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October 5, 2018

*****NEW HEARING DATE*****

NOTICE OF PROPOSED INCREASE TO WATER SERVICE FEES

******Please take notice that the date for the public hearing on a proposal by the Grassland Water District to increase its fall flood-up and non-CVP water service fees has been changed. The hearing will be held on Tuesday, December 11, 2018 at 3:00 p.m. at the Grassland Water District office, 200 W. Willmott Avenue, Los Banos, California. The remainder of this notice is the same as the previously mailed notice. Written protests must be received by the close of the public hearing. All protests received to date will be fully considered and need not be resubmitted.******

PROPOSED FEE INCREASE

Beginning in 2019, the Grassland Water District ("GWD" or "District") is proposing to increase the fall flood-up water service fee by \$4.00 per acre, per year, for three years. The total proposed increase is \$12.00 by 2021. When added to the existing fall flood-up water service fees of \$14.75 for lands participating in the Federal Cooperative Habitat Program and \$15.00 for non-participating lands, the new fall flood-up water service fee beginning in 2019 would be \$18.75 for participating lands and \$19.00 for non-participating lands. The fall flood-up fee is billed together with the District-wide standby charge of \$7.00 per acre, which would make the combined standby charge and water service fee for fall flood-up water beginning in 2019 \$25.75 for participating lands and \$26.00 for non-participating lands.

The new fall flood-up water service fee beginning in 2020 would be \$22.75 for participating lands and \$23.00 for non-participating lands, and the combined standby charge and water service fee for fall flood-up water beginning in 2020 would be \$29.75 for participating lands and \$30.00 for non-participating lands. The new fall flood-up water service fee beginning 2021 would be \$26.75 for participating lands and \$27.00 for non-participating lands, and the combined standby charge and water service fee for fall flood-up water beginning in 2021 would be \$33.75 for participating lands and \$34.00 for non-participating lands.

Beginning in 2019, the District is also proposing to increase the water service fee for non-Central Valley Project (CVP) water deliveries to agricultural water users and non-District habitat lands by \$3.00 per acre-foot of water delivered, per year, for three years. When added to the existing

non-CVP water service fee of \$7.00 per acre-foot of water, the new non-CVP water service fee beginning in 2019 would be \$10.00, beginning in 2020 would be \$13.00, and beginning in 2021 would be \$16.00 per acre-foot. The District is not proposing to increase the existing \$7.00 per acre standby charge or the \$4.00 per acre-foot rate for spring brood habitat water.

The proposed fee increases were calculated by dividing the number of acres of land receiving water service by the shortfall in revenue required to meet the cost of providing service, as projected in the District’s estimated 2019-2021 fiscal year budgets. In addition to meeting the immediate budget shortfall, the proposed fee increases are estimated to be sufficient to cover the District’s costs for years into the future. The District has prepared a staff report explaining in more detail the need for the fee increase, the method of apportionment, and how the rate increase was calculated. A portion of the staff report discussing the increasing cost of providing service is excerpted below. The full report can be requested from District staff or can be reviewed at the GWD office during normal business hours.

Summary of Existing and Proposed Water Service Fees

Year	Fall Flood-Up Fee (per acre) for habitat participants	Fall Flood-Up Fee (per acre) for non-participants	Standby Fee (per acre)	TOTAL Fall Flood-Up Fee and Standby (per acre) for habitat participants	TOTAL Fall Flood-Up Fee and Standby (per acre) for non-participants
Current	\$14.75	\$15.00	\$7.00	\$21.75	\$22.00
2019	\$18.75	\$19.00	No change	\$25.75	\$26.00
2020	\$22.75	\$23.00	No change	\$29.75	\$30.00
2021	\$26.75	\$27.00	No change	\$33.75	\$34.00

Year	Spring/Summer Water Service Fee (per acre-foot “AF”)	Non-CVP Water Service Fee (per acre-foot “AF”)
Current	\$4.00 (per AF)	\$7.00 (per AF)
2019	No change	\$10.00 (per AF)
2020	No change	\$13.00 (per AF)
2021	No change	\$16.00 (per AF)

INCREASING COST OF PROVIDING SERVICE

The GWD’s water service fees have remained unchanged for the past 14 years. During this period, the District has seen a dramatic increase in the cost of delivering and discharging water. The largest components of this increase have been: (1) the costs of operating and maintaining GWD’s water conveyance and delivery system; (2) compliance with new state and federal

regulatory programs such as the Sustainable Groundwater Management Act; and (3) costs associated with participation in important local, state, and federal water and land use matters. These are new costs in addition to general increases in the consumer price index for all activities associated with District operations.

At the same time, GWD has experienced (and expects to continue experiencing) annual fluctuations in its revenue streams. New restrictions on the Bureau of Reclamation's operation of the Central Valley Project have reduced refuge water deliveries (and associated water sales and wheeling fees) in dry and critically dry years, and have disincentivized groundwater production (and associated monitoring fees) in wet years.

GWD operates and maintains 145 miles of water distribution canals and 290 miles of associated levees, head gates, drainage canals, and other infrastructure. Costs for equipment, repairs, fuel, herbicides, and related O&M items have increased since 2004, on par with the consumer price index. Fluctuating annual weather patterns, such as the extremely dry years in 2014-2016 and an extremely wet year in 2017, create extra O&M costs and staff time in the field. The District has also welcomed substantial capital investments to increase the effectiveness of its water delivery system by groups such as Ducks Unlimited, California Waterfowl Association, and neighboring agricultural districts. These capital projects require GWD to incur ongoing O&M costs.

GWD is required to comply with state and federal laws and regulations that govern water use and water quality. Over the past few years this regulatory framework has become increasingly burdensome. For example, the District faces substantial new regulatory costs due to the Sustainable Groundwater Management Act (SGMA), a state law that requires the development and implementation of a Groundwater Sustainability Plan by 2020. The GWD and GRCD formed a Groundwater Sustainability Agency (GSA) that is required to coordinate groundwater data and management with all other GSA's in the Delta-Mendota Subbasin, including the County of Merced, which is tasked with groundwater planning for the private and public lands that surround the GWD and GRCD. The District is responsible for SGMA compliance costs.

Additional regulatory costs include compliance with new water quality requirements imposed by the Regional Water Quality Control Board, including the Irrigated Lands Regulatory Program, the Central Valley Salt and Nitrate Program (developed by the CV SALTS group), and the Grassland Bypass Project. New state water measurement regulations under SB 88 require the District to install flow meters and submit regular reports at several diversion points, and the reintroduction of salmon to the San Joaquin River requires the District to ensure compliance with the "take" provisions of the Endangered Species Act.

The GWD has also experienced increased costs to secure the full water supply granted to the privately managed wetlands within the Grassland area by the Central Valley Project Improvement Act (CVPIA). The Bureau of Reclamation has failed to provide the District with the full Level 4 water entitlement granted by the CVPIA, preventing optimum wetland management based on a predictable water supply. The Bureau's continuing failure to provide full Level 4 water supplies and the increasing threats to the Level 4 supply from various quarters jeopardizes a major component of the District's water supply. This has required GWD to initiate actions to advance efforts toward acquisition of a secure long-term Level 4 supply.

The GWD has also been required repeatedly to provide comments and information to local and state agencies concerning proposed land use developments and major infrastructure projects that threaten significant impacts on the wetland resources within the District. The District has been required to participate in the environmental review process for such projects, as the public agency with jurisdiction over the wetland resources in the area affected by the proposed projects. This participation is also required to ensure compliance with federal law and contractual requirements that the lands receiving federal CVPIA water are managed and maintained in wetland habitat. The continued encroachment of urban development, and infrastructure such as the High-Speed Rail Project, jeopardizes the long-term viability of the wetland resources within the GWD.

The GWD is also increasingly faced with an unpredictable federal, state, and local regulatory and legal environment, including: (1) lawsuits and legislative measures that challenge the refuge water supply priority and federal funding sources; (2) ongoing uncertainty about the future operation of the California WaterFix (twin tunnels) project; and (3) increasing restrictions on water exported from the Delta.

The increasing number and complexity of the state and federal regulatory programs affecting the District's operations are unprecedented and have added a substantial new component to the GWD's operational costs. The District's participation in these matters is important to avoid even greater long-term costs and to ensure the health and vitality of the District's managed wetlands. These regulatory costs are also largely unavoidable and are less subject to control by the District than are more traditional administration and operational expenses.

SUMMARY OF OTHER BENEFITS RECEIVED

The District provides a broad range of services to its landowners, including operations and maintenance of the District water delivery system, water scheduling services, emergency services, administrative services, regulatory compliance, and legal and policy representation on matters of importance to the District's water supply and habitat protection. The District also works to secure and preserve financial investments by non-profit and governmental entities, which bring significant additional benefits to landowners at no cost. These other benefits include:

- ❖ Annual funding from the CVPIA refuge water supply program, which covers the cost of delivering water to the District boundaries, totaling \$20 million per year.
- ❖ Funding from the U.S. Bureau of Reclamation and California Department of Water Resources for the District's real-time water quality monitoring and compliance program, totaling \$350,000 per year.
- ❖ State bond funding under Proposition 1 totaling \$30 million for new District water infrastructure and water supplies, plus awards of approximately \$1 billion for wetland and refuge water supplies from new water storage projects.

- ❖ Future state bond funding under Proposition 68 and (proposed) Proposition 3, totaling more than \$800,000 for wetland and refuge water supplies and infrastructure.
- ❖ Funding for habitat and infrastructure projects secured by non-profit partners Ducks Unlimited and California Waterfowl Association under the North American Wetlands Conservation Act (NAWCA) and similar state habitat programs, totaling at least \$1 million per year.
- ❖ Local, state, and federal funding partnerships, which fund three full-time GWD staff and four part-time GWD staff salaries.

YOUR RIGHT TO BE HEARD

Proposition 218 allows property owners subject to the proposed fee increases to protest its adoption. If you object to the proposed increase to the water service fees described in this notice, you may file a written protest with the GWD. Such written protests will be accepted from the date of this notice until the close of the public hearing to consider the proposed fee increase.

Under Proposition 218, only record owners of parcels subject to the fee are entitled to file a protest. If the owners of a majority of parcels present timely written protests to the District, the proposed fee increase will not be imposed. If there is more than one record owner, the protest will be apportioned according to the percentage of record ownership, e.g., a protest by an owner of a 50% interest in a property would be counted as one-half a parcel protest. Property ownership and ownership percentage are determined according to the last equalized County assessment roll.

Any written protest should contain the parcel number(s) and/or address of the property owned by the person(s) filing the protest and must be signed by the property owner(s) filing the protest. Protests may be mailed or personally delivered to:

**Fee Increase Protest c/o
Grassland Water District
200 W. Willmott Avenue
Los Banos, California 93635-5501**

Protests may also be personally delivered to the public hearing on this matter. Written protests not received by the close of public hearing on this matter will not be counted.