

**Engineer's Report
For the
Estrella, El Pomar, Creston California
Water District**

A California Water District (WC 34000 et seq)

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PREPARED BY



WALLACE GROUP

**Benefit Assessment Evaluation
California Proposition 218**

March 2017

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Engineer's Report

Estrella, El Pomar, Creston California Water District A California Water District Pursuant to Water Code Section 34000 et seq

CERTIFICATION

Professional Engineer

This report was prepared by, or under the direction of, the following Professional Engineer in accordance with the provisions of Section 6700 of the Business and Professions Code of the State of California.

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1.0 Introduction and Background

Local agencies, including water districts, may be formed to manage groundwater under authority granted in the California Water Code or other applicable State statutes. In 2014, the State Legislature established a three-bill package known as the Sustainable Groundwater Management Act (SGMA). SGMA provides a framework of authorities and actions for local, sustainable management of groundwater, with a backstop for state intervention if necessary to protect groundwater basins. SGMA defines sustainable groundwater management as “the management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results.” This act builds upon the existing groundwater management provisions of AB 3030 (1992), SB 1938 (2002), AB 359 (2011), and SB X7 6 (2009).

The proposed District petition boundary (Exhibit A) is located entirely in San Luis Obispo County and the area of interest is comprised of over 40,000 acres. The purpose of the proposed District is **“to sustainably manage, protect and enhance the groundwater resource as an adjunct to each property within the District while preserving the ability of existing agricultural lands to remain productive.”** The proposed Estrella, El Pomar, Creston Water District would be formed as a California Water District (WC 34000) focusing primarily on the agriculture use of groundwater. The proposed district will need approval by the Local Agency Formation Commission (LAFCO) of San Luis Obispo County as provided for by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

California Water Districts are formed pursuant to the California Water Code Sections 34000 –38501, the California Water Law. Formation proceedings may be initiated by the holders of title to a majority in area of land which is capable of using water beneficially for irrigation, domestic, industrial or municipal purposes and which can be serviced from common sources of supply and by the same system of works. (Water Code Section 35153)

It is noted that the Estrella, El Pomar, Creston Water District (District) is being formed initially to effectuate compliance with the Sustainable Groundwater Management Act of 2014 and provide its landowners local representation through a Groundwater Sustainability Agency (GSA) and ultimately to prepare a Groundwater Sustainable Plan (GSP) in conjunction with other GSAs within the Paso Robles Groundwater Basin. The District will have various powers and ultimately may become involved in matters not directly related to SGMA compliance, but for the foreseeable future and for which a proposed special assessment is being levied, its focus will be on SGMA compliance.

Following are maps: the first, Exhibit A, shows the approximate petition Boundary Map of the Proposed Estrella, El Pomar, Creston Water District, a second map, Exhibit B, providing a reference map for the Paso Robles Groundwater Basin (reference DWR Bulletin 118), and a third map, Exhibit C showing boundaries of other proposed GSA’s as initially proposed in the Paso Robles Groundwater Basin. Note these boundaries are changing over time and will not become final until ultimately approved by the State Department of Water Resources.

1.1 Exhibit A – Boundary Map, Proposed Estrella, El Pomar, Creston Water District

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1.2 Exhibit B – Paso Robles Groundwater Basin Map

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1.3 Exhibit C – Paso Robles Area Groundwater Basin – Conceptual GSA Model

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1.4 LAFCO Application/Process

As an initial part of the LAFCO application process, a Notice of Intent to circulate petitions is submitted to Lafco. Petitions are then circulated to property owners that are voluntarily wishing to be part of the proposed District. Once the petitions are submitted to LAFCO and verified by the County Assessor (acreage) and County Clerk Recorder (ownership) and a District boundary map provided, LAFCO will conduct a public hearing to consider the conditional approval of the District formation including a proposed funding method (Engineer's Report). Once conditional approval by LAFCO is reached, an election date will be set for the District's official formation.

The governing body, which is established by law to administer the operation of a California Water District, is comprised of a five-member elected board of directors, each of whom must be a landowner within the District or the legal representative or designee of a landowner within the District.

It is anticipated that LAFCO will condition the formation of the District on the establishment of a mechanism to fund the District's operations. It is proposed that a "special assessment" be provided for District funding in accordance with Proposition 218. A special assessment is defined as "a particular and distinct benefit over and above general benefits conferred on real property located in the District..." It is the intent of the District to recognize and assess the cost of those special benefits conferred on the parcels within the proposed District and to exclude any general benefits that might accrue.

2.0 Regulatory Requirements, Proposition 218

In November of 1996, a California Constitutional initiative titled Proposition 218 was approved by the voters of the State. The primary intent of the initiative was to ensure that all taxes and most charges on property owners were subject to voter approval. Proposition 218 applies to general taxes that were imposed in 1995 or 1996 without a vote of the people, or the raising of new taxes, assessments, or property-related fees after 1996. More recently, a July 24, 2006 decision by the California Supreme Court, commonly known as the Bighorn decision, served to clarify to some degree that a public agency's volumetric charges for ongoing water deliveries are "property-related" fees and charges. As such, volumetric charges are subject to similar procedures and requirements amended to the California Constitution by the passage of Proposition 218, referred to a "majority protest proceedings", as distinguished from what is commonly referred to as an "assessment ballot proceeding", the subject of this report.

To assess the lands included in the Estrella, El Pomar, and Creston Water District and comply with the requirements of Proposition 218, a number of steps must be performed. Information regarding the proposed assessment, including an assessment ballot, must be mailed to every participating property owner. The District must then conduct a public hearing with no less than 45 days between the mailing of the notice and the hearing. At the public hearing, the District will consider all protests against the proposed assessment and tabulate ballots. The assessment will not be levied if, upon the conclusion of the hearing, ballots submitted in opposition to the proposed assessment exceed the ballots submitted in favor of the increase. In tabulating the ballots, the ballots shall be weighted according to the proportional financial obligation (assessment) on the affected properties. If a majority of the ballots received (weighted in proportion to the assessment liability) are in favor of the assessment, the District may act to make the assessment effective.

2.1 Benefits Provided by the District

Proposition 218 makes a distinction between general and special benefits provided by a project or service. A general benefit is defined as something that benefits the general public, such as ambulance service, libraries, police stations, or business improvements. A special benefit is defined as a particular benefit to land and buildings. Only costs arising from special benefits can be assessed and 100% recovered by the assessed fee.

In the case of the proposed Estrella, El Pomar, and Creston Water District, all parcels within the District will have a special benefit conferred upon them by virtue of formation of a GSA and having direct and local influence over the development of the GSP. This is a particular and distinct benefit, and it is this primary benefit upon which an assessment will be levied.

Other special benefits may include:

- The opportunity to organize and assert local control in the implementation of the Sustainable Groundwater Management Act (“SGMA” Water Code sections 10720 et seq.) process as a State recognized Groundwater Sustainability Agency (GSA);
- The opportunity as a public agency to apply and receive State and Federal grant and loan funding for water management planning and improvements within the District;
- The opportunity as a public agency to secure supplemental water to improve conditions within the District; and
- Consistent with SGMA, developing and implementing a plan to ensure sustainable groundwater resource management within the District

It is notable that the District is being formed entirely by voluntary participation of property owners within the proposed boundaries; a map of the potential District boundary is attached as Exhibit A. No parcels outside of the District will receive the benefits of SGMA compliance from the District. Likewise, those parcels within the District’s area of interest that do not wish to participate, will be excluded from the District, and thus, among other things, will not be able to participate in the election of District directors who will direct the preparation of the GSP specifically on behalf of the District. Accordingly, in this context, SGMA compliance is not a general benefit.

3.0 Proposed District Budget and Funding

District proponents have prepared the anticipated costs and income necessary to fund the operations of the proposed District in accordance with Proposition 218, Section XIII D of the California State Constitution. A preliminary budget is shown in **Table 1**. In order to more clearly relate the proposed budget expenditures to the special benefits accruing to properties that participate in the District, a description of Budget Items is provided in Section 3.1.

3.1 Description of Budget Items

1. General Manager (GM)

A person with managerial expertise will coordinate the establishment of the District and with property owners of each parcel for administration of their groundwater interests and District activities. The GM will also coordinate with other GSA’s in the Paso Robles Groundwater Basin (PRGWB) as required by SGMA, to ensure that the parcels within the District are protected and in compliance with SGMA. There is no other agency or manager doing this on behalf of the

parcels within the District. Most of the full time managerial work for the District will be deferred until actual formation and election of a Board of Directors has been completed in the second or third quarter of 2017. In the meantime, a part time manager may be appropriate. Alternatively several GSA's may elect to share management staff in order to reduce expenses. A 4% annual salary increase has also been programmed as a part of this line item.

2. Clerical (part time)

A clerical (part time) clerk will compile records, provide support to the GM in their duties and provide individual property owners with information on their groundwater (GW) interests. Similar to the Manager's position, this position might be shared with other GSA's. A 4% annual salary increase in this line item has also been included. Salary savings in 2017 for both positions (General Manager and Clerical) along with related taxes and benefits may be carried over to subsequent budget years as ultimately approved by the District's Board of Directors.

3. Employment Taxes and Benefits

This item provides for the required regulatory employment taxes and potential benefits for the District's employees, currently envisioned as the General Manager and Clerical assistance. This amount was estimated to be 35% of the salary costs.

4. Consultant Engineer/Geohydrologist

An Engineer and/or GW Geohydrologist consultant will need to be engaged to provide the necessary technical support and studies to help administer the District on behalf of the property owners within the District. The consultant will also provide technical advice and support for the coordination required between other GSA's within the PRGWB. This item could also provide for shared expenses with other GSA's and DWR for further boundary adjustments and groundwater basin studies. The tasks undertaken will also lead to the development of a GSP as required by SGMA by January 31, 2020. As required, this plan will need to be coordinated with other GSA's in the PRGWB.

5. Groundwater Sustainable Plan, Create and Implement (GSP)

The District will need to develop and implement a GSP within three years, by January 31, 2020, to manage the groundwater basin and to remain in compliance with SGMA. The GSP will identify project(s) that will relate to the overall protection of the groundwater basin (GWB) for property owners in the District and to be coordinated with other GSA's within the PRGWB. A portion of these costs are included in the Consultant cost above, and likely shared with other GSA's within the basin, but it is anticipated that other consultants will need to be involved for environmental and other activities.

6. Legal Services

There will be a substantial need for legal services in order to establish the District and to provide the necessary on-going legal support to remain in compliance with SGMA and to ensure that the District's activities are compliant with Proposition 218. It is also anticipated that there will be several legal agreements such as a memorandum of agreement (MOA) providing funding and governance coordination with other GSA's for their respective responsibilities under SGMA and to coordinate those activities with DWR and the County.

7. Office Lease

Office facilities will benefit all property owners within the District and will provide a centralized location to disseminate information for the management of the District and for implementation of the GSP. Anticipated lease costs increase 4% per year.

8. Utilities

Some utilities costs (water, sewer) for office space may be included as part of the office lease. However, the budget does provide for minor utility costs for the office not included with the office space.

9. IT and GIS Support

IT support will provide the necessary expertise to document and provide maintenance of the database of individual properties and their assessments. This item also included the necessary expertise for processing mapping displays for parcel mapping and potential District boundary changes.

10. Conferences/Training

There will be a need for on-going training for the implementation of the GSA and to transfer that training into informational and regulatory activities for each of the parcels in the District. In addition, there will be necessary coordination and meetings with other GSA managers and the County and State for administration of the GSA and later, the GSP's. Some of this expense could be part of the salary costs for staff, but this will also provide for District Management and Directors and consultants to meet with the County and other GSA's to coordinate District activities for requirements under the Countywide Water Conservation Program, SGMA requirements, GSP development and outreach activities for interagency agreements.

11. Travel

Travel expenses will be incurred to meet w/the State Department of Water Resources (DWR) and County of San Luis Obispo representatives and with property owners so as to ensure compliance with SGMA as it affects the individual assessments. Meeting with the DWR in Sacramento for boundary adjustments and presentation of hydrologic information will be necessary in order to prepare for the initiation of a GSP. It is also anticipated that travel to various administrative and training groups will be necessary for the on-going administration of the District.

12. Insurance

Insurance will be necessary to protect the general activities of the District and the individual property owners for activities conducted on their properties. Directors and Officers insurance is also included in this budget item.

13. Auditing/Financial Reporting

As a governmental agency, the District will be required to perform and submit annual audits compiled by an independent third party qualified CPA and submitted to the County of San Luis Obispo and the State Controller's office. This budget estimate is consistent with other small district audits performed in SLO County.

14. Office Supplies

Office supplies are a necessary operating expense to support the normal office duties and administration of the assessments for each parcel.

15. Postage/Printing

Postage and printing of assessments and public notices are necessary requirements for legal notifications required for each property owner.

16. Telephone/Computer Internet Service

These costs are necessary for communications with each property owner and with the regulatory agencies.

17. Office Equipment

Office equipment is necessary for office activities to support and administer the assessments for all property owners.

18. Well Meter Data Analysis

The metering of wells for each parcel producing above a certain yield will ultimately be required as part of SGMA compliance and most likely be integral to the implementation of the GSP. This item may also provide for compliance via a field review program.

19. District Formation and Board Elections

Legal notices and property owner absentee elections are necessary for each assessee to elect a governing board of directors for the District and to vote on other District matters. These costs are directly related to the number of voters required for each process, i.e. formation, approval (majority protest process—prop. 218) of proposed assessments and election of the Board of Directors. It is anticipated that some of these items can be combined on a single ballot.

20. LAFCO District Fees

Formation costs and LAFCO fees are applicable for the inclusion of each parcel in the proposed district, later it is anticipated there will be annexations or de-annexations and perhaps changes to the Sphere of Influence for the District over the first several years. Also included in this item are the annual apportionment of LAFCO operating budgets charged to all special districts in the County.

21. Contingency

A contingency fund of 10% is being set aside for budgeting purposes to augment any of the other items above.

3.2 Table 1-Preliminary Budget

Five Year Operating Expenditures for the Estrella, El Pomar, Creston, California Water District
Initial budget and anticipated expenses for the service provided.

Budget No.	Budget item description	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
1	General Manager	\$80,000	\$83,200	\$86,528	\$89,989	\$93,589
2	Clerical part time	\$24,000	\$24,960	\$25,958	\$26,997	\$28,077
3	Employment taxes and benefits	\$36,400	\$37,856	\$39,370	\$40,945	\$42,583
4	Consultant Engineer/Geohydrologist	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
5	GSP create and implement	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
6	Legal Services	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
7	Office Lease	\$12,000	\$12,480	\$12,979	\$13,498	\$14,038
8	Utilities	\$3,000	\$3,120	\$3,245	\$3,375	\$3,510
9	IT and GIS Support	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
10	Conferences/Training	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
11	Travel	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
12	Insurance	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
13	Auditing/financial reporting	\$4,500	\$5,000	\$5,000	\$5,000	\$5,500
14	Office Supplies	\$2,000	\$1,500	\$1,500	\$1,500	\$1,500
15	Postage/Printing	\$5,000	\$5,000	\$5,000	\$5,000	\$3,000
16	Telephone/Computer Internet service	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
17	Office Equipment	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
18	Well Meter Data Analysis	\$0	\$5,000	\$6,000	\$6,000	\$8,000
19	District Formation and Board Elections	\$4,000	\$0	\$4,000	\$0	\$4,000
20	LAFCO District Fees	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
21	Contingency 10 %	\$44,290	\$45,012	\$46,158	\$46,430	\$47,580
	TOTAL	\$487,190	\$495,128	\$507,739	\$510,734	\$523,376
				Five Year Average:		\$504,833

Notes:

- All the voluntary members of the District are agreeing to a maximum assessment not to exceed \$35.00/acre (irrigated) and 1.69% of that proposed assessment for non-irrigated acreage.
- Personnel and some other costs have an inflationary increase of 4% per year
- A 10% contingency fund has been included
- Home sites and commercial sites would be assessed separately.
- It is anticipated that maximum funding authorization could generate \$500,000 or more per annum if needed.
- Reduction of expenditures for staff and consultant services can be achieved by sharing some of those duties with other GSA's.

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4.0 Determination of Benefit Assessments

The following sections discuss the determination of the benefit assessments:

4.1 Classes of Assessments

Four classes of assessments are proposed: Irrigated Agriculture, Non-irrigated Agriculture, Residential, and Commercial Operations. They are described in more detail below:

Irrigated Agriculture

Properties with **irrigated agriculture** receive a greater benefit from the availability and sustainable management of the groundwater basin compared to non-irrigated properties. Because cropping patterns and weather variations combine to affect the amount of acreage to be irrigated, left fallow or utilized for a different crop, assessments are not differentiated between the types of crop. Also, for the purposes of this report, **irrigated agriculture is defined as that property being irrigated with groundwater extracted from the Paso Robles Groundwater Basin.**

Therefore, it is anticipated that categorizing properties as irrigated vs. non-irrigated will serve to provide a funding source for the development of a GSA for the purpose of SGMA compliance. If a more discrete assessment is to be used in the future, irrigated crops can be categorized as to type according to Geographical Information System (GIS) information developed for the Paso Robles Groundwater Basin Study (PRGWB). That analysis based water usage on seven different categories.¹ i.e.: alfalfa, citrus, deciduous, nursery, irrigated pasture, vegetables and vineyards. It excluded non-irrigated land use such as open space or grazing.

However it is important to note that some properties will rotate in and out of applied irrigation depending upon cropping patterns, weather and emergency irrigation needs. In order to calculate and set assessments, it is anticipated that property owners and lessees will declare their intention for irrigation for the next year. The District will maintain an on-going database of all parcels and irrigated acreage within parcels. The current County database for all participating parcels will be used for the initial source of information but will be adjusted for each year of assessments.

Also, because the decision to irrigate or not will also vary according to a specific property's unforeseen needs, there will need to be an appeal process established and a credit/debit system put in place to adjust assessments that need modification. These adjustments can be made as part of the on-going administration of the District by the Board of Directors with input from property owners.

Finally, because the decision to irrigate or not will vary according to a specific property's unforeseen or emergency needs, a one-time irrigation of $\frac{1}{4}$ AF/ac or less will not be considered as "irrigated agriculture" and will not change the parcel status from non-irrigated to irrigated.

Non-Irrigated Agriculture

Rangeland/grazing/open space, i.e. **non-irrigated agriculture** land use relies much less on ground water, however, groundwater is needed in some cases to provide for livestock operations. Estimates for water usage on non-irrigated properties is being calculated by the project proponents based on the grazing livestock carrying capacity for this area.² It is noted that notwithstanding the minimal use of groundwater, non-irrigated lands do receive a special benefit from being within the District and from

¹ Paso Robles Groundwater Basin Model Update, Geoscience/Todd Groundwater, December 19, 2014

² No reference was able to be provided by the SLO County Dept of Agriculture, estimate provided by project proponents

being directly represented in the SGMA process as non-irrigated lands do have overlying groundwater rights and, in the future may rely on groundwater to a greater degree than now. Also as outlined above in addressing the rotation of parcels, or portions of parcels, in and out of irrigation, a database will be maintained to modify assessments accordingly. So even though there may be irrigation facilities (pipes etc.) available to a parcel or portion of the parcel, if no irrigation is applied, then that acreage will be treated as non-irrigated.

Residential

Residential development depends upon a potable, adequate water supply for household needs and therefore will receive an assessment. The PRGWB studies provided research to estimate the average water usage for rural homesteads.³ However, because the District is focused on the agricultural operations/properties, it is not foreseen that the District will have the capability to serve small lot rural subdivisions

Commercial Operations

Commercial operations depend upon a potable supply for workers and customers alike, similar to residential uses associated with agricultural operations. However, the water usage for these land uses will need to be determined on a case by case basis. For initial funding purposes, commercial uses are proposed to be assessed as if they were a residential use.

4.2 Water Use Factors

The following provides a discussion on the water use factors identified for each assessment class.

Irrigated Agriculture

The Estrella, El Pomar, Creston Water District is home to hundreds of acres of farmed land with a variety of crops. The water use for these crops varies and thus an average water use has been determined for Irrigated Agriculture. The water use for the crops that are typically farmed in the District are as follows:

Land Use Category	Ave. Water Use Factor (AF/acre/yr)
Alfalfa	4.8
Citrus	2.3
Deciduous	4.1
Nursery	2.4
Irrigated Pasture	5.0
Vegetables	3.9
Vineyards	1.8
Total	24.3
Average	3.5

*Source: applied water factors, SLO County, Paso Robles Groundwater Basin Model Update, 2014, Table 10⁴

The water usage of 1.0 AFY will be utilized as one benefit unit for the purposes of establishing an assessment spread.

Non-Irrigated Agriculture

³ Ibid, PRGWB Model Update, December 19, 2014

⁴ Ibid, PRGWB Model Update, December 19, 2014, Table 10

Depending on the terrain and carrying capacity of the land, non-irrigated agriculture can be dry farmed for hay, other non-irrigated crops, and for grazing. These uses are minimal and are best evaluated as a cattle grazing operation. These operations typically utilize between 0.03 and 0.003 AFY/ac and therefore are minimal users. However, the project proponents have provided an estimate of local non-irrigated water usage as a percentage of irrigated usage; ie. 1.69% of Irrigated Agriculture Usage. This results in 0.06 AFY/ac (1.69% x 3.5 AFY/ac = 0.06 AFY/ac) for a benefit unit to calculate an assessment to be applied to non-irrigated agriculture.

Residential

Residences nominally use 0.29 AFY indoor and 0.46 AFY outdoor for a total of 0.75 AFY per residence in rural hot areas of the county⁵. Therefore, it is assumed that a rural residence is equivalent to: (0.75 AFY/3.5AFY) or 21.4% of water usage for an acre of irrigated crop.

Commercial Operations

Commercial Operation uses will be evaluated as a resident if a small operation on a small lot. Larger commercial users will need to be evaluated on a case by case basis.

4.3 Voluntary Funding

The District will be formed on a voluntary basis. **All the voluntary members of the District will be asked to agree to a maximum funding assessment not to exceed \$35.00/acre for irrigated agriculture. Non-irrigated agriculture parcels will be assessed at 1.69% of irrigated agriculture’s cost, or \$0.59/acre. Each residence or commercial operation will be assessed at \$7.50 (maximum) for each unit (0.75AFY/3.5AFY = 21.4% of an irrigated acre assessment = 21.4% x \$35 = \$7.50).** However, as a basic minimum cost, **all ownerships**, whether made up of one parcel or many parcels will have a minimum assessment of **up to \$50 per ownership**, depending on the overall administrative costs to service the GSA. These rates are within the same order of magnitude of the data developed above and are proportional to the special benefit received by each category of parcel based on water usage per parcel. It is noted that one parcel may be assessed for all three classes.

4.4 Benefit Units

A benefit unit is a method of calculating a property’s proportional share of the assessment costs. **One benefit unit (BU) is equivalent to the use of 1.0 Acre-foot of water/year.** Table 2 identifies the total number of benefit units assigned to each Assessment Class utilizing the target acreages in each category petitioning at this time. These acreages will vary until District formation is approved.

Table 2-Assessment Class and Total Benefit Units

Assessment Class	Total Acreage or Units (estimated)		Water Use Factor AFY	Benefit Units (rounded)
Irrigated Agriculture	16,500	Acres	3.50	57,750
Non-irrigated Agriculture	24,300	Acres	0.06	1,460
Residential and Commercial Operations	200	Each	0.75	150
Total Benefit Units				59,360

⁵ Ibid, PRGWB Model Update, December 19, 2014, Table 13 Rural Residential Water Demand, SLO County, WG Project 1360-0001
Estrella, El Pomar, Creston Water Dist A CA Water Dist (WC 34000 et seq)
Engineer’s Report-Benefit Assess Eval

4.5 Maximum Assessments

Table 3 identifies the total maximum assessment value for each assessment class and the revenue that could be generated if the maximum assessment proposed on the District properties is collected.

Table 3-Total Maximum Assessments

Assessment Class	Total Units (Estimated)		Maximum Asmt per Unit (\$)	Total Assessment (\$)
Irrigated Agriculture	16,500	Acres	35.00	577,500
Non-Irrigated Agriculture	24,300	Acres	0.59	14,337
Residential and Commercial Operations	200	Each	7.50	1,500
Maximum Assessment Potentially Collected (*approximately \$1,200 more revenue can be added for minimum charges of \$50/ownership)				\$ 593,337*

Acknowledging that the maximum, not to exceed total assessment of **\$593,337** is more than the estimated average annual budget of **\$504,833**, it is anticipated that the target participating acreage will be more than adequate to meet the average budget needs. Therefore, Table 4 calculates potential revenue based on the value of each class of benefit units.

Table 4-Assessments for Budget

Assessment Class	Total Benefit Units (from Table 2)		Calculated Cost per Benefit Unit (from Table 2) (\$)	Total Assessment (\$)
Irrigated Agriculture	57,750	BU	8.51	491,453
Non-Irrigated Agriculture	1,460	BU	8.51	12,425
Residential and Commercial Operations	150	Each	8.51	1,277
Basic cost per ownership (minimum cost per ownership)	estimated		<u>Estimated additional revenue from those ownerships below \$50 minimum total assessment</u>	(not included at this time*)
Possible Assessment Collected to meet budget * (total revenue <u>excludes</u> min assessment amount of \$50 for ownerships with total assessments below \$50. The total assessment shown is approximately the same as the average annual budget of \$504,833. (differs because of rounding)				*\$ 505,155

Using the cost per Benefit Unit approach for the anticipated water usage per class of use results in:

- Irrigated Agriculture: $3.5\text{AFY/ac} = (3.5 \text{ BU}) \times \$8.51/\text{BU} = \$29.79/\text{ac}$ of irrigated land.
- Non-Irrigated Agriculture: $0.06 \text{ AFY/ac} = (0.06 \text{ BU}) \times \$8.51/\text{BU} = \$0.51/\text{ac}$ of non-irrigated land.
- Residential/Commercial: $0.75 \text{ AFY/unit} = (0.75 \text{ BU}) \times \$8.51 = \$6.38 /\text{unit}$.
- However a minimum charge for all ownerships (regardless of number of parcels and resulting assessment) will be assessed \$50 ea. if the total assessments for that ownership is less than \$50.

Therefore, the following assessments could be made in order to meet the estimated cost of the five year average annual budget:

Table 5--Assessment Class and Cost per Acre of Land and Residential/Commercial Units

Assessment Class	Water Use Factor/Benefit Units		Assessment per Benefit Unit	Assessment \$/ac Or \$ per R/C unit
			\$	
Irrigated Agriculture	3.5	BU	8.51	29.79
Non-irrigated Agriculture	0.06	BU	8.51	0.51
Residential and Commercial Operations	.75	BU	8.51	6.38
Note that minimum assessment to be \$50/ownership				

It is important to note that these calculations will vary depending on the final acreage and number of residential/commercial units that come into the District.

5.0 Next Steps

- The Applicant (proponents) have filed with LAFCO, a Notice of Intent and circulated a Petition for the formation of the District. Those petitions with signatures of landowners will need to be filed with and checked by the County Assessor within six months of when the first signature is affixed to the petition. However, it is anticipated that LAFCO will receive the signed petitions in March of 2017 and signatures verified by the County Assessor in April of 2017.
- It is anticipated that the LAFCO hearing for conditional District formation will be held in January or April 2017. At that time the Commission may conditionally approve the District and set a notice for the required protest hearing for the formation hearing.
- Assuming that over 50% of the acreage held by landowners in the proposed District are in favor of formation, it is anticipated that the election of the Board and final formation of the District will occur in June 2017 or later. After which, the new district and the Board of Directors can proceed with the Prop 218 funding process for a determining if a majority protest of the proposed assessment amount is received.

- DWR theoretically needs to approve the formation of the District's GSA by June of 2017. However, it is anticipated this will not happen until later in 2017. In the meantime, the District proponents will be coordinating SGMA requirements with the County of San Luis Obispo and other GSA's in the Paso Robles Groundwater Basin for funding and administrative opportunities.

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Appendix A General Information on the Formation of a California Water District

The process of forming a California Water District consists of these basic steps:

California Water Districts are formed pursuant to the California Water Code, Sections 34000- 38501. The law for forming a California Water District was developed in 1951 to allow large landowners to manage the water resources in their area.

Statutory Background: The formation of a California Water District to manage the Estrella, El Pomar, Creston Groundwater Basin, by forming a California Water District, is a process guided largely by two laws: The California Water District Law - Water Code 34000-38501, and the Cortese-Knox- Hertzberg Act Government Code 56000, et al. The San Luis Obispo Local Agency Formation Commission (SLOLAFCO) has authority to consider the application for forming the District under the Cortese-Knox-Hertzberg Act. Other agencies involved in the processing of the application are the offices of County Assessor and Clerk-Recorder. The Assessor's Office provides information and verification regarding the ownership and acreage in the area. The Clerk Recorder's Office conducts the election that are required to form the District at the direction of the County Board of Supervisors.

Formation Process:

Petition, Noticing and Public Hearing:

Petition: The formation process for California Water Districts, is initiated by a petition signed by the holders of title to a majority of land that is capable of using water beneficially for irrigation, domestic, industrial, or municipal purposes, and that can be serviced from common sources of supply and be the same system of works.

LAFCO Hearing: When the application is complete, LAFCO conducts a noticed public hearing. After hearing public testimony, the Commission may approve, modify, or deny the proposed formation. If it is approved, the Commission also will adopt any terms and conditions for the formation, and establish a sphere of influence for the new district.

Protest Hearing: Following LAFCO Approval, the District formation is scheduled for a conducting authority (protest) hearing where no further modifications may be made. At the conducting authority stage, without a majority protest based on acreage owned, the conducting authority (LAFCO) shall make an order doing the following (34306):

- Establishing and describing the district boundaries.
- Describing land to be excluded from the district.
- Naming the proposed district.

Formation Election:

After making the order, the Board of Supervisors shall be directed by LAFCO to call and give notice of an election for the formation of the District and election of the Board of Directors. The following are entitled to vote (34400 and 57000):

- Only the holder of title to land in the proposed district may vote. The vote may be in person or by proxy. (Rule for voting by proxy are set forth in Section 35005 of the Water Code).
- Each voter shall vote on the acreage of the land which he or she holds title.

If after the election, a majority of all of the votes cast favor the formation of the district, the territory shall be formed as a district (34500).

Funding of the District:

After the Formation Election for initiating the district and election of the board of directors, the District will conduct a proposition 218 special assessment proceedings to fund the operations of the District. This will be done in accordance with the proposition 218 majority protest provisions and will pass or fail based on the amount of assessments being assigned to all of the properties.

Boundaries:

The boundaries of a California Water District may include the following land located in one or more counties (34153)

Governing Body: The governing body, which is established to administer the operation of a California Water District, is initially composed of a five-member elected Board of Directors, (WC-34708), each of whom must be a landowner within the District. The Board may be modified by the District through a future action to include 7 or 9 members, or changed to be a register voter elected Board of Directors.

Powers/Functions:

The primary powers of a California Water District include:

- The acquisition and operation of water works for the production, storage, transmission and distribution of water for irrigation, domestic, industrial and municipal purposes, and any drainage or reclamation works connected with such undertakings.
- Acquire and operate facilities and services for the collection, treatment, and disposal of sewage, waste, and storm waters. (In the case of the proposed district, no request has been made or approved by Lafco for sewage services).