

# FOX CANYON GROUNDWATER MANAGEMENT AGENCY



## MEMORANDUM

**Date:** June 9, 2023  
**To:** Fiscal Committee  
**From:** Kim Loeb, Groundwater Manager *KL*  
**Subject:** Item D – Fiscal Year 2023-24 Budget Development Study Session

The Fiscal Committee's budget development study session provides opportunity for the Committee to evaluate staff's proposed Draft Budget for Fiscal Year 2023-24 and provide recommendations for any modifications prior to consideration of adoption by the full Board. The Board usually adopts the annual budget at the June Board meeting.

The draft Fiscal Year (FY) 2023-24 is divided into two parts, the Annual Work Plan and the Budget. The draft Fiscal Year 2023-24 Annual Work Plan includes a description of the proposed tasks, labor estimates, and contract estimates where appropriate. The Work Plan informs the proposed FY 2023-24 Budget.

### **LPV BASIN ADJUDICATION AND BUDGET PLANNING**

The proposed judgment in the Las Posas Valley (LPV) Basin adjudication would impose significant additional administration tasks on the Agency as the LPV Basin Watermaster. The full scope of those tasks will not be certain until the court renders its final judgment. Staff understands that expenses and revenue related to these Watermaster tasks will need to be accounted for separate from the Agency's budget. Because these tasks are not yet finalized and the costs are currently not known, staff prepared the draft FY 2023-24 Budget without guessing what these costs may be. Staff recommends the Fiscal Committee recommend the Board adopt the Draft Budget with the understanding that staff will return to the Board at a future date with a proposed budget revision once the court judgment is final and a budget has been developed for the LPV Basin Watermaster tasks.

### **DRAFT ANNUAL WORK PLAN**

The draft Fiscal Year 2023-24 Work Plan summarizes the major work tasks and PWA staff services anticipated during the next fiscal year (see attached). The Work Plan categorizes Annual Operations into Administration and Fiscal Services, Records Services, Technical Services, Legal Services, and Public Outreach. It includes a separate Special Expenditures category for continued Groundwater Sustainability Plan (GSP) implementation, continued implementation of new extraction allocation systems, new data management system procurement, Water Market development and implementation, destruction of an abandoned well quitclaimed to the Agency in the City of Oxnard, administration of the Department of Water Resources (DWR) Sustainable Groundwater Management (SGM) Implementation Grant, Round 1, and installation of monitoring wells in the Oxnard and Pleasant Valley (OPV) Basins as part of the grant program.

### **FCGMA Staffing**

Agency administration and staffing is provided under contract by the Ventura County Public Works Agency (PWA). Specific staff are fully assigned to the Agency and other PWA staff are utilized as needed on a part-time basis. The Executive Officer and PWA Fiscal staff are provided on a fixed-cost basis. The current fiscal year's (FY 2022-23) approved Work Plan and Budget included a total of 9.1 full-time equivalent (FTE) staff. Due to recruiting challenges and staff turnover, the Agency averaged about 6 FTE in FY 2022-23, ending the year with approximately 8.6 FTE. The FY 2023-24 is projected to average about 10 FTE, ending the year with 12.3 FTE, which forms the basis for the FY 2024-25 and 2025-26 planning-level budget projections.

**FY 2023-24 DRAFT BUDGET**

Staff costs are included in the Budget worksheet under the line item for Public Works Agency charges and consultant costs and other contracts are included as separate line items. Columns on the Budget worksheet show FY 2021-22 year-end actual amounts, FY 2022-23 adopted budget and projected year-end actuals (based on fiscal reporting through April 30, 2023), the FY 2023-24 Draft Budget, and planning-level budget projections for FY 2024-25 and 2025-26. The FY 2023-24 Draft Budget is attached.

Table 1 is a summary of projected year-end fund balances. Based on the Draft Budget, the Operating Fund is projected to end FY 2022-23 with a balance of \$2,806,305 with an overall FCGMA fund balance of approximately \$5,084,614 including the reserved Designated Accounts. This is considerably more than projected in the budget, largely due to start of the SGM Implementation Grant OPV Basins monitoring well project pushing into FY 2023-24.

**Table 1**  
**FY 2023-24 Draft Budget**  
**Summary of Projected Year-End Fund Balances**

	2021-22 Year-End Actuals	2022-23 Adopted Budget	2022-23 Projected Year-End	2023-24 Draft Budget	2024-25 Planning- Level Budget	2025-26 Planning- Level Budget
Designated GEMES Account	(\$954,399)	(\$398,319)	(\$1,286,040)	(\$396,040)	\$1,358,960	\$1,289,960
Designated Surcharges Account	\$3,233,981	\$2,922,680	\$2,533,981	\$3,533,981	\$5,533,981	\$7,533,981
Designated Operating Reserves	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Operating Fund	\$766,359	\$533,171	\$2,806,305	\$1,117,973	(\$185,453)	(\$293,096)
<b>Grand Total Fund Balance</b>	<b>\$4,045,941</b>	<b>\$4,057,532</b>	<b>\$5,084,614</b>	<b>\$5,286,414</b>	<b>\$7,737,989</b>	<b>\$9,561,346</b>

Following are descriptions of the various accounts and budget lines that are itemized in the attached FCGMA FY 2023-24 Draft Budget:

**Groundwater Extraction Management Enforcement Surcharge (GEMES) Reserve Account**

The GEMES account was established by your Board as a reserve account for legal expenses. Projected Special Counsel and County Counsel litigation expenses are based on the updated estimates provided to your Board for the Reserve Fee Annual Review at the October 26, 2022, meeting. The GEMES account is funded through a \$20 per acre-foot (AF) Reserve Fee which sunsets on October 1, 2024, unless extended by your Board.

**Designated Surcharges Account**

FY 2022-23 year-end projection of surcharge revenue was reduced to \$300,000 due to surcharges that have been suspended or waived by your Board for operators with pending variance applications. The FY 2023-24 Draft Budget projects \$1,000,000 in surcharge revenue. Surcharge revenue is not used for operating expenses and can only be used for Board-designated expenses, which have been principally for replenishment water or supporting projects to increase the water supplies and/or sustainable yield of the basins. The Board approved a \$1,000,000 loan to the Operating account in the FY 2022-23 budget to cover the projected shortfall due to expenses for installing the monitoring wells in the OPV Basins as part of the SGM Grant program. Per the Board’s direction, the loan is projected to be repaid in FY 2024-25.

### **Designated Reserve Account**

The Designated Reserve Account balance remains at \$1,000,000 per your Board's direction.

### **Designated Accounts Interest Earnings**

This line shows the projected interest earned for the three designated accounts.

### **Operating Revenues**

Operating Revenues include pump-charges (\$6/AF), groundwater sustainability fees (\$29/AF), interest earnings, penalties, grant, and miscellaneous revenues. Additionally, there are line items for projected reimbursement from the DWR SGM Implementation Grant Round 1 for projects in the OPV Basins.

### **Annual Operating Expenditures**

Following are the principal annual operating expenditures:

1. **Public Works Agency Charges:** The FY 2023-24 Draft Budget includes \$2,560,200 for PWA staff services per the projections in the draft Annual Work Plan.
2. **General Services Agency Charges:** County General Services Agency (GSA) fees include printing of Board packets and other materials, mail and shipping, Board room and AV fees, etc. GSA expenses are budgeted at \$25,000 for FY 2023-24.
3. **Legal Service Fees:** Agency Counsel legal services are provided by the County Counsel's Office, which serves as Agency Counsel, to provide routine legal services. Legal services are budgeted at \$150,000 for FY 2023-24.
4. **FCGMA Online Support:** Support for the FCGMA Online database management system is supplied by PWA and County IT services. These services include the annual maintenance costs, system revisions and updates, special database queries, software enhancements, and includes GIS and other software license fees. FCGMA Online support is budgeted at \$271,761 for FY 2023-24.
5. **GSP Annual Reports:** The Agency is required to prepare GSP annual reports for the LPV, Oxnard, and Pleasant Valley basins. GSP annual reports are budgeted at \$65,730 per the current agreement with Dudek.

### **Special Expenditures**

The FY 2023-24 Draft Budget identifies special expenditures including the following:

1. **New FCGMA Data Management System:** The cost for a new data management system is presently unknown. The FY 2023-24 budget includes an estimate of \$200,000 for procurement efforts and \$250,000 planning-level amounts in FY 2024-25 and 2025-26.
2. **Groundwater Sustainability Plan Implementation:** The FY 2023-24 budget includes \$781,063 for GSP implementation based on the agreement with Dudek approved by your Board at the December 9, 2022, meeting. The majority of these costs are for evaluation and updating of the GSPs which is projected through FY 2024-25.
3. **SGM Implementation Grant Monitoring Well Installation (OPV):** The approved budget included projection of \$1,755,218 in FY 2022-23 for installation of monitoring wells in the OPV basins. As the grant agreements were not executed by DWR until late September 2022, projected expenses for this work have been pushed out to begin in FY 2023-24. DWR reimbursement under the SGM Implementation Grant Round 1 in the revenue section was correspondingly pushed out to begin in FY 2023-24. The actual costs will not be known until

your Board awards a contract to a drilling contractor. Staff anticipates that a request for bids will be released in the next few weeks.

4. **SGM Implementation Grant Round 1 (OPV) Administration:** This is consultant expense to assist with DWR SGM Implementation Grant Round 1 administration for the OPV Basins. Your Board awarded this work to Kennedy Jenks Consultants at the July 10, 2022, Board meeting. Per the subgrant agreements approved by your Board at the September 9, 2022, meeting, subgrantees City of Camarillo, Pleasant Valley County Water District, and United Water Conservation District will proportionately reimburse the Agency, which is carried under the SGM IMPL GRANT ROUND 1 (OPV) – ADMIN line under Revenue. The Agency's net share is \$9,748 annually.
5. **SGM Implementation Grant Round 2 (LPV) Application:** Your Board approved a contract amendment with Kennedy Jenks Consultants at the December 9, 2022, meeting to assist the Agency with preparation of an SGM Implementation Grant Round 2 application for projects in the LPV Basin. At that meeting, your Board approved a transfer of \$24,500 from Contingency funds for this work.
6. **Stakeholder Facilitation / Public Outreach:** The FY 2023-25 Draft Budget includes \$25,000 for stakeholder facilitation and/or public outreach.
7. **Oxnard Well Destruction:** The FY 2022-23 adopted budget included \$64,756 for destruction of the abandoned well in the City of Oxnard quitclaimed to the Agency. Subsequent to adoption of the budget, County Airports contacted the Agency about acquiring the well as it is piped to irrigate land across the street at the Oxnard Airport. County Airport staff notified the Agency that it is no longer interested in acquiring the well. Agency staff will resume efforts to destroy this well. The FY 2023-24 budget includes \$70,000 for destroying this well.
8. **Rate Counsel:** The FY 2022-23 adopted budget included \$116,321 for rate counsel and consultant assistance with studying and preparing a replenishment fee consistent with your Board's awarded agreement with Jarvis Fay. The FY 2023-24 Draft Budget projects \$100,000 expenses.

## ANALYSIS AND RECOMMENDATIONS

At last-year's Fiscal Committee budget development study session, the Committee recommended that the Groundwater Sustainability Fee be increased to \$29/AF in FY 2022-23 and by another \$15/AF to \$44/AF in FY 2023-24 to provide sufficient funds for Agency's annual operations. The Board acted on the Committee's recommendation to increase the fees in FY 2022-23, but did not adopt a second increase for FY 2023-24. The draft Budget projects that the Operating Fund will end FY 2023-24 with a balance of approximately \$1.1 million; however, the following two years are projected to end in deficits of approximately \$185,000 and \$293,000 in FY 2024-25 and FY 2025-26, respectively.

As discussed at the beginning of this memo, staff plans to return to the Fiscal Committee and Board later this year with both a proposed budget for the LPV Basin Watermaster tasks per the final judgment in the basin adjudication and a revised Agency budget. Staff recommends waiting until these proposed budget revisions to consider any adjustment to fees. Staff requests the Committee recommend sending the FY 2023-24 draft Work Plan and Budget to the full Board for consideration of adoption at the June 28, 2023, meeting with any modifications recommended by the Committee.

### Attachments:

- FCGMA FY 2023-24 Draft Annual Work Plan
- FCGMA FY 2023-24 Draft Budget