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Executive Officer

James M. Underwood
General Counsel

Kathy Bull
Office Manager

Agenda Item: 10.b.

Meeting Date: February 2 2017
From: George Williamson, Executive Officer
SUBJECT: Executive Officer Report

BACKGROUND:

The Executive Officer provides an activity report to the Commission.

DISCUSSION:

CALAFCO Quarterly Report – January 2017 – ATTACHED
Report on Board and Staff Activities.

CALAFCO Sphere Magazine October 2016 – AVAILABLE AT MEETING
Journal of the California Association of Local Agency Formation Commissions.
CALAFCO Activities including the 2016 Annual Report to the Membership

2016 Cortese Knox Herzberg Guide – AVAILABLE AT WEBSITES

The Assembly Local Government Committee has released the 2016 CKH Guide and it is now available online and for ordering. The Guide is on the CALAFCO website here.

<http://calafco.org/sites/default/files/documents/CKH%20Guide%20Update%202016.pdf>

The Guide is also available on the Committee's website in their publications section here. <http://alcl.assembly.ca.gov/sites/alcl.assembly.ca.gov/files/publications/CKH%20GUIDE.pdf>

CALAFCO - Sustainable Groundwater Management Act White Paper ATTACHED

White paper summarizes how the Sustainable Groundwater Management Act will impact Local Agency Formation Commissions (LAFCOs) around the State of California. The paper will use a variety of existing documents and sources to describe SGMA and evaluate how this important new law might affect LAFCOs.

Status of Future Proposals/Pre-Application Agreements

Tierra Robles Subdivision – proposed CSD. Project Draft EIR due out Spring 2017. Possible workshop at the April meeting, as Shasta LAFCo will be commenting on the DEIR as a responsible agency.

Possible Cemetery District Consolidation: Expecting application for potential consolidation of the Pine Grove and Fall River Mills cemeteries.

Proposed Annexation to CSA 13 Alpine Meadows: A Mixed Use (MU) development with a 9,100-sq ft. retail building, parking area, landscaping, and storm water retention basin. A land use designation change for portion of annexation area from RR to MU. Proposed annexation would require SOI expansion.

RECOMMENDATION:

It is recommended that the Commission receive, comment and file.



News from the Board of Directors

CALAFCO QUARTERLY

January 2017

CALAFCO Board and Staff Meet in Biennial Strategic Planning Retreat

On January 11, 2017, the CALAFCO Board held their biennial strategic planning retreat in San Jose. During the day-long retreat they reviewed Association accomplishments for 2016, completing the annual dashboard review in the process, reaffirmed CALAFCO's mission as an educational 501(c)3 non-profit Association, and worked extensively in the review of the current strategic plan priority areas.

The group comprehensively discussed the idea of transitioning to a lobbying organization and after carefully and thoroughly reviewing all options and their pros and cons, the Board unanimously reaffirmed the educational mission of the organization.

An in-depth discussion regarding roles and responsibilities of the Board, Staff and the organization's Committees yielded several policy changes including a change in the name and scope of work for the Board's Nomination Committee (now called the Election Committee), effective immediately, and a change in the membership structure of the Legislative Committee, effective 2018. The Legislative Committee will be comprised of five (5) total voting and five (5) total alternate Board members (one less than current), and two (2) voting members from each region with one (1) alternate per region. There will also now be an Advisory Committee which will be a resource to the Legislative Committee to work on specific bills or legislative projects.

A great deal of time was spent considering how CALAFCO can expend its limited resources in the area of member development.

All of the work done during the retreat will be presented back to the Board in the form of a 2-year strategic plan for consideration and adoption at their May 5 meeting.

Additional CALAFCO Board Actions

Following their strategic planning retreat, the Board met in a regular Board meeting on January 12. During the meeting the Board addressed several administrative issues including:

- ◆ The quarterly financial reports were reviewed. The budget is on track for the year with no changes anticipated.
- ◆ The Board considered the 2017-18 dues. CALAFCO Bylaws call for the dues to automatically increase annually by the state CPI, unless the Board takes action otherwise. Given the decision two years ago to raise LAFCo member dues by seven (7) percent each year for two years, the Board took action to not increase the dues by the CPI and reaffirmed the 7% increase. This is the second and final year of that



approved increase. All Executive Officers received the approved dues for FY 2017-18.

- ◆ The Legislative Policies for 2017 were adopted.
- ◆ The 2017-2018 Primary Strategic Areas were adopted as follows:
 - ◆ Educational resource for internal and external stakeholders
 - ◆ Member development and communication
 - ◆ Act as a resource

The Board narrowed the scope of the Strategic Plan to be better equipped at using existing resources in a way that brings greater value to the Association, its members and stakeholders. The Board will adopt a full two-year Strategic Plan at their May 5 meeting. That Plan will detail objectives for the three strategy areas.

Conferences and Workshops Update

2017 STAFF WORKSHOP

The 2017 Staff Workshop is set for *April 5-7* at the Doubletree by Hilton in downtown Fresno. Our host for this workshop is *Fresno LAFCo*. The Program Planning Committee is busy planning a great program. There is a long list of interesting topics being considered by the program team and a draft program will be made available by mid-February. Look for registration to open at that time as well. Registration rates for the Workshop will remain at the 2016 rates.

2017 ANNUAL CONFERENCE

Mark your calendars for the 2017 Annual Conference on *October 25-27*. We will be in Mission Bay, San Diego at the Bahia Hotel. Watch for preliminary program announcements in the spring. This is the first year for a *CALAFCO* hosted Conference and we are looking at lots of new and interesting ideas, so you will not want to miss out on this exciting and valuable educational and networking event!

CALAFCO White Papers and Other Publications

We are pleased to start the year with the release of the White Paper on the *Sustainable Groundwater Management Act (SGMA) and LAFCos*. The purpose of this paper is to summarize how SGMA will impact LAFCos across the state. You can find this paper on the CALAFCO website.



In partnership with the American Farmland Trust (AFT), we are currently working on a White Paper on *Ag Policies*. Work on this project is anticipated to be completed this July.



CALAFCO is undertaking a White Paper and mapping project on *Disadvantaged Unincorporated Communities* throughout the state. This is one of our main projects for 2017 and work will begin very shortly on this project.

CALAFCO Website

We are pleased to report the migration to the new and improved website was conducted seamlessly the last week of December. If you have not already checked it out, take a visit at www.calafco.org and see for yourself. Remember that in order to access the Members Only section you must request a new user name and password, unless you were previously using your own unique user name and password. To make that request, from the homepage select the orange Login button at the top right. Select Create New Account, enter your desired user name and your email address, and then click on the Create New Account button. CALAFCO staff will be notified of your request and upon verification of your affiliation with a LAFCo or Associate Member, your request will be approved. No requests will be approved unless the person is directly associated as staff or commissioner of a LAFCo or directly affiliated with the Associate Member's business (an employee).

CALAFCO Administration Update

2016 CKH Guide Update Now Available

The 2016 CKH Guide Update is now available. You can download the new Guide from the CALAFCO website, or place your order with CALAFCO for printed versions. The order form is also located on the CALAFCO website.



2017 Calendar of Events Published

The 2017 Calendar of Events is available online at the CALAFCO website and has also been distributed to the membership via the list serves.

2017-2018 Membership Directories

Watch for the new printed directories coming this spring. They will be distributed at the Staff Workshop and will also be available online.

CALAFCO Legislative Update

This is the first year of the new two-year legislative cycle. Not surprisingly, it's a slow start for bill introductions with only 396 bills introduced so far in both houses. The deadline to submit bill language to Leg Counsel was January 20, and the last day for bill introductions is February 17. It is expected that over the next several weeks the blitz of bill introductions will occur. This year, the Assembly has the authority to introduce ten additional bills per Legislator per year than before, bringing the total to 50 for each Assembly



Member. This could mean as many as 800 more bills introduced this year than in previous years.

The Senate has made their Committee appointments and the Senate Governance & Finance Committee (SGFC) has a new Chair – Senator Mike McGuire. Former Chair Senator Hertzberg is now a member of the Committee. Other than Senator McGuire, there are no new members on this committee. The long-time staff consultant to the committee (Brian Weinberger) was replaced with Jimmy MacDonald, former legislative advocate for CSDA.

The Assembly has made their Committee Chair appointments, and just recently made their membership appointments. The Assembly Local Government Committee (ALGC) has a new Chair - Assm. Cecilia Aguiar-Curry. She is a former Mayor and Yolo LAFCo Commissioner. In total, 8 of the 9 committee members are new to the committee.

CALAFCO is working to secure an author for our sponsored bill amending GCS 56653, as previously approved by the Board. In addition, we are working with CSDA as they take the lead to secure an author for our co-sponsored bill to streamline the addition of special districts on LAFCo.



CALAFCO Associate Members' Corner

This section highlights our Associate Members. The information below is provided to CALAFCO by the Associate member upon joining the Association. All Associate member information can be found in the CALAFCO Member Directory.

E Mulberg & Associates

E Mulberg & Associates has been a Silver Associate Member since March 2011. Services offered include Municipal Service Reviews, Sphere of Influence updates, changes in organization, staff reports, CEQA analysis, and assistance with applications to LAFCo. For more information, contact **Elliot Mulberg** at elliott@emulberg.com or visit their website at www.emulberg.com.

Goleta West Sanitary District

A Silver Associate Member since August 2011, **Goleta West Sanitary District** provides wastewater collection and treatment as well as street sweeping services. Formed in 1954, the district serves over 35,000 people. For more information, visit their website at





www.goletawest.com, or email their *General Manager Mark Nation*, at info@goletawest.com.

LACO Associates

LACO Associates has been a Silver Associate Member since February 2012. *LACO* provides integrated solutions for development, infrastructure and geo-environmental projects. Their services include planning, design, engineering and geo-environmental as well as CEQA compliance, GIS, MSRs and economic studies. For more information visit their website at www.lacoassociates.com, or email their *President Mike Nelson* at nelsonm@lacoassociates.com.



Griffith & Masuda

Griffith & Masuda has been a Silver Associate Member since March 2012. Founded in 1920, they specialize in water, energy, environmental and public law matters. They focus on serving public agencies and serve as general counsel or special water counsel to various agencies in the Central Valley. For more information, visit their website at www.calwaterlaw.com or email *David Hobbs* at dhobbs@calwaterlaw.com.

HdL Coren & Cone

HdL Coren & Cone has been a Silver Associate Member since July 2013. They provide property tax services to cities, counties and special districts. They are very familiar with county property allocation systems and redevelopment (and its dissolution). They have property tax data in 40 California counties going back as far as 25 years. For more information, visit them at www.hdlcompanies.com, or email *Paula Cone* at pcone@hdlccpropertytax.com.

Planwest Partners, Inc.

Planwest Partners Inc. has been a Silver Associate Member since August 2014. They provide contract LAFCo staffing services to multiple LAFCos. This includes preparing and conducting MSRs and SOI updates, public noticing, environmental documents, GIS, fiscal and economic studies, website management, application processing, facilitation and training. For more information, visit them at www.planwestpartners.com, or email *George Williamson* at georgew@planwestpartners.com.



Mark Your Calendars For These Upcoming CALAFCO Events

- ◆ CALAFCO Legislative Committee meeting, January 27, Sacramento
- ◆ CALAFCO Legislative Committee meeting, February 24, Irvine
- ◆ CALAFCO Legislative Committee meeting, March 24, Sacramento
- ◆ CALAFCO Staff Workshop, April 5-7, Fresno
- ◆ CALAFCO Board of Directors meeting, May 5, Sacramento

Upcoming CALAFCO Conferences and Workshops

2017 STAFF WORKSHOP

April 5 – 7
DoubleTree by Hilton Fresno Convention Center
Fresno, CA
Hosted by Fresno LAFCo

2017 ANNUAL CONFERENCE

October 25 – 27
Bahia Mission Bay
San Diego, CA
Hosted by CALAFCO

2018 STAFF WORKSHOP

April 11 – 13
Four Points Sheraton
San Rafael, CA
Hosted by Marin LAFCo

2018 ANNUAL CONFERENCE

October 3-5
Tenaya Lodge
Yosemite, CA
Hosted by CALAFCO

CALAFCO White Paper

Sustainable Groundwater Management Act

and

Local Agency Formation Commissions

December 2016



CALAFCO White Paper

Sustainable Groundwater Management Act and Local Agency Formation Commissions

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Purpose

The purpose of this white paper is to summarize how the Sustainable Groundwater Management Act will impact Local Agency Formation Commissions (LAFCOs) around the State of California. The paper will use a variety of existing documents and sources to describe SGMA and evaluate how this important new law might affect LAFCOs. It is important to note that LAFCOs do not have a formal role in implementing SGMA; however LAFCO can become involved in a number of ways that will be discussed in this paper.

Sustainable Groundwater Management Act Overview

The Sustainable Groundwater Management Act (SMGA) was signed by Governor Jerry Brown on September 16, 2014, and went into effect on January 1, 2015. SGMA amended the Water Code and Government Code. SGMA provides a framework for sustainable management of groundwater supplies by local authorities, with a provision for possible state intervention and management if the groundwater resources are not being managed effectively by local agencies.

SGMA requires the formation of local Groundwater Sustainability Agencies (GSAs) in groundwater basins designated as high- or medium-priority by the Department of Water Resources (DWR). GSAs must assess conditions in their local groundwater basins and adopt and implement local Groundwater Sustainability Plans (GSPs). SGMA provides substantial latitude and time – 20 years – for GSAs to implement plans and achieve long-term groundwater basin sustainability. The Association of California Water Agencies (ACWA) has provided analysis regarding SGMA. Here are a few key points:

- Local agencies have until June 30, 2017, to form a GSA.
- Any local agency or combination of local agencies with water supply, management, or land use responsibilities overlying a groundwater basin may decide to become a GSA for that basin.
- Agencies that have been created by statute to manage groundwater are deemed the exclusive agencies to comply with the Act within their boundaries, unless the agency decides to opt out.
- DWR reviews the completeness of the notice submitted by the proposed GSA. DWR also reviews the notice to determine if there are overlapping jurisdictions in a basin.

SGMA provides broad powers to GSAs to organize their governing structures and design and implement plans. In addition, local agencies that become GSAs may exercise any existing authority they already have. SGMA includes these steps and deadlines:

- January 1, 2016: Adopt basin boundary adjustment regulations. (DWR)



- April 1, 2016: Adjudicated basins submit judgments/decrees.
- June 1, 2016: Adoption of GSP regulations (DWR)
- January 1, 2017: Publish groundwater sustainability Best Management Practices. (DWR)
- June 30, 2017: Local agencies establish GSAs.
- July 1, 2017: Identify probationary basins: basins without a GSA. (State Water Resources Control Board)
- January 31, 2020: GSAs submit adopted GSPs for critically overdrafted high- and medium-priority basins. No GSP = probationary status.
- January 31, 2022: GSAs submit adopted GSPs for all other high- and medium-priority basins. No GSP = probationary status.
- January 31, 2020: Critically overdrafted high- and medium-priority basins: Probationary status if GSP is inadequate or is not being implemented in a manner likely to achieve sustainability goal.
- January 31, 2022: High- and medium-priority basins: Probationary status if GSP is inadequate or is not being implemented in manner likely to achieve sustainability goal.

Background and Governance

Prior to passage of SGMA, groundwater was largely unregulated in the state of California, especially compared to the state's comprehensive permit system for surface water rights. California was the last state in the West to adopt a groundwater management law. The Water Education Foundation explained in a 2015 report, titled "The 2014 Sustainable Groundwater Management Act: A Handbook to Understanding and Implementing the Law," that historically there were four basic options for local groundwater management: (1) Management by local agencies under AB 3030 and SB 1938; (2) Management by special act districts under special authority granted by state statute; (3) Management under city and county ordinances; or (4) Court adjudications.

Management by Local Agencies Under AB 3030 and SB 1938

In 1992, the state adopted AB 3030 (Water Code Section 10750-10755.4), which enabled local agencies to voluntarily create a plan to manage groundwater and tackle issues such as sea water intrusion into drinking water wells, groundwater overdraft and contaminated groundwater. Better coordination of using surface water and groundwater supplies, known as conjunctive use, was another focus of some plans. Subsequently, the Legislature passed SB 1938 in 2002 requiring



public agencies seeking state funding for groundwater projects to submit a management plan to DWR with specified components. As of 2015, 149 groundwater management plans have been developed. As of 2013 (under the terms of AB 359), copies of all plans are required to be submitted to the state for public information and use.

These laws encouraged local groundwater management planning, and some regions have made progress to improve management efforts. But the laws did not require the plans to achieve a sustainable management goal for the groundwater basin and did not provide local agencies the authority needed to effectively manage a groundwater basin. Groundwater management plans often depend on conjunctive use and recharging surface water to a groundwater basin.

Management by Special Act Districts

Another form of local groundwater management is special act districts. These are created by the Legislature in response to specific concerns. Their powers are customized to the needs of a particular groundwater basin. For example, the Orange County Water District statute provided for the district to establish a groundwater replenishment assessment, commonly known as a pump tax. The Legislature granted the Santa Clara Valley Water District similar authority.

In all, SGMA identifies fifteen (15) statutorily created agencies with the specific authority to manage groundwater, although the authority of each agency varies. These special districts are:

- Alameda County Flood Control and Water Conservation District, Zone 7
- Alameda County Water District
- Desert Water Agency
- Fox Canyon Groundwater Management Agency
- Honey Lake Valley Groundwater Management District
- Long Valley Groundwater Management District
- Mendocino City Community Services District
- Mono County Tri-Valley Groundwater Management District
- Monterey Peninsula Water Management District
- Ojai Groundwater Management Agency
- Orange County Water District
- Pajaro Valley Water Management Agency
- Santa Clara Valley Water District
- Sierra Valley Groundwater Management District
- Willow Creek Groundwater Management Agency

Local Ordinances

Counties and cities have constitutional police power to regulate the use of groundwater. Virtually all local jurisdictions regulate well permitting. In the early

1990s, some counties began to pass local groundwater ordinances primarily designed to discourage transferring groundwater from one county to a user in another county – a practice that became controversial during the 1987-1992 drought. More recently, a few counties have used their authority to manage groundwater use through limitations on well permits. According to DWR, 30 of the state's 58 counties have adopted groundwater ordinances. The power of counties to regulate groundwater has been challenged, but in 1995 the California Supreme Court declined to review an appeal of a lower court decision, upholding the authority for such local ordinances through a county's existing police powers.

Groundwater Adjudication

When multiple parties withdraw water from the same aquifer, groundwater pumpers can ask the court to determine the rights that various entities or individuals have to use the groundwater resources. In such adjudications, pumpers are assigned a designated share of the basin's water resources, and watermasters are typically appointed by the court to ensure that pumping conforms to the limits defined by the adjudication. These watermasters can be existing jurisdictions or another entity appointed by the judge.

Litigation, however, is time-consuming and costly, in part because of the multiple factual questions that must be addressed, including the identity of the pumpers, the respective amounts of historical production, the boundaries of the groundwater basin, and the history of the basin's hydrogeologic status to determine, among other things, when overdraft began. In the past, adjudications have taken a very long time to complete and have resulted in high legal costs. High and medium priority basins (i.e. basins subject to SGMA) that were adjudicated before the time of SGMA's passage are exempted from almost all SGMA requirements with the exception of specified reporting on the adjudication. Those basins are listed by name in SGMA. Basins that are adjudicated after the passage of SGMA must be consistent with SGMA's requirements for sustainable management. This was codified by SB 226 (Pavley/2015). SB 226 added Chapter 12 to SGMA so that:

In an adjudication action for a basin required to have a groundwater sustainability plan under this part, the court shall manage the proceedings in a manner that minimizes interference with the timely completion and implementation of a groundwater sustainability plan, avoids redundancy and unnecessary costs in the development of technical information and a physical solution, and is consistent with the attainment of sustainable groundwater management within the timeframes established by this part.

DWR is able to exempt a judgment from further SGMA compliance if DWR determines the adjudication satisfies SGMA's objectives for the basin or portion of the basin covered by the judgment. (Wat. Code section 10737.4.) DWR reviews the judgment every 5 years just like a SGMA plan and can recommend corrective actions to the court. (Wat. Code section 10737.6.)

Groundwater Sustainability Agencies

SGMA requires local formation of GSAs to manage groundwater for High and Medium priority basins as determined by DWR. By legislative design, SGMA provides broad local discretion in how GSAs are formed and governed. A GSA may consist of an individual public agency or multiple public agencies. A GSA may manage all or part of a basin. SGMA requires that all areas in a basin be managed by a GSA, and presumes that a county will be the GSA for any areas within that county not managed by a GSA unless the county declines. SGMA contemplates state involvement and potential state intervention for basin areas not managed by a GSA. SGMA permits private and mutual water companies, as well as Indian tribes, to participate in a GSA through a memorandum of agreement or other legal agreement, but does not confer any additional powers to a nongovernmental entity. A GSA must locally manage the groundwater basin through the preparation of a GSP. SGMA also allows for submission of an alternative in lieu of a GSP that meets the objectives of the Act.

Under SGMA, the terms GSA and Local Agency are defined as follows:

“Groundwater sustainability agency” means one or more local agencies that implement the provisions of this part [Part 2.74]. For purposes of imposing fees pursuant to Chapter 8 (commencing with [Water Code] Section 10730) or taking action to enforce a groundwater sustainability plan, “groundwater sustainability agency” also means each local agency comprising the groundwater sustainability agency if the plan authorizes separate agency action.

“Local agency” means a local public agency that has water supply, water management, or land use responsibilities within a groundwater basin.

The Department of Water Resources Notification Guidelines for Local Agencies (January 2016) further states as follows:

One local agency can decide to become a GSA or a combination of local agencies can decide to form a GSA by using either a joint powers authority (JPA), a memorandum of agreement (MOA), or other legal agreement. However, a local agency will only be presumed to be the exclusive GSA within their respective service area or combined service areas. A local agency must define its service area as part of its GSA formation process.

Exhibit A provides examples of both types referenced above.

The following excerpts are from the California Water Foundation’s 2015 report titled “Know Your Options: A Guide to Forming Groundwater Sustainability Agencies,” which describes the local control and flexibility inherent in SGMA:



Aside from requiring that GSAs be formed, SGMA does not mandate a single formation approach. This gives local agencies overlying a basin a wide variety of formation options. For example, a single local agency whose service area encompasses an entire basin could elect to be the sole GSA for a basin. Alternatively, multiple local agencies could come together to form a single GSA that manages the entire basin. Or, a basin could be managed by multiple GSAs who each manage separate portions of a basin through either a single GSP or coordinated GSPs.

Given the likelihood that multiple local agencies overlying a basin may elect to participate in managing the basin, this guide focuses on the different ways multiple local agencies can come together to create a GSA and coordinate with other GSAs. Pursuant to SGMA, a combination of local agencies can form a GSA through a joint powers agreement, a memorandum of agreement, or “other legal agreement.”

GSAs are being established throughout California with a great deal of variability. The Water Education Foundation identified several models of GSAs in its informational white paper on SGMA. These include:

- Centralized GSA: One agency assumes all responsibilities and authorities throughout the entire basin. An existing entity may assume this role or a new entity could be formed via a JPA, MOA, or through special legislation.
- Distributed GSA: Includes several GSAs within a basin. Each GSA is responsible for areas under its jurisdiction, with coordination required among the GSAs.
- Combination of Centralized and Distributed GSAs: Centralizes some authority and tasks and distributes others among multiple agencies.

According to the DWR website, Groundwater Sustainability Plans may be in any of the following forms: (Water Code § 10727(b)):

- A single plan covering the entire basin developed and implemented by one GSA.
- A single plan covering the entire basin developed and implemented by multiple GSAs.
- Subject to Water Code Section 10727.6, multiple plans implemented by multiple GSAs and coordinated pursuant to a single coordination agreement that covers the entire basin.

As these examples show, SGMA allows for local discretion in determining the most

appropriate way to form GSAs and manage groundwater basins. The formation process involves providing formation notices to DWR, which reviews the notices for “completeness.” Notices go through a 90-day waiting period during which other GSA formation notices for that portion of the basin may be filed. If, after 90 days, no overlap exists between proposed GSAs, the GSA becomes the “Exclusive GSA” and no other GSA formation notices will be posted for that area unless the exclusive GSA withdraws its notice. Since multiple GSAs can be formed to manage a basin, this has led to multiple and, in many cases overlapping, requests being submitted to DWR for formation of GSAs. In those cases, DWR places the GSA in “overlap” status and no agency may become the GSA until the overlap is eliminated at the local level.

Powers of a Groundwater Sustainability Agency

SGMA gives a GSA broad power to adopt rules, regulations and ordinances and take actions it deems necessary to carry out the Act. It does not give the GSA authority over land use decisions. The use of these powers may be implemented at the discretion of the GSA. It is important to bear in mind that a GSA may consist of a number of agencies and is subject to state laws like CEQA and Proposition 218. The following is a partial list of the powers and authorities of GSAs:

- Conduct investigations for the following:
 - Identify and review the need for groundwater management;
 - Prepare and adopt a GSP;
 - Propose and collect fees in compliance with Prop. 218, other laws;
 - Monitor compliance with SGMA and the local GSP.
- In connection with such investigations, inspect the property or facilities of a person or entity (in compliance with any necessary consent or warrant requirements) in its management area to determine compliance with SGMA;
- Call for the registration of wells within its management area;
- Require wells in the area be measured by a water metering device;
- Require a well owner or operator to file an annual statement identifying total extraction of groundwater from that well for the previous year;
- Impose spacing requirements on new wells and reasonable operating restrictions on existing wells to minimize well interference;
- Regulate, limit or suspend groundwater extractions from individual wells or on an aggregate basis, authorize construction of new wells, enlarge existing wells, reactivate abandoned wells, or otherwise establish groundwater extraction allocations (consistent with the applicable elements of a city or county general plan);
- Authorize temporary and permanent transfers of groundwater extraction allocations;

- Establish accounting rules to allow unused groundwater extraction allocations to be carried over one year to another and voluntarily transferred;
- Impose fees, including, but not limited to, permit fees and fees on groundwater extraction or other regulated activity, to fund the costs of a GSP;
- Acquire and use real and personal property and construct and operate works and improvements necessary to carry out SGMA;
- Appropriate and acquire surface water or groundwater rights, import surface water or groundwater, and conserve and store such water;
- Purchase, transfer, deliver or exchange water or water rights of any type with any person as necessary for implementing SGMA; and
- Enter into written agreements and funding with a private party to assist in implementing a GSP or any of its elements.

Groundwater Sustainability Agency Boundaries

DWR's Bulletin 118 is a comprehensive report on groundwater and California's 515 groundwater basins and sub-basins. It is designed to "help those who must make decisions affecting the protection, additional use, and management of the State's ground water resources." It was first released in 1978 and has been updated several times over the years, the latest in 2003. Bulletin 118 describes groundwater basin boundaries throughout the state. SGMA required DWR to make an initial groundwater basin priority assessment to identify high- and medium-priority basins, which must be regulated by a GSA. DWR concluded that the basin prioritization concluded by the California Statewide Groundwater Elevation Monitoring Program would be the initial prioritization when SGMA took effect Jan. 1, 2015. In all, 127 basins and sub-basins were designated high- and medium-priority.

SGMA requires that groundwater basins are managed in their entirety and thus does not allow unmanaged areas of a basin. Because some basin boundaries in Bulletin 118 may be based on outdated information or data or because there may be other practical justifications, SGMA includes a process for local agencies to periodically request that DWR revise the boundaries of existing basins and sub-basins when appropriate. This change can be considered by DWR based on jurisdictional and/or scientific factors. It is important to note LAFCO does not have authority over the boundaries of GSAs.

Determining the boundaries of GSAs can be a complicated process because of technical scientific issues, as well as competing interests of local agencies. DWR has prepared a Frequently Asked Questions document, which addresses, among other things, GSA formation and boundary issues. Below are several questions and answers from this document that may be of interest to LAFCOs:

- Which local agencies are eligible to be GSAs?

Any local public agency that has water supply, water management, or land use responsibilities in a basin can decide to become a GSA. A single local agency can decide to become a GSA, or a combination of local agencies can decide to form a GSA by using either a joint powers authority (JPA), a memorandum of agreement (MOA), or other legal agreement. As discussed in this document, a local agency that submits a GSA formation notice to DWR will not become an exclusive GSA for the portion of a basin within its service area until the conditions of the Water Code are met. Water Code References: §10721, §10723, §10723.6, §10723.8, §10726.8

- Can a local agency form a GSA for a portion of a basin located outside its service area boundaries?

A local agency may make the decision to become a GSA for an entire basin, but that agency would not be the “exclusive” GSA for any portion of the basin beyond its service area boundaries. Furthermore, a local agency is not authorized to impose fees or regulatory requirements on activities outside the boundaries of the local agency. This regulatory limitation could make implementation of a basin’s groundwater sustainability program problematic and achievement of a basin’s sustainability goal unattainable. Because service area is not defined in SGMA, DWR will rely upon a local agency to define its service area in its GSA formation notice, which is part of Water Code §10723.8(a). Water Code References: §10723 et seq., §10726.8

- If GSA overlap has not been resolved by June 30, 2017, will the county be presumed to be the GSA in the disputed area?

No. Water Code §10724(a) states, in the event that there is an area within a high- or medium-priority basin that is not within the management area of a GSA, the county within which that unmanaged area lies will be presumed to be the GSA for that area. An “unmanaged area” as used in Water Code §10724(a) is an area of a basin that has not yet had (or will not have) a local agency file a GSA formation notice with DWR – or, it is an area of a basin that is not within the service area of another GSA-eligible local agency. Water Code §10724 does not give the county exclusive authority to be the GSA in a basin if other local agencies (possibly including the county) have also declared their intent to sustainably manage groundwater but have not yet resolved their service area overlap.

In the unmanaged areas where the county is presumed to be the GSA because no other local agency has formed a GSA, the county must still follow the same public notification procedures described in §10723(b) and submit to DWR, prior to June 30, 2017, the information listed in §10723.8(a). Alternatively, the county can notify DWR in writing that it will not be the GSA for those unmanaged areas and those unmanaged areas shall be subject to

groundwater extraction reporting on July 1, 2017, in accordance with Part 5.2 of Division 2 of the Water Code, and could be subject to State Board intervention. Water Code References: §1529.5, §5200 et seq., §10723 et seq., §10724 et seq., §10735.2

In summary, the boundaries of GSAs generally are defined by both underlying groundwater basin boundaries and the jurisdictional boundaries of the public agency or agencies that form a GSA. The state can intervene if a portion of a basin is not covered by a GSA (and the county does not accept management responsibility). This means that the state could make regulatory decisions regarding that part of the basin. The boundaries of a GSA are not subject to LAFCO approval or consideration. SGMA gives local agencies overlying a groundwater basin the authority to form GSAs for the purpose of managing the groundwater resources in their jurisdictions.

LAFCO Role and Impacts

SMGA does not provide LAFCO with a statutory role in the formation of GSAs. These agencies are formed by local agencies as defined by the Act. DWR has a limited role in reviewing the completeness of GSA formation notices, including ensuring that procedural requirements are met and establishing that GSAs do not attempt to govern overlapping areas of groundwater basins. The notification process involves submitting a notice of the decision to form a GSA to DWR, along with a map and description of the area to be managed. The notice to DWR must include the resolution or legal agreement forming the GSA.

The power and authority provided by SMGA should be considered when local agencies decide to form GSAs. SMGA could provide groundwater management authority to agencies that do not currently have those powers. Also, it is somewhat unclear whether SMGA authorizes a GSA to manage a portion of a basin outside of a local agency's jurisdictional boundaries. SGMA states that a GSA "shall be presumed to be the exclusive GSA within the area of the basin within the service area of the local agency that the local agency is managing as described in the notice."

Here are some of the possible ways SGMA might implicate LAFCO:

- **Sphere of Influence Amendments and Annexations to Existing Jurisdiction to Implement SGMA**

SGMA could trigger sphere of influence amendments and/or annexations to comply with the requirements of the Act. Groundwater basins often do not conform to jurisdictional boundaries. This could result in the Sphere of Influence (SOI) of a jurisdiction being expanded to include areas within the groundwater basin. The SOI amendment could allow for the processing of outside user agreements or annexations to provide for groundwater management services. Annexations could include large areas that are currently outside a city or district jurisdictional

boundary. Arguably, LAFCOs can annex areas into a jurisdiction and limit the authority of the jurisdiction to just groundwater management/planning services.

- **Outside User Agreements to Extend Groundwater Management and Planning Services into Other Areas**

Outside user agreements (extraterritorial agreements) can be proposed as a way for a jurisdiction to provide groundwater management/planning services. The Outside User Agreement could conceivably be between the city or district and the county to provide these services to a particular part of the basin. It could also be that because these agreements are between government agencies they are found to be exempt from the requirement to obtain LAFCO approval as provided in Government Code Section 56133. This decision is currently at the discretion of individual LAFCOs based on the provisions found in Government Code Section 56133.

- **Increased Inquiries Regarding the Formation of Water Districts**

SGMA has caused interest in possibly forming new public agencies. LAFCOs are responding to these inquiries around the state. In Bulletin 118, DWR lists twenty (20) different governing structures that may be able to manage a groundwater basin. The full list can be found in Table One. The following governing structures are most likely to be formed in more rural or agricultural areas:

- County Flood Control and Water Conservation District
- County Service Area
- County Water District
- Irrigation District
- Water Conservation District
- California Water District
- Water Replenishment District

In general, the process for forming a special district can be initiated either by petition of registered voters or landowners, or by a Resolution of Application by a government agency. In the event of a formation initiated by petition, the petition needs to be completed and verified by the County Assessor's or Clerk's office before LAFCO can evaluate the application.

The procedures for formation are found in the principal act of the particular type of special district to be formed. Principal acts are part of California state law that provide the legal structure for a special district. LAFCO would consider all written and oral testimony at a public hearing. Also, a staff report evaluating any proposal would be prepared for the Commission's consideration.

- **SGMA Legislatively Creates Groundwater Sustainability Agencies**

GSA's are created for the purpose of managing groundwater basins in California. GSA's have the authority to create a GSP and take actions to actively manage the groundwater basins in California. These are public agencies as defined in SGMA. Under SGMA, mutual and private water companies and Indian tribes may participate in a GSA. Their roles in a GSA may be established by the public agencies that form the GSA. The authority of a GSA under SGMA is outside of the authority of LAFCOs.

Governing Body: The governing body, which is established by law to administer the operation of a special district, is initially composed of a multi-member elected board of directors. The number of directors elected is specified in the principal act or in some cases can be modified through the LAFCO process. For some special districts, the governing body is the Board of Supervisors of the County in which it is located. For example, the County Board of Supervisors is the governing body for Flood Control and Water Conservation Districts.

Table One
***Local agencies with authority to deliver water for beneficial uses,
 which may have authority to institute groundwater management***

Local Agency	Authority	Number of Entities as of 2003
Community Services District	Gov. Code § 61000 et seq.	313
County Sanitation District	Health & Safety Code § 4700 et seq.	91
County Service Area	Gov. Code § 25210.1 et seq.	897
County Water Authority	Water Code App. 45	30
County Water District	Water Code § 30000 et seq.	174
County Waterworks District	Water Code § 55000 et seq.	34
Flood Control & Water Conservation District	Water Code App. 38	39
Irrigation District	Water Code § 20500 et seq.	97
Metropolitan Water District	Water Code App. 109	1
Municipal Utility District	Pub. Util. Code § 11501 et seq.	5
Municipal Water District	Water Code § 71000 et seq.	40
Public Utility District	Pub. Util. Code § 15501 et seq.	54
Reclamation District	Water Code § 50000 et seq.	152
Recreation & Park District	Pub. Resources Code § 5780 et seq.	110
Resort Improvement District	Pub. Resources Code § 13000 et seq.	-
Resource Conservation District	Pub. Resources Code § 9001 et seq.	99
Water Conservation District	Water Code App. 34; Wat. Code § 74000 et seq.	13
California Water District	Water Code § 34000 et seq.	141
Water Replenishment District	Water Code § 60000 et seq.	1
Water Storage District	Water Code § 39000 et seq.	8

Source: Department of Water Resources Bulletin 118

Functions: The principal act of the particular special district identifies its powers and functions. LAFCO can limit or restrict the powers of a special district in two ways: (1) Identifying the active and latent powers of a newly formed special district and/or (2) By conditions of approval that identify the powers a special district may or may not perform. If active and latent powers are identified, the special district could carry out only those certain functions and would need to request activation of other functions from LAFCO at a later date. The process for activating a power requires LAFCO review pursuant to the Cortese-Knox-Hertzberg Act. Please note that the powers given to a GSA by SGMA are not subject to LAFCO approval. SGMA provides a GSA with a number of groundwater management tools.

Summary

For the first time, the Sustainable Groundwater Management Act (SGMA) empowers local agencies to adopt groundwater management plans that are designed to consider the resources and needs of their communities. Better groundwater management provides a buffer against drought and climate change, and helps make water supplies more reliable regardless of weather patterns. California depends on groundwater for a major portion of its annual water supply, and sustainable groundwater management is essential to a reliable and resilient water system. The California Department of Water Resources' Groundwater website offers links and news from state, local and non-governmental agencies.

The role of LAFCOs in implementing SGMA largely involves either annexation of areas to an existing jurisdiction that will provide for SGMA compliance or the formation of a new district to be part of a GSA. Also, LAFCOs are positioned to help facilitate a discussion between agencies should the need arise. It is important to note that as SGMA is implemented, we may see an increase in annexations of areas that are not found in compliance with SGMA. While only a few LAFCOs have been directly impacted by SGMA, it could be that future annexations are proposed to comply with the new law.

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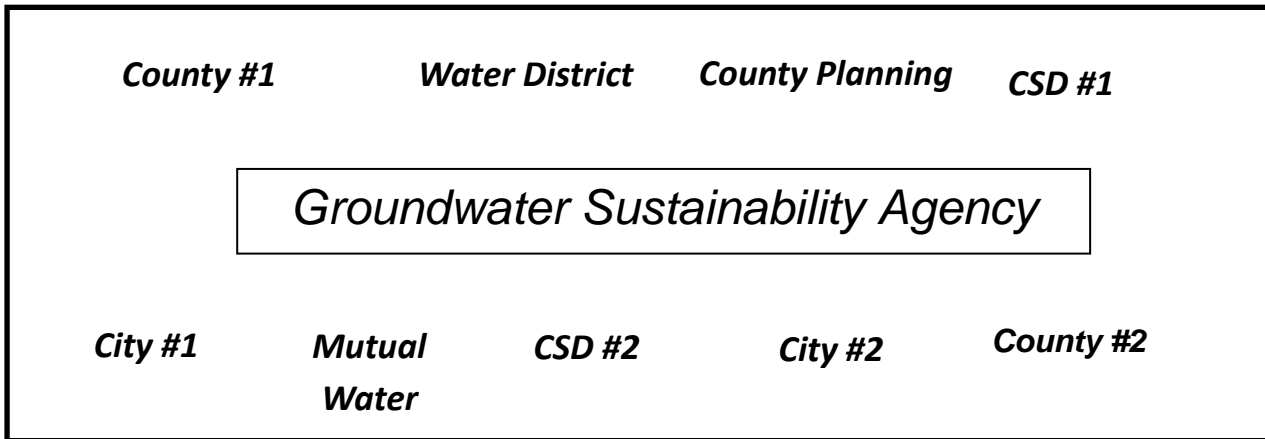
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EXHIBIT A

Groundwater Sustainability Agency - Model A



Groundwater Sustainability Agency - Model B

