



Madera County GSAs – Rate Studies

Board of Supervisors Meeting

March 29, 2022

What We Have Done

- Developed three groundwater sustainability plans (GSPs) with projects and management actions in 2018 and 2019
- GSPs are adopted by the board and include
 - › Recharge
 - › Sites Reservoir
 - › Domestic Well Mitigation
 - › Land Repurposing
- GSPs are in pending approval from DWR
- Extensive public outreach to develop an allocation and key project details to develop costs
- Developed flexibility with farm unit concept to manage water as a larger economic unit rather than by the acre
- Been aggressive about water supply augmentation before demand reduction

What We Heard

- Board understands the necessity of the fixed rate for years one and two
- Board would like to consider fixed rates for all five years
- Board would like to understand economic impacts
- Public is concerned about being first to implement
 - › The County GSAs are not first (Tule subbasin GSAs and Kaweah) and
 - › Early implementation ensures participation in Sites and recharge projects
- Board would like carryover provisions emphasized:
 - › Carryover can occur from year to year
 - › Carryover must be paid in year it occurs

What We Are Requesting

- Today (Final Rate Proposal)
 - › As policy makers, give the go ahead for Raftelis to finalize the rate proposal and bring back to board on April 12, 2022
- April 12, 2022 (Request for Rate Authorization)
 - › Rate study returns to the board in final form and
 - › Allow GSAs staff to begin noticing of affected parcels
- June 21, 2022 (Public Hearing on Rate Adoption)
 - › Hold Public Hearing on County GSA rates
 - › Absent a majority protest, the Board may adopt the rates as noticed

Economic Analysis

- The Board requested additional information regarding economic impacts related to GSP implementation
 - › The GSP implementation plans were developed to minimize economic impacts to the Madera County economy
 - › Implementation includes a mix of projects (develop as much water as feasible) and demand management to fill the remaining deficit
 - › Implementation is phased over 20 years to minimize impacts
- Existing analyses
 1. Economic impact analysis developed for the GSPs
 2. Accounting examples for how rates affect a hypothetical Farm Unit presented at public workshops and Board meetings for the Rate Study

Economic Analysis Example

- Economic analyses were developed to inform GSP implementation
 - › Madera Subbasin (Appendix 3C and 3D); Chowchilla (Appendix 3C)
- Funding and implementing the projects in the GSP avoids State Board intervention and helps Madera County avoid additional economic impacts
 - › For example, in the Madera Subbasin immediate demand management would:
 - Cause direct farm revenue losses of \$182 million per year
 - Require fallowing an average of 40,000 acres per year
 - Result in the economy contracting by \$200 million
 - › If GSP projects are not implemented, demand management would increase, which would further increase economic impacts

Rates Accounting Example

- Typical per acre net returns vary by crop, farming operation, and market conditions (crop prices and input costs)
 - › Typical net returns are between \$350 and \$2,000 per acre per year
 - › Returns vary over time with market conditions, and growers would still need to plan for that variability
- The Rate Study shows
 - › Estimated per acre fee: approximately \$200 in Madera and Chowchilla subbasins
 - › May be less if financial conditions warrant during GSP implementation
- Per acre fees are lower than typical net returns to farming
 - › Other options for growers include land repurposing payments
 - › Or avoiding fees by electing to not Enroll Acres for SY and TW

Five Year Rate Schedules (\$/enrolled acre)

Subbasin	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Madera	\$184	\$200	\$236	\$279	\$329
Chowchilla	\$190	\$194	\$202	\$210	\$218
Delta-Mendota	\$92	\$104	\$129	\$162	\$202

Penalties and Replacement Water Charge (for Exceeding Allocation)

- **Penalty**
 - Adopted by ordinance
 - Penalty per SGMA statute
 - › -Maximum of \$500/AF over allocation
- **Replacement Water Charge**
 - Estimated at \$600-650/AF over allocation
 - Included in rate study

The future without County GSA Rates

- If we are unable to implement the GSPs
 - › No new water
 - › No recharge
 - › No help for domestic wells
 - › No funds to repurposing land
- Failure of compliance with GSPs
 - State intervention and lawsuits
 - Loss of grant funds
 - Worse allocations

Project Development

- Approval of rates does not commit Board to project implementation details
- Board will separately approve rules for:
 - › SALC
 - › Dom well
 - › Final Sites participation
 - › Recharge capital
- Authorization of the rate proposal allows project development to move forward

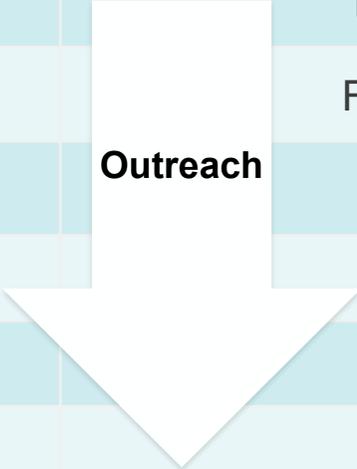
Rate Implementation

- Proposed rates are maximums
- Annual financial updates will be given to the Board with the ability to adjust rates downward if:
 - › Projects do not progress on the current timeline
 - › Other revenues are materially larger than current estimates
 - › Project and programmatic details cause a change in future costs
- If financially prudent, the Board may elect to implement rates lower than those adopted without having to re-notice and re-adopt

Rate Study Schedule

Rate Study Implementation Process	Date
Board of Supervisors Presentation – Preliminary Rates	December 7, 2021
Water Allocations in Effect	January 1, 2022
Board of Supervisors Presentation – Rate Study Update	February 8, 2022
Virtual Public Workshop	February 25, 2022
Board of Supervisors Presentation – Revised Rates	March 1, 2022
Board of Supervisors Presentation – Revised Rates	March 9, 2022
Board of Supervisors Presentation – Revised Rates	March 29, 2022
Board of Supervisors Presentation – Final Authorization	April 12, 2022
Public Notice to Affected Parcels	Around May 1
Protest Period	45 days from public noticing
Public Hearing for Rate Adoption	June 21, 2022
Proposed Fees Implemented for Fiscal Year 2022-2023	July 1, 2022

Outreach



Staff Recommendation

- Direct Raftelis to document the rate study as presented
 - › Five years of gradually increasing rates per enrolled acre
 - (no volumetric component)
 - › Annual review of the financial needs for each subbasin
- Allow County GSAs staff to draft the public notices
- Direct staff to develop and implement additional outreach process
- Consider authorization of notices to affected parcels at the April 12, 2022 BOS meeting

Rate Study Questions



What happens as land comes out of production?

- If you had 100 acres, and stopped irrigating 20 acres, you would still have access to that allocation for 100 acres in the farm unit.
 - › In effect, you would increase your allocation on the 80 acres and that would enable you to stay within the allocation and avoid penalties.
 - › You would also avoid paying a volumetric component on the 20 acres and avoid the cost of farming those acres
- If you had 100 acres, and enrolled 20 acres in SALC, you would have a SALC payment to you and only access to an allocation for 80 acres.
 - › In effect, you have the same allocation on the remaining 80 acres.
 - › You would also avoid the volumetric charge on the 20 acres.
 - › You reduce your total bill because of the incentive payment on 20 acres and avoid the costs of farming those acres

2021/2022 Workshops & Outreach

Groundwater Recharge

- Workshop – February 4, 2021
- Workshop – May 3, 2021
- Madera County GSAs Hybrid Workshop – June 16, 2021
- Public Workshop on February 25, 2022

Sites Reservoir

- Presentation at GSA Update at Board of Supervisors – November 2, 2021
- Public Workshop on February 25, 2022

Domestic Well Mitigation

- Madera County GSAs Workshop – June 16, 2021
- Regional Water Management Group – June 28 and September 27, 2021
- Public Workshop on February 25, 2022

Sustainable Agriculture Land Conservation

- Public Workshop – January 14, 2021
- Public Workshop – March 23, 2021
- Public Workshop – June 16, 2021
- Public Workshop on February 25, 2022

Rate Study

- Board of Supervisors Update – August 17, 2021
- Public Workshop – November 30, 2021
- Board of Supervisors Update – December 9, 2021
- Board of Supervisors Update – February 8, 2022
- Public Workshop – February 25, 2022
- Board of Supervisors Update – March 1, 2022
- Board of Supervisors Update – March 29, 2022

Five Year Rate Schedules (\$/enrolled acre)

Subbasin	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Madera	\$246	\$246	\$246	\$246	\$246
Chowchilla	\$203	\$203	\$203	\$203	\$203
Delta-Mendota	\$138	\$138	\$138	\$138	\$138

*Smoothed over five years