

NAPA COUNTY GROUNDWATER SUSTAINABILITY AGENCY

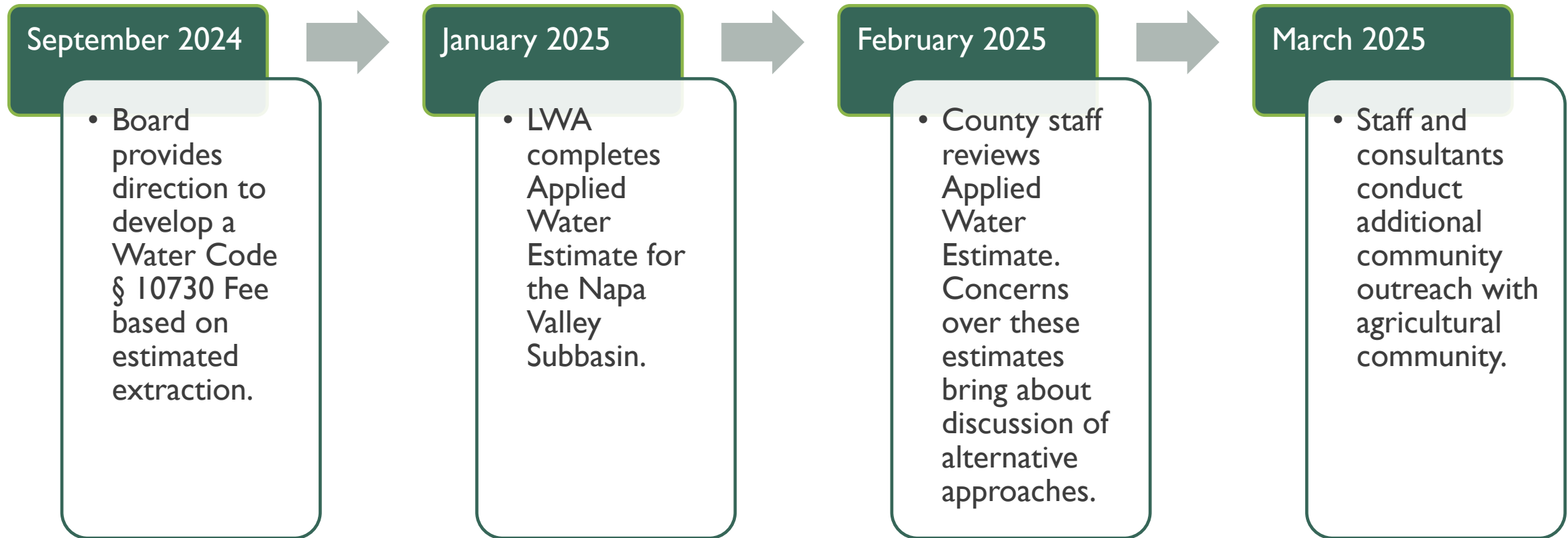
FEE STUDY PROGRESS UPDATE APRIL 22, 2025



AGENDA

- I. Background
- II. Revised Approach to Fee Development
 - a) Cost Apportionment
 - b) Outreach
 - c) Preliminary Rate Scenarios
- III. Tentative Next Steps

BACKGROUND



STAFF REVIEW OF APPLIED WATER ESTIMATES

Staff review of applied water estimates noted the following concerns:

Consistency

- The use of different water use estimation methodologies for various purposes (modeling, fee study, etc.) holds implications related to policy, outreach, and data availability / consistency.

Variability of Water Use

- The hydrogeologic setting of the Subbasin presents a higher degree of uncertainty related to groundwater extraction volume (compared to other basins).
- Depending upon various factors, the opportunity for vines to benefit from direct uptake / soil moisture varies greatly on a parcel-by-parcel basis.
- More data may be needed to develop an accurate applied water estimation.

REVISED APPROACH TO FEE DEVELOPMENT (I)

- Given the concerns over an extraction-based methodology, County staff and the SCI Team have identified a hybrid methodology as the most optimal method for apportioning Agency costs to groundwater users.
 - Domestic and commercial users would be charged on a parcel basis, with potential consideration of parcel size.
 - Municipal and small PWS users would be charged based on their reported extraction.
 - Agricultural irrigators would be charged according to their planted acreage or irrigated acreage.
- Two elements of this revised approach require further consideration:
 1. Agency costs will need to be apportioned appropriately across the different user classes.
 2. Consideration of agricultural water use will need to be incorporated, including surface water use, recycled water use, and dry farming. A reduced rate or removal of charges may be appropriate in some cases.

REVISED APPROACH TO FEE DEVELOPMENT (2)

Benefits of an Irrigated Acreage Approach

- Increased predictability and consistency across the Subbasin.
- Annual changes will be easier and less expensive to track and update (less cost).
- Annual changes will be more clearly understood (changes in irrigated acreage produce similar changes in fees).

Challenges of an Irrigated Acreage Approach

- With less granularity, charges will not reflect all parcel-specific characteristics such as irrigation efficiency.
- Incorporation of dry farming and use of alternative water sources will be challenging.

REVISED APPROACH TO FEE DEVELOPMENT (3)

- Cost apportionment across user classes.
 - Groundwater pumping estimates from Napa County GSA Annual Reports can be used to apportion a percentage of costs to different user classes.
 - A percentage of pumping can be multiplied by cost amounts to appropriately apportion costs to each user class.
 - This approach allows for a proportional cost burden across different user classes and charge types (see example below).

Budget:		\$2,970,384	
User Class	2024 Pumping (AF)	% of 2024 Pumping	Budget Allocation
Agricultural	11,790	73%	\$2,160,446
Municipal	480	3%	\$87,957
Domestic	2,870	18%	\$525,910
Small PWS	1,070	7%	\$196,071
Totals	16,210	100%	\$2,970,384

OUTREACH EFFORTS – 2023 TO PRESENT

- 2023 – 2024: outreach conducted with agricultural users, water system users, and commercial users.
- 2025: Upon development of a revised approach to fee development, staff and consultants conducted additional outreach with members of the Napa Valley agricultural industry.
- The general framework for a revised approach was provided, including cost apportionment and hybrid charges.
- Agricultural stakeholders understood the challenges uncovered in developing an estimation-based fee and were seemingly open to a revised approach.
- Takeaways:
 - Preliminary rates shown to stakeholders were lower than those presented today (a result of an increase in projected budget and alternative rate structure scenarios).
 - Concerns over costs – including overall budget amounts and the effect a fee would have on the industry, particularly during a challenging time.
 - Concerns over a lack of incentive for conservation (i.e., a rate per irrigated acre does not change with improved irrigation practices).
 - A suggestion was shared that the County could continue to make a financial contribution in order to lower rates.

RATE SCENARIOS

- Staff have developed three rate scenarios that illustrate how a revised approach could be pursued.
- All scenarios are based on a budget of approximately \$3 million and represent potential maximum rates a fee study would justify.
- All scenarios utilize 2024 pumping to apportion costs to different user classes – but with slightly different approaches.

SCENARIO I – COST APPORTIONMENT AND APPROACH

Agricultural Users

- Charged According to Irrigated Acreage; costs apportioned based on 2024 percentage of pumping.
- No charge assigned to planted acres that are dry farmed or irrigated with alternative water sources.
- Irrigated acreage total assumes 10% of planted acres are not irrigated with groundwater (dry-farmed or using alternative water sources).

Domestic / Commercial Users

- Charged on a parcel basis; costs apportioned based on 2024 percentage of pumping.

Municipal and Small PWS Users

- Charged according to extraction data on an AF basis; costs apportioned based on 2024 percentage of pumping.

SCENARIO I – RATES

Budget: \$2,970,384

User Class	2024 Pumping (AF)	% of 2024 Pumping	Budget Allocation	Rate Denominator	Potential Rate
Agricultural	11,790	73%	\$2,160,446	18,230 Irrigated Acres	\$119 per Irrigated Acre
Domestic / Commercial	2,870	18%	\$525,910	2,541 Parcels	\$207 per Parcel
Municipal	480	3%	\$87,957	480 Acre Feet	\$183 per Acre Foot
Small PWS	1,070	7%	\$196,071	1,070 Acre Feet	\$183 per Acre Foot
Totals	16,210	100%	\$2,970,384		

SCENARIO 2 – COST APPORTIONMENT

- **Cost Apportionment** – Based on 2024 Pumping Percentages;
- Variability introduced based on the concepts of “Common Costs” and “Applied Groundwater Use Costs.”
 - Common Costs include those related to the Technical Advisory Group, Administration, and approximately 40% of technical consultant costs.
 - Applied Groundwater Use Costs include management action costs and 60% of technical consultant costs.

SCENARIO 2 – APPROACH

Agricultural Users – Charged According to GW-Irrigated *and* Planted Acreage.

- Common Costs apportioned to all planted acres, including those that are dry farmed or not irrigated with groundwater.
 - → Based on the concept that all planted acreage received some degree of benefit from GSP implementation.
- Applied Groundwater Use Costs apportioned *only* to groundwater-irrigated acreage.
 - → Based on the concept that GW-irrigated acreage receives a higher degree of benefit from GSP implementation).

Domestic / Commercial Users – Charged on a Parcel Basis

- Charged on a parcel basis up to one acre in size; additional cost for parcels larger than one acre.
- Apportioned *only* Common Costs.
 - → Based on the concept that domestic and commercial users receive a lesser degree of benefit from GSP implementation.

Municipal and Small PWS Users – Charged on an AF basis

- Apportioned both Common Costs and Applied Groundwater Use Costs.
 - → Based on the concept that water systems receive a higher degree of benefit from GSP implementation.

SCENARIO 2 – RATES

Budget:	\$2,970,384	Common Costs: \$1,282,811	Applied Groundwater Use Costs: \$1,687,573
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User Class	2024 Pumping (AF)	% of 2024 Pumping	% of 2024 Pumping (Excluding Domestic / Commercial)	Budget Allocation by User Class			Rate Denominator	Potential Rates
				Common Costs	Applied GW Use Costs	Total Costs		
Agricultural	11,790	73%	88%	\$933,025	\$1,491,491	\$2,424,516	20,256 Planted Acres	
							2,026 Non-GW Acres	\$46 per Non-GW Acre
							18,230 GW Irrigated Acres	\$128 per GW Irrigated Acre
Domestic / Commercial	2,870	18%	NA	\$227,123	\$0	\$227,123	2,541 Parcels	
							2,151 Parcels < 1 Acre	\$84 per Parcel
							390 Parcels >= 1 Acre	\$8 per Additional Acre
Municipal	480	3%	4%	\$37,986	\$60,722	\$98,708	480 Acre Feet	\$206 per Acre Foot
Small PWS	1,070	7%	8%	\$84,677	\$135,360	\$220,037	1,070 Acre Feet	\$206 per Acre Foot
Totals	16,210	100%	100%	\$1,282,811	\$1,687,573	\$2,970,384		

SCENARIO 3 – RATES

- Cost apportionment and approach identical to Scenario 2.
- An assumption of a continued County contribution in the amount of \$800,000 is introduced to illustrate the effect this contribution would have on rates.

Budget \$2,970,384		Continued County Contribution \$800,000		Revenue Need \$2,170,384		Common Costs \$937,317	Applied Groundwater Use Costs \$1,233,067	
User Class	2024 Pumping (AF)	% of 2024 Pumping	% of 2024 Pumping (Excluding Domestic / Commercial)	Budget Allocation by User Class			Rate Denominator	Potential Rates
				Common Costs	Applied GW Use Costs	Total Costs		
Agricultural	11,790	73%	88%	\$681,738	\$1,089,794	\$1,771,532	20,256 Planted Acres	
							2,026 Non-GW Acres	\$34 per Non-GW Acre
							18,230 GW Irrigated Acres	\$93 per GW Irrigated Acre
Domestic / Commercial	2,870	18%	NA	\$165,953	\$0	\$165,953	2,541 Parcels	
							2,151 Parcels < 1 Acre	\$62 per Parcel
							390 Parcels >= 1 Acre	\$6 per Additional Acre
Municipal	480	3%	4%	\$27,755	\$44,368	\$72,123	480 Acre Feet	\$150 per Acre Foot
Small PWS	1,070	7%	8%	\$61,871	\$98,904	\$160,775	1,070 Acre Feet	\$150 per Acre Foot
Totals	16,210	100%	100%	\$937,317	\$1,233,067	\$2,170,384		

RATE SCENARIO FEEDBACK

Various elements of Fee Program approach can be adjusted per Board feedback:

- **Cost Apportionment**

- Changes in cost apportionment assigning costs to user classes or subcategories based on benefit provided by GSP implementation.
- Whether Non-GW Irrigated acres (i.e., dry-farmed acres) are assigned any costs.
- Whether domestic / commercial users are assigned all costs or only Common Costs.
- Whether water systems are assigned all costs or only Common Costs.

- **County Contribution**

- Whether the Fee Study should include any assumption of continued County contribution to lower maximum rates.

- **Implementation Year**

- Whether the Fee Program should be implemented in time for charges to be placed on 2025-26 tax bills (note: optionally, a Fee Study could still be adopted in 2025, and charges could be deferred to 2026-27).

NEXT STEPS / TENTATIVE SCHEDULE

Next Steps

- Refine irrigated acreage and groundwater use data.
- Refine budget.
- Develop draft Fee Study based on Board feedback.
- Conduct additional community outreach.

Tentative Schedule

- **May 20th**: Fee Study & accompanying presentation provided for Board review.
- **May 28th** (*per Board direction*): publish notice of proposed Fee Program on website and in local newspaper.
- **July 28th** (*per Board direction*): Hold public meeting for consideration of Fee Program Adoption.
- **August 8**: Deadline to submit direct charges to Auditor's Office for placement on 2025/26 tax bills (*Option: defer Fee implementation to FY 2026-27*).

QUESTIONS / DISCUSSION

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