

DRAFT REPORT

Groundwater Fee Study

Solano Subbasin within Sacramento County

Sacramento County, CA

March 2025

DRAFT



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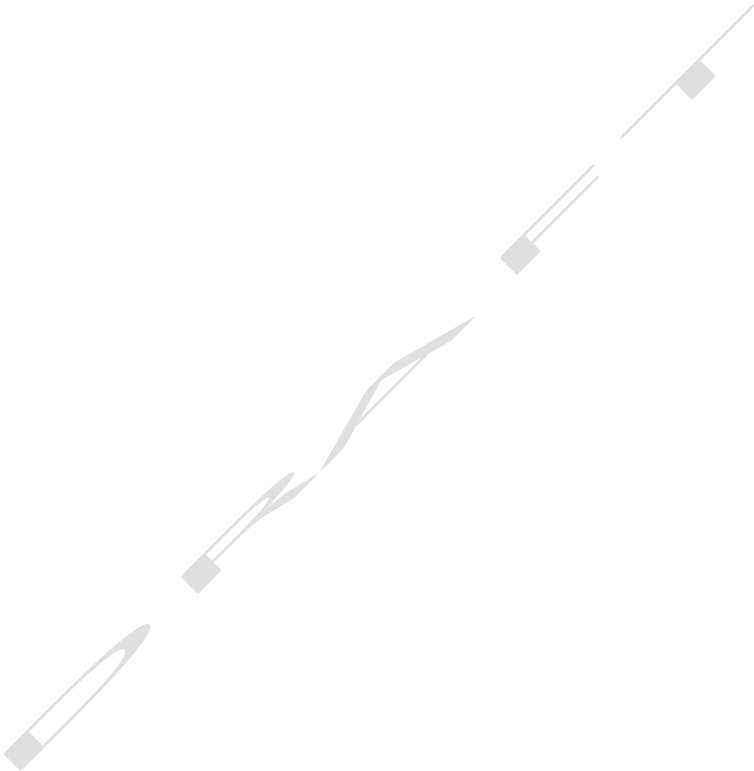
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Acronyms

DWR	California Department of Water Resources
GSA	Groundwater Sustainability Agency
GSP	Groundwater Sustainability Plan
HDR	HDR Engineering, Inc.
RD	Reclamation District
SGMA	Sustainable Groundwater Management Act
SWRCB	State Water Resource Control Board



Introduction

Sacramento County (County) retained HDR Engineering Inc, (HDR) to assist in the development of the groundwater fee program for the County's Groundwater Sustainability Agency (GSA) for the portion of the Solano Subbasin in Sacramento County. This study will assist the County in developing a cost-based groundwater fee program that will support the costs allocated to the County GSA as outlined in the Solano Subbasin Groundwater Sustainability Plan (GSP) to meet the requirements of the Sustainable Groundwater Management Act (SGMA). This study provides cost-based and proportional groundwater fees for the parcels within the County's GSA and within the Solano Subbasin. This report documents the process and technical analyses used to develop the proposed fee.

Overview of the County's GSP Participation

In 2024 the California Department of Water Resources (DWR) approved the Solano Subbasin Groundwater Sustainability Plan (GSP). The GSP provides a detailed roadmap for the entire Solano Subbasin to achieve long-term groundwater sustainability. For the portion of the Solano Subbasin that lies within Sacramento County, the County GSA is responsible for implementation of the GSP. The County's GSA is shown on the map on the following page. the County's GSA is located on the Southern and South Eastern portion of the Solano Subbasin, south of the Sacramento River within Sacramento County.

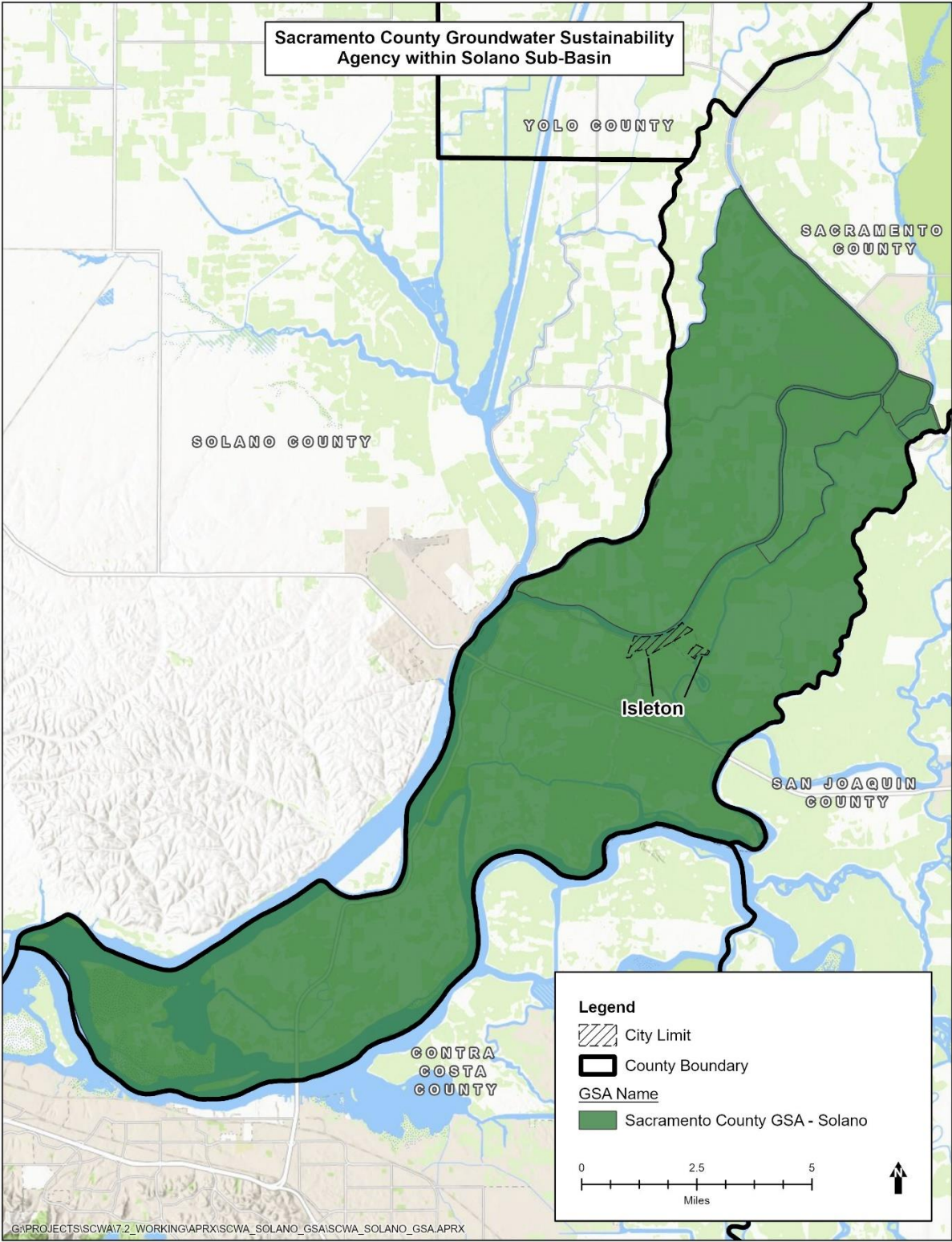


Figure 1. Map of the County and Reclamation District GSAs

Overview of the Need for the Groundwater Fee Study

In September 2014, a three-bill legislative package, collectively known as SGMA, was signed into law. SGMA provides a framework for sustainable groundwater management and provides for the “management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results.”¹ SGMA requires governments and water agencies in high and medium priority basins to halt groundwater overdraft and bring groundwater basins into balanced levels of groundwater use and recharge. The passage of this law requires the planning, implementation, and development of a GSP that includes projects and other management actions to accomplish these objectives. This Study is intended to describe the approach for a groundwater fee program following the adoption of the GSP by each of the GSAs.

Overview of the Approach and Methodology

The purpose of this study is to establish cost-based and proportional fees for each parcel in the Sacramento County portion of the Solano Subbasin. The groundwater fee study process includes the development of a projection of operating expenses, identifying the customers receiving the benefit, determining a method of allocating expenses, and developing the groundwater fee structure.

The Solano Subbasin GSP outlines the required funding for the implementation of the GSP to meet SGMA requirements, including \$17,500 allocated to the County GSA. In addition, the County will incur expenses of \$48,500 annually to maintain and administer the groundwater fee program for a total cost of \$66,000 annually. The County is participating and supporting the implementation of the GSP through the development of a groundwater fee program for the identified GSAs.

Fee Implementation

Water Code section 10730 empowers a GSA to levy fees and other charges to fund the costs of a groundwater sustainability program. This includes a basin-wide regulatory fee, imposed under Proposition 26 and Water Code section 10730. Such a regulatory fee is permissible, provided that the fees cannot exceed the cost of governmental activity associated with the program and that the fee amount allocated to each customer must bear a reasonable relationship to the customers benefits received from the program.²

However, should the County participate in the funding of projects, the fee program will need to be implemented through a different approach. Generally, these fee programs have been

¹ California Department of Water Resources; <https://water.ca.gov/Programs/Groundwater-Management/SGMA-Groundwater-Management>

² As part of this study HDR is not providing legal advice or interpretation of the legal aspects of implementing the fee program.

implemented as property-based charges through a Proposition 218 process. While both Proposition 26 and Proposition 218 require a relationship between the cost of providing the service, Proposition 218 requires a customer notification process, a 45 day protest period, and a public hearing to determine if the agency may implement the fee. If 50% plus one of the customers notified protest the fee, the agency may not implement the fee. Absent a majority protest, the agency may implement the fee up to the level (amount) as noticed to each of the parcels.

At this time, in discussion with County staff, the fee program developed for the County GSA will be placed on the Sacramento County tax rolls for collection from each parcel.

Proposed Fee Implementation Approach

In discussion of the fee approach, Sacramento County determined that the appropriate fee implementation would be on a per acre method for each parcel. The GSA is adopting and imposing the fee pursuant to Water Code section 10730, Proposition 26 (as a “non-tax fee”), and pursuant to the GSA members’ underlying powers pursuant to Water Code section 10726.8(a). The ability to implement this fee to meet proposition 26 requirements is outlined in the California Constitution. For the fee to not be considered a tax the California Constitution must meet at least one of the following: Article XIII C, sec. 1, subdivisions (e)(1) [“specific benefit conferred], (e)(2) [specific government service provided] and/or (e)(3) [reasonable regulatory costs of monitoring, inspections and audits]. Water Code and Proposition 26 allow for the implementation of a per acre regulatory fee. However, care must be taken so that the fee is funding the appropriate costs to meet the intent and requirements of the Water Code and Proposition 26. The basis for a per acre charge is to reflect a cost that is based on and reflects the size of the parcel. Note this does not vary based on groundwater extraction or benefit from meeting SGMA requirements. A per acre basis fee is simple to calculate, easy to understand and administer, and simple to implement. As noted, should the County GSA participate in project funding, a different fee implementation approach may be necessary along with a different implementation approach (e.g., Proposition 218).

Parcel Data

The County provided parcel data for each GSA within the Solano Subbasin and a summary is provided in **Table 1** below. The data included parcel size (acreage), location, and ownership information. Note that parcels owned by the State of California and the Federal Government (e.g., U.S. Bureau of Reclamation) were removed from the parcel counts, as they would not contribute to the funding through a groundwater fee.

Table 1. Summary of Parcel Data

	County of Sacramento GSA Totals
A) Total Acres:	58,687.01
B) Acres Federal Parcels:	145.40

C) Acres State Parcels:	15,464.21
Acres subject to Fee (=A-B-C):	43,077.40

Operating Expenses

There are three main components to the operating expenses for this groundwater fee study.

1. Sacramento County GSA – GSP implementation expenses are estimated to be \$17,500 annually.
2. County administrative expenses estimated to be \$48,500 (Table 2) annually.

Table 2. Shared Expenses

<u>SAC COUNTY GSA -SOLANO SUBBASIN EXPENSES</u>	<u>TOTAL¹</u>	<u>BUDGET JUSTIFICATIONS</u>
ADMINISTRATION	\$10,000	Sac County staff attends monthly coordination meetings with Solano Subbasin GSAs to discuss GSP implementation.
OUTREACH AND ENGAGEMENT	\$12,500	To ensure stakeholders (landowners, RD boards, etc.) are informed of the GSP process and projects in the area, staff will meet with different individuals and group periodically.
MONITORING	\$8,000	Cost to perform biannual monitoring of groundwater monitoring wells. Reserves would fund future monitoring well construction to address identified data gaps.
AUDIT AND FINANCE TEAM	\$10,000	Sac County DWR internal and additional audit services costs.
PERIODIC UPDATE RESERVE	\$4,000	Reserve funds to pay for Sac County's share of the required 5 Year Periodic Review of GSP and/or Plan Amendment.
CONSERVATION PROGRAM RESERVE	\$4,000	Reserve funds to pay for potential groundwater sustainability projects (ex: conservation incentives).

1- County provided estimates

Fee Calculation

Using the parcel data provided by the County and the estimated operating expenses, a fee per acre has been calculated for all the parcels in the County GSA. **Table 3** shows the per acre charge calculation.

Table 3. Per Acre Charge Calculation

	Total
All Total Billable Acres	42,846
County Shared GSP Costs	\$17,500

County Independent Costs	\$48,500
Total Cost	\$66,000
Cost per Acre (Annual)	\$1.54
Cost per Acre (Monthly)	\$0.13

The above revenues provide a stable revenue stream to fund the projected GSP expenses. Future analysis and projected fees will be developed to fund the projected administrative and other future GSP expenses.

Fee Program Implementation

Given the RDs have withdrawn their GSA status, they are included within the County GSA and fee program administered by the County. As such, the County Board of Supervisors will be adopting the groundwater fee for the parcels within the GSA. At this time, the County has determined a Proposition 26 "non-tax fee" process will be used to establish the groundwater fee program. Under this process, the County will accept the fee study report and hold the necessary public meetings to implement the fee. The County will then provide a listing of the parcels, and the fee for each parcel, to Sacramento County for inclusion on the property tax rolls. These funds will be collected and dispersed to the County to fund the implementation of the GSP.

As part of the fee program the County, in the future, may consider the addition of a water supplier fee. This fee would be for water purveyors that provide water service to customers within the boundaries of County's GSA. For example, parcels within the City of Isleton receive water supply service from Cal American Water. Using a water supplier fee, the County would bill Cal American Water for the groundwater fee which would then be included within the rates developed for those customers by Cal American Water rather than on the tax rolls for each parcel. The County has begun discussing this approach and it can be added to the fee program at a later date. The approach for the water supplier fee would be the same as that calculated for individual parcels/customers, but combined for all parcels/customers served by the water supplier.

State Intervention

Absent the development and implementation of the GSP and groundwater fee study, the State Water Resource Control Board (SWRCB) could step in to manage the subbasin. This will result in a set of fees that the State has outlined and is provided on the following page in



Table 4.

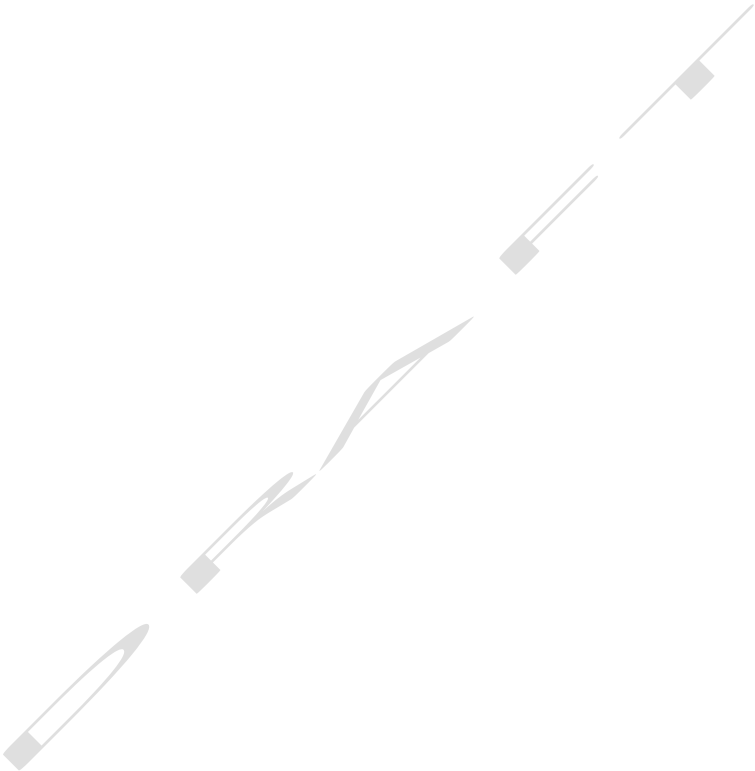


Table 4. State Intervention Fees

Fee Category	Fee Amount	Applicable Parties
Base Filing Fee	\$300 per well	All extractors required to report (excludes de minimis extractors).
Unmanaged Area Rate	\$10 per acre-foot (AF) (metered)	Extractors in unmanaged areas (excludes de minimis extractors).
	\$25 per AF (unmetered)	
Probationary Rate	\$20 per AF	Extractors in probationary basins (excludes de minimis extractors).
Interim Plan Rate	\$35 per AF	Extractors in probationary basins where the State Water Board determines an interim plan is required (excludes de minimis extractors).
De minimis Fee	\$100 per well	De minimis extractors in probationary basins (if determined by the State Water Board at a public hearing).
Automatic Late Fee	25% per month	Extractors that do not file reports by the due date.

Notes: On March 19, 2024, the State Water Board adopted Resolution No. 2024-0011 to revise by emergency regulation the water rights fee schedules in title 23, section 1040 of the California Code of Regulations, pertaining to the Board's implementation administration of Chapter 11 of the Sustainable Groundwater Management Act (SGMA).

As can be seen in

Table 4, the State fees are substantially greater than those being proposed by the County for its GSA within the Solano Subbasin.

Summary of the Study

This report has been developed to summarize the approach used by the Sacramento County Solano Subbasin GSA to establish a groundwater fee program. The report provides the current budget estimates, rationale for incurring costs, and number of acres to develop the groundwater fee as presented. The study approach and resulting fees reflect the specific characteristics of the Sacramento County portion of the Solano Subbasin, and the allocation method is designed to reflect cost causation and provide proportional groundwater charges.

