

SPECIAL MEETING MINUTES

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

June 28, 2022

A special meeting of the Board of Directors of the Santa Ynez River Water Conservation District was held on Tuesday, June 28, 2022. As a result of the existing State of Emergency in California due to the COVID-19 pandemic, Santa Barbara County Public Health recommendations to protect public health by limiting public gatherings and recommending social distancing, and as authorized by State Assembly Bill 361, this meeting occurred solely by remote participation via video and teleconference.

Directors Present: Cynthia Allen, Mark Altshuler, Art Hibbits, Steve Jordan and Brett Marymee

Others Present: Jose Acosta (City of Solvang), Joe Barget (VVCSD), Ina Blackwell, Chris Brooks (VVCSD), Groundwater Program Manager Bill Buelow, Paeter Garcia (ID No. 1), Richard Gonzales (VVCSD), Carol Redhead, Board Secretary Amber Thompson, General Manager Kevin Walsh, Legal Counsel Steve Torigiani, and one member of the public who was unannounced.

I. CALL TO ORDER AND ROLL CALL

President Allen called the meeting to order at 6:33 pm. Ms. Thompson called roll. All Directors were present providing a quorum.

II. PLEDGE OF ALLEGIANCE

President Allen led the Pledge of Allegiance.

III. CONSIDER CONTINUING USE OF TELECONFERENCE MEETING PROCEDURES UNDER GOVERNMENT CODE SECTION 54953(E) (AB361)

Ms. Thompson reported that the Board of Directors passed Resolution No. 713, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT AUTHORIZING REMOTE TELECONFERENCE MEETINGS UNDER AB361 on May 31, 2022 and explained that the California Governor's State of Emergency due to the COVID-19 pandemic is still in effect and the Santa Barbara County Public Health Department issued recommendations to protect public health by limiting public gatherings and recommending social distancing, and as authorized by State Assembly Bill 361. Therefore, pursuant to AB361 and the passing of Resolution No. 713 within the last 30 days, Directors may participate in this meeting via teleconference.

IV. PUBLIC COMMENT

Mr. Brooks, VVCSD, thanked and complimented SYRWCD for efforts on GSA efforts. There was no other public comment. Ms. Thompson announced she did not

receive any public comments on non-agenda items prior to the meeting.

VII. CLOSED SESSION

At the request of Mr. Walsh, President Allen moved Closed Session earlier in the meeting than was agendized. At 6:43 pm, the Board convened into Closed Session until 7:02 pm.

VIII. RECONVENE OPEN SESSION / CLOSED SESSION REPORT

At 7:02 pm, the Board reconvened into open session. President Allen advised there is nothing to report from Closed Session.

V. GENERAL MANAGER REPORT

A. Consider Adoption of the Final Budget for Fiscal Year 2022-2023

Director Altshuler opened the item with words of wisdom. Mr. Walsh summarized the June 23,2022 Memorandum regarding Final Budget Fiscal Year 2022-2023 and presented the June 20, 2022 Final Draft Budget for Fiscal Year 2022-2023.

There was no discussion. Director Hibbits made a MOTION to approve the Final Budget for Fiscal Year 2022-2023 as presented. Director Altshuler seconded the motion and it passed unanimously by the following roll call vote:

AYES, Directors: Cynthia Allen, Mark Altshuler, Art Hibbits,
Steve Jordan, Brett Marymee

NOES, Directors: None

ABSENT, Directors: None

B. Consideration of Resolution No. 714 "Making Findings and Determinations, Establishing Zones, Setting Rates and Levying a Groundwater Charge for Water Year 2022-2023"

Mr. Walsh summarized the June 23,2022 Memorandum regarding FY 2022-23 Groundwater Charge Rates. He presented the Rate Study Report dated June 21, 2022 which was prepared by Sudhir Pardiwala and team of the professional firm Raftelis and reviewed qualifications of Mr. Pardiwala. Mr. Walsh explained that the Rate Study Report recommended that groundwater charge rates for Fiscal Year 2022-23 be adjusted to 14.14 per acre-foot, for each water user class, in all zones. The new rates would be effective and applied to all water that is produced for the 12 months from July 1st, 2022 through June 30th, 2023.

Ms. Thompson announced that two public comment letters from Santa Ynez River Water Conservation District, Improvement District No. 1 (ID No. 1) were received by email. The first letter, dated June 23, 2022, regarding Proposed FY

2022-23 Groundwater Charges and Rate Study Report Dated June 21, 2022, from Paeter Garcia, General Manger, ID No. 1, was received on June 23, 2022, at 4:08 p.m. and was forwarded to the Board of Directors. The second letter, dated June 28, 2022, regarding SYRWCD Proposed FY 2022-23 Groundwater Charges and Final Rate Study Report Dated June 21, 2022, from Paeter Garcia, General Manger, ID No. 1, was received on June 28, 2022, at 4:18 p.m. and was forwarded to the Board of Directors.

Public comments were received. Mr. Garcia, ID No. 1, requested his comment letters become part of the official record on this matter and summarized this public comment letter dated June 28, 2022. Dr. Kipling Sharpe asked for clarification on rate structure and expressed concern for the increase in the Ag rate. Discussion followed.

Mr. Walsh and Legal Counsel Mr. Torigiani provided some explanations. Director Altshuler pointed out that the Board Approved Fiscal Year 2022-2023 Budget included an expected withdrawal of Investment Reserves to compensate for additional income needed for a balanced budget and provide a lower groundwater charge rate for Water Year 2022-23 production. Director Hibbits recalled that when constituents were asked about who should comply with SGMA in the Basin, SYRWCD or the State of California, the unanimous consensus was SYRWCD. Director Jordan advised that SGMA is a work in progress requiring Basin to move forward and is not a stable process. Director Marymee commented that the Board is choosing the best option available to move forward after being presented with many bad options to be compliant with the California Constitution for the next water year and approved a deficit to occur in the next Fiscal Year Budget.

Director Jordan waived the reading and made a MOTION to approve Resolution No. 714 "MAKING FINDINGS AND DETERMINATIONS, ESTABLISHING ZONES, SETTING RATES AND LEVYING A GROUNDWATER CHARGE FOR WATER YEAR 2022-2023. Director Hibbits seconded the motion and it passed unanimously by the following roll call vote:

AYES, Directors: Cynthia Allen, Mark Altshuler, Art Hibbits,
Steve Jordan, Brett Marymee

NOES, Directors: None

ABSENT, Directors: None

VI. THE NEXT MEETING IS SCHEDULED AS A REGULAR MEETING FOR SEPTEMBER 7, 2022, AT 6:30 P.M.

President Allen announced the next scheduled meeting is a Regular Meeting for September 7, 2022, at 6:30 p.m. with the location to be determined.

VII. CLOSED SESSION

This item was moved to earlier in the agenda, after Item IV.

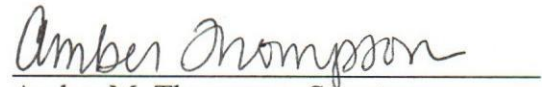
VIII. RECONVENE INTO OPEN SESSION / CLOSED SESSION REPORT

This item was moved to earlier in the agenda, after Item IV.

IX. ADJOURNMENT

There being no further business, President Allen adjourned the meeting at 7:37 pm.


Cynthia Allen, President


Amber M. Thompson, Secretary

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

BUDGET

JULY 1, 2022 - JUNE 30, 2023

Approved by Board of Directors on June 28, 2022

REVENUES:

Groundwater Charge Rates	674,000
SB County Property Taxes	355,000
Interest Income	10,000
SGMA Grant Reimbursement	48,000
TOTAL INCOME	\$ 1,087,000

EXPENSES

<u>Internal Operations / Expenses</u>	
Employee Salaries	422,000
Payroll (SS and Medicare)	30,000
Employee Benefits	6,000
Retirement Plan Contributions	30,000
Outside Services	7,000
Office Expense	60,000
Director Fees	6,000
Travel & Training	7,000
Annual Audit	12,000
Insurance & Worker's Comp	20,000
Dues and LAFCO Fees	5,000
Groundwater Charges Program	65,000
Miscellaneous	3,000

SUB-TOTAL INTERNAL OPERATIONS 673,000

Legal

General & Misc.	15,000
Downstream Releases / Upper SYR Operations / 89-18	2,500
WR Decision (2019-0148)	35,000
Fisheries Issues	15,000
Employment/HR	2,500
Groundwater Program	5,000

SUB-TOTAL LEGAL 75,000

Engineering / Environmental

General & Misc.	10,000
Annual GW Report	20,000
Downstream Releases Operations / 89-18	65,000
Upper SYR Operations	5,000
WR Decision (2019-0148)	20,000
Fisheries Hydrology	30,000
Special Studies	30,000

SUB-TOTAL ENGINEERING / ENVIRONMENTAL 180,000

SGMA 175,000

CONTINGENCIES 50,000

TOTAL EXPENSES \$ 1,153,000

INCOME LESS EXPENSES \$ (66,000)

INVESTMENT RESERVES

Amount to or (from) Reserves	(66,000)
Reserves, Total Balance	1,848,025

RESOLUTION NO. 714

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT
MAKING FINDINGS AND DETERMINATIONS, ESTABLISHING ZONES,
SETTING RATES AND LEVYING A GROUNDWATER CHARGE
WITHIN THE DISTRICT FOR THE WATER YEAR 2022-2023**

WHEREAS, the District duly noticed a public hearing, pursuant to Water Code Section 75570 et seq. and in accordance with Section 6061 of the Government Code, for the April 27, 2022 and June 1, 2022 meetings of the District’s Board of Directors (“Board”), which notice, among other information, provided notice of receipt the engineering investigation and report (described below) and hearing thereon and invited all operators of water-producing facilities within the District to examine such report and appear and submit evidence concerning the groundwater conditions and the surface water supplies of the District; and

WHEREAS, said public hearing was held on April 27, 2022, and continued to June 1, 2022, at which time the Board invited members of the public and other interested persons, including representatives of operators of water producing facilities within the District, to appear and submit evidence and public comment; and

WHEREAS, evidence presented at the June 1, 2022 meeting and June 28, 2022 meeting of the District’s Board of Directors was in accord with and in support of the continuation of such a charge on all water-producing facilities within the District to finance the District activities and purposes as set forth in Water Code Section 74000 et seq., for the water year 2022-23; and

WHEREAS, evidence was presented at said meeting regarding benefits of the District’s activities which different areas of the District enjoy; and

WHEREAS, evidence was presented, and it is hereby found, that continuation of such a charge is exempt from the provisions of the California Environmental Quality Act by Public Resources Code Section 21080(b)(8); and

WHEREAS, an engineering investigation and report (entitled Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, dated April 20, 2022) was duly prepared by the District’s consulting engineer, Stetson Engineers, made available for examination as required by law, and submitted to the Board pursuant to Water Code Section 75570 et seq., which report provides specific factual data to permit the District to make findings and determinations as required by law; and

WHEREAS, the only comments submitted at said hearing regarding said report were submitted by Santa Ynez River Water Conservation District, Improvement District No. 1 (“Improvement District No. 1”), and as revised to address Improvement District’s comments the

final Engineering and Survey Report was approved by the Board of Directors at said June 1, 2022 board meeting and is dated June 1, 2022; and

WHEREAS, this District performs essential regulatory activities in managing, protecting, conserving, augmenting, replenishing, and enhancing the water supplies for users within the District, including groundwater resources within the District. The groundwater charge rates herein establish a reasonable relationship to the burdens on or benefits of the District's activities; and

WHEREAS, groundwater charges herein established are levied upon those electing to pump groundwater (as defined in Water Code section 75502) and to the extent of groundwater pumping, and such charges serve a regulatory function to encourage water conservation and provide revenue to assist the District to perform its essential regulatory activities to manage, protect, conserve, replenish, augment, and enhance the water supplies for users within the District, including groundwater resources within the District; and

WHEREAS, it is more efficient and effective for the District to continue to provide these activities, which require concentrated, coordinated action on behalf of all District water users, including groundwater users within the District, who by their extraction of groundwater burden the underlying groundwater basin and benefit from the District's services in a manner that non-fee payors do not, rather than to leave such activities to individuals who could neither afford nor effectively act to protect or augment their water resources as individuals; and

WHEREAS, the groundwater charges fund the continuation of groundwater management services performed by the District to mitigate the burdens imposed on the groundwater basin within the District by groundwater extractors for the benefits of the groundwater basin; and

WHEREAS, California continues to experience severe drought, and on April 12, 2021, May 10, 2021, July 8, 2021, and October 19, 2021, the Governor proclaimed states of emergency that continue today and exist across all counties of California, due to the extreme and expanding drought conditions, and on March 28, 2022 issued Executive Order N-7-22 continuing those proclamations except to the extent modified by such order; and

WHEREAS, pursuant to Water Code section 75594, the District has been charging Municipal and Industrial producers classed as "Other," a rate of about 3.5 times the rate it charges Agricultural producers and a rate of about two times as much for the irrigation producers classed as Special Irrigation. However, in the recent Court of Appeal decision in *City of San Buenaventura v United Water Conservation District* (2022), the Court held that section 75594's mandate that the District charge Municipal & Industrial pumpers at least three times more than agricultural pumpers regardless of the pumper's proportionate impacts on the groundwater resources conflicts with Proposition 26's cost of service requirement and is therefore unconstitutional. (*City of San Buenaventura v. United Water Conservation Dist.*, No. 2D CIV. B312471, 2022 WL 1679400 (Cal. Ct. App. May 26, 2022.)) (As of the date of this resolution, the Court of Appeal's decision was still subject to potential review by the California Supreme Court. The District reserves all rights to revisit its rates based upon the final outcome of the case.); and

WHEREAS, the District has commissioned preparation of a Rate Study Report to demonstrate its groundwater charge rates comply with Proposition 26 (California Constitution, Article 13C, § 1), which study has been presented to, discussed with, and considered by the Board; and

WHEREAS, such groundwater charges do not exceed the reasonable costs of the District carrying out its activities, and the manner in which the costs are allocated bear a fair or reasonable relationship to the payor's burden on or benefits received from the District's activities consistent with applicable law including Proposition 26; and

WHEREAS, existing limitations on property tax revenues, which historically were used to finance District purposes, preclude continuation of District activities without additional financing; and

WHEREAS, the District first implemented a groundwater charge prior to January 1, 1982, to implement the transition from the property taxation system in effect prior to June 1, 1978; and

WHEREAS, the groundwater charges are reasonably related to the District's regulatory and groundwater management services and do not generate a surplus for general revenue purposes; and

WHEREAS, this Board determines that it is in the best interest of the residents, landowners, and water users within the District that a groundwater charge and several zones be established within the District, and that a groundwater charge be levied at the rates provided for herein within those zones upon those that elect to pump groundwater.

NOW, THEREFORE, BE IT RESOLVED, by this Board of Directors as follows:

1. The foregoing recitals of fact are true and correct;
2. The Board hereby makes the following findings and determinations pursuant to Water Code Section 75574:
 - (a) The average annual overdraft for the immediate past ten (10) water years (statutory): 4,540 ± acre-feet;
 - (b) The estimated annual overdraft for the current (2021-22) water year (statutory): 8,600 ± acre-feet;
 - (c) The estimated annual overdraft for the ensuing (2022-23) water year (statutory): 8,600 ± acre-feet;
 - (d) The accumulated overdraft as of the last day of the preceding (2020-21) water year (statutory): 149,700 ± acre-feet in terms of accumulated dewatered storage. Accumulated overdraft as defined in Water Code Section 75505 is nominal, at this time;

- (e) The estimated accumulated overdraft as of the last day of the current (2021-22) water year (statutory): 153,800 ± acre-feet in terms of accumulated dewatered storage. Accumulated overdraft as defined in Water Code 75505 is nominal, at this time;
 - (f) The estimated amount of agricultural and special irrigation water to be withdrawn from the groundwater supplies of the District for the ensuing water year (2022-23); 33,030 acre-feet of agricultural water and 1,845 acre-feet of special irrigation water;
 - (g) The estimated amount of water other than agricultural water or special irrigation water to be withdrawn from the groundwater supplies of the District for the ensuing (2022-23) water year (statutory): approximately 12,800 acre-feet;
 - (h) The estimated amount of water necessary for surface distribution for the ensuing (2022-23) water year (statutory): approximately 3,300 acre-feet scheduled to be delivered by the Central Coast Water Agency to contractors within the District;
 - (i) The amount of water, which is necessary for the replenishment of the groundwater supplies of the District: 153,800 ± acre-feet to completely replenish accumulated dewatered storage;
 - (j) The amount of water the District is obligated by contract to purchase: The District is not obligated by contract to purchase water.
3. The Board hereby establishes the following zones within the District based on relative benefits of the District's activities to be received by water producers within such zones:

Zone A: District portion of the Santa Ynez River alluvial channel from San Lucas Bridge downstream to the Lompoc Narrows, as depicted on Figure 2, Page 13, of the "Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-22" dated June 1, 2022, which is incorporated herein by reference.

Zone B: District portion of the Lompoc Plain, Lompoc Upland and Lompoc Terrace groundwater subareas as depicted on said Figure 2;

Zone C: All other portions of the District not included in Zones A, B, D, E and F as depicted on said Figure 2;

Zone D: District portion of the Buellton Upland subarea as depicted on Figure 2;

Zone E: District portion of the Santa Ynez Upland subareas as depicted on Figure 2;

Zone F: District portion of the Santa Rita Upland subarea as depicted on Figure 2;

4. A groundwater charge is hereby levied against all persons operating ground water-producing facilities, and the following rates are hereby established and applied to all water produced from such facilities within each zone as shown below for the fiscal year 2022-23:

Zone A

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

Zone B

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

Zone C

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

Zone D

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

Zone E

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

Zone F

Agricultural Water	\$14.14 per acre-foot
Special Irrigation Water	\$14.14 per acre-foot
Other Water	\$14.14 per acre-foot

5. The Board hereby finds and determines that groundwater producers within Zones A, B, C, D, E, and F all benefit to substantially the same degree from the District's activities including protecting and defending area water rights against users from outside the District and in regional planning for use and augmentation of water supplies for use within the District and in regional planning for sustainable groundwater basin management pursuant to SGMA (Water Code § 10720 et seq.).
6. The Board hereby establishes the following methods to compute the amounts of water produced from a ground water-producing facility within the District:
- (a) If the well production is metered by a flow meter, then the meter reading will be utilized.

- (b) If the well is not metered, but has a separate electric meter, then production may be determined from electrical consumption and pump test results, if available. Annual pump tests shall be run whenever possible with the results of the most recent test used to verify and/or adjust meter readings.
 - (c) Production may be estimated based upon type of water use, estimated applied unit use, area irrigated, and types of crops grown on land, or number of connections or persons served, or type and quantity of units produced.
 - (d) Other criteria may be recommended by the District's engineer from time to time which will allow the Board to determine with reasonable accuracy the amount of water produced from a ground water-producing facility.
7. In accordance with Public Resources Code Section 21080, subd. (b)(8), the Board hereby finds said groundwater charges are for the purposes set forth therein including meeting the District's operating expenses, purchasing or leasing supplies, materials or equipment, and meeting financial reserve needs and requirements.

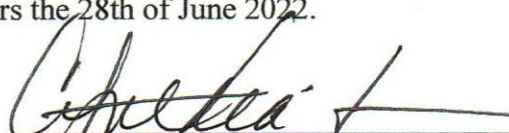
The foregoing resolution being on motion of Director Steve Jordan, seconded by Director Art Hibbits, was authorized by the following vote:


AYES, and in favor thereof, Directors: Cynthia Allen
 Mark Altshuler
 Art Hibbits
 Steve Jordan
 Brett Marymee

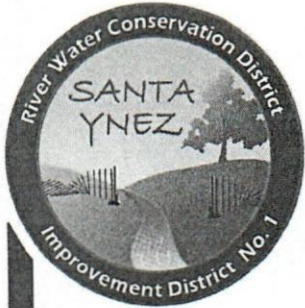
NOES, Directors: None

ABSENT/ABSTAINING, Directors: None

I HEREBY CERTIFY that the foregoing resolution is the resolution of said district as duly passed and adopted by said Board of Directors the 28th of June 2022.


 Cynthia Allen, President


 Amber M. Thompson, Secretary



June 23, 2022

SENT VIA FIRST CLASS AND ELECTRONIC MAIL
(KWALSH@SYRWCD.COM; ATHOMPSON@SYRWCD.COM)

Board of Directors
Santa Ynez River Water Conservation District
P.O. Box 719
Santa Ynez, California 93460

RE: Proposed FY 2022-23 Groundwater Charges and Rate Study Report Dated June 21, 2022

Dear Board Members:

The Santa Ynez River Water Conservation District, Improvement District No.1 (ID No.1) submits this letter in response to information recently circulated by the Santa Ynez River Water Conservation District (SYRWCD) regarding groundwater charges that the SYRWCD proposes to adopt and impose for Fiscal Year 2022-23. While ID No.1 appreciates efforts by SYRWCD to develop a groundwater charge in response to and in compliance with the recent Court of Appeal decision in *City of San Buenaventura v. United Water Conservation District*, sufficient time has not been provided to review the information published by SYRWCD in support of the proposed charges.

In support of its proposed groundwater pump charges, SYRWCD has circulated a staff Memorandum dated June 23, 2022, a Rate Study Report dated June 21, 2022, and a proposed Resolution No. 714. Unfortunately, however, those materials were not made available to the public until approximately 8:20 p.m. on June 21st, which has not allowed a meaningful opportunity for ID No.1 to review and prepare comments on charges that SYRWCD proposes to levy against our well production. We respectfully request that SYRWCD postpone any decision on the proposed groundwater charges to provide ID No.1 and other stakeholders a more reasonable amount of time to evaluate the charges and the bases on which they have been developed.¹

Because we have not had sufficient time to review the SYRWCD materials, ID No.1 reserves its right to contest SYRWCD's adoption and assessment of the proposed groundwater charges, including charges against only a subset of groundwater producers in the Santa Ynez Upland (those within SYRWCD) to implement the Sustainable Groundwater Management Act (SGMA), where the Eastern Management Area (EMA) Groundwater Sustainability Agency (GSA) has been established as the exclusive sustainable groundwater management agency in the EMA.

¹ SYRWCD still has another week to take action on this matter before commencement of Fiscal Year 2022-23, which would provide additional time for the public and those affected by the groundwater charges to provide meaningful input to SYRWCD.

HONORARY
TRUSTEE:
Harlan J. Burchardi
1969-2020

TRUSTEES:
DIVISION 1
Jeff Holzer

DIVISION 2
Jeff Clay

DIVISION 3
Lori Parker

DIVISION 4
Michael Burchardi

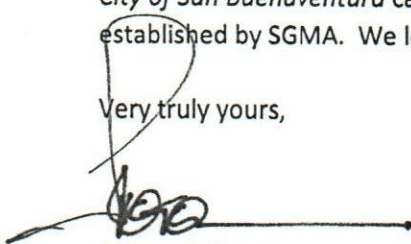
TRUSTEE-AT-LARGE
Brad Joos

GENERAL MANAGER
Paeter E. Garcia

Board of Directors
Santa Ynez River Water Conservation District
June 23, 2022
Page 2

ID No.1 sincerely appreciates the efforts of SYRWCD to develop appropriate charges in the wake of the *City of San Buenaventura* case and in light of a new groundwater management framework that has been established by SGMA. We look forward to the continued collaboration among our agencies.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Paeter E. Garcia', is written over a horizontal line. The signature is stylized and somewhat cursive.

Paeter E. Garcia
General Manager

cc: Kevin Walsh, SYRWCD General Manager
ID No.1 Board of Trustees
Gary Kvistad, Brownstein Hyatt Farber Schreck
Lutfi Kharuf, Best Best & Krieger



June 28, 2022

SENT VIA FIRST CLASS AND ELECTRONIC MAIL
(KWALSH@SYRWCD.COM; ATHOMPSON@SYRWCD.COM)

Board of Directors
Santa Ynez River Water Conservation District
P.O. Box 719
Santa Ynez, California 93460

RE: SYRWCD Proposed FY 2022-23 Groundwater Charges and Final Rate Study
Report Dated June 21, 2022

Dear Board Members:

The Santa Ynez River Water Conservation District, Improvement District No.1 (ID No.1) submits this second letter in response to information recently circulated by the Santa Ynez River Water Conservation District (SYRWCD) regarding groundwater charges that SYRWCD proposes to adopt and impose for Fiscal Year 2022-2023. As stated in our first letter dated June 23, 2022, ID No.1 appreciates the efforts of SYRWCD to develop a groundwater charge in response to and in compliance with the recent Court of Appeal decision in *City of San Buenaventura v. United Water Conservation District*. For reasons set forth herein, however, ID No.1 believes that SYRWCD's proposed groundwater pump charges, and the proposal to impose a uniform rate across all zones, do not bear a fair and reasonable relationship to activities undertaken by SYRWCD or benefits derived by well producers in different zones.¹

At the outset, ID No.1 agrees with the Final Rate Study conclusion that SYRWCD "does not incur differential costs to serve any user class." (Study, p.12.) This marks a significant departure from SYRWCD's prior contentions that its three different user categories – Agriculture, Special Irrigation, and Other – levy different efforts and different financial burdens on SYRWCD. (See, e.g., SYRWCD Resolution No. 702.)

On the other hand, No.1 does not agree with SYRWCD's conclusion that "a uniform rate across all zones bears a fair and reasonable relationship to the benefits of the District's management activities." (Study, p.11.). In particular, the Final Rate Study does not support the proposed uniform charge for ID No.1's well production in Zone E (the SYRWCD portion of the Santa Ynez Upland subarea).

¹ As previously indicated, ID No.1 believes that SYRWCD should provide ratepayers and other stakeholders in the Basin more time to evaluate the SYRWCD Final Rate Study Report dated June 21, 2022 ("Final Rate Study" or "Study") which was not made available to the public until the night of June 21, 2022. To ID No.1's knowledge, the Final Rate Study is the first time SYRWCD has prepared a Proposition 26 analysis in connection with its groundwater charges and four (4) business days does not provide a sufficient opportunity for ratepayers and the public to analyze the Study and provide meaningful input to SYRWCD on this important matter.

HONORARY
TRUSTEE:
Harlan J. Burchardi
1969-2020

TRUSTEES:
DIVISION 1
Jeff Holzer

DIVISION 2
Jeff Clay

DIVISION 3
Lori Parker

DIVISION 4
Michael Burchardi

TRUSTEE-AT-LARGE
Brad Joos

GENERAL MANAGER
Paeter E. Garcia

In support of the proposed uniform pump charge of \$14.14 per acre-foot across all SYRWCD zones (Zone A through Zone F), the Final Rate Study offers the following explanations:

- “This is because the District has few costs that are unique to specific river and upland zones at this time.” (Study, p.11.)
 - This statement is at odds with SYRWCD’s Final Budget for Fiscal Year 2022-2023 and related sections of the Final Rate Study which identify various costs and cost categories that are specific to SYRWCD activities that apply directly to the River (Zone A), while other costs (or portions thereof) are attributed to activities that apply to the upland groundwater zones such as Zone E.
- “The advent of the Sustainable Groundwater Management Act (SGMA) and the occurrence of a new drought of record have made water supply planning and management a watershed-wide issue within the Santa Ynez River Valley.” (Study, p.11.) “The Department of Water Resources designated the entire valley as one groundwater basin, including both the river alluvium regulated by the State Water Resources Control Board (SWRCB) and the other groundwater aquifers. The three Groundwater Sustainability Agencies in the basin, of which the District is a member, have prepared Groundwater Sustainability Plans for the entire basin.” (Study, p.11.)
 - These statements do not provide data or analysis that support a uniform production charge for all zones within SYRWCD. The Groundwater Sustainability Plan (GSP) for the Eastern Management Area (EMA) concludes that, for purposes of the EMA, the Santa Ynez River alluvium (Zone A) is hydrologically and legally distinct from the Santa Ynez Upland groundwater basin (Zone E). As a member of the EMA Groundwater Sustainability Agency, SYRWCD has already concluded for purposes of the EMA that SGMA and SGMA management actions do not apply to Zone A. Accordingly, any River-related services provided by SYRWCD in the EMA portion of Zone A are separate and distinct from any SGMA-related services it may provide in Zone E. Reference to a “watershed-wide” approach does not support a uniform pump charge among Zones A and E. Instead, for purposes of the EMA, the Zone E charge must be tied to specific benefits conferred directly to Zone E producers, or to SYRWCD services that are specific to Zone E and provided directly to Zone E producers. SYRWCD cannot impose a uniform charge against well producers in Zones A and E simply on the generalized basis that the River alluvium is within the DWR-designated groundwater basin. While this type of rationale may have some application in the Western Management Area of the Basin, it does not apply in the EMA or to the relationship between Zones A and E.

- “[M]anagement of river alluvium zones and other groundwater zones is interrelated, because management of the river can affect water levels in the adjacent basins, either directly through hydrological continuity or indirectly through actual or potential conjunctive use of different zones by producers (meaning that maintaining water levels in one zone benefits producers in other zones by reducing potential demand for water from those zones).” (Study, p.11.)
 - For purposes of the EMA, this statement does not support a uniform groundwater charge against well production in Zones A and E. Contrary to what is suggested in the Final Rate Study, management of the Santa Ynez River alluvium (Zone A) is not interrelated directly to management of the Santa Ynez Upland basin (Zone E) because management of the river does not affect water levels in the adjacent basin through hydrological continuity. As set forth above, the EMA GSP concludes that the River alluvium in the EMA (Zone A) is hydrologically and legally distinct from the Upland groundwater basin (Zone E). As a member of the EMA Groundwater Sustainability Agency, SYRWCD has already agreed with these conclusions. Please see related comments above.
 - Similarly, management of the River alluvium (Zone A) is not interrelated indirectly to management of the Santa Ynez Upland basin (Zone E) on the basis of actual or potential conjunctive use of different zones by producers. Neither the Final Rate Study, nor the SYRWCD Final Budget for FY 2022-2023, nor the Forty-Fourth Annual Report, nor any other information published by SYRWCD provide any data or analysis regarding conjunctive use benefits or services provided by SYRWCD, or to demonstrate that maintaining water levels in Zone A has conferred an indirect or any other specific benefit to producers in Zone E by reducing potential demand for water in either zone. Nor has any showing been made that Zone A producers in general have in lieu access to produce in Zone E if water levels in Zone A were not maintained.
 - Imposing a uniform pump charge among Zones A and E on the basis that SYRWCD activities in Zone A provide indirect benefits to producers in Zone E appears to contradict the Proposition 26 standard as stated in the Final Rate Study. The Study explains that a groundwater charge is not a tax if it is “imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged” or “imposed for a specific government service or product provided directly to the payor that is not provided to those not charged.” (Study, p. 6.) For reasons explained above, and as the Final Rate Study acknowledges, SYRWCD services in Zone A are not services provided directly to producers in Zone E. Moreover, any such “indirect” benefits would inure to all Zone E producers (those within and outside SYRWCD), and not just those subject to the Zone E charges, which contravenes the Proposition 26 standard.

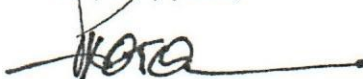
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June 28, 2022
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In addition to the comments above, ID No.1 is concerned with certain representations being made in proposed Resolution No. 714. On page 2 of the Resolution, several Recitals state that SYRWCD "performs essential regulatory activities in managing, protecting, conserving, augmenting, replenishing, and enhancing the water supplies for users within the District, including groundwater resources within the District." To be clear, ID No.1 fully acknowledges, supports, and appreciates the essential management activities undertaken by SYRWCD as those activities pertain to the Lower Santa Ynez River (Zone A). However, our District has been actively involved as a groundwater producer and water right holder in the Santa Ynez Upland Basin (Zone E) for over 50 years and we are not aware of specific activities undertaken by SYRWCD in the Upland basin as referenced in Resolution No. 714, such as activities to conserve, augment, replenish, or enhance the Upland groundwater supplies.

As a related matter, insofar as Resolution No. 714 indicates that SYRWCD will perform essential regulatory activities in managing the Santa Ynez Upland basin, ID No.1 again notes that the Eastern Management Area Groundwater Sustainability Agency has been established as the exclusive sustainable groundwater management agency in the EMA. While SYRWCD is a member agency of the EMA GSA, ID No.1 believes that regulatory activities to manage groundwater resources in the EMA should be undertaken by the EMA GSA pursuant to the EMA GSP. Because SYRWCD's proposed groundwater charge in Zone E appears to be tied to SYRWCD activities and costs to implement SGMA, ID No.1 reserves its right to contest the adoption and assessment of the Zone E charge. Among other concerns, this SGMA-related charge by an entity other than the EMA GSA will apply to only a subset of groundwater producers in the Santa Ynez Upland (i.e., those within the SYRWCD boundaries) to implement SGMA. To the extent benefits are being conferred by SYRWCD's SGMA-related services in the EMA, those benefits are being enjoyed by all producers in the EMA, including those that are not subject to the SYRWCD charges. Similarly, SYRWCD is not providing any SGMA-related services directly to Zone E producers; instead, SYRWCD's SGMA-related services are general in nature and extend to SGMA implementation throughout the EMA. Accordingly, the Zone E pump charge does not comport with Proposition 26 standards.

Again, ID No.1 sincerely appreciates the efforts of SYRWCD to develop appropriate charges in the wake of the *City of San Buenaventura* case and in light of a new groundwater management framework that has been established by SGMA. We look forward to the continued collaboration among our agencies.

Very truly yours,



Paeter E. Garcia
General Manager

cc: Kevin Walsh, SYRWCD General Manager
ID No.1 Board of Trustees
Gary Kvistad, Brownstein Hyatt Farber Schreck
Lutfi Kharuf, Best Best & Krieger