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# RATE AND FEE STUDY

## *Frequently Asked Questions*

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### What is a rate and fee study?

Local governments have limited options for funding services, programs and projects. Constitutional requirements for raising revenues generally include rate studies conducted by specialty firms. These studies are conducted in order to examine different funding options, such as taxes and regulatory fees, and consider the logistics, fairness, and impact of a variety of possibilities.

### Why is the rate and fee study needed?

Sonoma County's three Groundwater Sustainability Agencies are currently funded by contributions from member agencies. The agreements that created the GSAs assumed that contributions from member agencies will continue through June 2019, at which point it is anticipated that the GSAs will become self-funded. The GSAs will need a funding source to ensure that they can cover basic operational expenses and can pay for the preparation of the Groundwater Sustainability Plans (GSPs), which are required by law and due in January 2022. While grant funding will significantly decrease the local costs of preparing the GSPs, the GSAs will also need their own source of funds.

The rate and fee study is necessary to make sure that the funding options considered by the GSAs are fair, equitable, and, of course, legal. The financial consultants will thoroughly consider all possible approaches to funding the GSAs and GSP development, and then present the best options to the GSAs for consideration.

### What is the GSA budget?

Each GSA currently has an annual budget of about \$470,000. This year, about 22% of each budget is dedicated to begin developing the GSP, as required by SGMA. This percentage will increase in future years, as the GSA spends more time on developing the plan and less time on formational documents, like bylaws and a charter. In the 2018-19 fiscal year, nearly 40% of the budget will be spent on developing the GSP. The GSA budgets can be found online at [sonomacountygroundwater.org/resources/](http://sonomacountygroundwater.org/resources/)

### Why can't the founding agencies continue to cover the costs of funding the GSA?

Some of these founding entities are very small agencies, with limited budgets tied to grants for specific projects. Their financial contributions to the GSA are unsustainable. The larger agencies have multiple programs and projects that they must operate to be in compliance with federal, state and/or local laws. It is unsustainable for these agencies to continue to fund this new, separate government agency indefinitely.

### What would happen if the State managed our groundwater rather than the GSAs?

If local agencies had not taken the initiative to create GSAs, groundwater would be managed by the State without local input or control. The State charges fees of up to \$300 per well for all well owners, in addition to fees based on groundwater usage and other factors. The GSAs allow for local, tailored groundwater management, rather than a one-size-fits-all plan put in place by the State, which could be more expensive and less effective.

## Do the rates/fees include paying back the founding agencies for their contributions to run the GSA for its first two years?

The financial consultants performing the rate and fee study are looking at several different budget scenarios, including paying back the founding agencies for their financial commitments. This is one of several scenarios.

## What options may be used to finance the GSP creation?

The options for funding the GSAs fall into two categories: fees (or charges) or taxes. Fees and charges generally cover the costs of administering a program or providing a service. Taxes also can cover the costs of a service or program. GSAs have authority under SGMA to levy fees or taxes, subject to constitutional requirements.

## Who will determine the funding mechanism, and how?

Each GSA has a board of directors and an advisory committee. Throughout the decision-making process, both groups will listen to the input and concerns of basin residents regarding the different funding options. After taking the time to learn the advantages, disadvantages, and overall impacts of each option, the Board will consider input from the advisory committee, stakeholders, and members of the community before voting on a funding structure to implement.

The fees implemented could be parcel-based, acreage-based, extractor-based, usage-based or any combination of the above. Questions of fairness and affordability for all stakeholders will be balanced against the GSAs need to fund itself and carry out the tasks of community engagement, technical support, monitoring and administration.

## Will the new rates/fees be based on groundwater use?

The new fees/rates that are currently being considered to pay for the running of the GSA could be based on groundwater use, or could be more broadly based to reflect the fact that everyone who lives in the basin uses groundwater to some extent, and managing groundwater benefits everyone who lives in the basin. Groundwater is a shared resource across the community. To make sure it's available for our children and grandchildren tomorrow, groundwater users may have to pay something today.

## Do voters need to approve the new rates or fees?

Voters must approve new taxes. However, some fees and charges do not need to be approved by voters in a general election but must comply with the procedural and substantive requirements of Propositions 26 and 218.

## How long will the new rates or fees be in place once they are enacted?

The fees implemented for the GSP development stage will be in place through at least 2022, at which time the continued funding of the GSA and its work to implement the completed GSP will be reassessed.

## Aren't people with small wells that are only used for homes/gardens exempt from this new law?

Some groundwater users are considered "de minimis" users, defined in SGMA as "a well owner that extracts two acre-feet or less per year for domestic purposes." SGMA exempts small residential well-owners fitting this definition from being required to meter their water use, but the new law gives the GSA the authority to regulate and to assess fees on all groundwater users.

(Note: Two acre feet of water is equivalent to 651,703 gallons – or 1,785 gallons per day for a year.)