



Santa Clarita Valley Groundwater Sustainability Agency Board Memorandum

**CORRECTED
ATTACHMENT**

DATE: May 5, 2020
TO: SCV-GSA Board of Directors
FROM: SCV Water
SUBJECT: Adopt Fiscal Year 2020/21 Budget

SUMMARY

On June 10, 2019, the SCV-GSA Board adopted the fiscal year 19/20 budget and reviewed budget projections from FY 18/19 through FY 21/22. The SCV-GSA Joint Powers Agreement identifies the SCV-GSA should adopt a FY budget by June of each year, and this Board letter presents the proposed FY 20/21 budget, and updates budget projections through FY 21/22. SCV Water is bringing the proposed budget to your Board a month earlier than usual, to coordinate with execution of the Round 3 grant agreement with the Department of Water Resources by May 15, 2020.

The proposed budget reflects a number of changes more fully described below. Changes include timing of previously approved budget expenditures, reduction in cost estimates for staff time, increases in cost estimates for GSP development scope related to a Department of Water Resources (DWR) grant application the associated draft grant agreement, additional grant revenue of \$891,159, and very significant reduction in the Additional Revenue Required category.

With approval of the budget: FY 20/21 projected expenditures are increased by \$245,363 to \$1,275,822. Overall projected costs through FY 21/22 are reduced by \$206,390 to \$2.915 million. Additional Revenue Required through FY 21/22 has been reduced by \$1.098 million.

BACKGROUND/DISCUSSION

This Board Memorandum follows the same narrative and table structure presented to your Board at its June 10, 2019 Board meeting.

Key changes from the previous estimated budgets are summarized below:

Costs in Table 1 “Estimated SCV Water Staff Costs + Ad Buys” have been significantly reduced because earlier staff cost estimates assumed 50% more meetings, and other factors. As a result, the FY 20/21 budget has been reduced by \$172,320 over last year’s 20/21 budget projection. The net cost reduction in this category through FY 21/22 has been reduced by \$572,345.

Costs in Table 2 “Estimated Consultant Costs” have been revised to reflect:

- Additional scope related to the need for additional meetings with the GSP Technical Consultant and additional technical study, made part of the Round 3 Sustainable Groundwater Management Planning (R3) grant application:
 - Consultant technical support for meetings
 - Installation of water level and temperature data loggers

- Additional funding for Groundwater Flowmodel Peer review
 - Infiltration Testing and Pilot Studies. Importantly, this study is applicable to GSP development, costs are already authorized and being incurred by SCV Water, and costs were included in the R3 grant application to facilitate reimbursement
- Lower cost for preparing the Round 3 Sustainable Groundwater Management Planning (R3) grant application
 - Moving costs for the Pre GSP Adoption Rate Study from FY 19/20 to FY 20/21.

As a result, the FY 20/21 budget has been increased by \$417,682 over last year's 20/21 budget projection. The net cost increase in this category through FY 21/22 is \$365,955.

Costs in Table 3 "Anticipated Revenue" have been revised to reflect:

- Changes in Table 1 and 2 described above
- \$891,159 new grant revenue, and some timing changes in R2 grant reimbursement.

As a result, through FY 21/22, there is a net cost reduction of \$206,390. Further, revisions in timing of grant revenue and the new Round 3 Draft Grant Agreement results in a very significant reduction of \$1.098 million in Additional Revenue Required.

FINANCIAL CONSIDERATIONS

Expenditure Categories

The proposed FY 20/21 Budget along with estimates for FY 21/22 budgets are shown on the following Tables:

- Table 1. Estimated SCV Water Costs + Ad Buys
- Table 2. Estimated Consultant Costs
- Table 3. Budget Summary

Table 1. Estimated SCV Water Costs + Ad Buys

The SCV Water staff support expenditure category includes administrative, consultant management and technical services, and public outreach support. Administrative expenditures include preparation of Board packets and minutes, financial statements, annual audits, and grant administration. Consultant management services include all phases of consultant contract administration, management and technical review of GSP work products. Public outreach expenditures include coordination with the GSP consultant as necessary for stakeholder engagement and advertisement purchases.

Significant reductions in anticipated staff costs are proposed. Earlier staff cost estimates assumed approximately 50% more SCV-GSA Board meetings and associated report writing, support for a Technical Advisory Group, and additional staff involvement. A Technical Advisory Group was not formed and is not anticipated at the level previously imagined.

As a result, the FY 20/21 budget has been reduced by \$172,320 over last year's 20/21 budget projection. The net cost reduction in this category through FY 21/22 has been reduced by \$572,345.

Table 2. Estimated Consultant Costs

Consultant Cost Estimate for GSP Development

Work under this category includes groundwater modeling analysis related to evaluating groundwater dependent ecosystems, and incorporation of much of The Nature Conservancy's Groundwater Dependent Ecosystem guidance document, incorporation of existing information into: a data management system and that data incorporation into the hydrogeologic conceptual model, and incorporation into the groundwater flowmodel (if necessary).

All increased costs in this category are included in the R3 grant application and draft grant agreement allowing for 75% reimbursement of costs by the State. Significant changes here include additional consultant costs related to technical support for meetings. This funding will support what we now see as a slightly higher consultant workload to support technical meetings and the Stakeholder Advisory Committee. New costs also include installation of numerous data loggers for groundwater elevation and water temperature. The earlier scope of work anticipated measuring water elevations and water temperature manually monthly or quarterly but given additional research by the GSP Technical Consultant on the importance of measuring small changes in water levels and temperature over 24-hour periods additional funding is proposed. A modest amount of additional funding: \$25,000 has been added to the previously approved \$100,000 for groundwater model peer review to reflect a more current estimate. Finally, increased costs are included for work already under way commenced by SCV Water for Infiltration Testing and Pilot Studies. The results of this study are fully anticipated to inform the GSP chapter on Projects and Management Actions and as such are recommended to be included in the SCV GSA budget to allow for reimbursement of this important work.

As a result of shifting some costs to different FYs, and new costs, the FY 20/21 budget has been increased \$366,748 over last year's 20/21 budget projection. The net cost increase in this category through FY 21/22 has been increased by \$433,690.

Consultant Cost Estimate for Contingency Funded Items

Consultant proposals provide necessary components to complete the GSP; however, the consultant's scope and budget are focused, and therefore not structured to adapt to significant scope change. The biggest risk to scope change at this time relates to increases in scope for additional ("ad hoc") technical analyses and additional meetings with consultants. We anticipate scope change may result from referral of stakeholder concerns (captured as part of the required public process) to consultants for more detailed follow up outside of their scope.

A similar possibility for increases in scope relates to the role of a Technical Advisory Group (TAG). These groups can be assembled for a range of focused to broad purposes. The most focused purpose is assembly of a TAG at the request of the Work Group or Consultant to include others with specialized knowledge or skill for a limited and focused purpose. The GSP Technical Consultant's proposal includes a budget for four TAG meetings for this focused purpose.

No changes are recommended to the funding values.

Consultant Cost Estimate for Administration through Fiscal Year 21/22

This budget category includes funds for grant applications, rate studies, insurance, legal and annual audit costs.

Key changes in this category include lower consultant costs for the Round 3 Sustainable Groundwater Management Planning (R3) grant application. The application cost estimate was budgeted at \$75,000 but

completed for \$33,504. The earlier budget estimate for Annual Audit Costs was revised downward to reflect actual costs. Also, \$50,000 for a GSP rate study was moved from FY 19/20 to FY 20/21.

As a result of lower than anticipated costs and shifting the cost from the GSP rate study from FY 19/20 to FY 20/21, the FY 20/21 budget has been increased \$43,420. The net cost decrease in this category through FY 21/22 has been decreased by \$67,735 to a new cost of \$242,265.

Consultant Costs Estimate for Post GSP Adoption starting in Fiscal Year 21/22

This budget category includes annual fees for database maintenance, data entry, and development of the DWR-required annual report.

No changes are proposed in this expenditure category.

Summary for all Task 2 Items above

As a result, the FY 20/21 budget has been increased by \$417,682 over last year's 20/21 budget projection. The net cost increase in this category through FY 21/22 is \$365,955.

Table 3. Budget Summary Including Anticipated Revenue

Anticipated Revenue

Expenditures under this category recognize the Sustainable Groundwater Management Act (SGMA) provides several opportunities to raise revenue and grants broad authority to GSAs to carry out the objectives of SGMA. Chapter 8 of SGMA is applicable to GSP development and operation of the GSA after the GSP is completed. Chapter 8 provides that a GSA may, prior to adoption of a GSP, impose fees, including but not limited to permit fees and fees on groundwater extraction to fund the costs of a groundwater sustainability program, including but not limited to preparation, adoption, and amendment of a GSP and investigations, inspections, compliance assistance, enforcement and program administration including a prudent reserve. At this time, three revenue sources exist to support the SCV-GSA through the preparation of the GSP in FY 2021/22. These are grant reimbursements from the R2 and R3 grants, and member contributions

The County of Los Angeles, the City of Santa Clarita, Los Angeles County Waterworks District 36, Val Verde, and Santa Clarita Valley Water Agency will each contribute a non-reimbursable \$20,000 per year for their share of administrative and GSP costs. The balance of revenue is anticipated to be provided by SCV Water under the terms of the Administrative Services Agreement and is shown on Table 3, Budget Summary, as Additional Revenue Required. The source for the additional contributions is the general fund/operating budget and fund balance of SCV Water.

The Round 2 Grant Agreement provides up to \$416,106 in grant revenue. The Round 3 Grant Agreement provides up to \$891,159 in grant revenue.

Through FY 21/22, there is a net cost reduction of \$206,390 due to changes in Tables 1 and 2. Further, revisions in timing of grant revenue and the new Round 3 Draft Grant Agreement results in a very significant reduction of \$1.098 million in Additional Revenue Required. On behalf of the SCV-GSA, SCV Water entered into the Round 2 Grant Agreement, and intends to execute the Round 3 Grant Agreement by May 15, 2020. Under the Administrative Services Agreement, SCV Water will use R2 and R3 grant reimbursement to offset its expenditures under the Additional Revenue Required category.

The proposed FY 20/21 Budget and revised budget projection through FY 21/22 reflect a revision to the timing of revenue reflected under the Estimated Grant Reimbursement category, and revision to the

Additional Revenue Required category. As a result, the Additional Revenue Required category has been reduced by \$1.098 million. Additional revenue required is now \$1.288 million.

CONCLUSION

Development of the GSP will take approximately one and a half more year. Budget narratives above provide an overview of the work in each budget category, highlighting proposed revisions since your Board last considered this in June 2019. Significant reductions in budget in Table 1 Estimated SCV Water Costs + Ad Buys are proposed. Budget increases are proposed for Table 2 Estimated Consultant Costs. A significant reduction in Table 3 Additional Revenue Required is proposed.

Proposed revisions decrease the overall estimated cost through FY 21/22 to \$2.915 million. Much of the work for preparation of the GSP is accomplished through the Administrative Services Agreement with SCV Water. Accordingly Exhibit A of that agreement will need to be updated to reflect the FY 20/21 Budget and the budget estimates for FY 21/22.

RECOMMENDATION

That the SCV-GSA Board:

- 1) Adopt the proposed FY 20/21 budget detailed in the attached Tables 1, 2, and 3.
- 2) Replace the Administrative Service's Agreement's Exhibit A with Tables 1, 2, and 3.

Attachments:

Table 1. Estimated SCV Water Staff Costs Through GSP Development

Table 2. Estimated Consultant Costs

Table 3. Budget Summary

Table 1. Estimated SCV Water Staff Costs + Ad Buy

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	TOTAL
SCV Water Administrative Support	\$6,000	\$12,000	\$15,000	\$15,000	\$48,000
SCV Water Consultant Management & Technical Services	\$78,000	\$75,000	\$80,000	\$80,000	\$313,000
SCV Water Support with Public Outreach	\$2,000	\$5,000	\$9,000	\$9,000	\$25,000
Ad Buys for Outreach	\$3,000	\$4,000	\$10,000	\$10,000	\$27,000
Total SCV Water Staff Cost	\$89,000	\$96,000	\$114,000	\$114,000	\$413,000

Table 2. Estimated Consultant Costs

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	TOTAL
Consultant Cost Estimate for GSP Development					
Groundwater Model Readiness - Additional Calibration of Modflow USG	\$35,000				\$35,000
RFP Development - Status of Groundwater Model Memo	\$5,800				\$5,800
RFP Development – Consultant Assistance in Drafting RFP's and Reviewing Proposals	\$20,000				\$20,000
GSP Technical Consultant	\$37,883	\$400,000	\$528,667	\$285,000	\$1,251,550
R3 Grant Application Tech Support for Meetings			\$15,000	\$14,980	\$29,980
R3 Grant Application GSP Tech Consultant Install of Data Loggers			\$132,160		\$132,160
GSP Stakeholder Engagement Consultant	\$5,976.00	\$50,000	\$50,000	\$44,024	\$150,000
GSP Grant Administration Consultant	\$2,625	\$2,500	\$10,000	\$13,682	\$28,807
Peer Review Group to Evaluate Modflow USG for Suitability		\$15,000	\$45,000	\$40,000	\$100,000
R3 Grant Application Incremental Cost for GW Flowmodel Peer Review			\$25,000		\$25,000
R3 Grant Application Infiltration Testing and Pilot Studies		\$123,275	\$123,275		\$246,550
Subtotal	\$107,284	\$590,775	\$929,102	\$397,686	\$2,024,847
Consultant Cost Estimate for Contingency Fund					
15% Contingency for Stakeholder Engagement Consultant	\$896	\$7,500	\$7,500	\$6,604	\$22,500
15% Contingency for GSP Technical Consultant	\$5,682	\$60,000	\$79,300	\$42,750	\$187,733
Subtotal	\$6,579	\$67,500	\$86,800	\$49,354	\$210,233
Total Consultant Cost Estimate for Technical Development	\$113,863	\$658,275	\$1,015,902	\$447,040	\$2,235,080
Consultant Cost Estimate for Administration					
Grant Application Cost		\$33,504			\$33,504
Pre GSP Adoption Rate Study for Fee Collection			\$50,000		\$50,000
Rate Study for Post GSP Adoption Fee Collection			\$75,000		\$75,000
Agency Insurance through JPIA	\$2,500	\$2,500	\$2,500	\$2,500	\$10,000
Legal	\$15,000	\$15,000	\$15,000	\$15,000	\$60,000
Annual Audit Costs	\$3,288	\$3,353	\$3,420	\$3,700	\$13,761
Subtotal	\$20,788	\$54,357	\$145,920	\$21,200	\$242,265
Consultant Cost Estimate for Post GSP Adoption Activities					
Required Annual Report, Monitoring, Reporting, Database Maintenance				\$25,000	\$25,000

Project Development (CEQA, Design, Construction, O&M)					
Subtotal				\$25,000	\$25,000
Total Consultant Cost Estimate All Categories	\$134,651	\$712,632	\$1,161,822	\$493,240	\$2,502,345

Table 3. Budget Summary

Budget Summary	FY 18/19	FY 19/20	FY 20/21	FY 21/22	TOTAL
Table 1. Total Estimated SCV Water Staff	\$89,000	\$96,000	\$114,000	\$114,000	\$413,000
Table 2. Total Estimated Consultant Services*	\$134,651	\$712,632	\$1,161,822	\$493,240	\$2,502,345
Total Estimated Staff and Consultant	\$223,651	\$808,632	\$1,275,822	\$607,240	\$2,915,345
Anticipated Revenue					
Estimated R2 Grant Reimbursement	\$10,000	\$150,000	\$150,000	\$106,000	\$416,000
Estimated R3 Grant Reimbursement			\$445,580	\$445,580	\$891,159
Member Agency Contributions	\$80,000	\$80,000	\$80,000	\$80,000	\$320,000
Additional Revenue Required*	\$133,651	\$578,632	\$600,243	\$(24,340)	\$1,288,186
Total Revenue for GSP Development	\$223,651	\$808,632	\$1,275,822	\$607,240	\$2,915,345
Balance					

*SCV Water may, in its discretion, advance these funds, or provide a voluntary non-reimbursable Member contribution