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CAGRDR Assessment Rate Setting Policy

Goals of Rate Setting

1. Cost Recovery – “To pay the district’s costs and expenses to replenish groundwater” as required by statute.
2. Financial Stability – To reliably perform its services, the CAGRDR must maintain a strong financial position and long-term balanced cash flows.
3. Price Stability and Predictability – CAGRDR should make every effort to maintain relatively stable and predictable rates. If unforeseen changes are required, the changes should be announced well in advance and, if possible, phased in over a period of time.
4. Operational Efficiency – CAGRDR commits to a goal of operating consistently with sound water resource management strategies at the lowest possible cost.
5. Accountability – Replenishment policies and assessment rates shall be established in a highly public process only after due consideration and analysis of economic and financial impacts and inviting comment from all affected parties.
6. Legal Compliance – Any rate making processes and policies must be accomplished in accordance with statutory and contractual requirements.
7. Equity - To the extent feasible and consistent with legal and contractual requirements, establish and apply rates in a reasonable relationship to the cost of providing replenishment services for particular members.

Establishing Annual Assessment Rates

1. Purpose – To allow for the District to levy an annual replenishment assessment against each parcel of member land and an annual replenishment tax against each municipal provider having a qualified member service area.
2. Deadline – Annual replenishment assessments and replenishment taxes must be levied on or before the third Monday in August of each year. CAGRDR rates go into effect the first Monday after the Board approves Final rates.
3. Process – The rate-setting process will be biennial, with the primary rate-setting activity taking place in even years and an update, if required, in odd years. Rates will be set only after being publicly announced and providing adequate time for public comment. The suggested calendar for the rate setting process is shown below, and is applicable to both the primary rate-setting process in even years and any rate updates that may occur in odd years:
 - a. January-March – Municipal providers report excess groundwater delivered to member lands and member service areas during the previous calendar year.
 - b. April – Staff develops proposed assessment rate schedule (using reported and projected excess groundwater deliveries and CAP preliminary rate package) and delivers it to the Board for study.

- c. May – Board adopts preliminary assessment rate package. Announcement is made through public notice, which also invites all interested parties to submit written comments.
 - d. May – Public comments are analyzed and reviewed by staff and final assessment rate recommendations are disseminated to the Board and interested parties.
 - e. June – Adoption of final assessment rate schedule.
4. Methodology – CAGR D assessment rates shall consist of the following four components: a water & replenishment component, an administrative component, an infrastructure & water rights component and a replenishment reserve charge.
- a. Water and Replenishment Component – Staff will compute this component separately for each active management area (AMA) based on the cost to purchase and replenish adequate water supplies. The following considerations will be made in computing this component:
 - i. All costs of purchasing and transporting water supplies will be included in this component. If excess CAP water is used, the rate as determined by the CAWCD Board in its biennial CAP Water Rate Schedule, but not less than the full cost M&I Excess Water rate, will be charged to the CAGR D and included in this component;
 - ii. To the extent allowed by state law, a member with a CAP subcontract entitlement may schedule all or a portion of its entitlement for delivery to a recharge/replenishment facility acceptable to CAGR D and transfer the resulting storage credits to the CAGR D for use in meeting the groundwater replenishment obligation incurred as a result of that member’s excess groundwater pumping. The corresponding cost savings realized by CAGR D will be reflected in that member’s replenishment assessment/tax;
 - iii. Replenishment will be accomplished at reasonably priced facilities in consideration of water resource management goals, with preference for use of state demonstration projects when appropriate;
 - iv. The cost of all losses and statutorily required “cuts to the aquifer” will be included;
 - v. In the event that CAGR D decides to transfer credits from its replenishment reserve subaccount to its conservation district subaccount to satisfy all or a portion of its replenishment obligations, this component shall include a reserve replacement component computed in accordance with existing statutes
 - b. Administrative Component – Staff will compute one administrative component for each year of the schedule that will be in effect for all three AMAs. The following considerations will be made in computing this component:
 - i. All costs of administering the CAGR D shall be included in this component;
 - ii. Revenues derived from statutorily authorized fines and penalties shall be used to offset administrative costs;
 - iii. Revenues from Enrollment Fees to cover administrative costs;
 - iv. The cost to establish and maintain appropriate administrative reserve funds shall be included in this component.

- c. Infrastructure and Water Rights Component - The following considerations will be made in computing this component:
 - i. The costs of securing rights to long-term water supplies;
 - ii. The costs of replenishment facilities developed by the CAGR D to meet its replenishment obligations;
 - iii. The cost to establish and maintain appropriate capital reserve funds shall be included in this component.
 - iv. Differential costs between AMAs shall be considered.
 - d. Replenishment Reserve Charge - Staff will compute this component separately for each AMA. The following considerations will be made in computing this component:
 - i. The statutes that require CAGR D to establish and maintain a replenishment reserve of long-term storage credits for each AMA will be the basis for computing this component;
 - ii. This component will include all costs of purchasing and replenishing water, including losses and required "cuts to the aquifer;"
 - iii. Replenishment reserve storage will be accomplished using the least expensive facilities possible, provided that the facilities are appropriate for long-term storage of water for CAGR D purposes;
5. Forward Announcement of Rates – CAGR D Assessment rates will be announced during each primary or update rate-setting process. Primary rate schedules will be for the following six years, and updated rate schedules, if required, will be for the following five years. The first year of the primary rate schedule will be considered "firm" pricing, subject to change only in emergency circumstances and if a change would be permitted under applicable contracts. The second year of the primary rate schedule will be considered "provisional," and will become firm unless updated by the Board prior to the commencement of the second year during the rate update process. The remaining years in the rate schedule are "advisory" for customer planning purposes, but subject to change in subsequent primary rate-setting or rate update processes. Rate updates affecting provisional or advisory rates may be made if there are material changes in assumptions made when these rates were originally published.
6. Carryover Adjustment – Adjustment for any shortfall or surplus in revenues resulting from differences between projected costs and actual costs will be made in the next rate setting process.
7. Alternative Methods of Paying Replenishment Assessments/Taxes that Could Affect Assessment Rates– Members wishing to offset a portion of their replenishment assessment or tax through the direct transfer of long-term storage credits to the CAGR D may do so under the following conditions.
- a. All or any portion of the Water & Replenishment Component of the assessment rate may be offset by transferring a corresponding volume of appropriate long-term storage credits to the CAGR D. Appropriate credits are defined as follows:
 - i. Credits accrued from storage of CAP water purchased from CAWCD at the full CAP M&I price, including the CAP capital component; and
 - ii. Credits accrued at underground storage facilities that are located in close proximity to the members' groundwater pumping, or facilities that are otherwise acceptable to CAGR D; and

- iii. Credits that can be legally transferred in accordance with state law to the CAGR for use in offsetting CAGR's existing groundwater replenishment obligation.
- b. All or any portion of the Replenishment Reserve Charge may be offset by transferring a corresponding volume of appropriate long-term storage credits to the CAGR. Appropriate credits are defined as follows:
 - i. Credits accrued at underground storage facilities that are acceptable to CAGR; and
 - ii. Credits that can be legally transferred in accordance with state law to the CAGR for use in establishing and/or maintaining CAGR's replenishment reserve.
- c. The member submits a written request along with its CAGR Annual Report. The request must include the proposed volume of credits to be transferred, the source and price of water used to accrue the credits, and the facility at which the credits were accrued.
- d. Members may transfer long-term storage credits to the CAGR in advance of the need to pay assessments/taxes provided that such transfer and ultimate use of the credits complies with all of the conditions above.

Establishing Contract Replenishment Assessment Rates

1. Purpose – To allow for the District to levy an annual contract replenishment tax against each qualified member service area that has entered into a contract to replenish groundwater.
2. Deadline – Annual contract replenishment taxes must be levied on or before the third Monday in August of each year.
3. Process – The method of calculating the contract replenishment assessment rate shall be provided in each contract to replenish groundwater.