

Summers Engineering, Inc.  
Consulting Engineers  
Hanford, California

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# Engineer's Report

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CENTRAL CALIFORNIA IRRIGATION DISTRICT  
Benefit Assessment Evaluation

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California Proposition 218

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**April 2013**

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## Introduction

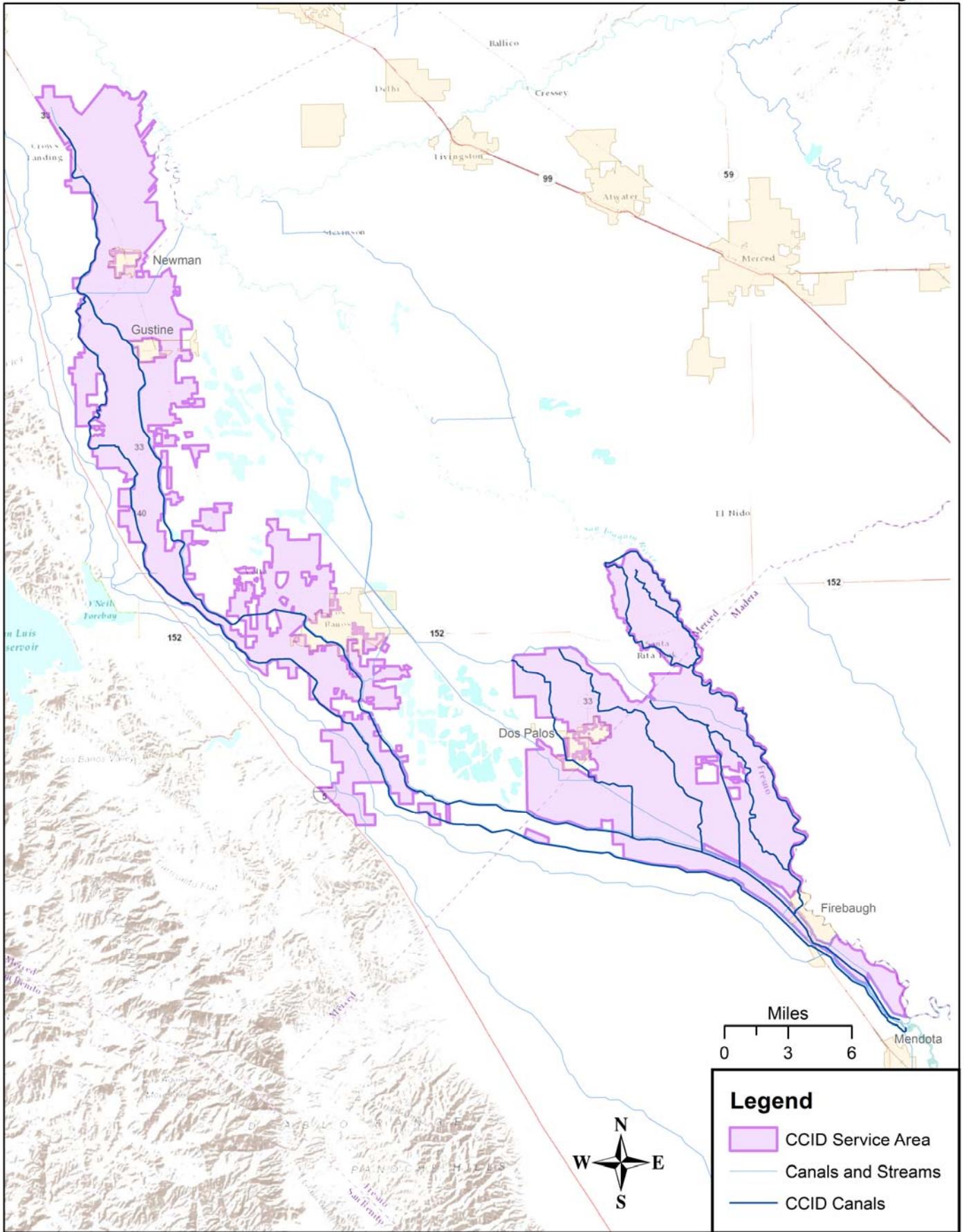
Central California Irrigation District (CCID) is a California Special District organized in accordance with the California Water Code for Irrigation Districts. CCID is located in the San Joaquin Valley within portions of Fresno, Merced and Stanislaus Counties. Figure 1 is a map of the District. CCID is comprised of approximately 145,000 acres (gross) of irrigable land. There are also approximately 18,000 acres of Class 2 land lying outside the District's boundary which can receive developed water from CCID. The District is one of four (4) Exchange Contractors on the San Joaquin River which receive surface water allocations from the Central Valley Project in exchange for their riparian and pre-1914 appropriative water rights from the San Joaquin River. CCID's annual surface water entitlement is approximately 532,000 acre-feet.

CCID's water delivery system is comprised of canals and lateral ditches which flow northwesterly. The headwork's of the canal system is located at the Mendota Pool near the town of Mendota, and the District's canals extend as far north as the town of Crows Landing. The District also owns and operates drain pumps which reclaim farm tail water from various drainage channels and sloughs and discharge it back into the District's canals.

The primary service provided by CCID is delivery of surface water for irrigated agriculture. This service includes ongoing operation and maintenance of the existing water delivery system and improvement projects. The District also participates in and maintains various association memberships which serve to protect and preserve the water rights of growers in the District.

CCID has a five (5) member elected board of directors, with each director representing a corresponding division of the District. The District employs a full time general manager, office staff, and operation and maintenance personnel to conduct the District's operations and execute the Board's directives and policies.

Figure 1



Central California Irrigation District

CCID recovers its operating expenses primarily through water service charges to landowners within the District and water transfers to users outside the District.

#### Irrigated Lands Regulatory Program

The Irrigated Lands Regulatory Program (ILRP) was started in 2004 and is regulated through the Central Valley Regional Water Quality Control Board (RWQCB). Under the ILRP landowners must acquire a permit to discharge water from irrigated lands if the discharges result in downstream water quality objectives not being met. Prior to 2004 this was a State requirement that was less stringently regulated. The ILRP has been implemented since 2004 through an agricultural waiver (Ag Waiver) program that allows certain monitoring, reporting and management planning to be conducted in lieu of actually acquiring a permit. The Ag Waiver program is functionally the same as a general waste discharge permit, which is issued to a group of dischargers versus an individual permit being issued to an individual discharger. Ag Waivers can also be implemented through a third party that manages the program within a district or region.

Through 2013 the ILRP only applied to surface discharges from irrigated lands, which is water that flows off the land at the surface. RWQCB is expanding the regulation to include discharges to groundwater. For instance, applied irrigation water that goes below the root zone and causes groundwater quality objectives to be exceeded is considered a discharge. The groundwater provision will be implemented through a general order by RWQCB.

Since 2004 lands in CCID have been included in the Ag Waiver program through the (third party) Westside San Joaquin River Watershed Coalition (Westside Coalition), which is under the umbrella of the San Joaquin Valley Drainage Authority. The Drainage Authority will expand its monitoring, reporting and management planning to address RWQCB's general order regarding discharges to groundwater. Heretofore CCID has paid a per acre fee for its portion of the Drainage Authority's expenses to manage the lands within the District. The fee is paid to the San Joaquin River

Exchange Contractors Water Authority which in turn pays the Drainage Authority for its services. CCID has not, however, charged its landowners separately for this service.

Implementation of additional monitoring, reporting and management planning for the groundwater order is expected to increase the cost of service by \$0.88 per acre in the first year. When the new provisions of the ILRP are fully implemented the cost of service is estimated to be as much as \$4.88 per acre more than it is currently. CCID is proposing to place an assessment on the parcels that are included in the Ag Waiver program. The assessment will only recover the increase in the cost of service and the assessment rate will be raised in the same increments as the cost of service up to a maximum of \$4.88 per acre. The current cost of service for the surface discharger portion of the program will continue to be paid by the District from its general operating funds.

#### Proposition 218 Requirements

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.

To assess the lands included in the Ag Waiver program and comply with the requirements of Proposition 218, CCID must perform a number of steps. Information regarding the proposed assessment, including a voting ballot, must be mailed to

every 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 the ballots. The assessment will not be levied if upon the conclusion of the hearing, ballots submitted in opposition to the increase exceed the ballots submitted in favor of the increase. In tabulating the ballots, the ballots shall be weighted according to the proportional financial obligation of the affected property. 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.



## 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. CCID's membership in the Westside Coalition provides a *special* benefit by including applicable lands in the Ag Waiver program. None of the Ag Waiver services are considered *general* benefits to the public. Therefore, under the requirements of Proposition 218, CCID is eligible to recover one-hundred percent (100%) of its costs through an assessment. As specified earlier in this report, CCID is proposing an assessment only for the increase in costs related to the new groundwater order of the ILRP. The current cost of CCID's membership in the Westside Coalition will continue to be paid from the District's general operating funds.

## Cost of Service

Table 1 on the following page indicates the San Joaquin Valley Drainage Authority's actual and projected expenses for the Ag Waiver program from fiscal year (FY) 2011-12 through FY2017-18. The total annual expenses are broken down into several categories. Most of the cost increase to address the groundwater order is reflected in the category for monitoring and implementation (Line 2). There are three agencies that pay for and receive coverage under the Drainage Authority's Ag Waiver program even though they are not members (Line 7). The Drainage Authority also maintains a rate stabilization reserve fund to make up year to year differences between revenues and actual expenses (Line 8). Expenses paid by the non-members and the amount given or taken from the reserve fund were deducted from the Drainage Authority's total annual expenses to determine the amount needed from membership dues (Line 9). This amount was then divided by the members' total acreage of land included in the Ag Waiver program. Table 1 shows that in FY2012-13, before provisions were implemented for the new groundwater order, the Drainage Authority's annual assessment to the Westside Coalition was \$3.12 per acre. With some of the new provisions implemented in FY2013-14 the assessment increases to \$4.00 per acre. As the remaining provisions are implemented from 2014 to 2018 the assessments will necessarily increase to cover the added expenses for monitoring and implementation. A key component of these costs are fees paid annually to the State Water Resources Control Board to pay for the State's implementation costs (Line 3). In FY2012-13 this fee was \$0.56 per acre. The fee is set annually by the state and could vary from this amount. For purposes of this projection it was assumed that the State Board's Ag Waiver fee will be the same through 2018 and the other three categories of expenses, legal (Line 1), other (Line 4), and administrative & auditing (Line 5), will increase 3% per year.

**Table 1**  
**San Joaquin Valley Drainage Authority**  
*Conditional Ag Waiver Assessment Charges*

Line No.	Item	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18
	<u>Expenses</u>							
(1)	Legal	\$25,000	\$45,000	\$55,000	\$56,650	\$58,350	\$60,100	\$61,903
(2)	Monitoring & Implementation	\$1,249,000	\$1,145,000	\$1,320,000	\$1,740,559	\$2,143,875	\$2,547,206	\$2,950,551
(3)	Collect State Board Ag Waiver Fee	\$64,000	\$289,000	\$289,000	\$289,000	\$289,000	\$289,000	\$289,000
(4)	Other Services & Expenses	\$24,628	\$27,200	\$27,230	\$28,047	\$28,888	\$29,755	\$30,648
(5)	Administrative & Auditing	\$38,491	\$37,779	\$44,511	\$45,846	\$47,222	\$48,638	\$50,098
(6)	Subtotal of expenses [(1) thru (5)]	\$1,401,119	\$1,543,979	\$1,735,741	\$2,160,102	\$2,567,335	\$2,974,699	\$3,382,199
(7)	Expenses paid by non-member agencies	-\$84,066	-\$141,524	-\$141,560	-\$145,807	-\$150,181	-\$154,686	-\$159,327
(8)	Funds from / to Reserves	-\$411,845	-\$142,579	\$17,122	\$0	\$0	\$0	\$0
(9)	Amount needed from SJVDA membership dues [(6) thru (8)]	\$905,208	\$1,256,920	\$1,611,303	\$2,014,295	\$2,417,154	\$2,820,013	\$3,222,872
	<u>Assessment</u>							
(10)	Total acreage included in Ag Waiver program	402,314	403,453	402,859	402,859	402,859	402,859	402,859
(11)	Assessment per acre [(9) / (10)]	\$2.25	\$3.12	\$4.00	\$5.00	\$6.00	\$7.00	\$8.00

For 2012 a total of 136,757 acres were included under CCID's membership in the Westside Coalition. This excludes the Class 2 land which will not be part of this Proposition 218 election. Therefore, CCID's cost for service to the included lands was as follows:

<p><i>FY 2012-13 Ag Waiver Service for CCID</i></p> <p><i>\$3.12 per acre x 136,757 acres = \$426,682</i></p>
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## Analysis of Alternative Solutions

There are three conceivable alternatives for the lands covered under CCID's membership in the Westside Coalition. One alternative would simply be to not comply with RWQCB's order regarding discharges to groundwater. A landowner who did not comply would be in violation of State law and would be subject to fines and penalties stipulated by the ILRP. For the purpose of this report non-compliance is not considered a feasible alternative and no further analysis will be presented.

The second alternative would be for CCID to form its own coalition and perform the required monitoring, reporting and management activities using its own staff. It is estimated that CCID would need to monitor roughly 70% of the sites that are currently monitored by the Drainage Authority. Therefore, the FY2012-2013 cost for CCID to operate its own coalition would be approximately 70% of the Drainage Authority's expenditures for that year, which is \$880,000 ( $\$1,256,920 \times 70\%$ ). This amount divided by the applicable Ag Waiver acreage in CCID (136,757 acres) is \$6.43 per acre, which is more than two times the Westside Coalition's assessment charge for FY2012-13. It is assumed that the cost increase to comply with the groundwater order over the next few years would also be about two times as much for a CCID coalition as it will be under the Westside Coalition. Other than CCID having more control over the management of data collection and reporting, there would be no apparent advantage to this alternative that would justify the cost premium.

The third alternative would be for individual landowners to acquire and maintain their own individual discharge permits with ongoing monitoring and reporting. It is assumed that some of the activities performed by the Drainage Authority would not be required for an individual permit holder. Also, the Drainage Authority performs monitoring all 12 months of the year, but an individual landowner might only have discharges in 9 months of the year. Using these assumptions the annual cost for an

individual landowner to monitor and report discharges from a single site would be as follows:

<i>FY 2012-13 Ag Waiver Expenses</i>	<i>\$1,611,303</i>
<i>Expenses Not Applicable for Individuals</i>	<u><i>-\$956,741</i></u>
<i>Total Applicable Expenses</i>	<i>\$654,562</i>
<i>Monitoring Sites</i>	<i>÷22</i>
<i>Months per Year Monitoring is Required</i>	<u><i>x 9 / 12</i></u>
<i>Annual Cost per Monitoring Site</i>	<i>\$22,315</i>

A landowner with a large acreage that drains to a single point might realize some economy of scale, but the cost per acre for a small landowner to hold his own permit would be exorbitant. Assuming a single landowner had 2,000 acres that drained through a single monitoring point, the estimated costs for FY2012-13 would be \$11.16 per acre, which is nearly four times the Westside Coalition's assessment charge for FY2012-13. As with the second alternative, it is assumed the cost increase to comply with the groundwater order over the next few years would be proportionally higher for an individual permit holder than it will be under the Westside Coalition. It is also noteworthy that an individual permit holder might be more vulnerable in defending a discharge violation than a coalition of dischargers.

## Determination of Benefit Assessments

CCID does not currently assess benefitted lands separately for the District's membership in the Westside Coalition. The cost of service for lands in the Ag Waiver program will increase due to new provisions regarding discharges to groundwater. CCID is proposing a new assessment on its benefitted lands to cover only the cost increase. The District will continue to pay the current cost of service from its general funds. The cost of service will ramp up over the next five years so it is proposed that the new assessment also be ramped up to match the incremental cost increases each year. The maximum assessment to be approved by the proposed election would occur in FY2017-18. Table 2 summarizes the estimated Ag Waiver expenses attributable to CCID's lands and the revenue that would be provided in each of the next five years if the proposed assessment rates are approved. The total annual amount chargeable to the lands in the District is indicated following Table 2.

**Table 2**  
**CCID Lands in the Westside Coalition**  
*Ag Waiver Costs and Proposed Assessments*

Year	Estimated Cost of Service to CCID	Acreage	Proposed Assessment per acre	Assessment Revenue	Service Cost Paid by CCID
FY2013-14	\$547,028	136,757	\$0.88	\$120,346	\$426,682
FY2014-15	\$683,785	136,757	\$1.88	\$257,103	\$426,682
FY2015-16	\$820,542	136,757	\$2.88	\$393,860	\$426,682
FY2016-17	\$957,299	136,757	\$3.88	\$530,617	\$426,682
FY2017-18	\$1,094,056	136,757	\$4.88	\$667,374	\$426,682

*Total Maximum Annual Assessment Amount  
Chargeable to CCID's Ag Waiver Lands*

$$136,757 \text{ acres} \times \$4.88 \text{ per acre} = \$667,374$$

If the assessment is approved by the voters the District would collect annual assessments from landowners and deposit those funds with the San Joaquin River Exchange Contractors Water Authority together with the annual fee already being

paid from the District's general fund. The Exchange Contractors will pay the Drainage Authority for the existing services being provided as well as the new monitoring, reporting and management that is required by the groundwater order of the ILRP.

## Conclusions

CCID's membership in the Westside Coalition provides a special benefit to applicable lands by including those lands in the Ag Waiver program. Heretofore CCID has paid for the services required by the Ag Waiver program from its general funds. A new order by the RWQCB regarding discharges to groundwater will increase the cost of service for the Ag Waiver program. CCID is proposing an assessment on benefitted lands to recover only the increase in costs. The District will continue to pay the current cost of service from its general funds. Proposition 218 requires that new taxes levied on property must be approved by a vote of the affected property owners. CCID will provide public notices and voting ballots and conduct a public hearing in accordance with Proposition 218 requirements. Alternatives would include non-compliance, formation of a new coalition only for CCID lands, or landowners acquiring and maintaining their own individual discharge permits. These alternatives were determined to be infeasible or considerably more costly than continued membership in the Westside Coalition. Over the next five years the proposed assessment would be ramped up in step with the anticipated increases in costs for the Ag Waiver program.