

NOTICE

SPECIAL MEETING OF THE BOARD OF DIRECTORS SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

6:30 PM, TUESDAY, JUNE 28, 2022

Remote participation only via ZOOM.us

Pursuant to AB361, Directors may participate in this meeting via teleconference.

To access the meeting via telephone, please dial: 1-669-900-6833

And/or via the Web at: <http://join.zoom.us>

“Join a Meeting” - Meeting ID: 879 5446 6332 - Meeting Passcode: 440276

- You do NOT need to create a ZOOM account or login with email for meeting participation.
- If your device does not have a microphone or speakers, you can call in for audio with the phone number and Meeting ID listed above to listen and participate.
- In the interest of clear reception and efficient administration of the meeting, all persons participating remotely are respectfully requested to mute their line after logging or dialing-in and remain muted at all times unless speaking.

Video/Teleconference Meeting During Coronavirus (COVID-19) State of Emergency: As a result of the COVID-19 pandemic, this meeting will be available via video/teleconference as recommended by Santa Barbara County Public Health and authorized by Government Code section 54953(e) (State Assembly Bill 361).

Important Notice Regarding Public Participation in Video/Teleconference Meeting: Those who wish to provide public comment on an Agenda Item, or who otherwise are making a presentation to the Board of Directors, may participate in the meeting by phone or computer using the meeting ID number and passcode above. **Those wishing to submit written comments instead, please submit comments and materials to the District via electronic mail at athompson@syrwcd.com or dropped off at the District office.** All submittals of written comments must be received by the District no later than 10:00 a.m. on Tuesday, June 28, 2022 and should indicate “**PUBLIC COMMENT**” in the subject line. To the extent practicable, public comments and materials received in advance pursuant to this timeframe will be read into the public record during the meeting. Public comments and materials not read into the record will become part of the post-meeting Board packet materials available to the public and posted on the District website.

AGENDA OF SPECIAL MEETING

- I. Call to Order and Roll Call
- II. Pledge of Allegiance
- III. Consider continuing use of teleconference meeting procedures under Government Code section 54953(e) (AB361)
- IV. Public Comment (Any member of the public may address the Board relating to any non-agenda matter within the Board’s jurisdiction. The total time for all public participation shall not exceed fifteen minutes and the time allotted for each individual shall not exceed five minutes. No action will be taken by the Board at this meeting on any public item.)

Staff recommends any potential new agenda items based on issues raised be held for discussion under Agenda Item “Requests from the Board of Directors for items to be included on the next Agenda”.

- V. General Manager Report – Status, discussion and possible Board action on the following subjects:
 - A. Consider Adoption of the Final Budget for Fiscal Year 2022-2023
 - B. Consideration of Resolution No. 714 Making Findings and Determinations, Establishing Zones, Setting Rates and Levying a Groundwater Charge for Water Year 2022-2023
- VI. The next meeting is scheduled as a Regular Meeting for September 7, 2022, at 6:30 pm.

In compliance with the California Water Code, regular meetings are scheduled for the first Wednesday in March, June, September, and December at various locations within the District. Special meetings may be held at any location within the District.
- VII. Closed Session

The Board will reconvene into closed session to discuss the following items:

 - A. Conference with Legal Counsel - Pending Litigation (Gov. Code, § 54956.9, subd. (d)(1)): Wolff vs SYRWCD, Superior Court of California, County of Santa Barbara, Case No. 20CV01552 and Case No. 22CV02062.
 - B. Conference with Legal Counsel – Pending Litigation (Gov. Code, § 54956.9, subd. (d)(1)) relating to proceedings pending before the State Water Resources Control Board (SWRCB) regarding Permits 11308 and 11310 issued on Applications 11331 and 11332 of the United States Bureau of Reclamation for the Cachuma Project, and complaints filed by the California Sport Fishing Protection Alliance regarding the operation of the Cachuma Project and SWRCB Order WR 89-18; proposed changes to the place and purpose of use of waters obtained through aforementioned permits for the Cachuma Project; and Reclamation’s Petition for Reconsideration or Rehearing re Order WR 2019-0148; and proceedings related to SWRCB Permit No. 15878 (Application A022423) held by the City of Solvang including the City of Solvang’s Petitions for Change and Extension of Time.
 - C. Conference with Legal Counsel – Anticipated Litigation (Gov. Code, § 54956.9, subd. (d)(2)): Significant exposure to litigation (One Matter).
 - D. Conference with Legal Counsel – Anticipated Litigation (Gov. Code, § 54956.9, subd. (d)(4)): Possible initiation of litigation (Two Matters).
- VIII. Reconvene into Open Session / Closed Session Report
- IX. Adjournment

[This agenda was posted on the District website (SYRWCD.com), at 3669 Sagunto Street, Suite 101, Santa Ynez, California. Notice was delivered in accordance with Government Code Sections 54950-54963. In compliance with the Americans with Disabilities Act, if you need special assistance to review agenda materials or participate in this meeting, please contact the District at (805) 693-1156. Notification 24 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.]

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

MEMORANDUM

DATE: June 23, 2022

TO: Cynthia Allen Mark Altshuler Art Hibbits
Brett Marymee Steve Jordan

FROM: Kevin D. Walsh

SUBJECT: Final Budget Fiscal Year 2022-2023

Recommendation

- Adopt Fiscal Year 2022-2023 Budget (Roll Call Vote)

Discussion

INCOME:

Groundwater Charge Rates.

The Final Budget assumes changes in the groundwater production charge rates as described more fully and recommended in the June 2022 Rates Study Report prepared by Raftelis. Groundwater charge rates are expected to generate \$674,000 in income earned during FY 2022-23.

Property Tax Revenue. The County of Santa Barbara projects a 3% increase from last year, which is used for the Budget estimate of \$355,000.

Investment Income. Investment Income is earned on Reserves and Cash accounts. The 2022-23 estimate of \$10,000 is based on the LAIF Average Effective Yield for April of 0.53%.

SGMA Grant Reimbursements. The District's share of the 10% retention on the two Department of Water Resources (DWR) grants is expected to total about \$48,000.

EXPENSES:

Internal Operations / Expenses are estimated to be about 15% more than the FY 2021-22 budgeted amounts. The increase is due to upgrades in the billing system (accounted for in

office expenses), increased efforts in Groundwater Charges Program, and cost-of-living and merit salary adjustments.

Legal and Engineering Expenses are budgeted 3% more than FY 2021-22. The State Water Board released Water Rights Order (WRO) 2019-0148 on September 17th, 2019. It is expected that an equal amount of the Legal and Engineering efforts on this “new” WRO will occur in FY 2022-23 with the same intensity as in the prior fiscal years. This is due to the mandated reports and studies regarding downstream water releases in the new WRO, plus our involvement in an expected new Biological Opinion (BiOp) issued by the National Marine Fisheries which may significantly affect Cachuma Project Operations. Our concerns involve issues regarding mandated Cachuma water releases to river for the endangered steelhead trout, and prohibited State Water releases used for improving downstream water quality. Recent regulatory decisions could have potential impacts on the District’s water rights release rates, amounts, and timing.

Sustainable Groundwater Management Act (SGMA). All three GSAs are in a transition to begin the implementation of the Groundwater Sustainability Plans. None of the GSAs have yet adopted any budgets, nor long-term funding mechanisms. It is not expected that any independent cash revenue will be generated by the GSAs for the 2022-2023 fiscal year.

The \$175,000 figure represents an estimate of the costs of the District’s participation in the implementation of the plans in a similar fashion as was employed for the recently ended planning effort. This is a reduction of about \$50,000 or 22% less than FY 2021-2022 budgeted expense. It is hoped, but not budgeted for, that some portion of these costs will be offset by possible DWR grants that are expected to be made available sometime in 2023.

Contingencies are set at the same amount as FY 2021-2022: \$50,000.

RESERVES:

The District has set a goal of \$2.0 million in total reserves. Of this amount, \$1.6 million is earmarked for legal and engineering services mostly surrounding the activities of others seeking to restrict water rights in the watershed, and their actions resulting in negative consequences on water rights. The remaining \$400,000 is for other contingencies, such as unexpected large expenditures.

For FY 2022-23, transfers out of reserves are budgeted at one-half (50%) of FY 2021-22 budgeted amounts: \$66,000.

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT BUDGET
JULY 1, 2022 - JUNE 30, 2023

June 20, 2022 FINAL DRAFT

	(As of April 30)			
	FY 2021-22 APPROVED BUDGET	FY 2021-22 10th Period ACTUAL	FY 2021-22 ESTIMATED	FY 2022-23 DRAFT BUDGET
REVENUES:				
Groundwater Charge Rates	585,000	581,891	585,000	674,000
SB County Property Taxes	335,800	332,902	345,000	355,000
Interest Income	8,400	4,541	6,200	10,000
SGMA Grant Reimbursement	48,133	0	0	48,000
COVID-19 Relief Reimbursement	0	40,454	40,454	0
TOTAL INCOME	\$ 977,333	\$ 959,788	\$ 976,654	\$ 1,087,000
EXPENSES				
<u>Internal Operations / Expenses</u>				
Employee Salaries	387,000	322,295	387,000	422,000
Payroll (SS and Medicare)	28,000	23,693	28,000	30,000
Employee Benefits	5,300	4,053	4,900	6,000
Retirement Plan Contributions	27,000	22,561	27,000	30,000
Outside Services	5,000	3,935	5,000	7,000
Office Expense	34,000	28,004	34,000	60,000
Director Fees	6,000	4,800	6,000	6,000
Travel & Training	7,000	1,409	2,500	7,000
Annual Audit	11,200	11,200	11,200	12,000
Insurance & Worker's Comp	18,000	16,944	18,000	20,000
Dues and LAFCO Fees	2,700	3,857	3,857	5,000
Groundwater Charges Program	50,000	44,285	54,000	65,000
Miscellaneous	3,000	870	1,000	3,000
SUB-TOTAL INTERNAL OPERATIONS	584,200	487,906	582,457	673,000
<u>Legal</u>				
General & Misc.	10,000	12,582	15,000	15,000
Downstream Releases / Upper SYR Operations / 89-18	5,000	0	0	2,500
WR Decision (2019-0148)	25,000	30,096	35,000	35,000
Fisheries Issues	20,000	11,977	15,000	15,000
Employment/HR	5,000	1,161	2,000	2,500
Groundwater Program	5,000	2,551	5,000	5,000
SUB-TOTAL LEGAL	70,000	58,367	72,000	75,000
<u>Engineering / Environmental</u>				
General & Misc.	10,000	6,725	10,000	10,000
Annual GW Report	20,000	3,802	20,000	20,000
Downstream Releases Operations / 89-18	65,000	51,548	65,000	65,000
Upper SYR Operations	10,000	474	1,000	5,000
WR Decision (2019-0148)	25,000	6,921	15,000	20,000
Fisheries Hydrology	35,000	4,473	10,000	30,000
Special Studies	15,000	9,355	15,000	30,000
SUB-TOTAL ENGINEERING / ENVIRONMENTAL	180,000	83,298	136,000	180,000
SGMA	225,000	\$ 202,524	225,000	175,000
Contingencies	50,000	6,351	12,000	50,000
TOTAL EXPENSES	\$ 1,109,200	\$ 838,446	\$ 1,027,457	\$ 1,153,000
INCOME LESS EXPENSES	\$ (131,867)	\$ 121,342	\$ (50,803)	\$ (66,000)
RESERVES				
Amount to or (from) Reserves	(131,867)	0	(50,803)	(66,000)
Reserves, Total Balance	1,841,533	1,964,828	1,914,025	1,848,025

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT

MEMORANDUM

TO: Cynthia Allen Mark Altshuler Art Hibbits Steve Jordan Brett Marymee
Steve Torigiani Ali Shahroody Bill Buelow

FROM: Kevin Walsh

DATE: June 23, 2022

SUBJECT: FY 2022-23 Groundwater Charge Rates

Recommendation

That Groundwater Charge Rates for fiscal year (FY) 2022-23 be adjusted as shown on the Groundwater Rate Calculation Worksheet. The new rates will be effective and applied to all water that is produced for the 12 months from July 1st, 2022 through June 30th, 2023. (Roll call vote.)

Discussion

Pursuant 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 M&I 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).)

The June 2022 Rate Study attached to this Memorandum presents a cost-of-service and financial plan for FY 2022-23. The Rate Study demonstrates that the projected revenue to be generated by the proposed Groundwater Charge Rates is allocated in a manner that is compliant with Proposition 26 (Cal. Const., Art. 13, sec 1). The methodologies used are more completely discussed in the Rate Study. In brief, the following factors were considered for FY 2022-23:

- The revenue required from Groundwater Charge Rates and Investment Fund Reserves as determined by subtracting from total expenses all other revenue sources other than Groundwater Charge Rates.
- The use of Investment Fund Reserves set at one-half of the FY 2021-22 budgeted amount. (A higher Groundwater Charge Rate could be well justified to not only avoid further drawing down investment fund reserves, but also to replenish depleted reserves.)
- FY 2022-23 Earned Income from Groundwater Charge rates is based on an estimated production of 47,675 acre-feet as found in Section 1.4 Findings of the 44th Annual Engineering and Survey Report.

Earned Income for FY 2022-23 from reported groundwater production will be as follows:

- Payment for groundwater pumped during the 6-month reporting period beginning July 1st and ending December 31st, 2022 is due on January 31st, 2023
- Payment for groundwater pumped during the 6-month reporting period beginning January 1st and ending June 30th, 2023 is due on July 31st, 2023.

GROUNDWATER RATE CALCULATION WORKSHEET

Showing 4-year history and recommended Rates.

ALL ZONES ARE SAME RATE					
<u>Fiscal Year</u>	<u>AG</u>	<u>Special</u>	<u>Other</u>	<u>Revenue</u>	
18-19	7.15	14.30	25.00	\$ 555,327	*1
19-20	7.15	14.30	25.00	\$ 549,164	*1
20-21	7.15	14.30	25.00	\$ 585,000	*1
21-22	7.40	14.80	26.00	\$ 585,000	*2
Recommended Rates:					
22-23	14.14	14.14	14.14	\$ 674,000	*3

*1. Actual revenue from Independent Auditor Report

*2. Expected revenue per FY 21-22 Budget

*3. Projected revenue based on estimated production of 47,675 acre-feet as found in Section 1.4 Findings of the 44th Annual Engineering and Survey Report

KDW/amt

Santa Ynez River Water Conservation District

Rate Study Report

Final Report, June 21, 2022



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June 21, 2022

Mr. Kevin Walsh
General Manager
P.O. Box 719
Santa Ynez, CA 93460

Subject: Rate Study Report

Dear Mr. Walsh,

Raftelis is pleased to provide this Water Cost-of-Service and Rate Study report for the Santa Ynez River Water Conservation District (District). This report includes a financial plan for fiscal year (FY) 2022-2023 (FY 2023).

The study objectives include the following:

1. Develop a financial plan to support financial sufficiency and meet operation and maintenance (O&M) costs;
2. Conduct a water cost-of-service study that is based on the District's costs;
3. Calculate proposed, updated water rates for FY 2023;
4. Conduct an analysis of the effects of the proposed rates on District groundwater producers; and
5. Demonstrate the amount raised by the proposed groundwater charges is necessary to cover the reasonable costs of the District's activities, and that proposed groundwater charges are allocated to District groundwater producers in a manner that bears a fair or reasonable relationship to the payor's burdens on, or benefits received from the District's activities, consistent with Proposition 26 (Cal. Const., Art. 13C, § 1).

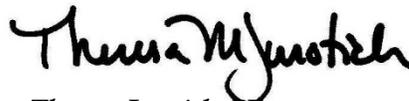
This report summarizes the key findings and recommendations related to the development of the financial plan and the development of the associated water rate.

It has been a pleasure working with you.

Sincerely,



Sudhir Pardiwala, PE
Executive Vice President



Theresa Jurotich, PE
Manager

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Abbreviations & Acronyms

Terms	Descriptions
AF	Acre foot /Acre feet, 1 AF = 435.6 hcf, 1 AF = 325,851 gallons
AWWA	American Water Works Association
LAIF	Local Agency Investment Fund
M1 Manual	"Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1", 7 th edition published by AWWA
O&M	Operations and Maintenance
Raftelis	Raftelis Financial Consultants, Inc.
SGMA	Sustainable Groundwater Management Act
SWRCB	State Water Resources Control Board

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1. Executive Summary

The Santa Ynez River Water Conservation District (“District”) was formed in 1939 for the primary purpose of protecting water rights on the lower Santa Ynez River, and if necessary, augmenting water supplies of the District, which are necessary for the public health, welfare, and safety of all residents. The District is a California Water Conservation District formed and existing pursuant to the Water Conservation District Law of 1931 (Water Code § 74000 set seq.). Pursuant to Water Code section 75500, et seq., the District has since at least 1979 levied groundwater charges on all persons operating groundwater-producing facilities within the District to help recover the costs of managing, protecting, conserving, and enhancing water resources within the District. The District’s activities performed by its staff, consultants, and legal counsel include activities relating to: protection of downstream water rights and administration of water rights releases downstream of Bradbury Dam made from the Above Narrows Account (“ANA”) and Below Narrows Account (“BNA”) pursuant to State Water Resources Control Board decisions and orders including WR 89-18 and WR 2019-0148, which releases (among other benefits) replenish downstream river alluvium and groundwater supplies, including associated hydrologic and fisheries issues; carrying out various provisions of the September 17, 2002, Settlement Agreement that settled 50 years of disputes between the downstream interests (including the City of Lompoc) and the Cachuma Project Member Units relative to the effects of the Cachuma Project on downstream water rights including water quality; and performance of sustainable groundwater management activities within the District’s boundaries as a party to the Western Management Area (“WMA”), Central Management Area (“CMA”), and Eastern Management Area (“EMA”) Groundwater Sustainability Agencies (“GSAs”) pursuant to the Sustainable Groundwater Management Act, Water Code section 10720 et seq. (“SGMA”), including activities relative to preparation and implementation of the Groundwater Sustainability Plans (“GSPs”) for each of the GSAs.

The District comprises two non-contiguous areas and encompasses approximately 180,000 acres that includes the cities of Lompoc, Solvang, and Buellton; the communities of Santa Ynez and Los Olivos; two federal installations; and rural areas with agriculture and suburban development. Groundwater mostly occurs in the alluvial deposits of the Santa Ynez River and Lompoc Plain and in the older unconsolidated deposits of the Santa Ynez Upland, Lompoc Upland, Buellton Upland, Santa Rita Upland, and Lompoc Terrace subareas. These subareas are defined as zones as follows:

- Zone A – District portion of the Santa Ynez River alluvial channel from San Lucas Bridge downstream to Lompoc Narrows
- Zone B – District portion of the Lompoc Plain, Lompoc Upland and Lompoc Terrace groundwater subareas
- Zone C – All other portions of the District not included in Zones A, B, D, E, and F
- Zone D – District portion of the Buellton Upland subarea
- Zone E – District portion of the Santa Ynez Upland subarea
- Zone F – District portion of the Santa Rita Upland subarea

Starting in FY 2018, the rates have been the same for each zone but still differentiated by class of producer. The three producer classes are Agricultural, Special Irrigation such as parks, golf courses, schools, cemeteries, or publicly owned historic sites, and Other, which are domestic, municipal, or industrial users.

Proposition 26 requires that the District’s rates cover the costs associated with services and that they bear a fair or reasonable relationship to the proportional benefit of the District’s services to remain exempt from Proposition 26 and not be considered a tax. The rates developed as part of this rate study meet the exemption requirements under Proposition 26 in that they are designed to recover the costs associated with providing the services.

Under Water Code section 75594¹, 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 two times as much for the irrigation producers classed as Special Irrigation. 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 M&I 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 study, 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.) The purpose of this study is to determine the costs of providing service to the different producers.

The major objectives of the study include the following:

- Develop a financial plan to support financial sufficiency and meet operation and maintenance (O&M) costs;
- Conduct a water cost-of-service study that is based on the District's costs;
- Calculate proposed, updated water rates for FY 2023;
- Conduct an analysis of the effects of the proposed rates on District groundwater producers; and
- Demonstrate the amount raised by the proposed groundwater charges is necessary to cover the reasonable costs of the District's activities, and that proposed groundwater charges are allocated to District groundwater producers in a manner that bears a fair or reasonable relationship to the payor's burdens on, or benefits received from the District's activities, consistent with Proposition 26 (Cal. Const., Art. 13C, § 1).

This report summarizes the rate study's financial plan and rate development key findings and recommendations.

1.1. Methodology

Raftelis and the District developed the proposed water rates and proposed rate structure using cost-of-service principles set forth by the American Water Works Association M1 Manual titled *Principles of Water Rates, Fees and Charges* (AWWA M1 Manual) and any modifications, as applicable, to align with the requirements of California's Proposition 26 and related California law.

Raftelis worked with District staff to develop a financial plan by preparing detailed projections of the main revenue sources and expenditure items. The operating revenues and operating and maintenance (O&M) costs estimates are based on projected groundwater pumping from the findings of Stetson Engineer's *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022 and current rates and non-operating revenues and costs are projected using District staff estimates. The financial plan projection has revealed the need for a revenue adjustment in FY 2023.

Raftelis calculated the District's revenue requirements for FY 2023 water services and the resulting water rate and structure.

¹ Water Code Section 75594 states: "Except as provided in Section 75595, any ground water charge in any year shall be established at a fixed and uniform rate for each acre-foot for water other than agricultural water which is not less than three times nor more than five times the fixed and uniform rate established for agricultural water. However, any groundwater charge in any year for water other than agricultural water used for irrigation purposes on parks, golf courses, schools, cemeteries, and publicly owned historical sites may be established at a fixed and uniform rate for each acre-foot which shall not be less than the rate established for agricultural water, nor more than the rate established for all water other than agricultural water."

1.2. Proposed Financial Plan and Revenue Adjustments

The financial planning model enables the District to set rates to generate sufficient revenue to meet its short-term obligations. Table 1-1 shows the proposed revenue adjustment for FY 2023. The proposed financial plan implements a revenue adjustment that draws upon available reserves. Revenue adjustments occur on July 1 for each year.

Table 1-1: Proposed Revenue Adjustments Including Self-Insurance Program Funding

Fiscal Year	Proposed Revenue Adjustment	Use of Reserves
2023	12% (rounded)	\$66,000

Table 1-2 shows the proposed financial plan, based on the District’s budgeted expenses, incorporating the proposed revenue adjustment and draw on reserves (Line 23).

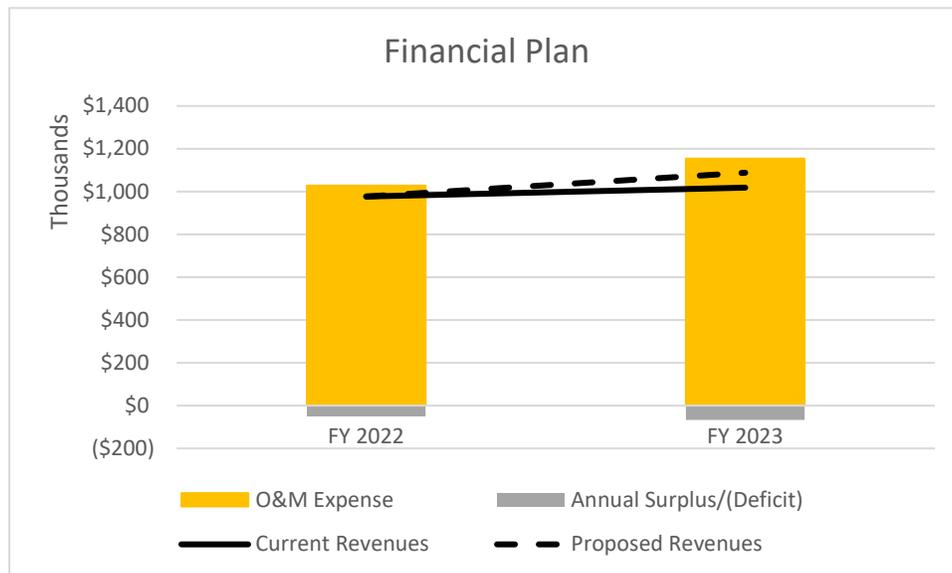
Table 1-2: Proposed Financial Plan Cashflow

No. Line Item		FY 2022	FY 2023
1	Groundwater Rate Revenue Under Existing Rates	\$585,000	\$604,528
	Revenue Adjustments		
	% Adj.		
	Month		
	Effective		
2	FY 2022	\$0	\$0
3	FY 2023		\$69,634
4	Total Revenue Adjustments	\$0	\$69,634
5	Total Rate-Based Revenue	\$585,000	\$674,162
	Other Revenue		
6	SB County Property Taxes	\$345,000	\$355,000
7	SGMA Grant Reimbursement	\$0	\$48,000
8	Covid-19 Relief Reimbursement	\$40,454	\$0
9	Interest Income	\$6,200	\$9,838
10	Total Other Revenue	\$391,654	\$412,838
11	Total Revenue	\$976,654	\$1,087,000
	Operation & Maintenance		
12	Routine Operation	\$582,457	\$673,000
13	SGMA	\$225,000	\$175,000
	Legal & Engineering		
14	General and Misc.	\$32,000	\$32,500
15	Annual G.W. Report	\$20,000	\$20,000
16	WR Decision (2019-0148)	\$115,000	\$120,000
17	Upper SYR Operations	\$1,000	\$7,500
18	Fisheries Issues/Hydrology	\$25,000	\$45,000
19	Special Studies	\$15,000	\$30,000
20	Contingency	\$12,000	\$50,000
21	Total Operation & Maintenance	\$1,027,457	\$1,153,000
22	Capital	\$0	\$0
23	Net Income (Annual Surplus/(Deficit))	(\$50,803)	(\$66,000)
24	Beginning Balance	\$1,964,828	\$1,914,025
25	Ending Balance	\$1,914,025	\$1,848,025

Line 1 shows revenue from the current rates, assuming no increase in rates. The FY 2023 revenue is larger than in FY 2022 based on a slight net increase in overall use by producers in FY 2023 based on Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022 than presumed for FY 2022. Line 3 shows the additional revenue received from the proposed FY 2023 revenue adjustment of 12 percent. Line 5 shows the total rate-based revenues. Lines 6 -8 show non-rate revenues. Interest revenues (Line 9) are based on the April Local Agency Investment Fund (“LAIF”) effective yield of 0.523 percent interest rate on averaged beginning and ending fund balances. Line 11 shows total projected revenues. Lines 12 – 21 summarize the O&M expense projections. Line 22 shows that no capital expenditures are anticipated in FY 2023. Line 23 shows the net income, which are revenues less O&M expenses. Reserves are drawn down by \$66,000 to help cover operating expenses. Lines 24 and 25 show the beginning and ending Investment Reserves fund balance, respectively. The proposed financial plan supports financial sufficiency and solvency for the District to meet projected expenditures.

Figure 1-1 graphically illustrates the proposed operating Financial Plan – it compares the existing (current) and proposed revenues with projected expenses. The stacked bars show O&M expenses. The grey bars show the net cash. Net cash below the line indicates a drawdown of reserves during the noted period. Total revenues at existing and proposed rates are shown by horizontal black solid and dashed lines, respectively. Current revenue from existing rates does not meet future total expenses and shows the nexus for the proposed revenue adjustment.

Figure 1-1: Proposed Financial Plan



1.3. Proposed FY 2023 Rate Structure

1.3.1. PROPOSED USAGE RATES

Table 1-3 presents the current rate and the proposed FY 2023 rate. The proposed rate is rounded to the nearest cent.

Table 1-3: Current and Proposed (FY 2023) Usage Rates, \$/AF

Producer	Special		
	Agriculture	Irrigation	Other
Current	\$7.40	\$14.80	\$26.00
Proposed	\$14.14	\$14.14	\$14.14

1.3.2. AVERAGE PRODUCER BILL IMPACT

The average usage varies by zone and therefore Table 1-4 through Table 1-6 illustrates the customer bill impact for an average agricultural producer, an average special irrigation producer, and an average Other (non-agricultural) producer within each zone. Average use is based on 2021 pumping data from Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 1-4: Average Agricultural Producer by Zone, FY 2023 Bill Impact

Agricultural	A	B	C	D	E	F
Average, AF/acct	38.8	47.3	0.2	8.0	8.2	25.8
Current	\$287.19	\$350.08	\$1.85	\$59.35	\$60.81	\$190.72
Proposed	\$548.77	\$668.93	\$3.53	\$113.42	\$116.20	\$364.43
Difference	\$261.58	\$318.86	\$1.68	\$54.06	\$55.39	\$173.71

Table 1-5: Average Special Irrigation Producer by Zone, FY 2023 Bill Impact

Special Irrigation	A	B	C	D	E	F
Average, AF/acct	11.1	19.4	13.1	3.8	6.2	2.0
Current	\$163.99	\$287.49	\$193.78	\$56.57	\$92.07	\$29.59
Proposed	\$156.67	\$274.67	\$185.14	\$54.05	\$87.96	\$28.27
Difference	-\$7.31	-\$12.82	-\$8.64	-\$2.52	-\$4.11	-\$1.32

Table 1-6: Average Other (Non-Agricultural) Producer by Zone, FY 2023 Bill Impact

Other	A	B	C	D	E	F
Average, AF/acct	3.8	3.9	0.1	0.3	0.04	0.0
Current	\$99.46	\$101.09	\$3.80	\$6.69	\$1.07	\$0.00
Proposed	\$54.09	\$54.98	\$2.07	\$3.64	\$0.58	\$0.00
Difference	-\$45.37	-\$46.11	-\$1.74	-\$3.05	-\$0.49	\$0.00

2. Legal Framework

Proposition 26, codified in the California Constitution as Article XIII C, was approved by voters in 2010 to require a supermajority vote to pass new taxes and fees. Furthermore, Proposition 26 expanded the definition of what is considered a tax. Under the new definition, a tax is any levy, charge, or exaction of any kind imposed by a local government. Any fees or charges that are not exempted by the language of Proposition 26 are considered taxes and subject to voter approval.

The expanded definition of a tax placed new burdens on water purveyors who must routinely increase rates to meet their revenue requirement. After the passage of Proposition 26, local water agencies must demonstrate their fees and charges are not taxes and are exempted by the language of the Proposition. The newly expanded definition of a tax under Proposition 26 allows for exceptions of which the two most relevant are the following:

"(e) As used in this article, "tax" means any levy, charge, or exaction of any kind imposed by a local government, except the following:

(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, **and which does not exceed the reasonable costs to the government of conferring the benefit** or granting the privilege.

(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product."

In order not to be considered a tax, Prop 26 requires that local water purveyors must demonstrate that "that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity."

Proposition 26 requires that the District's rates cover the costs associated with services and that they are distributed among payors in a fair or reasonable manner to remain exempt from Proposition 26 and not be considered a tax. The rates developed as part of this rate study meet the exemption requirements under Proposition 26 in that they are designed to recover the costs associated with providing the services discussed in Section 1.

3. Financial Plan

Determining a district’s revenue requirement is a key first step in the rate study process. Raftelis analyzed annual operating revenue under the status quo, operation and maintenance (O&M) expenses, and the District’s desire to limit draws upon reserves in FY 2023 to \$66,000. This section of the Report provides a discussion of the projected revenues, O&M expenses, reserve funding requirements, and the revenue adjustments needed to support fiscal sustainability and solvency.

3.1. Key Information Used in this Report

This report utilized the following key information provided by the District

- FY 2022 estimated year end and FY 2023 operating budget
- Historical and forecast water pumping amounts
- Historical water rates
- Beginning reserve fund balances as of FY 2022

3.2. Revenue from Current Water Charges and Rates

3.2.1. CURRENT WATER RATES

The current water rates are on a volumetric basis per acre-foot (AF) and differ by producer class as shown in Table 3-1.

Table 3-1: Current Usage Rates, (\$/AF)

Producer	Agriculture	Special Irrigation	Other
Current	\$7.40	\$14.80	\$26.00

Other rates are set at about 3.5 times the Agricultural rate and Special Irrigation rates are twice the Agricultural rate. This rate structure has been in place based on Water Code section 75594.

3.2.2. WATER USE AND GROWTH ASSUMPTIONS

Table 3-2 shows the financial plan assumptions for water use in FY 2023. The projected water use comes from Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 3-2: Projected Water Use, FY 2023

Producer Class	Water Use, AF
Agriculture	33,030
Special Irrigation	1,845
Other	12,800
Total	47,675

3.2.3. REVENUE PROJECTIONS

Table 3-3 presents the projection of rate-based revenue for FY 2023 under the current rates. Table 3-4 shows the projection of other revenues, which includes property taxes, grant reimbursement, and estimated interest income.

Table 3-3: Projected Rate Revenue

Producer Class	Rate	AF	Revenue
Agricultural	\$7.40	33,030	\$244,422
Special Irrigation	\$14.80	1,845	\$27,306
Other	\$26.00	12,800	\$332,800
Total Rate Revenue		47,675	\$604,528

Table 3-4: Projected Other Revenue

Line Item	FY 2023
SB County Property Taxes	\$355,000
SGMA Grant Reimbursement	\$48,000
Interest Income	\$9,838
Total	\$412,838

3.3. Operating and Maintenance Expenses

3.3.1. WATER OPERATING EXPENSE

Table 3-5 shows the estimated operating and maintenance expenses for FY 2022 and budgeted expenses for FY 2023, which includes routine operations, Sustainable Groundwater Management Act (SMGA) costs, legal, engineering, and contingency.

Table 3-5: Projected Water O&M Expenses

O&M Estimate and Budget	FY 2022	FY 2023
Routine Operation	\$582,457	\$673,000
SGMA	\$225,000	\$175,000
Legal & Engineering		
General and Misc.	\$32,000	\$32,500
Annual G.W. Report	\$20,000	\$20,000
WR Decision (2019-0148)	\$115,000	\$120,000
Upper SYR Operations	\$1,000	\$7,500
Fisheries Issues/Hydrology	\$25,000	\$45,000
Special Studies	\$15,000	\$30,000
Contingency	\$12,000	\$50,000
Total O&M	\$1,027,457	\$1,153,000

3.4. Proposed Financial Plan and Revenue Adjustments

The proposed financial plan enables the District to set rates to generate sufficient revenues to meet its annual obligations. The plan shows the revenues that will be used to maintain appropriate reserves while maintaining a sensitivity to rate increases.

Table 3-6 shows the proposed financial plan incorporating the proposed revenue adjustment. Line 1 shows revenue from the current rates, assuming no changes in rates. Line 3 shows the additional revenue received from the proposed FY 2023 revenue adjustment of just under 12 percent. Line 5 shows the total rate-based revenues. Lines 6-8 show non-rate revenues. Interest revenues (Line 9) are based on a presumed effective yield of 0.523 on fund balances. Line 11 shows total projected revenues. Lines 12 – 21 summarize the O&M expense projections.

Line 22 shows that no capital expenditures are anticipated in FY 2023. Line 23 shows the net income, which are revenues less O&M expenses. Reserves are drawn down by \$66,000 to help cover operating expenses. Lines 24 and 25 show the beginning and ending operating fund balance, respectively. The proposed financial plan supports financial sufficiency and solvency for the District to meet projected expenditures.

Table 3-6: Proposed Financial Plan Cashflow

No. Line Item		FY 2022	FY 2023
1	Groundwater Rate Revenue Under Existing Rates	\$585,000	\$604,528
	Revenue Adjustments		
	% Adj.		
	Month		
	Effective		
2	FY 2022	0%	July 12
3	FY 2023	12%	July 12
4	Total Revenue Adjustments	\$0	\$69,634
5	Total Rate-Based Revenue	\$585,000	\$674,162
	Other Revenue		
6	SB County Property Taxes	\$345,000	\$355,000
7	SGMA Grant Reimbursement	\$0	\$48,000
8	Covid-19 Relief Reimbursement	\$40,454	\$0
9	Interest Income	\$6,200	\$9,838
10	Total Other Revenue	\$391,654	\$412,838
11	Total Revenue	\$976,654	\$1,087,000
	Operation & Maintenance		
12	Routine Operation	\$582,457	\$673,000
13	SGMA	\$225,000	\$175,000
	Legal & Engineering		
14	General and Misc.	\$32,000	\$32,500
15	Annual G.W. Report	\$20,000	\$20,000
16	WR Decision (2019-0148)	\$115,000	\$120,000
17	Upper SYR Operations	\$1,000	\$7,500
18	Fisheries Issues/Hydrology	\$25,000	\$45,000
19	Special Studies	\$15,000	\$30,000
20	Contingency	\$12,000	\$50,000
21	Total Operation & Maintenance	\$1,027,457	\$1,153,000
22	Capital	\$0	\$0
23	Net Income (Annual Surplus/(Deficit))	(\$50,803)	(\$66,000)
24	Beginning Balance	\$1,964,828	\$1,914,025
25	Ending Balance	\$1,914,025	\$1,848,025

Figure 3-1 graphically illustrates the proposed operating Financial Plan – it compares the existing (current) and proposed revenues with projected expenses. The stacked bars show O&M expenses. The grey bars show the net cash. Net cash below the line indicates a drawdown of reserves during the noted period. Total revenues at existing and proposed rates are shown by horizontal black solid and dashed lines, respectively. Current revenue from existing rates does not meet future total expenses and shows the nexus for the proposed revenue adjustment.

Figure 3-1: Proposed Financial Plan

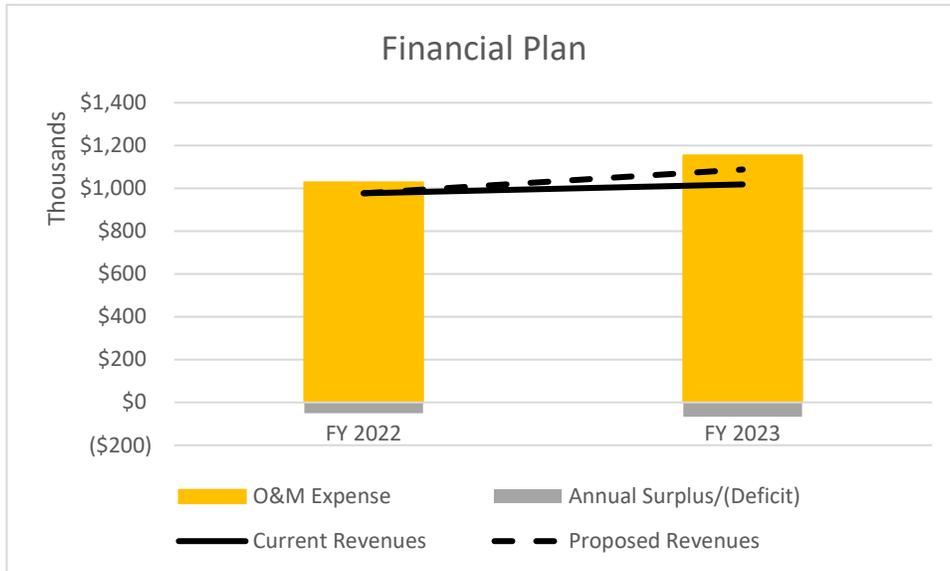
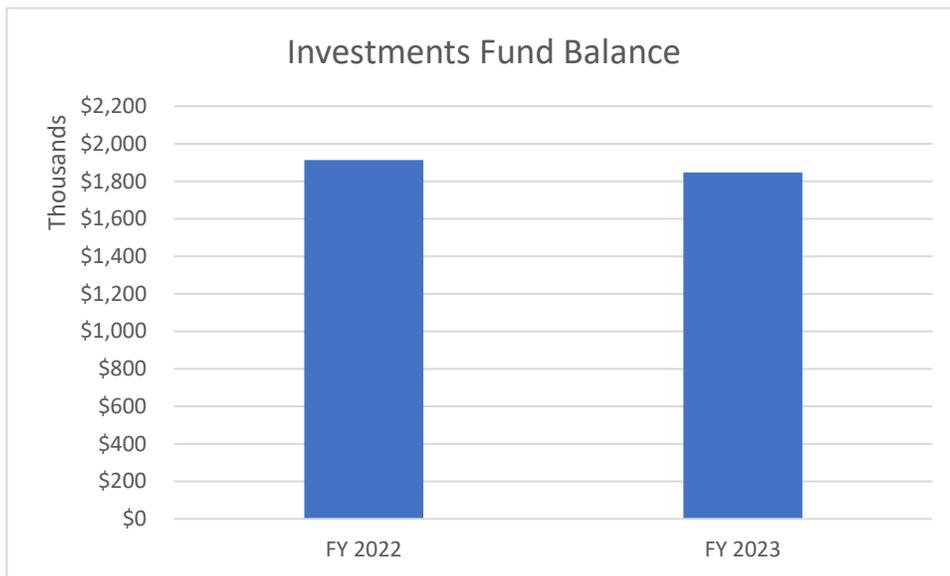


Figure 3-2 shows the projected investments fund balance, reflecting the slight draw on reserves.

Figure 3-2: Projected Investments Fund Balance



4. Proposed Water Rates

4.1. Net Revenue Requirements

The costs to be allocated to the various producer classes consist of the total revenue requirement less income received from other sources (net revenue requirements). Table 4-1 shows the development of the costs that must be recovered through rates for FY 2023. Raftelis calculated the revenue requirement using the FY 2023 projections of O&M and capital expenses, shown in Lines 1 and 2. Lines 4 – 7 show the other operating revenues, which are used to offset some of the revenue requirement. The adjustments in Line 9 ensure the cost-of-service accounts for the annual cash balances. Line 11 shows the total revenue required from rates, calculated by adding Lines 3, 8, and 10.

Table 4-1: Net Revenue Requirements, FY 2023

No. Line Item	Operating	Capital	Total
Revenue Requirement			
1 Operations	\$1,153,000		\$1,153,000
2 Capital		\$0	\$0
3 Total Revenue Requirement	\$1,153,000	\$0	\$1,153,000
Revenue Offsets			
4 SB County Property Taxes	(\$355,000)		(\$355,000)
5 SGMA Grant Reimbursement	(\$48,000)		(\$48,000)
6 Covid-19 Relief Reimbursement	\$0		\$0
7 Interest Income	(\$9,838)		(\$9,838)
8 Subtotal Revenue Offsets	(\$412,838)		(\$412,838)
Other Adjustments			
9 Change in Inv. Fund Balance	(\$66,000)		(\$66,000)
10 Total Adjustments	(\$66,000)	\$0	(\$66,000)
11 Total Revenue Requirement	\$674,162	\$0	\$674,162

4.2. Rate Structure Analysis

Since FY 2018, the District has utilized a uniform groundwater charge rate among the management zones in the District (Zones A through F). This is because the District has few costs that are unique to specific river and upland zones at this time. In particular, 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. 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. Furthermore, the District's engineer has advised that management 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). Therefore, we conclude that a uniform rate across all zones bears a fair and reasonable relationship to the benefits of the District's management activities.

The purpose of the District is to protect and, if necessary, augment the water supplies of the District, which are necessary for the public health, welfare, and safety of all users. Rate differentials for producer classes typically are

based on the different peaking characteristics of producer classes. In our case all producers have their own wells from which they draw water and therefore the District does not incur costs to provide facilities to meet peaking demands. The District’s operations benefit all users in proportion to the amount of water they draw from their wells, or in other words, the District does not incur differential costs to serve any user class. Therefore, we recommend the District implement uniform rates across the different zones and classes.

4.3. Calculating Rates

Table 4-2 shows the unit cost-of-service based on dividing the net revenue requirement (Table 4-1) by the projected usage in FY 2023 (Table 3-2).

Table 4-2: Unit Cost-of-Service, FY 2023

Unit Cost of Service, Test Year	
Line Item	Amount
Net Rev. Requirement	\$674,162
Test Year AF	47,675
All-in Uniform Rate, \$/AF	\$14.14

4.4. Proposed Water Usage Rates (\$/AF)

Table 4-3 presents the current rate and the proposed FY 2023 rate. The proposed rate is rounded to the nearest cent.

Table 4-3: Current and Proposed (FY 2023) Usage Rates, \$/AF

Producer	Special		
	Agriculture	Irrigation	Other
Current	\$7.40	\$14.80	\$26.00
Proposed	\$14.14	\$14.14	\$14.14

Under the proposed rate Agricultural rates almost double whereas the rates for the other producers are lower, especially for the Other (non-agricultural) producers. However, it should be noted that these rates are still very low compared to rates in Southern and Central California. Actually, this rate works out to just over 3¢ per 1,000 gallons.

4.5. Projected Revenues Under Cost-of-Service Rates

Table 4-4 shows the revenues under the current rates based on the FY 2023 projected usage and the revenues using the proposed uniform rate for all producer classes. The total percent increase in revenues matches the proposed adjustment shown in the financial plan (Table 3-6).

Table 4-4: Projected Revenues Under Cost-of-Service Rates, FY 2023

Producer	Usage, AF	Current Rate	Revenue Under		% Increase/ Decrease	
			Current Rates	Proposed Rates		
Agriculture	33,030	\$7.40	\$244,422	\$14.14	\$467,044	91%
Special Irrigation	1,845	\$14.80	\$27,306	\$14.14	\$26,088	-4%
Other	12,800	\$26.00	\$332,800	\$14.14	\$180,992	-46%
Total	47,675		\$604,528		\$674,125	12%

4.6. Producer Impact Analysis

Table 4-5 through Table 4-7 illustrates the producer bill impact for an average agricultural producer, an average special irrigation producer, and an average non-agricultural producer within each zone. Average use is based on 2021 pumping data of Stetson Engineer’s *Forty-Fourth Annual Engineering and Survey Report on Water Supply Conditions of the Santa Ynez River Water Conservation District 2021-2022, FINAL* dated June 1, 2022.

Table 4-5: Average Agricultural Producer by Zone, FY 2023 Bill Impact

Agricultural	A	B	C	D	E	F
Average, AF/acct	38.8	47.3	0.2	8.0	8.2	25.8
Current	\$287.19	\$350.08	\$1.85	\$59.35	\$60.81	\$190.72
Proposed	\$548.77	\$668.93	\$3.53	\$113.42	\$116.20	\$364.43
Difference	\$261.58	\$318.86	\$1.68	\$54.06	\$55.39	\$173.71

Table 4-6: Average Special Irrigation Producer by Zone, FY 2023 Bill Impact

Special Irrigation	A	B	C	D	E	F
Average, AF/acct	11.1	19.4	13.1	3.8	6.2	2.0
Current	\$163.99	\$287.49	\$193.78	\$56.57	\$92.07	\$29.59
Proposed	\$156.67	\$274.67	\$185.14	\$54.05	\$87.96	\$28.27
Difference	-\$7.31	-\$12.82	-\$8.64	-\$2.52	-\$4.11	-\$1.32

Table 4-7: Average Other (Non-Agricultural) Producer by Zone, FY 2023 Bill Impact

Other	A	B	C	D	E	F
Average, AF/acct	3.8	3.9	0.1	0.3	0.04	0.0
Current	\$99.46	\$101.09	\$3.80	\$6.69	\$1.07	\$0.00
Proposed	\$54.09	\$54.98	\$2.07	\$3.64	\$0.58	\$0.00
Difference	-\$45.37	-\$46.11	-\$1.74	-\$3.05	-\$0.49	\$0.00

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 _____, seconded by Director _____, was authorized by the following vote:

AYES, and in favor thereof, Directors:

NOES, Directors:

ABSENT/ABSTAINING, Directors:

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