

NOTES: Core Stakeholder Group Meeting 11

Meeting Held: Dec 1, 2020

Notes prepared by: Consensus Building Institute

Meeting in Brief

Replenishment Fee Proposal

The Core Group generally supports the proposed uniform replenishment fee moving forward with the following stipulations: (1) the inclusion of an advisory committee to vet the use of funds, (2) a narrow focus on the purchase of supplemental water to ensure compliance with propositions 218 and 26, (3) a sunset clause to mediate the closure of the fee once its objectives are met, and (4) language that outlines the Core Group's expectations for the management of the fee. The revised proposal is included in the appendix of this summary.

Treatment of remediated water sources and the structure of collaboration between the advisory committee and the GMA require further consideration. Broader strategy on replenishment fees going forward might focus on developing a number of initiative-specific replenishment fees to ensure alignment between fee payment and receipt of benefits.

Ramp Down: Comparing a Linear Progression to a Variable Approach

The benefits of a linear reduction are: (1) it makes the reductions "real" for folks right away to ensure motivation for replenishment fees and projects, (2) it is simpler to manage, and (3) it avoids creating additional burden for cuts later. The benefits of a variable approach with reduced cuts in the first few years of ramp down are: (1) it creates opportunity for additional funds to come in early through replenishment fees, (2) it allows time for some projects to come online and potentially factor into planning, and (3) it allows more adjustment time for growers with less flexibility (i.e. tree crops) and growers who have already implemented substantial efficiency measures and/or have less room for expanding conservation.

One Water

Generally, the Core Group understands the One Water concept to mean that groundwater, surface water deliveries, and water produced through projects would be viewed as equivalent. For example, new project water created would be considered in lieu of groundwater pumping the same way that Santa Clara River water deliveries are viewed today.

CBI Facilitation Going Forward

CBI is funded through Dec 31, 2020. The GMA is considering funding CBI into 2021, though the scope of the facilitated process would be narrowed to align with board priorities. Core Group members expressed support for continuing the facilitated process, articulating the value of an independent stakeholder-driven process.

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Replenishment Fee Proposal

The Core Group generally supports the proposed uniform replenishment fee moving forward with the following stipulations: (1) the inclusion of an advisory committee to vet the use of funds, (2) a narrow focus on the purchase of supplemental water to ensure compliance with proposition 218 and 26, (3) a sunset clause to mediate the closure of the fee program once its objectives are met, and (4) the inclusion of language that outlines the Core Group’s expectations for the management of the fee.

Summary of Core Group feedback on Replenishment Fee Proposal

The Legal Committee developed a draft uniform replenishment fee proposal intended to facilitate the purchase of supplemental surface water when available. With an eye towards presenting the proposal as a recommendation to the GMA, the Core Group provided input and suggestions to advance the replenishment fee concept.

A Core Group member who serves on the legal committee framed the discussion: the proposal should be viewed as interim solution, to make possible the purchase of water when it is available via the State Water Project (SWP) and other sources.

Core Group members provided the following feedback on the proposal:

- The replenishment fee should be managed by an advisory committee to ensure the projects funded truly provide a regional benefit. The advisory committee should include representation from all pumper groups and technical folks –both from engineering and finance—. The advisory committee’s recommendations should then be passed to the GMA.
- This replenishment fee will be a good solution for bringing in water early, however we should also plan an off-ramp process to wind down this fee when the time comes to focus on engineered projects. Those projects will need a new funding structure.
- The group should plan to parallel track the advancement of more ambitious projects while this initiative advances. For example, the group may seek the counsel of other folks who have successfully advanced engineered projects.
- Propositions 218 and 26 require project benefits be detailed explicitly, so the narrow focus on supplemental water purchases makes sense.

- The replenishment fee should be used to take advantage of all sources of supplemental water available.
- The GMA has contracted a consultant to support advancement of replenishment fees, so the development of the replenishment fee proposal is timely.
- Going forward, it may make sense to learn from the Orange County Water District example and plan to have a number of fees tied to specific projects. This approach may help ensure fees are levied equitably.

Replenishment Fee Proposal Going Forward

Remediated Water

The Core Group needs to consider how remediated water would be treated within the replenishment fee proposal and to develop a clear definition for what qualifies as remediated water. Some group members suggest that remediated water sources should be defined as water sources that truly could not be used in the absence of treatment. Camarillo’s groundwater desalter was highlighted as an example of a true remediation project. Meeting participants also expressed the importance of avoiding opening up exemptions for all entities that have desalters. As a next step, meeting participants suggested that the replenishment advisory committee might pick up remediated water as priority issue to cover.

Fee Governance/ Administration

Building off of comments about the need for a replenishment fee advisory committee, meeting participants expressed the importance that the GMA and this advisory committee work together collaboratively. Meeting participants want assurances that the GMA would follow the advisory committee’s guidance. Meeting participants also highlighted the importance of not including language in the fee proposal that would “restrain” the GMA. More generally, meeting participants would want to see more frequent and in-depth updates from the GMA around replenishment fee related matters.

Going forward, a meeting participant suggested that one path to satisfy Core Group members’ concerns and to promote transparency would be to have a protocol wherein the replenishment fee advisory committee delivers recommendations publicly to the GMA, with the expectation that the GMA would publicly explain why the advisory committee’s recommendations were or were not used.

Ramp Down: Comparing a Linear Progression to a Variable Approach

The benefits of a linear reduction are (1) it makes the reductions “real” for folks right away to ensure motivation for replenishment fees and projects, (2) it is simpler to manage, and (3) it avoids creating additional burden for cuts later. The benefits of a variable approach with reduced cuts in the early years of ramp down are (1) it creates opportunity for additional funds to come in early through replenishment fees, (2) it allows time for some projects to come online and potentially factor into planning, and (3) it allows more adjustment time for growers with less flexibility (i.e. tree crops) and growers who have less room for conservation.

Ramp Down

The Core Group evaluated the pros / cons of a linear progression set over 20 years (i.e. 50% over 20 years would be 2.5% per year) vs. variable ramp down in which the first five-years might have a smaller percentage ramp down (i.e. 50% over 20 years in which years 0-5 might be less than the 2.5% to allow projects time to come online).

Variable Ramp Down with Less Reduction Initially

Benefits of a variable ramp down approach:

- If we move forward with a replenishment fee, going slower initially allows opportunity to generate additional resources.
- Additional time in the early years will provide growers a buffer period to adjust their operations.
- A variable ramp down allows time for some projects to come online and potentially factor into planning.

Cons of a variable ramp down

- Hard to justify because the level of overdraft in the basins is urgent.
- Postpones the inevitable and makes it harder to manage the situation long-term.

Simple Linear Ramp Down

Benefits of a linear ramp down

- Will make the situation more real for folks who do not fully appreciate the difficulty of the task ahead.
- Ensures the basins are going down the correct path towards the sustainable yield.
- Generates motivation for participation in replenishment fees and projects.

Cons of a linear ramp down

- Less flexibility—if the group goes with a linear approach then other aspects of flexibility become more important, such as the ability to carry over.

Core Group members shared the following additional comments around how ramp down should be implemented and important factors for the group to keep in mind:

Ramp down for growers who are already efficient and /or have less flexibility (i.e., tree crops)

For folks who are on the most efficient irrigation technology and growing tree crops, both approaches to ramp down (linear and variable) will impose a heavy economic burden. Essentially the ramp down will mean following 2.5% per year or paying fees of around \$1,800 acre/ft. With these growers in mind, it is important to approach ramp down as a package conversation that includes minimum allocation, replenishment fees, and a plan for projects coming online.

- Growers on tree crops may need to have a different ramp down curve than folks on row crops, given the reduced flexibility in tree crops. A stair-stepped ramp down for tree crops may make sense.
- The minimum allocation will be an important factor to pick up again soon as part of ramp down discussions.

Preserving Flexibility

Multiple group members highlighted the importance of preserving flexibility as part of the ramp down strategy.

Meeting participants shared the following ideas around how to build flexibility in the ramp down:

- **Carryover**—Borrowing from next year’s allocation allows growers the flexibility to make adjustments in the following year. Potential complications that could arise with carryover are (1) managing folks leasing land and (2) hindering the water market. As a remedy, meeting participants suggest (1) water allocation be managed with landowners and (2) the group view the water market as a means not an end in and of itself (i.e. it should not be the priority).
- **Comm-codes**—The ability to pool allocation and manage ramp down across different operations is a helpful source of flexibility.

Key ramp down questions to address going forward

- How to manage ramp down for highly efficient operations and crops with low flexibility?
- How should minimum allocation intersect with the ramp down?
- How to create flexibility for pumpers to be able to manage the challenges at hand, while ensuring motivation to participate in replenishment fees and projects?

Defining One Water

Generally, the Core Group understands the One Water concept to mean that groundwater, surface water deliveries, and water produced through projects would be viewed as equivalent. For example, new project water created would be considered in lieu of groundwater pumping the same way that Santa Clara river water deliveries are viewed today.

Meeting participants shared the following additional perspective on the One Water concept:

- A key piece of One Water is tracing and tracking the origins of all the water that folks use.
- Metropolitan water should not be considered a part of the One Water framework for OPV because it is not generally available for agricultural use.
- The One Water framework can have both historical and forward-looking implications.
Historical: Historical surface water use is factored into users’ allocations.

Forward-looking: As projects come online, the gains to sustainable yield are distributed to users in the form of increased allocations. E.g., if the purchase of recycled water generates a 2% net increase in sustainable yield, that 2% gain would be dispersed among the folks with allocation.

CBI Facilitation Going Forward

Until 11/13, the California Department of Water Resources funded CBI's work with the Core Group and Projects Committee. CBI has depleted this funding. FCGMA has agreed to fund CBI's work through December 31, 2020. Core Group members shared their perspectives on the prospect of continuing the facilitated process with CBI in 2021.

Arne Anselm of the FCGMA framed the conversation with examples of some adjustments that might occur should the facilitated process with CBI continue into 2021:

- The facilitated process might be expected to align more closely with the GMA's priorities, which could narrow the scope of the group's work. The board will expect to have more input on agenda items.
- The project committee and legal committee might be folded into the GMA board's other committees.
- Generally, the board can be expected to follow the group's recommendations with regard to continuing with the facilitated process, so long as there is transparency.

In response to the framing of the decision about whether the facilitated process would continue into 2021, Core Group members shared the following perspectives:

- Multiple stakeholders are providing the funding for the legal committee, so the decision to continue with that process would be in the hands of the folks funding it.
- The framing around the process being more driven by the GMA makes it seem like it may be less of an independent, stakeholder driven process.
- It would seem that only good things can come out of the facilitated process continuing. It would benefit the GMA to have this process continue, because when key decisions are being made, the GMA would have more buy-in and fewer legal challenges.
- The amount of additional work needed through the Core Group may depend on what happens in the legal committee. The Core Group and legal committee should be viewed as parallel paths, both of which are addressing the ramp down (and are working towards the end point). If the legal committee is able to resolve some of the key issues around the ordinance based on legal arguments, there may not be need for significant more work with the Core Group.

Core Group Members Present

Arne Anselm, Jared Bouchard, Alden Broome, Dan Detmer, James Dubois, Terri L. Ferro, Rosemarie Gaglione, Jurgen Gramckow, Martin Gramckow, Miles Hogan (standing in for Jennifer Tribo), John Krist, Greg Lewis, Lucie Munoz-McGovern, E.J. Remson, Jennifer Tribo

Appendix: Proposal for Replenishment Fee with Feedback from 12/1 Core Group meeting Incorporated