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PROPOSITION 218 ENGINEER'S REPORT

SOUTH FORK KINGS GROUNDWATER SUSTAINABILITY AGENCY

Prepared for

South Fork Kings Groundwater Sustainability Agency

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Lemoore, California 93245

Prepared by

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Project Number: SAC229D

April 17, 2023

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EXECUTIVE SUMMARY

The South Fork Kings Groundwater Sustainability Agency (SFKGSA) was formed in 2017 under the auspices of the Sustainable Groundwater Management Act (SGMA). This formation was designed to conform to the provisions of SGMA that require the management of the portion of the groundwater basin underlying the SFKGSAs members, with the direction to develop, adopt, and implement a Groundwater Sustainability Plan (GSP) for sustainable management of groundwater of its members. SFKGSAs requires an assessment rate structure sufficient to fund SFKGSAs operations and projects that allow it to implement activities to manage groundwater resources and provides new sources of groundwater sustainability per SGMA. SFKGSAs developed and submitted a GSP to the California Department of Water Resources (DWR) on January 30, 2020. The GSP discusses projects and sustainable practices that will be implemented to achieve groundwater sustainability in its portion of the critically over-drafted Tulare Lake Subbasin by 2040. The GSP will be updated by January 31, 2025. If SFKGSAs is financially unable or unwilling to manage their own subbasin, the State Water Resources Control Board (SWRCB) is authorized to intervene, impose and collect significant fees and charges many times more expensive than what SFKGSAs proposes, and develop and implement an interim GSP. More information on SGMA in general can be found on the DWR and SWRCB website.

A financing structure and assessment was developed in the 2018 Proposition 218 Engineer's Report and levied by the SFKGSAs from 2019 through 2023. As that assessment will sunset in 2023, SFKGSAs, to continue to fulfill its mandate for managing underlying groundwater resources within its boundary, determined that a property-based assessment remains the proper funding mechanism to support SFKGSAs operations to provide a localized coordinated structure for the ongoing implementation of the GSP.

The SFKGSAs engaged Geosyntec Consultants to prepare an Engineer's Report for an assessment structure that would support the operation of SFKGSAs. As part of the study, SFKGSAs's project administration and oversight, implementation of the GSP and provisions for future capital projects were the basis for the assessment. This current evaluation takes an approach, similar to the 2018 Proposition 218 Engineer's Report, to develop the assessment structure to fund SFKGSAs's operations beginning with Fiscal Year 2024. Based on the projections, revenue generated would meet the proposed budgetary requirements of SFKGSAs for future operations. The assessment would be compliant with Proposition 218 with a simple majority vote of the unincorporated landowners within the boundaries of SFKGSAs.

Findings and Recommendations

SFKGSAs is requesting landowner approval to levy assessments in accordance with Table ES-1. Total annual charge for eligible parcels is not to exceed \$20 per acre. The components that make up the total are shown in the table and explained further in this report. The assessment amount levied by SFKGSAs may vary annually but will not exceed the maximum amount unless a subsequent Proposition 218 proceeding is conducted and received the approval of a majority of the unincorporated landowners.

The per-acre assessment rate for unincorporated landowners within the boundaries of the SFKGSAs will be reviewed annually by the Board of Directors (Board). The assessment rate can

be approved for a value not to exceed the maximum of \$20 per acre. The current boundaries of the SKFGSA encompasses parcels totaling 71,313 acres, which includes 5,638 acres in the City of Lemoore. Of the 71,313 acres, approximately 65,230 acres are eligible for the assessment as the other lands are owned by federal, state, or local governments.

The City of Lemoore will participate in GSA cost sharing by agreement on behalf of all property in the City limits and has incorporated the ongoing payments into their existing rate structure. The annual assessment rate will be based upon SFKGSA needs and planned projects for the next year. This allows SFKGSA to anticipate changes in operating costs and implement the completed GSP without repeating the Proposition 218 process and incurring those associated costs.

The assessment process is being conducted in accordance with provisions of Proposition 218, as reflected in Article XIII D of the California Constitution and Sections 53750 through 53756 of the State’s Government Code. These constitutional and statutory provisions implement Proposition 218. They established mandatory procedures that local agencies must follow to levy certain assessments on lands. SFKGSA has made the decision to follow the provisions of Proposition 218 in part because its procedures support fully informing SFKGSA’s unincorporated landowners while providing an avenue for local control and participation.

The Board will hold a public hearing in July 2023 at which all unincorporated landowners affected by the special benefit assessment may participate and are entitled to vote upon the proposed maximum assessment rate. This hearing will follow the acceptance of this Engineer’s Report by the Board. At the public hearing, SFKGSA will consider and address comments and questions from SFKGSA unincorporated landowners. Unincorporated landowner ballots received prior to and by the close of the public hearing will then be counted and the election results will be certified.

Assessment Rate Projections

Table ES-1: Proposed Rate for SFKGSA

Assessment Rate	
Total Annual GSA Charge per Acre	\$20.00
Lemoore Allocation^[1]	\$112,760.00

Note:

^[1] Based on the total area within the city limits of Lemoore. As of the date of this report, the city limits were approximately 8.81 square miles, or 5,638 acres. If the city annexes additional property, this calculation would need to be adjusted accordingly to accommodate the increase in acreage.

1. INTRODUCTION

1.1 Purpose

The South Fork Kings Groundwater Sustainability Agency (SFKGSA) was established for the purposes of implementing the Sustainable Groundwater Management Act (SGMA), which was adopted by the State Legislature in 2014 and is now part of the California State Water Code (Part 2.74 of Division 6, beginning with Section 10720). SGMA was enacted to more effectively manage critical groundwater resources across the State and provide a localized coordinated structure to manage groundwater supply.

The California Department of Water Resources (DWR) administers the implementation of SGMA. DWR developed a series of regulations that included requirements to form Groundwater Sustainability Agencies (GSAs) in all groundwater basins in the state. These GSAs are required to develop groundwater sustainability plans (GSPs) that will ensure sustainable groundwater conditions, as defined in the SGMA legislation, within 20 years of plan implementation. If local GSAs are unable or unwilling to manage their own basin, the State Water Resources Control Board is authorized to intervene, impose and collect fees and charges, and develop or implement a GSP. More information on SGMA in general can be found on DWR's website.¹

The SFKGSA manages the northwestern portion of the Tulare Lake Groundwater Subbasin (Basin ID 5-022.12). Figure 1-1 shows the Tulare Lake Subbasin and the boundaries of the GSAs within the subbasin, with the SFKGSA identified by the crosshatch and additional outline. The SFKGSA was formed under a Joint Powers Authority (JPA) agreement (see Appendix A) executed in March 2017, that includes:

- City of Lemoore
- Empire West Side Irrigation District
- Stratford Irrigation District
- Stratford Public Utilities District, and
- The County of Kings

In coordination with other GSAs in the Tulare Lake Subbasin, the SFKGSA prepared and submitted a GSP to DWR on January 30, 2020. The Tulare Lake Subbasin Groundwater Addendum was submitted in July 2022 in response to DWR's Incomplete Determination.

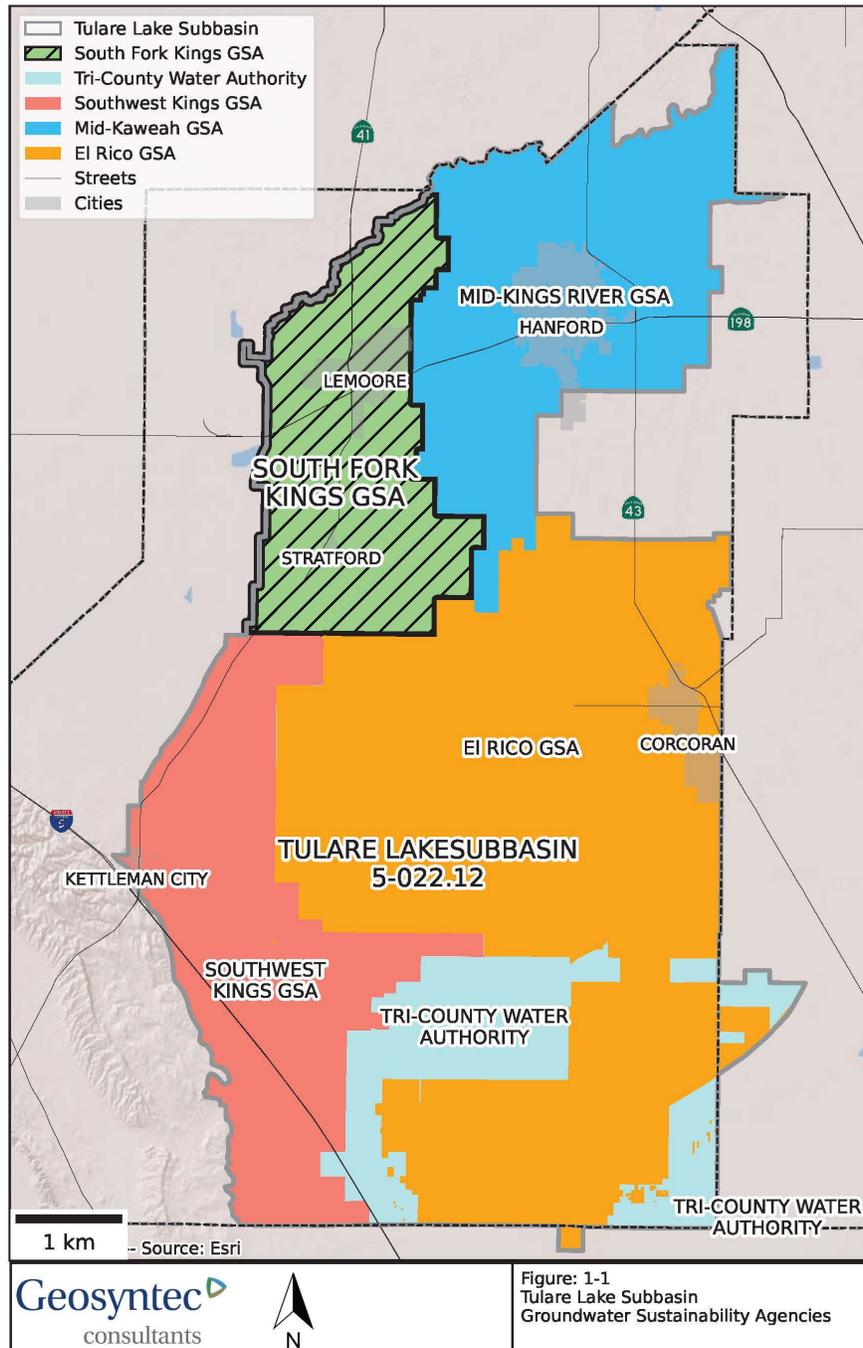
The SFKGSA established a methodology to generate financial resources to create and begin implementation of the 2020 GSP, with the passage of a Proposition 218 assessments in 2018. The assessment structure was utilized to fund SFKGSA expenses and the preparation and implementation of the 2020 GSP from 2019 through 2023.

With the existing assessment due to sunset in 2023, the SFKGSA Board of Directors (Board) directed the development of a financial plan that utilizes Proposition 218 to propose a monetary

¹ <http://www.water.ca.gov/groundwater/sgm/>

assessment that would continue to finance the administration of the SFKGSA itself, as well as fund the ongoing implementation of the GSP. Under Proposition 218, this assessment would be put to a vote of property owners in the SKGSA.

This engineer's report sets forth an assessment structure, similar to the one presented in 2018. The assessment structure would allow for the expenses of the SFKGSA to be proportionally distributed to unincorporated property owners within its jurisdiction, in accordance with the mandates of Proposition 218.



1.2 Ability to Assess Property and Proposition 218

SGMA expressly states that a GSA has the ability to levy fees and utilize various other funding and financing mechanisms. For example, Water Code 10730 and 10730.2 authorize the imposition of fees including but not limited to permit fees and fees for groundwater extractions. However, the SFKGSAs are also authorized under California law to adopt property-based assessments, as was previously done in 2018, in order to fund its administration and SGMA compliance activities. Property-based assessments, such as the one proposed in this report, must be adopted in accordance with subdivisions (a) through (g) of Section 4 of Article XIII D of the California Constitution, more commonly referred to as Proposition 218.

Under Proposition 218, any agency proposing to levy a charge, assessment or fee must:

1. Identify all parcels that will have a special benefit conferred upon them and upon which an assessment will be imposed.
2. Prepare a detailed engineer's report by a registered professional engineer certified by the State of California.
3. Calculate the amount of the proposed assessment for each identified parcel and provide the record owner of each parcel with written notice by mail of the proposed assessment, the total amount thereof chargeable to the entire district, the amount chargeable to the owner's particular parcel, the duration of the payments, the reason for the assessment and the basis upon which the amount of the proposed assessment was calculated, together with the date, time, and location of a public hearing on the proposed assessment.
4. Mail a ballot and notice to owners of identified parcels within the district which includes the agency's address for receipt of the ballot once completed by any owner receiving the notice whereby the owner may indicate his or her name, reasonable identification of the parcel, and his or her support or opposition to the proposed assessment.
5. Conduct a public hearing upon the proposed assessment not less than 45 days after mailing the notice of the proposed assessment to record owners of each identified parcel to tabulate results.

1.3 Other Requirements

If approved, the assessment will be forwarded to the Kings County Tax Collector's and/or Assessor's Office. The County would then apply this assessment to the property tax bill of the parcels within the GSA for collection. Within the constraints of the property tax assessment process as prescribed by State regulation, the County would collect the funds for the assessments through the property tax collection process and then disperse the funds accordingly to the GSA.

2. AGENCY OVERVIEW AND HISTORY

2.1 Background

The SFKGSA was formed in March 2017 to fulfill the role of a groundwater sustainability agency so the five-member agencies can collectively develop, adopt, and implement a GSP for the sustainable management of groundwater for a portion of the Tulare Lake Subbasin.

The GSA is comprised of five (5) directors from entities within the boundaries of SFKGSA. Staff and technical support are provided by GSA employees and outside counsel and technical consultants.

2.2 Water Supply in the South Fork Kings

Water supplies in the SFKGSA are a combination of both surface and groundwater. The primary users of the water supply are urban and agriculture.

The primary source of surface water supply is the Kings River, although some State Water Project supply is available along the western boundary of the GSA. The Kings River is regulated by the Pine Flat Dam and is used primarily for irrigation purposes. The surface water supplies are managed by the following irrigation companies and water districts:

- Lemoore Canal and Irrigation Company
- Kings County Water District
- Laguna Irrigation District
- Empire West Side Irrigation District
- Stratford Irrigation District

The groundwater subbasin underlying the GSA is the Tulare Lake Subbasin, which is part of the Tulare Lake Hydrologic Region and is immediately adjacent to the south boundary of the Kings Subbasin. A significant amount of groundwater is pumped within the GSA area to meet municipal, domestic, and agricultural water needs. Municipal and domestic water supply needs are met completely with groundwater. The City of Lemoore obtains all potable water from groundwater, utilizing 8 wells located both within the city limits and to the north of the City. Numerous domestic wells are also located in the unincorporated area of the GSA to provide household water.

Groundwater is also used to supplement agricultural needs when surface water supplies are insufficient to meet demand. Surface water, which has been limited in recent years, is not available at times and locations to meet agricultural demand. Groundwater pumping to meet demand results in an “overdraft” situation. In addition, urban growth has further increased groundwater pumping. The subbasin is and has been in overdraft for many years, with groundwater elevations declining between 5 and 20 feet annually in many locations within the subbasin. Managing this overdraft is a primary objective of the SFKGSA.

Groundwater recharge in the GSA occurs primarily through rainfall, infiltration along river and stream channels emerging from the Sierra Nevada, and by irrigation water which percolates

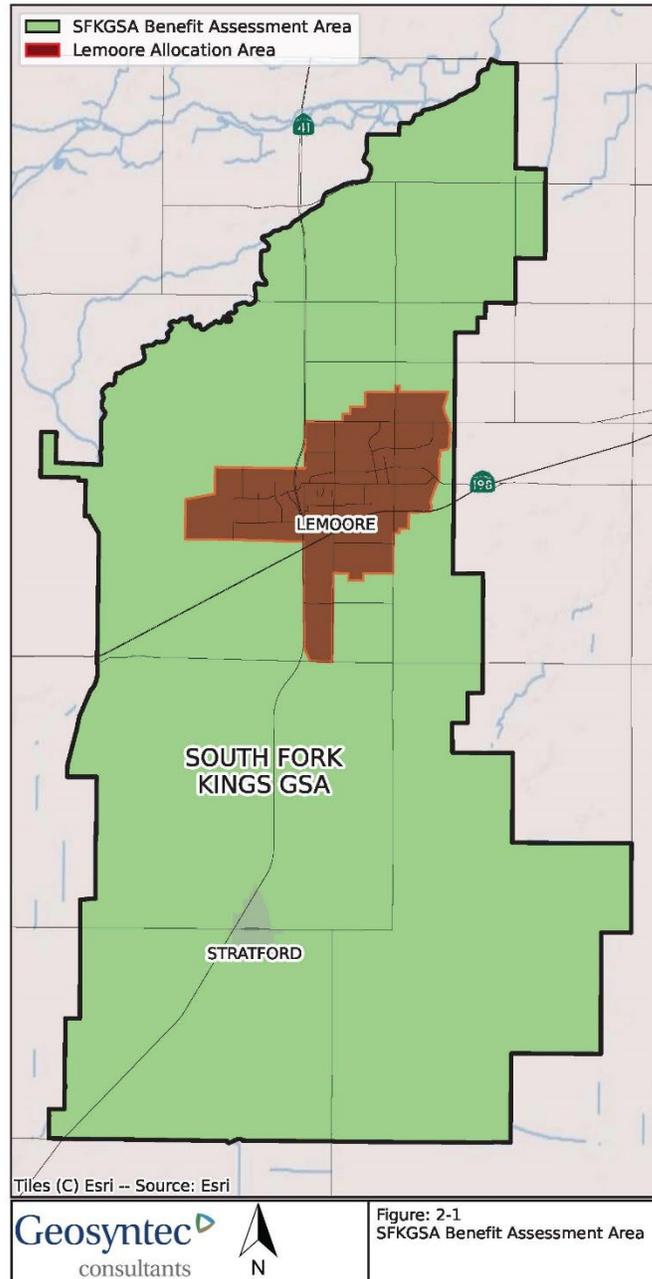
through unlined canals or is not consumed by plants. Balancing this recharge with pumping (and enhancing recharge through specific projects) is an important component of the GSP.

2.3 Jurisdiction, Authority, and Management

The authority of the SFKGSA is derived from SGMA. The GSA is responsible for developing and implementing a GSP to meet the sustainability goal of the basin to ensure that it is operated within its sustainable yield, without causing undesirable results.

The boundaries and structure of this GSA was submitted for review and ultimately approved by the DWR as the adopted GSA for the boundaries shown in Figure 2-1.

The GSA is currently staffed with a general manager, along with consultants that provide a variety of services needed for SFKGSA operations. The tasks which staff and its consultants provide includes general oversight, legal services, engineering services, technical evaluation, plan development and implementation and grant writing.



3. REVENUE REQUIREMENTS

3.1 Introduction

The primary purpose of SFKGSA is to implement SGMA within its boundaries. Since inception, oversight and administrative activities have occurred and will continue annually. In the next several years technical evaluations will be undertaken to identify the characteristics of the groundwater basin, evaluate technical reports by others, and, in concert with others, continue to implement the GSP prepared for the SFKGSA.

The SFKGSA is seeking approval of an assessment structure to continue to fund its annual administration and operating costs, and update and continue to implement the SFKGSA's GSP. The specific elements of the GSP implementation include groundwater monitoring and development of programs and projects to attain groundwater sustainability. The funding of these programs is dependent upon the annual assessment rate that would be approved annually by the Board. In addition to these assessments, these tasks could receive outside funding through grants, which could reduce the level of annual assessment in individual years. The assessment rates are proposed as a maximum amount annually set by the Board. If the projected annual fiscal year budget is less than the maximum rate, the Board could set a rate lower than the approved maximum assessment rate but may not exceed the maximum rate.

The Board has the authority to move funding to categories needing additional funding or to offset additional costs within the major categories with grants or other funding. If funds are available from the levied assessment that are beyond the immediate needs of SFKGSA, the Board may also establish reserves for future anticipated costs within these cost categories. It will be up to the Board to set the annual assessment rate and the Board may choose to set the annual rate lower than the maximum rate justified in this report and approved by the unincorporated landowners.

SFKGSA was formed in part to provide the landowners a vehicle to participate in SGMA and under this proposal SFKGSA is seeking approval from unincorporated landowners to cover annual operational and SGMA-related implementation expenses. If a future higher assessment rate is deemed necessary to meet SFKGSA's SGMA obligations as a result of project development during implementation, the Board must comply with the full Proposition 218 process to increase assessments. The Board may not exceed the annual maximum assessment rate without approval of the unincorporated landowners.

3.2 Groundwater Sustainability Plan Implementation and Management

GSA Operation and Program Management Costs can be broken down into two (2) phases, 1) GSP Implementation and Management, and 2) Projects. The first phase includes the current operations and administrative management of SFKGSA.

The first phase of operational costs is implemented by the GSA. This will be the primary task of the GSA at this time with funds generated through the assessment being used for the administration and continued implementation of the GSP. This includes associated tasks that have been budgeted, such as legal and technical services to be provided on a contract basis.

3.3 Projects

SFKGSA is proposing a new flat assessment across parcels to generate revenue to support technical studies and capital improvement projects that are intended to improve water supply with the GSA. For the purposes of this report, budgets were developed based on the projects listed in Table 3-1. However, the GSA wishes to keep funding flexible related to project specifics. A description of the projects can be found in Attachment B. These budgets are based on general concepts and as the projects develop, the GSA will evaluate options. The GSA will be limited by the maximum assessment dollars associated with this report and could not assess without further approval through another Proposition 218 process.

Table 3-1: Projects List

Project	Project Costs
Well Registration Program	\$386,500
Domestic Well Mitigation Program	\$960,000
Updated Tulare Lake Subbasin Model	\$85,000
Groundwater Recharge Project	\$2,375,000
2025 GSP Update	\$137,500
Subsidence Study	\$220,000
Groundwater Quality Monitoring	\$318,500
Project Totals	\$4,164,000

3.4 Proposed Budgetary Needs

The proposed budgetary needs of the GSA include the costs related to the five (5)-year update of the GSP, the continued implementation of the GSP and ongoing administrative expenses.

In general, the budget needs of the proposed assessment district fall into the following broad budget categories.

1. GSP Implementation and Management
2. Projects

Chart 3-1 below shows the overall allocation of funds in Categories 1 and 2 above, to be requested under the Prop 218 assessment rate election. These categories are specifically designated for required activities.

Chart 3-1: Proposed Budget Allocation

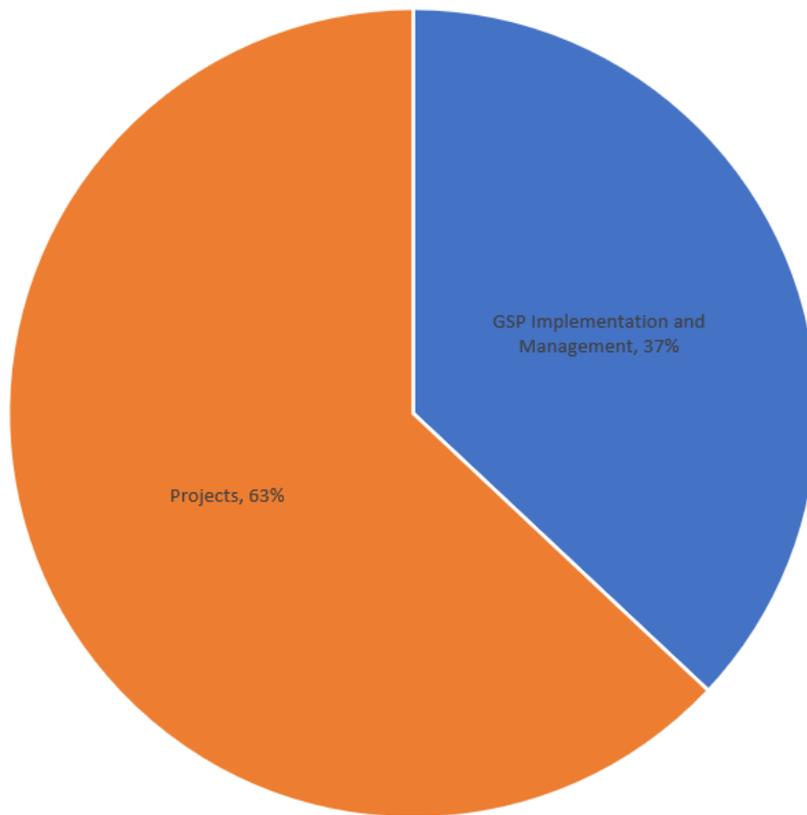


Table 3-2 presents the proposed budget for the GSP Implementation and Management category and Table 3-3 presents the proposed budget for the Projects category.

Table 3 2: Proposed Budget for GSP Implementation and Management Phase

5000 Program Expense	July 2023 - June 2024	July 2024 - June 2025	July 2025 - June 2026	July 2026 - June 2027	July 2027 - June 2028
5100 Employee Administration Payroll					
5110 Payroll - Salary	150,000	150,000	150,000	150,000	150,000
5120 Stipend for Car	4,800	4,800	4,800	4,800	4,800
5130 Stipend for Cell Phone	960	960	960	960	960
5140 Payroll Taxes @ 15.2 % of Salary	23,676	23,676	23,676	23,676	23,676
5150 Workman's Comp	870	896	896	896	896
5160 Retirement Contribution @ 6% of Salary	9,346	9,346	9,346	9,346	9,346
5170 Retirement Administration Fee	1992	1992	1992	1332	1332
5180 Health Insurance	1,825	1,825	1,825	1,825	1,825
5190 PAYCHEX Payroll Services	2,868	2,954	2,954	2,954	2,954
5100 Total Admin. Payroll	196,336	196,448	196,448	195,788	195,788
5200 General Administration Contract Services					
5210 Kings County Assessors Office	1,750	1,803	1,857	1,912	1,970
5230 Insurance, Liability, E&O	4,586	4,724	4,865	5,011	5,162
5240 Audit Fees	6,500	6,695	6,695	6,695	6,695
5250 Bank Service Charges	600	618	637	656	675
5260 Legal Fees	20,000	20,600	21,218	21,855	22,510
5270 Outreach Services - Up-Date Web Site	6,000	6,180	6,365	6,556	6,753
5280 Outreach General Communications	6,000	6,180	6,365	6,556	6,753
5290 Outside Services - Accounting-CPA	6,000	6,180	6,365	6,556	6,753
5191 Software Subscriptions	3,000	3,090	3,183	3,278	3,377
5292 Land IQ - Evapo Analysis	51,505	53,050	54,642	56,281	57,969
5293 TLSB - Basin Issues	10,500	10,815	11,139	11,474	11,818
5294 GSP Implementation	140,000	150,000	155,000	160,000	165,000
5295 Outside Service Prop-218	5,000	0	0	0	0
Total 5200 Contract Admin. Services	261,441	269,934	278,331	286,830	295,435
5300 Administration Operations					
5310 Office Rent	19,800	20,394	21,006	21,636	22,285
5320 Office Expenses General	1,500	1,545	1,591	1,639	1,688
5330 Postage, Mailing Service	2,500	500	515	530	546
5340 Printing and Copying	500	515	530	546	563
5350 Telephone, Telecommunications	1,620	1,669	1,719	1,770	1,823
5360 Fuel	2,400	2,472	2,546	2,623	2,701
5370 Miscellaneous	500	500	500	500	500
Total 5300 Admin. Operations	28,820	27,595	28,407	29,245	30,107
5400 Grant Expenditure					
5410 Outside Service Grant Writing	25,000	0	27,000	0	29,000
5420 CA Resilience Challenge Grant	3,030	0	0	0	0
Total 5400 Grant Expenditure	28,030	0	27,000	0	29,000
Total 5000 Program Expense	514,627	493,977	530,187	511,863	550,330

Table 3-3: Proposed Budget for Projects Phase

5500 Engineering Contract Services	July 2023 - June 2024	July 2024 - June 2025	July 2025 - June 2026	July 2026 - June 2027	July 2027 - June 2028
5510 All Wells Registration					
5511 Engineering Services	40,000	0	0	0	0
5512 Permitting	0	0	0	0	0
5513 Outreach	35,000	5,000	2,500	7,500	2,500
5514 Implementation	0	20,000	20,000	40,000	10,000
5515 MLJ Well Registration Software	40,800	40,800	40,800	40,800	40,800
Total 5510 All Wells Registration	115,800	65,800	63,300	88,300	53,300
5520 Domestic Wells Mitigation					
5521 Engineering Services	30,000	15,000	15,000	15,000	15,000
5522 Permitting	0	0	0	0	0
5523 Outreach	30,000	10,000	10,000	10,000	10,000
5524 Implementation	0	200,000	200,000	200,000	200,000
Total 5520 Domestic Wells Mitigation	60,000	225,000	225,000	225,000	225,000
5530 TLSB Model					
5531 Engineering Services	85,000				
5532 Permitting					
5533 Outreach		0	0	0	0
5534 Implementation	0				0
Total 5530 TLSB Model	85,000	0	0	0	0
5540 Recharge Project					
5541 Engineering Services	0	100,000	200,000	0	0
5542 Permitting	0	0	50,000	0	0
5543 Outreach	0	0	25,000	0	0
5544 Implementation	0	0	0	1,000,000	1,000,000
Total 5540 Recharge Project	0	100,000	275,000	1,000,000	1,000,000
5550 GSP 2025 Update					
5551 Engineering Services	63,750	63,750			
5552 Permitting	0			0	0
5553 Outreach	4,000	6,000		0	0
5554 Implementation	0	0			
Total 5550 GSP 2025 Update	67,750	69,750	0	0	0
5560 Subsidence Study					
5561 Engineering Services	0	100,000	100,000		
5562 Permitting	0	0	0	0	0
5563 Outreach	0	10,000	10,000	0	0
5564 Implementation	0	0	0	0	0
Total Subsidence Study	0	110,000	110,000	0	0
5570 Groundwater Quality Monitoring					
5571 Engineering Services	10,000	10,300	10,609	10,927	11,255
5572 Permitting	0	0	0	0	0
5573 Outreach	0	0	0	0	0
5574 Implementation	50,000	51,500	53,045	54,636	56,275
Total 5570 Water Quality Monitoring	60,000	61,800	63,654	65,564	67,531
Total 5500 Engineering Contract Services	388,550	632,350	736,954	1,378,864	1,345,831

4. RATE SETTING PROCESS

4.1 Overview

The rate setting process used to develop the assessments presented here, included data from different sources, as well as detailed budgeting and expenditures provided by the SFKGSA. This data was analyzed, and projections were made to estimate trends for future fiscal year expenditures and revenues. There are three distinct stages of the rate setting process that must be conducted to develop a sustainable and reasonable rate structure for the GSA.

The first step is to identify the minimum revenue requirements that are necessary for the fiscal management of the GSA. This includes identifying the changes to project cost categories and the minimum reserve requirements and other budgetary policies that have been adopted by the GSA. The proposed rate structure must account for minimum threshold of fund balances to allow the GSA to be consistent with adopted policy, which is required accounting and financial reporting practices.

The second step includes determining the overall cost of operating the GSA and updating and implementing the GSP. This step has been simplified because it only includes identifying one consumer classification, residents within the GSA area, which have no fundamental difference other than the size of their individual properties. For SFKGSA, there is only one user class, resident within the service area.

Finally, determining and quantifying any other fixed or variable costs, such as rent (fixed) or electricity (variable), must be included in the rate design. This step will ensure that the GSA has enough funds to maintain very basic but mandatory needs apart from updating or implementing the GSP.

Once these steps were completed, the data collected formed the basis for developing a sustainable and viable rate structure for the annual, ongoing operational and oversight needs of the SKFGSA. The sustainability of the rate relies on the completeness of the data collected, identification of variable and fixed costs, inclusion of a reliable inflation factor, and equitable distribution of the utility costs to the consumer base.

4.2 Governing Law

Within California, the establishment of special benefit assessments, taxes or other fees are governed by Articles XIII C and XIII D of the State Constitution, as adopted by Proposition 218 in 1996. Proposition 218 dictates very specific rules and regulations for how a water rate can be structured, what can be included, and how it is established.

Under Proposition 218, a property related fee or charge, such as an assessment for operations and administration of an agency, cannot be extended, imposed, or increased by the local agency unless the fee or charge meets all the following requirements:²

² California Constitution, Article XIII D, Section 4.

1. Revenues derived from the fee or charge do not exceed the funds required to provide the property related service.
2. Revenues derived from the fee or charge cannot be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership does not exceed the proportional cost of the service attributable to the parcel.
4. The fee or charge is not imposed for a service unless and until that service is used by, or immediately available to, the owner of the property in question. As such, fees or charges based on potential or future use of a service are not permitted. Standby charges are treated as assessments under Proposition 218.
5. The fee or charge is not imposed for general governmental services where the service is available to the public at large in substantially the same manner as it is to property owners. Examples of general governmental services include police, fire, ambulance, or library services.

In short, any proposed rate must show proportionality so that it is generating the necessary funds to properly implement the related service, in this case water service, without generating additional funds for other uses. Implementation of the service may include necessary items such as capital improvements, depreciation, operation and maintenance, and other factors that are deemed necessary for implementation of the service.

4.3 Determination of Benefit

A special assessment, sometimes called a “benefit assessment,” is a charge generally levied upon parcels of real property to pay for benefits the parcels receive from local improvements. Special assessments are levied according to statutory authority granted by the Legislature or, in this instance, special legislation passed for specific purpose (SGMA) (League of California Cities, 2007). Under Proposition 218, a special assessment must show that a service or benefit is conveyed to only the identified parcel owners subject to have the charge levied against their property.

4.3.1 Groundwater Management

The SFKGSA was formed in accordance with SGMA to better manage, oversee and create a sustainable groundwater basin for the residents of its service area. As part of its mandates, the SFKGSA is required to develop a GSP to set policies for measuring, monitoring and overseeing groundwater resources for the future of the area.

The services to be provided are beyond general services received by the properties within the GSA’s boundaries. As a result, the service of administrating the GSA day to day duties, constitutes a special benefit to the properties who will receive improved and enhanced groundwater resources through the development of policies and regulations throughout the SKFGSA management area.

4.3.2 Plan Implementation and Oversight

The GSA is required to implement and oversee the policies of the GSP throughout its service area. As part of SGMA, the GSA is required to enforce and oversee the implementation of projects, policies or regulations developed as a result of the GSP.

Without the implementation of such measures, the area would be more reliant on increasingly scarce surface water resources, suffer increasing negative effects of over-drafting and degrade local way of life. There is currently no agency that provides this service within the GSA boundaries and therefore this added service is considered a special benefit to the property owners as residents outside the GSA will not receive the same service.

4.4 Alternative to a Special Assessment

If the SFKGSA is unable to fund activities through Proposition 218 or other financial resources, and implement programs to sustainably manage their groundwater basin, the State Water Board is authorized to intervene and assume control of the service area. As part of State Water Board intervention, the SFKGSA is authorized to levy fees to fund operations and oversight of the identified GSA area. The State has also included a Special Studies Fee for any analyses deemed necessary for the GSA area. These fees would be based on annual self-reporting of extraction of groundwater resources by users within the service area (State Water Resources Control Board, 2023). Draft fees are shown in Table 4-1.

Table 4-1: State Water Board Draft Fee Schedule for Oversight of GSA

Fee Category	Applicable Parties – Reporting Extractors	Fee Amount
Base Filing Fee	Any extractor submitting an extraction report	\$300 per well
Fees based on intervention status		
Unmanaged Area Rate	Extractors in an unmanaged area	\$10 per acre-foot per year, if metered
		\$25 per acre-foot per year, if unmetered
Probationary Basin Rate	Extractors in a probationary basin	\$40 per acre-foot per year
Interim Plan Rate	Extractors in a probationary basin after the time period identified by § 10735.4 or § 10735.6 (180 days or one year, accordingly).	\$55 per acre-foot per year
Fees independent of intervention status		
Late Fee	Extractors that do not file reports by the due date	25% of total fee amount, accrued monthly
Special Studies Fee	May apply to extractors when basin-specific special studies are required, and the probationary or interim plan rates are insufficient. The additional cost of developing special technical studies such as groundwater investigations or modeling will be apportioned to extractors based on volume of water extracted.	

5. RATE DESIGN ANALYSIS

5.1 Rate Making Objectives

The rate design process is guided by the general rate making objectives, as listed below:

1. Create a reasonable allocation between fixed and variable costs, if any – The proposed rate structure for revenue funds must account for the variable and fixed costs of the GSA and allocate them accordingly. Identification of the various line items as either a fixed or a variable quantity is important to ensure that rate has a stable structure in order to provide reliable revenues to the GSA.
2. Generate adequate funding to fulfill legislative mandates of the Sustainable Groundwater Management Act – Under SGMA, a GSA is required to achieve essentially three primary tasks: establishment of a service area, develops projects that establishes a regulatory framework for management of the underlying groundwater basin, and then to oversee and implement the GSP in order to promote and eventually improve reliability of groundwater resources within the underlying basin.

These objectives have been developed through general engineering practices for rate setting as well as referring to the mandates and legislative requirements of SGMA for GSAs.

5.2 Customer Classes

Within the proposed service area of the SFKGSAs, all residents are viewed as recipients of the oversight services of the GSA. Therefore, there is a single customer class that encompasses all property owners within the service area.

5.3 Expenditure Types

The administration and day to day operations of a GSA differ from other typical services, such as water or wastewater enterprises, as it is not necessarily required to maintain, replace, or maintain infrastructure.

The cost to operate, administer, and implement the mandates of the GSA under SGMA include some fixed costs, such as utilities, insurance or rent, but include mostly variable costs such as implementation, legal services and other general needs of the GSA to update and administer the GSP document and its policies to properly manage the groundwater resources of the subbasin.

The primary expenditure types anticipated for the SKFGSA include the following items:

- GSP Implementation and Management
 - Includes, but is not limited to, the operation, supervision and general day to day management of the GSA such as payroll, human resources, accounting, and other typical administration tasks. Also includes the oversight, review and enforcement of regulatory measures within the GSP adopted for regulating the groundwater resources of the service area covered by the SKFGSA.
- Projects

- Includes, but is not limited to, the implementation of various projects within the GSA including groundwater quality monitoring, a subsidence study, the GSP 2025 update, and a recharge project.

6. PROPOSED RATE STRUCTURE

Projected rates for SFKGSA are determined through in-depth analysis of the agencies expenditures to date and projected activities for the future update and implementation of the GSP. Assuming a successful assessment election in the second quarter of 2023, July 1, 2023 is the earliest assessment collection period that could be implemented through Kings County for collections of GSA property tax assessments.

This rate structure model is sufficient to fund the District’s ongoing management and operations, update and continued implementation of the GSP, and fund a reasonable contingency for non-capital expenditures.

Based upon the model developed for this comprehensive approach to GSA operations and program implementation, the maximum rate proposed for the purposes of property tax assessment would be \$20.00 per acre, subject to annual review and determination by the Board. The allocation indicated to the City of Lemoore in Table 6-1 is included in the Total Annual Revenue amount stated in Table 7-1 on page 7-1.

Table 6-1: Proposed Rate for SFKGSA

Assessment Rate	
Total Annual GSA Charge per Acre	\$20.00
Lemoore Allocation^[1]	\$112,760.00

Note:

^[1] Based on the total area within the city limits of Lemoore. As of the date of this report, the city limits were approximately 8.81 square miles, or 5,638 acres. If the city annexes additional property, this calculation would need to be adjusted accordingly to accommodate the increase in acreage.

7. REVENUE PROJECTIONS

The GSA proposed rate assessment will fully fund district management and administration, plan update and continued implementation as well as all other ancillary GSA costs.

Table 7-1: Revenue Projections for SFKGSA

Total Annual GSA Charge per Acre	\$20.00
Total Annual Revenue	\$1,304,600.00

8. ASSESSMENT ENACTMENT

The proposed assessment would be levied against all property within the service area based on a per acre calculation. The acreage amounts would be obtained from the Kings County Assessor's office and assessment based on the listed size of the property. This assessment is subject to the provisions of Proposition 218 and subject to majority approval of the electorate within the service area.

The total amount for the City of Lemoore would be presented as a lump sum and would not be assessed on the tax roll. Lemoore will participate in GSA cost sharing in accordance with the JPA and has incorporated the ongoing payments into their existing rate structure.

To reiterate the purpose of the assessment, the funds collected would be used to operate the SFKGSA administrative and oversight responsibilities, fund updates of the GSP and then oversee the continued implementation of policies and other regulatory measures of the GSP.

8.1 SFKGSA Administration and Management

The GSA will provide staff to oversee the mandates of SGMA and provide oversight for day to day operations. The tasks include, but are not limited to, managing operations of the GSA, overseeing execution of task orders, completing technical information and research related to the conditions of groundwater within the subbasin, and coordination with adjacent agencies. This assessment includes funds to properly staff and support the ongoing administration and management of the GSA.

8.2 GSP Update

As required by SGMA, the GSA must update their existing GSP every five (5) years. The GSP establishes a regulatory framework for management of the underlying groundwater basin, and is then implemented to promote and eventually improve reliability of groundwater resources within the underlying basin. The update of this plan will require funding to allow for the update of technical background reports, analysis and finally revisions to the written document. The update of the plan will require additional coordination with adjacent agencies as well as the DWR. The assessment would fund the background technical research and analysis of the groundwater subbasin that will allow for the update of the GSP.

8.3 Continuing SFKGSA Operations, Management and GSP Implementation

The GSA will continue its operations, as discussed in Section 8.1, and its implementation and enforcement of the projects, plans, policies and regulations of the GSP. These responsibilities are in addition to the current administration and ongoing, day to day management of the GSA.

8.4 Parcels to be Assessed

Parcels to be assessed are attached as Appendix C to this report. The parcels shown are from the most recent copy of the assessment roll obtained from Kings County. Additionally, parcels within the City of Lemoore will also be calculated utilizing the same per acre calculation identified and be multiplied by the number acres within the city limits annually, however, the funds will be

collected from the City through a budget allocation rather than through a property-based assessment (Kings County Assessor's Office, 2023). Parcels owned by the Federal, state, or local government including Native American tribes, are exempt from the assessment.

9. REFERENCES

- Kings County Assessor's Office. 2023. Assessor's Parcels GIS Data. Hanford, California.
- League of California Cities. 2007. Proposition 218 - Implementation Guide. Sacramento.
- South Fork Kings Groundwater Sustainability Agency. 2023. *About: South Fork Kings GSA*. Retrieved April 2023. <http://southforkkings.org/about/>
- State Water Resources Control Board. 2023. *Proposed Sustainable Groundwater Management Act (SGMA) Fee Schedule*. 3 March. Retrieved April 2023. https://www.waterboards.ca.gov/water_issues/programs/gmp/reporting_and_fees.html

APPENDIX A

Joint Powers Agreement

APPENDIX B

Summary of Projects

APPENDIX C
Proposed Parcel Benefit Assessment Spreadsheet