already settled. DWR approved the Sebastopol jurisdictional boundary adjustment and the GSA has received the formal approval from DWR. The issue of qualification was settled several years ago when regional GSA discussions began; Sebastopol was invited to participate exactly because it meets SGMA requirements. Finally, it would seem to be ill advised for Sebastopol to commit in writing to meeting funding obligations that are open-ended as they are still in discussion between the City and GSA.

Basin Re-Prioritization: As a result of the jurisdictional boundary adjustment moving Sebastopol from the Wilson Grove basin to the Santa Rosa basin that has been approved by DWR, these affected groundwater basins had their priority rating regarding groundwater depletion reassessed. As had been opined by Water Agency/GSA staff, the reassessment resulted in a lower reprioritization rating for Wilson Grove back below the threshold for requiring GSA formation. Water staff had believed this to be possible in large part because of the reduction of groundwater use within the reduced-size Wilson Grove from the removal of Sebastopol and two other adjusted areas. Of course, the reprioritization has resulted in questions about whether or not Sebastopol should still join Santa Rosa, or reverse course to remain part of Wilson Grove. Staff believes very strongly that the City remaining with Wilson Grove is fraught with risk of adverse consequences.

If Sebastopol wished to return to Wilson Grove the two affected basins would again be reassessed. The possibility exists that with Sebastopol back “in” groundwater usage numbers would rise enough to put Wilson Grove back in the medium risk category, which requires a GSA. For Sebastopol, doing Wilson Grove compared to staying with Santa Rosa would carry a much higher financial exposure. With Santa Rosa, Sebastopol would be one of ten members, while with Wilson Grove the potential members would be but three: County, Sebastopol, and the Gold Ridge Resource Conservation District. In simple terms, with costs for GSA about the same per basin, it is less expensive to allocate costs ten ways rather than divided by three.

Recommendation: Staff recommends that the City Council approves a \$71,400 GSA fee, paid in three annual installments, and direct staff to follow the requisite steps so that the City is part of the Santa Rosa Groundwater Sub-Basin.

Attachments:

None