



**Eastern San Joaquin Groundwater Authority  
Groundwater Sustainability Workgroup  
February 13, 2019  
4 – 5:30 p.m.  
San Joaquin County Public Works Department  
1810 E. Hazelton Ave., Stockton – Conference Room A**

**Committee Members in Attendance**

	<b>Name</b>	<b>Organization</b>
	Colin Bailey	The Environmental Justice Coalition for Water
	Barbara Barrigan-Parrilla	Restore the Delta
X	Gene E. Bigler	PUENTES
	Drew Cheney	Machado Family Farms
	Robert Dean	Calaveras County Resource Conservation District
X	Mary Elizabeth	Sierra Club
	David Fries	San Joaquin Audubon
X	Joey Giordano	The Wine Group
	Jack Hamm	Lima Ranch
	Mary Hildebrand	South Delta Water Agency
X	George V. Hartmann	The Hartmann Law Firm
	Michael Machado	Farmer
	Ara Marderosian	Sequoia ForestKeeper
	Ryan Mock	J.R. Simplot Company
X	Yolanda Park	Coop
X	Jonathan Pruitt	Catholic Charities of the Diocese of Stockton
X	Will Price	University of the Pacific & Vice Chair, SJ County Advisory Water Commission
X	Daryll Quaresma	2Q Farming, Inc.
	Jennifer Shipman	Manufacturers Council of the Central Valley
X	Chris Shutes	California Sportfishing Protection Alliance
	Michael F. Stieler	CGCS, Spring Creek Golf & Country Club
	Linda Turkatte	San Joaquin County Environmental Health Department
	Ken Vogel	San Joaquin Farm Bureau Federation
X	Ted Wells	Trincherro Family Estates and Sutter Home Winery
X	John Lambie	Safe Water for All
	<b>General Public</b>	
X	Jane Wagner-Tyack	League of Women Voters of SJ County
X	Paul Wells	Department of Water Resources
X	Andrew Watkins	Stockton East Water District
	<b>Staff and Consultants</b>	
X	Brandon Nakagawa	County ESJ GSP Project Representative

X	Michael Callahan	County ESJ
	Alicia Connelly	County ESJ
X	Alyson Watson	ESJ GSP Project Manager
X	Christy Kennedy	ESJ GSP Deputy Project Manager
X	Lindsay Martien	ESJ GSP Deputy Project Manager
X	Cindy Thomas	Stakeholder Engagement & Public Outreach Consultant
X	Toby Fedder	Project Manager Woodard & Curran

## Meeting Notes

### I. Welcome

- a. Alyson Watson welcomed the group.
- b. Alyson Watson reviewed the meeting agenda, emphasizing the focus would be on financing.

### II. Meeting Objectives

- a. Review and discuss roadmap and deliverable schedule update.
- b. Review options for GSP funding and financing.
- c. Wrap up and summarize.

### III. Roadmap Deliverables Update

- a. Alyson noted she and her team will work with staff and legal counsel to come up with a new schedule and deliverables based off the Board's direction. Chapters will be released on a rolling basis and with an internal round of review. Additionally, the GSA staff will develop a detailed schedule with direction from the Board. At this point there is not a finalized timeline.
  - i. Mary Elizabeth said there was a policy call and there are concerns that a lot of the decisions that have been made thus far have not been vetted. During this meeting there was a lot of discussion about schedule and timing. She noted that there are attorneys involved. The main concern is the lack of draft materials released from the consultants prior to decisions being made.
  - ii. Jane Wagner-Tyack said that during the meeting, they specifically spoke about the water budget. The acre-foot sustainable yield requirement was questioned.
  - iii. Alyson Watson said the consultants were not invited to the meeting. Decisions made will be made by the GWA Board. She noted that there was never an intent to not have an administrative review – just a review by the Advisory Committee. The new direction is to deliver to GSA staff, and the chapters will be available to the public once that review had taken place.
  - iv. Alyson Watson let the group know over the next two months, the focus will be to work with staff on GSA-level water budgets and a refined schedule. Drafts will be available to GSAs and the general public once these meeting have been held.

#### IV. Financing

- a. Alyson Watson introduced Toby Fedder of Woodard & Curran and explained that he will be presenting financing options available to the GSAs.
- b. Toby Fedder gave background— his main job to help public identify funding sources for large capital investments and to explain the number of capital investment sources available.
  - i. Toby Fedder discussed the types of funding sources available.
  - ii. Toby Fedder discussed the financing strategies and the methods of making sure the utility remains financial stable. Additionally, he noted that there will be some GSAs that may need to team up to meet goals and create a strategy.
  - iii. Toby Fedder reviewed the federal funding programs. The top row showed subsidized funds, and the bottom three showed grant programs with required matching funds.
  - iv. Toby Fedder reviewed bonding, going out to the capital markets and borrowing money with a bond repayment schedule. It is an upfront cash situation.
  - v. Toby Fedder reviewed PayGo. Large capital projects that have to bond due to government structure.
  - vi. Toby Fedder reviewed P3 (Private-public partnership). He gave an example of the Washington D.C. express lanes project. A third party built the lanes then charge the toll. Once it is paid, they belong to the state of Virginia and they get the revenues. Often times you are dealing with private equity, so you have to be careful. GSAs do not need to come up with initial money, instead they are agreeing to a revenue stream.
  - vii. Toby Fedder reviewed financing strategies. The public agencies need to remember that financed correctly, public agencies can borrow large dollar amounts and repay over time.
- a. Will Price said his research suggests that unless you design P3 contracts well, they end up badly. There could be a lot of penalties.
- b. Toby Fedder says there are a lot of challenges with the P3 type of funding, and that it is best suited for agencies that are unable to bond. There are instances where providing a product for a service works—he described GE Engines and American Airlines
- c. Mary Elizabeth said 4.5 percent is pretty low for any type of financing. Asked what it would look like for 5.5 percent?
- d. Toby Fedder said for every million dollars every percentage is about \$10k in interest—normally. He explained the payback terms of GO Bonds. He described payback on bonds—and the flexibility vs. the state subsidized vehicles.
- e. Toby Fedder discussed ESJ-specific considerations. The basin are moving toward a blended approach—both a basin-wide and a GSA by GSA approach to financing and funding. He noted that it is too early to make decisions on financing.
- f. Alyson Watson agreed.
- g. Toby Fedder noted the GWA has administrative costs for financing. He acknowledged that no matter the funding choices, the basin has to make its filing as a group. He explained the high cost of administrative charges and that those costs can be shared. He described a bundle into a combined approach and noted that no GSA would be better off going at financing alone.

- h. Daryll Quaresma asked if one GSA goes and does its own financing, will the rest of the GSP be held ransom.
- i. Alyson Watson said the approach is a broadly supported solution including a regional cost allocation. A number of GSAs do not want to take the singular approach but there are GSAs who want to do their own thing. She noted that there is an approach for addressing enforcement or monitoring from the GWA. The state intervention would be a basin issue most likely, as the GSP is for the entire basin.
- j. Toby Fedder said there is not one GSA that can hold the entire thing up.
- k. Paul Wells said the Board will have a way of policing - monetarily and with projects. The State Water Board will not step in unless the basin is not in compliance.
- l. Andrew Watkins said there will be a pumping issue and a curtailment of pumping for crops.
- m. George V. Hartmann said when the JPA agreement was made, it was designed to bring all the GSAs together to get the GSP done. It was designed intentionally for organic growth and was only intended to last through GSP adoption. DWR looks at it from a basin scale and not case by case for each GSA. It was not designed to deal with compliance. Need to build in mechanisms for monitoring.
- n. George V. Hartmann asked to go around the table to ask how people feel about enforcement.
- o. Will Price asked what the statute says
- p. George V. Hartmann said there is state law, and that the fees that are charged are astronomical.
- q. Jane Wagner-Tyack said the attorneys raised the issue about wanting more information because they do not know about the water budget and at what scale it will be monitored.
- r. Daryll Quaresma noted that he went to a water coalition meeting and one of the issues discussed was with a group of Salinas Valley disadvantaged communities who sued the largest property owners in agriculture over drinking water. Due to the lawsuit, the property owners have to provide the community with drinking water. The same group went after Kern County. He asked if we will have that problem in our basin?
- s. Toby Fedder described the water rates in large metropolitan cities – they are higher to account for everyone. A regional financing approach would be similar. This is not our decision, it is the GSAs.
- t. Brandon Nakagawa noted there is a varying take on the regional approach. The spectrum is large in the community. We need to find whatever solution fits the problem. We heard of a lot of problems today. There are projects on the table that are more expensive than we can afford right now but a regional approach can help that.
- u. Yolanda Park said stations for water has a lot of variables including community input. It is not an easy question.
- v. Daryll Quaresma noted that we talk about quantity but we also need to talk about quality of water.
- w. Alyson Watson said this feedback is important and will be taken back to the Board.
- x. Alyson Watson stressed that we have intentionally avoided the allocation path.
- y. Daryll Quaresma asked if a GSA has a project that is expensive, how are they expected to repay?

- z. Toby Fedder said the State would look at it at a GSA level. Bond underwriters would look at those parameters during the underwriting process.
- aa. Jane Wagner-Tyack clarified that she thought we should look at markets within the basin.
- bb. Paul Wells said SGMA is set up for the GWA to manage the basin. It is not the final plan set in stone but rather an adaptive plan updated every five years. SGMA is set up to allow the GWA to do that.
- cc. Joey Giordano said as far as paying for the projects, Kings River GSA looked at overdraft for the basin and split up the fees accordingly. One of the GSAs in the basin passed a large administrative fee.
- dd. Joey Giordano noted that overdraft is our biggest issue and he would like a template dictating how the cost is shared.
- ee. George V. Hartmann said the Governor appointed Laurel Firestone to the State Water Board – her mission is to provide portable drinking water to disadvantaged communities. He noted the Salinas story and how the infrastructure was not suitable to provide drinking water so that is why they have the stations. Someone will have to pay to redo their water infrastructure.
- ff. Brandon Nakagawa explained where the hole is located.
- gg. Mary Elizabeth said Daryll Quaresma brought up the want to develop dry land into irrigated crop. There needs to be some type of monitoring for all of this. If you are in an area of overdraft, there should be increased monitoring.
- hh. George V. Hartmann asked what happens if a GSA is out of compliance
- ii. Brandon Nakagawa said the State can take over
- jj. Toby Fedder asked what if the GSA continues to over pump?
- kk. Brandon Nakagawa explained that there is a bad neighbor clause from the State that is punitive.
- ll. Toby Fedder described financing strategies for raising revenue and the challenges.

Brandon Nakagawa asked the group what it would take for you to vote on a sales tax increase for water. He noted that they are working on that now.

- a) George V. Hartmann said there would need to be a tax that it is only used for water.
- b) Andrew Watkins said the water problem needs to be solved. Sales tax is a vicious cycle.
- c) George V. Hartmann noted a desire for regional scale with a regional authority or leave it to the GSAs
- d) Jane Wagner-Tyack brought up legislative efforts to provide for safe and affordable drinking water, which are also part of the Governor's budget trailer bill. Part of this proposal involves a statewide tax on water. A competing proposal involves setting up a trust fund from the general fund and using the interest off that. There needs to be a way to pay for operation and maintenance. She noted the other thing is looking at ways to offset rates for low income ratepayers that will result in some type of legislation. Some of these measures are likely to compete with local efforts to raise money for SGMA-related infrastructure projects.
- e) Mary Elizabeth said Cal Water has the highest rates in the basin.
- f) George V. Hartmann noted that you need to figure out what you want to do before you figure out how you want to fund it.
- g) Alyson Watson noted the challenge the smaller GSAs with larger issues are facing and funding those with a smaller rate base.

- h) Jane Wagner-Tyack suspects we are not facing what happened in Salinas with the disadvantaged communities. We do not have communities in our basin facing that scale of water quality problems.
- i) Chris Shutes asked for an update on the status of projects.
- j) Alyson Watson noted that it is part of the process mentioned earlier. At the Board and Advisory Committee meetings, there was a request for a process change. An updated schedule will be available in March.
- k) Will Price is worried about holding off on finance until the GSP is completed. If we wait until the plan is completed, we only have a short time to make financial decisions.
- l) Jane Wagner-Tyack asked about the timelines.
- m) Alyson Watson noted everything has to be done by 2040.
- n) Daryll Quaresma asked if there are areas we need to consider helping with funding.
- o) Mary Elizabeth said there are pockets all over the basin.
- p) Toby Fedder reviewed five case studies on cost sharing. He noted that there is time to plan for the revenue streams and that working together creates smaller impacts. There is a huge amount of value in regionalization done right.
- q) George V. Hartmann thinks there should be a study on the pros and cons for regionalization vs. GSA level
- r) Mary Elizabeth is not in favor for sales tax increase. She noted that low income populations pay more of their funds.
- s) Daryll Quaresma asked if some of the projects deliver water outside of the basin. If the water is sold, should there be a fee on the sale of the water go into funding the lower funded GSAs?
- t) Andrew Watkins noted that there is not a lot of water to sell outside of jurisdiction. Moving water around is practically impossible with the exception of East San Joaquin.
- u) Brandon Nakagawa explained the DREAM project with EBSMUD.
- v) Daryll Quaresma reiterated that the water is here, we just need to know how to use it.

## **V. Informational Meeting Recap**

- a. The third informational meeting took place on Tuesday, February 13 at the Lockeford Community Center.
  - i. The event followed an open house format, and 60 people attended
  - ii. Meeting materials are available on the website

## **VI. Wrap Up & Summary Discussion**

- a. Alyson Watson wrapped up the meeting by reiterating the purpose of reviewing funding and financing options.
- b. The group developed a list of comments to go to the Board.
- c. Alyson Watson noted the date, time and location of the next meeting. Wednesday, March 13 at the San Joaquin County Public Works Department.

## **VII. Announcements**

- a. Alyson Watson adjourned the meeting at 5:46 p.m.

### **Comments by Mary Elizabeth**

Here are some excerpts from the JPA:

To the extent the Members are not successful at jointly implementing the GSP within the Basin, or to the extent that any Member wishes to implement the GSP within its boundaries, the Authority intends to allow any individual Member to implement the GSP within its boundaries, and to work together with all Members to coordinate such implementation in accordance with the requirements of SGMA

2.6 The Members expressly intend that the Authority will not have the authority to limit or interfere with the respective Member's rights and authorities over their own internal matters, including, but not limited to, a Member's legal rights to surface water supplies and assets, groundwater supplies and assets, facilities, operations, water management and water supply matters. The Members make no commitments by entering into this Agreement to share or otherwise contribute their water supply assets as part of the development or implementation of a GSP.

6.2 Noncompliance. In the event any Member (1) fails to comply with the terms of this Agreement, or (2) undertakes actions that conflict with or undermine the functioning of the Authority or the preparation or implementation of the GSP, such Member shall be subject to the provisions for involuntary removal of a Member set forth in of Section 6.3 of this Agreement. Such actions of a Member shall be as determined by the Board of Directors and may include, for example, failure to pay its agreed upon contributions when due; refusal to participate in GSA activities or to provide required monitoring of sustainability indicators; refusal to enforce controls as required by the GSP; refusal to implement any necessary actions as outlined by the approved GSP minimum thresholds that are likely to lead to "undesirable results" under SGMA.

6.3 Involuntary Termination. The Members acknowledge that SGMA requires that multiple GSAs within Bulletin 118 groundwater basins designated as high- or medium-priority must coordinate, and are required to use the same data and consistent methodologies for certain required technical assumptions when developing a GSP, and that the entire Basin must be managed under one or more GSPs or an alternative in lieu of a GSP for the Basin to be deemed in compliance with SGMA. As a result, upon the determination by the Board of Directors that the actions of a Member (1) fail to comply with the terms of this Agreement, or (2) conflict with or undermine the functioning of the Authority or the preparation and implementation of the requirements of the GSP, the Board of Directors may terminate that Member's membership in this Authority, provided that prior to any vote to remove a Member involuntarily, all of the Members shall meet and confer regarding all matters related to the proposed removal. The Board of Directors shall terminate the membership in the Authority of any Member that fails, on or before June 30, 2017, to (i) elect to become a GSA duly established in accordance with SGMA, or (ii) participate, through a joint exercise of powers agreement or other legal agreement, in a GSA duly established in accordance with SGMA.