

AGENDA PACKET

REGULAR BOARD MEETING

10/22/2026 AT 6:00 P.M.

SANTA MARGARITA COMMUNITY ROOM
2 CIVIC CENTER DRIVE, SCOTTS VALLEY, CA.

This meeting is conducted in a hybrid setting.

The public may attend and provide public comment in person.

The meeting will also be publicly streamed via Zoom webinar:

<https://us06web.zoom.us/j/82764543399>

Webinar ID: 827 6454 3399; Webinar audio by phone (669) 444-9171

Disability Access

The meeting room is wheelchair accessible. Please contact SMGWA Administrative Services at admin@smgwa.org or 831.662.2055 if you need assistance in order to participate in a public meeting or if you need the agenda and public documents modified as required by Section 202 of the Americans with Disabilities Act

SMGWA Acronyms and/or Defined Terms

AF – Acre Foot

ACWA – Association of California Water Agencies

ACWA JPIA – ACWA Joint Powers Insurance Authority

ASR – Aquifer Storage and Recovery

Basin – Santa Margarita Groundwater Basin

BMP – Best Management Practices

CEQA – California Environmental Quality Act

County – County of Santa Cruz

DWR – Department of Water Resources

EIR – Environmental Impact Report

FY – Fiscal Year

GSA – Groundwater Sustainability Agency

GSP - Groundwater Sustainability Plan

IRWM – Integrated Regional Water Management

JPA – Joint Powers Agreement

LAFCO – Local Agency Formation Committee

MHA – Mount Hermon Association

MGA – Santa Cruz Mid-County Groundwater Agency

MOA – Memorandum of Agreement

MOU – Memorandum of Understanding

PMAs – Projects and Management Actions in SGMWA GSP

RMP – Representative Monitoring Points

RWMF – Regional Water Management Foundation

RFP – Request for Proposals

RFQ – Request for Qualifications

SCWD – City of Santa Cruz Water Department

SGMA – Sustainable Groundwater Management Act

SLVWD – San Lorenzo Valley Water District

SVWD – Scotts Valley Water District

SMC – Sustainable Management Criteria

SMGWA – Santa Margarita Groundwater Agency

SWRCB – State Water Resources Control Board

WO/WOR/WOD – Well Owner/Well Owner Representative/Well Owner Director

WY – Water Year

Board of Directors Meeting

Date: October 22, 2026

Time: 6:00 p.m.

Location: Santa Margarita Community Room, 2 Civic Center Drive, Scotts Valley, CA

This meeting is conducted in a hybrid setting through Zoom Webinar.

Public participation is encouraged. Members of the public may attend in person, remotely via Zoom at <https://us06web.zoom.us/j/82764543399>, or by phone 669-444-9171. Webinar ID: 827 6454 3399.

The public has opportunities to comment throughout the meeting. To comment online, use the raise hand option, by phone press *9. If experiencing technological difficulties online, consider joining the meeting via phone. Remote access is available 15 minutes before the start of the meeting.

AGENDA

1. CONVENE

- 1.1 Call to Order and Roll Call
- 1.2 Additions/Deletions to the Agenda
- 1.3 Oral Communications on Matters Not on the Agenda

2. CONSENT

- 2.1 [Approval of Minutes – August 27, 2026, Board of Directors Meeting](#)
Recommendation: Approve the minutes of the August 27, 2026, Board Meeting.
- 2.2 [Approval of Board Schedule 2027](#)
Recommendation: Approve the Board of Directors Meeting Schedule for 2027.

3. PRESENTATIONS

- 3.1 [Groundwater Sustainability Program Update](#)

4. GENERAL

- 4.1 [Approve Draft Groundwater Sustainability Plan Periodic Evaluation and Authorize for Submittal](#)
Recommendation: Receive comments on the draft Periodic Evaluation and authorize for submittal to the California Department of Water Resources.
- 4.2 [Adopt Amended Groundwater Sustainability Plan and Authorize for Submittal](#)
Recommendation: Conduct the public hearing; adopt the amended Groundwater Sustainability Plan; and authorize submittal to the California Department of Water Resources.

4.3 [Establish A Water Year 2026 Annual Report Ad Hoc Committee](#)

Recommendation: Establish an ad hoc committee on the Groundwater Sustainability Plan Annual Report and appoint Board members to serve on the committee.

4.4 [Audited Financial Report for the Fiscal Year Ended June 30, 2026](#)

Recommendation: Accept the Santa Margarita Groundwater Agency Annual Financial Report for the Fiscal Year Ended June 30, 2026.

5. STAFF REPORTS

5.1 [Financial Report for the Period July 1, 2026, through September 30, 2026](#)

5.2 [Santa Margarita Basin GSP Implementation Activities Status Report](#)

6. DIRECTORS REPORTS

Reports from Meetings, Conferences, and Educational Opportunities

7. FUTURE ITEMS

Invitation for Board requests for future agenda items

8. INFORMATIONAL ITEMS

Informational items

9. EVENTS CALENDAR

9.1 25th Annual Environmental Town Hall - November 14, 2026 1-3pm

ADJOURN

PURSUANT TO TITLE II OF THE AMERICANS WITH DISABILITIES ACT OF 1990, THE SANTA MARGARITA GROUNDWATER AGENCY (AGENCY) REQUESTS THAT ANY PERSON IN NEED OF ANY TYPE OF SPECIAL EQUIPMENT, ASSISTANCE, OR ACCOMMODATION(S) IN ORDER TO EFFECTIVELY COMMUNICATE AT THE AGENCY'S PUBLIC MEETING PLEASE MAKE SUCH A REQUEST TO THE AGENCY AT 2 CIVIC CENTER DRIVE, SCOTT'S VALLEY, CA 95066 OR BY CALLING **(831) 662-2055**. A MINIMUM OF THREE WORKING DAYS PRIOR TO THE SCHEDULED MEETING. ADVANCE NOTIFICATION WITHIN THIS GUIDELINE WILL ENABLE THE AGENCY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY.

Board of Directors Meeting
Minutes

Date: August 27, 2026

Time: 6:00 p.m.

Location: Santa Margarita Community Room, 2 Civic Center Drive, Scotts Valley, CA

1. CONVENE

1.1 CALL TO ORDER AND ROLL CALL

Chair Perri called the meeting to order at 6:00 p.m.

Directors Present: (Voting Alternates represented in *italics*)

Chris Perri (Chair) – Scotts Valley Water District

Bob Russ (Vice Chair) – San Lorenzo Valley Water District

Edan Cassidy (Secretary) – Well Owner Representative

Frank Cheap – Well Owner Representative

Doug Engfer – City of Santa Cruz (Remote via Zoom)

Bryan Largay – San Lorenzo Valley Water District

Wade Leishman – Scotts Valley Water District

Dale Pollock – Mount Hermon Association

Greg Wimp – City of Scotts Valley (arrival after roll call at 6:01pm)

Rae Spencer-Hill – County of Santa Cruz

Directors Absent:

Manu Koenig – County of Santa Cruz

Monica Martinez – County of Santa Cruz

Non-Voting Alternate Directors: (Present as Non-Voting Observer)

Ruth Stiles – Scotts Valley Water District (Remote via Zoom)

SMGWA Member Agency Executive Staff:

Jason Lillion – General Manager, San Lorenzo Valley Water District (Remote via Zoom)

David McNair – General Manager, Scotts Valley Water District

Other:

Teresa Rein – SMGWA legal counsel; Rein & Rein

John Dillon – SMGWA Treasurer; Finance and Customer Service Manager, Scotts Valley Water District

Tim Carson, Rob Swartz, Sophia Sholtz – Regional Water Management Foundation (RWMF)

Raymond Martin – Well Owner Representative Alternate candidate

2 members of the public

1.2 Additions/Deletions to the Agenda

None.

1.3 Oral Communications on Matters Not on the Agenda

None.

2. CONSENT

2.1 Approval of Minutes from May 28, 2026

2.2 Annual Review of Investment Policy

MOTION: E. Cassidy/D. Pollock moved to approve the Consent Agenda.

AYES: E. Cassidy, F. Cheap, D. Engfer, B. Largay, W. Leishman, C. Perri, D. Pollock, B. Russ,
G. Wimp, R. Spencer-Hill

NOES: None.

ABSTAIN: None.

3. PRESENTATIONS

3.1 Groundwater Sustainability Program Update

R. Swartz noted that the Agency received a letter from the California Department of Water Resources (DWR) approving the SMGWA Annual Report submitted for Water Year 2025. He also discussed DWR's decision to move forward with a grant opportunity for Small Groundwater Sustainability Agencies totaling \$3.5M that was authorized by the State Legislature. DWR has released draft guidelines for the grant, which are currently undergoing a public comment period through September 30, 2026.

4. GENERAL

4.1 Update on Groundwater Sustainability Plan Periodic Evaluation and Amendment

R. Swartz updated the Board on activities related to the Groundwater Sustainability Plan (GSP) Periodic Evaluation (PE) and Amendment. This includes updated groundwater model runs to reflect more recent Basin conditions, reviewing updated Sustainable Management Criteria

(SMC) for change in groundwater in storage, and projects and management actions. R. Swartz also discussed updates to Interconnected Surface Water approaches and his coordination with the City of Santa Cruz, National Marine Fisheries Service, and California Department of Fish and Wildlife on the approach.

R. Swartz gave an update on the proposed schedule. The Agency is targeting release of the drafts of the GSP PE and Amendment by mid-September. This will allow for comments prior to the next SMGWA Board meeting. Depending on the comments received, the Board would have the option of either adopting the GSP PE and Amendment or holding a future special Board meeting, prior to January 3, 2027.

No public comment.

MOTION: E. Cassidy/D. Pollock moved to receive recommendations and provide direction to carry on with the Groundwater Sustainability Plan Periodic Evaluation and Amendment.

AYES: E. Cassidy, F. Cheap, D. Engfer, B. Largay, W. Leishman, C. Perri, D. Pollock, B. Russ, G. Wimp, R. Spencer-Hill

NOES: None.

ABSTAIN: None.

4.2 Well Monitoring Access and Cost Reimbursement Agreement with San Lorenzo Valley Water District

T. Carson presented the Well Monitoring Access and Cost Reimbursement Agreement that the Agency proposes with the San Lorenzo Valley Water District (SLVWD). This Agreement will convert two inactive SLVWD production wells into monitoring wells. These two wells are located in areas within the Basin that the Agency has an interest in monitoring. They will help to inform the Annual Reporting and provide a clearer picture of Basin conditions.

The estimated cost to convert and equip the two wells with monitoring equipment is up to \$16,000, which is significantly less than the cost of constructing two new monitoring wells. SLVWD would maintain sole ownership and control of the wells, SLVWD will monitor the wells and provide data to the Agency. The Agency will pay for all costs associated with converting the inactive production wells to monitoring wells.

No public comment.

MOTION: E. Cassidy/R. Spencer-Hill moved to approve the Well Monitoring Access and Cost Reimbursement Agreement and allow Agency staff to make non-substantive updates to the Agreement.

AYES: E. Cassidy, F. Cheap, D. Engfer, B. Largay, W. Leishman, C. Perri, D. Pollock, B. Russ, G. Wimp, R. Spencer-Hill

NOES: None.

ABSTAIN: None.

4.3 Appointment of Well Owner Representative Alternate

Raymond Martin applied to fill the vacancy as the Well Owner Representative Alternate on the Agency Board of Directors. Chair Perri introduced R. Martin to the Board and asked if there was a motion to ratify the appointment.

No public comment.

MOTION: F. Cheap/D. Pollock moved to ratify the appointment of Raymond Martin as the Well Owner Representative Alternate on the Santa Margarita Groundwater Agency Board of Directors for a three (3) year term effective immediately.

AYES: E. Cassidy, F. Cheap, D. Engfer, B. Largay, W. Leishman, C. Perri, D. Pollock, B. Russ, G. Wimp, R. Spencer-Hill

NOES: None.

ABSTAIN: None.

4.4 Biennial Review – Amended Conflict of Interest Code

T. Rein reviewed the updates to the amended and restated Conflict of Interest Code. Per California's Fair Political Practices Commission (FPPC) regulations, members of the Board of Directors for Groundwater Sustainability Agencies (GSAs) and one designated GSA Executive are considered Statutory Filers and must file a Form 700 with the State. There is no legal requirement for the County to maintain records of Form 700s, but County representatives have indicated a desire for all who have previously filed with the County to continue to do so.

Positions outlined in the new Conflict of Interest Code that are not designated as Statutory Filers, but who are required to file a Form 700 with the County are: General Counsel, members of the Executive Team (Water Resources Programs Manager – Santa Cruz County, General Manager – San Lorenzo Valley Water District, General Manager – Scotts Valley Water District), Treasurer, and any new positions or consultants who are designated by the GSA Executive as serving in a decision-making capacity for the Agency.

The Agency's amended and restated Conflict of Interest Code is consistent with state regulations and local filing practices.

T. Rein answered questions posed by Directors.

MOTION: E. Cassidy/R. Spencer-Hill moved to approve the proposed amended 2026 Conflict of Interest Code of the Santa Margarita Groundwater Agency and authorize staff to submit the amended Conflict of Interest Code to the Santa Cruz County Board of Supervisors.

AYES: E. Cassidy, F. Cheap, D. Engfer, B. Largay, W. Leishman, C. Perri, D. Pollock, B. Russ, G. Wimp, R. Spencer-Hill

NOES: None.

ABSTAIN: None.

5. STAFF REPORTS

5.1 Financial Report for the Period July 1, 2025, through June 30, 2026

T. Carson and J. Dillon answered Directors' questions on the financial statements.

5.2 Santa Margarita Basin GSP Implementation Activities Status Report

No questions or comments on this item.

6. DIRECTORS REPORTS

None.

7. FUTURE ITEMS

None.

8. INFORMATIONAL ITEMS

None.

9. EVENTS CALENDAR

The ACWA Fall Conference will be taking place December 1 – December 3 in Anaheim, California, and there are funds available should Directors desire to attend.

ADJOURN

Meeting adjourned at 7:13 p.m.

APPROVED BY:

Chris Perri, Chair

Date

ATTEST:

Edan Cassidy, Secretary

Date

DRAFT

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: Consent 2.2
Subject: **Board Schedule for 2027**

SUMMARY

Recommendation: Approve the 2027 Board of Directors Meeting Schedule
Fiscal Impact: The number of Board meetings per year impacts the administrative expenses of the Agency. The number of proposed meetings (four) in 2027 is the same as the prior year.

BACKGROUND

In 2027, four (4) regular Santa Margarita Groundwater Agency Board meeting dates are proposed. All Board meetings will take place at the Santa Margarita Community Room at the Scotts Valley Water District, 2 Civic Center Drive in Scotts Valley and begin at 6:00 p.m.

2027 Regular Meeting Schedule

- February 25 (4th Thursday)
- May 27 (4th Thursday)
- August 26 (4th Thursday)
- October 28 (4th Thursday)

At the February 25 meeting, the Board will review and consider the Groundwater Sustainability Plan Annual Report prior to its submittal to the Department of Water Resources by the April 1 deadline and will review the preliminary annual budget. The proposed annual budget will be presented to the Board for approval at the May meeting so the approved budget will be in place by the start of the fiscal year on July 1.

If necessary, the Board may call a special meeting to address business that cannot wait until the next quarterly meeting. The intent (as feasible) will be to schedule meetings to occur on the 4th Thursday of the month pending availability of meeting room/facilities.

Submitted by,

Tim Carson, Program Director
Regional Water Management Foundation

Attachment(s): 2027 Santa Margarita Groundwater Agency Board Meeting Schedule

2027 Board of Directors Meeting Schedule

Date	Time	Meeting Location
Thursday, February 25	6:00 p.m.	Meeting location and/or call-in details can be found on the meeting agenda or at www.smgwa.org.
Thursday, May 27	6:00 p.m.	
Thursday, August 26	6:00 p.m.	
Thursday, October 28	6:00 p.m.	

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: Presentations 3.1
Subject: **Groundwater Sustainability Program Update**

SUMMARY

Recommendation: Receive an update on highlights of current groundwater sustainability program efforts.

Fiscal Impact: No direct impact from this action. Activities described in this update are either provided in-kind by member agencies or have been approved by separate Board actions.

BACKGROUND

The Groundwater Sustainability Plan (GSP) for the Santa Margarita Groundwater Basin (Basin) was adopted by the Santa Margarita Groundwater Agency Board of Directors on November 17, 2021. The GSP was approved by the Department of Water Resources (DWR) on April 27, 2023. The GSP identifies a monitoring and reporting program, areas of monitoring needing improvements (i.e., data gaps), implementation of projects and management actions, and other administrative activities needed to fully implement the GSP. This suite of activities represents the Basin's Groundwater Sustainability Program.

DISCUSSION

Water Year 2026 (WY26) concluded on September 30, 2026. The Board will receive a summary of WY26 precipitation, surface water flow, groundwater elevations, and groundwater quality as this information relates to the draft GSP amendment.

Submitted by,

Rob Swartz, Senior Planner
Regional Water Management Foundation

Attachment(s): None

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: General 4.1
Subject: **Approve Draft Periodic Evaluation and Authorize for Submittal to the California Department of Water Resources**

SUMMARY

Recommendation: Receive Comments on the Draft Periodic Evaluation and Authorize for Submittal to the California Department of Water Resources.
Fiscal Impact: No additional fiscal impact is associated with this item. The expense was approved in the fiscal year 2026 and 2027 budgets.

BACKGROUND

The Sustainable Groundwater Management Act (SGMA) requires periodic evaluation of a Groundwater Sustainability Plan (GSP) at least every five years after submittal of the initial GSP. The Periodic Evaluation (PE) is intended to be an assessment of how a GSP is performing and whether modifications are needed.

In October 2023, the California Department of Water Resources (DWR) released guidance on GSP annual reports, periodic evaluations, and plan amendments. Recommended Corrective Actions (RCAs) from DWR's GSP review must be addressed with the PE submittal, which is due by January 3, 2027. The Santa Margarita Basin RCAs can be found in this link to the [DWR GSP approval letter](#).

The PE process began at the Santa Margarita Groundwater Agency (Agency) Board meeting on August 28, 2025. Throughout the process, the Board received updates, provided input, and provided opportunities for public comments on the PE at regular Board meetings in October 2025, February 2026, May 2026, and August 2026.

On January 30, 2026, Regional Water Management Foundation and Montgomery & Associates staff met with the DWR Sustainable Groundwater Management Office staff to discuss our proposed approach to addressing the RCAs. DWR staff expressed general support for the proposed approach, including proposed revisions to the definitions of selected undesirable results. These proposed revisions will require an amendment to the November 2021 Basin GSP.

DISCUSSION

The draft PE GSP was released for public review on September 21, 2026. The Board, member agency staff, and interested stakeholders were notified through the Agency email distribution list. The draft PE was posted on the Agency website. Public comments are requested by October 18, 2026, and will be posted online and summarized for the Board at its October 22, 2026, meeting. Staff recommends that

the Board approve the GSP PE and authorize its submission to DWR, subject to final editorial revisions, no later than January 3, 3027.

Board consideration of the GSP PE (Agenda item 4.1) and consideration of the amended GSP (Agenda item 4.2) are presented as separate items. Each requires separate Board consideration and action.

The draft GSP PE can be accessed at: <https://www.smgwa.org/gspperiodicevaluation>.

Submitted by,

Rob Swartz, Senior Planner
Regional Water Management Foundation

Attachment(s): None

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: General 4.2
Subject: **Adopt Amended Groundwater Sustainability Plan and Authorize Submittal to the California Department of Water Resources**

SUMMARY

Recommendation: Conduct the Public Hearing; Adopt the Amended Groundwater Sustainability Plan; and Authorize Submittal to the California Department of Water Resources.
Fiscal Impact: No additional fiscal impact is associated with this item. The expense was approved in the fiscal year 2026 and 2027 budgets.

BACKGROUND

The Sustainable Groundwater Management Act (SGMA) requires periodic evaluation of a Groundwater Sustainability Plan (GSP) at least every five years after submittal of the initial GSP. The Periodic Evaluation (PE) is intended to be an assessment of how a GSP is performing and whether modifications are needed.

As part of the GSP PE, groundwater sustainability agencies may determine that a GSP amendment is needed. On January 30, 2026, Regional Water Management Foundation and Montgomery & Associates staff met with the California Department of Water Resources (DWR) Sustainable Groundwater Management Office to discuss our proposed approach to addressing the DWR Recommended Corrective Actions (RCAs). The Santa Margarita Basin RCAs can be found in this link to the [DWR GSP approval letter](#). DWR was generally supportive of the proposed approach, which redefines selected undesirable results that triggered the need to amend the November 2021 Basin GSP.

At its February 26, 2026, meeting, the Board directed staff to initiate an amendment to the Basin GSP. Also at this meeting, the Board appointed an ad hoc committee to review and discuss key components of an amendment that would be brought to the Board for consideration. The ad hoc committee met five times (March 26, April 15, April 28, July 16, and August 17) to receive and discuss staff recommendations on the key issue areas.

At its May 28, 2026, meeting, the Board accepted recommendations on the following:

1. Revised definitions of Sustainable Management Criteria
2. Potential revisions to Projects and Management Actions
3. Potential modifications to the GSP monitoring program, including groundwater wells, surface water gages, and Groundwater Dependent Ecosystems
4. Other implementation activities identified in the current GSP (e.g., metering of non-de minimis private wells, long-term approach to SGMA compliance funding)

At its August 27, 2026, the Board gave direction on a revised GSP Sustainability Goal.

DISCUSSION

A draft Basin GSP amendment was released for public review to the Santa Margarita Groundwater Agency (Agency) Board, member agency staff, and interested stakeholders on the Agency email distribution list on September 21, 2026. Comments were requested by October 18, 2026. Comments received will be posted to the [Agency website](#) and staff will summarize comments for the Board at its October 22, 2026, meeting.

As required under SGMA, the City of Scotts Valley and the County of Santa Cruz were notified of the Agency's intent to adopt a Basin GSP amendment no sooner than October 22, 2026. SGMA requires at least 90-days in advance notice. The city and county had 30 days from the date of the notice to request a consultation on the GSP amendment. Neither entity requested a consultation. As also required under SGMA, the public was notified through notices published in the Press Banner on October 9 and October 16 of a public hearing to consider adoption of the GSP amendment. The draft Basin GSP amendment can be accessed at: <https://www.smgwa.org/groundwatersustainabilityplan>.

Staff recommends that the Board adopt the Basin GSP amendment and authorize its submission to DWR, subject to final editorial revisions, by January 3, 3027. At the Board meeting, staff will provide a brief summary of the significant GSP amendments and a summary of comments received and proposed responses to those comments. After receiving Board and public comment, the Board may adopt the Basin GSP amendment or, if needed, schedule a special Board meeting to continue consideration of additional substantive revisions.

Submitted by,

Rob Swartz, Senior Planner
Regional Water Management Foundation

Attachment(s): None

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: General 4.3
Subject: Establish a Water Year 2026 Annual Report Ad Hoc Committee

SUMMARY

Recommendation: Establish an ad hoc committee on the Groundwater Sustainability Plan Annual Report and appoint Board members to serve on the committee.

Fiscal Impact: No additional fiscal impact is associated with this item. The expense for preparing a Water Year 2026 annual report was approved by the Board in the fiscal year 2027 budget.

BACKGROUND

One of the requirements of the Sustainable Groundwater Management Act (SGMA) is the submittal of an annual report of the previous water year (October 1 through September 30) to the California Department of Water Resources (DWR) by April 1 each year. The required content of an annual report was established by DWR in May 2016 and is included in California Code of Regulations (CCR), Title 23 (see attached regulations on annual reports).

Article 5.1 of the Santa Margarita Groundwater Agency (Agency) Bylaws permits the establishment of an ad hoc committee. An ad hoc or temporary committee is not subject to the Brown Act provided it is composed solely of less than a quorum of the legislative body, serves a limited or single purpose, is not perpetual, and will be dissolved once its specific task is completed.

DISCUSSION

DWR has notified the Agency that it is working on updates to an annual reporting module on the DWR SGMA Portal that is intended to simplify the annual reporting process with an emphasis on Basin data rather than narrative description of conditions. DWR expects the simplified reporting process will be used for Water Year 2026. DWR has indicated that for agencies using the reporting module, a full annual report will no longer be required. As the reporting process becomes simplified, staff is seeking direction on what the Agency would want to continue to include within an annual report, if anything, that would serve local needs beyond SGMA compliance. The Board Chair supports the establishment of an ad hoc committee on the Groundwater Sustainability Plan Annual Report for discussing streamlining the annual report further Board consideration.

Submitted by,
Rob Swartz, Senior Planner
Regional Water Management Foundation
Attachment(s): CCR, Title 23 section on Groundwater Sustainability Plan Annual Reports

§ 356.2. Annual Reports.

23 CAADC § 356.2

Barclays Official California Code of Regulations

Barclays California Code of Regulations

Title 23. Waters

Division 2. Department of Water Resources

Chapter 1.5. Groundwater Management

Subchapter 2. Groundwater Sustainability Plans

Article 7. Annual Reports and Periodic Evaluations by the Agency

23 CCR § 356.2

§ 356.2. Annual Reports.

Each Agency shall submit an annual report to the Department by April 1 of each year following the adoption of the Plan. The annual report shall include the following components for the preceding water year:

- (a) General information, including an executive summary and a location map depicting the basin covered by the report.
- (b) A detailed description and graphical representation of the following conditions of the basin managed in the Plan:
 - (1) Groundwater elevation data from monitoring wells identified in the monitoring network shall be analyzed and displayed as follows:
 - (A) Groundwater elevation contour maps for each principal aquifer in the basin illustrating, at a minimum, the seasonal high and seasonal low groundwater conditions.
 - (B) Hydrographs of groundwater elevations and water year type using historical data to the greatest extent available, including from January 1, 2015, to current reporting year.
 - (2) Groundwater extraction for the preceding water year. Data shall be collected using the best available measurement methods and shall be presented in a table that summarizes groundwater extractions by water use sector, and identifies the method of measurement (direct or estimate) and accuracy of measurements, and a map that illustrates the general location and volume of groundwater extractions.
 - (3) Surface water supply used or available for use, for groundwater recharge or in-lieu use shall be reported based on quantitative data that describes the annual volume and sources for the preceding water year.
 - (4) Total water use shall be collected using the best available measurement methods and shall be reported in a table that summarizes total water use by water use sector, water source type, and identifies the method of measurement (direct or estimate) and accuracy of measurements. Existing water use data from the most recent Urban Water Management Plans or Agricultural Water Management Plans within the basin may be used, as long as the data are reported by water year.
 - (5) Change in groundwater in storage shall include the following:
 - (A) Change in groundwater in storage maps for each principal aquifer in the basin.
 - (B) A graph depicting water year type, groundwater use, the annual change in groundwater in storage, and the cumulative change in groundwater in storage for the basin based on historical data to the greatest extent available, including from January 1, 2015, to the current reporting year.
- (c) A description of progress towards implementing the Plan, including achieving interim milestones, and implementation of projects or management actions since the previous annual report.

Credits

NOTE: Authority cited: Section 10733.2, Water Code. Reference: Sections 10727.2, 10728 and 10733.2, Water Code.

HISTORY

1. New section filed 8-15-2016 as an emergency exempt from review by OAL pursuant to Water Code section 10733.2(d); operative 8-15-2016. Pursuant to Water Code section 10733.2(d), these regulations shall remain in effect until revised by the Department of Water Resources (Register 2016, No. 34).

This database is current through 4/28/23 Register 2023, No. 17.

Cal. Admin. Code tit. 23, § 356.2, 23 CA ADC § 356.2

END OF DOCUMENT

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: General 4.4
Subject: **Audited Financial Report for the Fiscal Year Ended June 30, 2026**

SUMMARY

Recommendation: Accept the Santa Margarita Groundwater Agency Annual Financial Report for the Fiscal Year Ended June 30, 2026.
Fiscal Impact: There is no fiscal impact from this item.

BACKGROUND

An Annual Financial Report is a set of financial statements comprising the financial report of a state, municipal, or other governmental entity that complies with the accounting requirements promulgated by the Governmental Accounting Standards Board. The report is compiled by staff and audited by an external American Institute of Certified Public Accountants certified accounting firm.

DISCUSSION

Attached is the draft Annual Financial Report prepared by staff. Nigro and Nigro, PC has audited the basic financial statements and issued the Independent Auditor's Report. In the opinion of the Independent Auditor, the financial statements present fairly the financial position, the respective changes in financial position, and cash flows for the subject year in accordance with Generally Accepted Accounting Principles.

Submitted by,

John Dillon, Treasurer
Santa Margarita Groundwater Agency

Attachment(s): Santa Margarita Groundwater Agency Annual Financial Report for the Fiscal Year Ended June 30, 2026



**Santa Margarita Groundwater Agency
Annual Financial Report
For the Fiscal Year Ended June 30, 2026
(With Comparative Amounts for June 30, 2025)**



Board of Directors as of June 30, 2026

Name	Title	Member Agency	Current Term
Chris Perri	Chair	Scotts Valley Water District	1/2026 - 1/2027
Bob Russ	Vice Chair	San Lorenzo Valley Water District	1/2026 - 1/2027
Edan Cassidy	Secretary	Well Owner Representative	2/2024 - 2/2027
Wade Leishman	Director	Scotts Valley Water District	1/2026 - 1/2027
Monica Martinez	Director	County of Santa Cruz	1/2026 - 1/2027
Manu Koenig	Director	County of Santa Cruz	1/2026 - 1/2027
Greg Wimp	Director	City of Scotts Valley	1/2026 - 1/2027
Doug Engfer	Director	City of Santa Cruz	1/2026 - 1/2027
Dale Pollock	Director	Mount Hermon Association	6/2017 - present
Frank Cheap	Director	Well Owner Representative	5/2025 - 5/2028
Bryan Largay	Director	San Lorenzo Valley Water District	1/2026 - 1/2027

Santa Margarita Groundwater Agency
John Dillon, Treasurer
2 Civic Center Drive
Scotts Valley, California 95066
(831) 438-2363 – www.svwd.org

SANTA MARGARITA GROUNDWATER AGENCY
For the Fiscal Years Ended June 30, 2026 and 2025
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Margarita Groundwater Agency
Scotts Valley, California

Opinion

We have audited the accompanying financial statements of the Santa Margarita Groundwater Agency (Agency) which comprise the balance sheet as of June 30, 2026, the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2026 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 1 and 5 to the financial statements, as of July 1, 2025, the Agency adopted new accounting guidance, GASB Statement No. 103, Financial Reporting Model Improvements, and GASB Statement No. 105, Subsequent Events. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2025, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 22, 2026, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Walnut Creek, California
October 22, 2026

SANTA MARGARITA GROUNDWATER AGENCY
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2026

Management's Discussion and Analysis (MD&A) offers readers of Santa Margarita Groundwater Agency's financial statements a narrative overview of the Agency's financial activities for the fiscal years ended June 30, 2026. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the Agency's financial statements. The Agency's basic financial statements reflect the combined results of the operating and capital programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position and results of operations during the fiscal year ending June 30, 2026. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REQUIRED FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet presents information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when evaluating financial position. Assets exceed liabilities, resulting in a net position of \$352,204 as of June 30, 2026.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Agency's net position changed during the fiscal year. All of the year's revenues and expenses are accounted for in this statement. This statement measures the results of the Agency's operations for the year and can be used to determine if the Agency has successfully recovered all of its costs through fees and charges. Operating revenues and expenses are related to the Agency's core activities. Non-operating revenues and expenses are not directly related to the core activities of the Agency. For the fiscal year ended June 30, 2026 net position decreased by 11.70% or \$46,690.

Statement of Cash Flows and Notes to Financial Statements

The Statement of Cash Flows presents the Agency's cash receipts and payments and explains the change in cash reported on the Balance Sheet. Operating cash flows are reconciled to operating income or loss. The Notes to Financial Statements provide additional information needed to understand the financial statements.

SANTA MARGARITA GROUNDWATER AGENCY
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2026

FINANCIAL SUMMARY

- The Agency's net position decreased by 11.70% or \$46,690, compared to the prior year.
- The Agency had 2026 operating revenue of \$451,790 as compared to 2025 operating revenue of \$359,968 from increased agency contributions in 2026. Investment earnings of \$1,473 brought total revenues to \$453,263, compared to \$359,968 in 2025.
- The Agency's operating expenses for 2026 increased \$176,650 from \$323,303 in 2025 to \$499,953 in 2026 due primarily to a \$155,528 increase in expenses for technical services as well as an \$18,688 increase in expenses for administrative staff. Groundwater management expenses totaled \$265,028 and general and administrative expenses totaled \$234,925.

Condensed Balance Sheet

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Assets			
Current assets	\$ 527,141	\$ 478,543	\$ 48,598
Total assets	<u>\$ 527,141</u>	<u>\$ 478,543</u>	<u>\$ 48,598</u>
Liabilities			
Current liabilities	\$ 174,937	\$ 79,649	\$ 95,288
Total liabilities	<u>174,937</u>	<u>79,649</u>	<u>95,288</u>
Net Position			
Unrestricted	352,204	398,894	(46,690)
Total net position	<u>352,204</u>	<u>398,894</u>	<u>(46,690)</u>
Total liabilities and net position	<u>\$ 527,141</u>	<u>\$ 478,543</u>	<u>\$ 48,598</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Operating Revenues	\$ 451,790	\$ 359,968	\$ 91,822
Operating Expenses	<u>499,953</u>	<u>323,303</u>	<u>176,650</u>
Operating income (loss)	(48,163)	36,665	(84,828)
Investment earnings	<u>1,473</u>	<u>-</u>	<u>1,473</u>
Change in net position	(46,690)	36,665	<u>\$ (83,355)</u>
Net Position			
Beginning of year	398,894	362,229	
End of year	<u>\$ 352,204</u>	<u>\$ 398,894</u>	

SANTA MARGARITA GROUNDWATER AGENCY
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2026

DETAILED ANALYSES

Analysis of Net Position

The Agency's net position decreased by approximately 11.70% or \$46,690, compared to the prior year, as the increase in expenses exceeded the increase in revenues. Current assets increased \$48,598, reflecting a \$66,596 increase in cash and the collection of the \$17,998 prior-year agency contribution receivable. Accounts payable increased \$95,288 to \$174,937, reflecting expenses incurred but not yet paid at year-end. All \$352,204 of ending net position is unrestricted.

Analysis of Revenues and Expenses

The Agency had 2026 operating revenue of \$451,790 as compared to 2025 operating revenue of \$359,968 from increased agency contributions in 2026. Contributions increased \$91,822, or approximately 25.51%, to support the Agency's budgeted activities. Investment earnings totaled \$1,473 in 2026 compared to none in 2025.

The Agency's operating expenses for 2026 increased \$176,650 from \$323,303 in 2025 to \$499,953 in 2026 due primarily to a \$155,528 increase in expenses for technical services as well as an \$18,688 increase in expenses for administrative staff. Groundwater management expenses increased \$156,079, and general and administrative expenses increased \$20,571.

Member and Represented Agency Contributions

While the Balance Sheet shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factor in the change in net position is due to the following:

The operating revenues of the agency consist of the dues contributed by member and represented agencies for groundwater management services. Each agency is invoiced a percentage of the projected budget for the fiscal year based on the following schedule:

Agency	2026	2025
Scotts Valley Water District	46%	46%
San Lorenzo Valley Water District	32%	32%
County of Santa Cruz	12%	12%
City of Santa Cruz	5%	5%
Mount Hermon Association	5%	5%
Total	100%	100%

SANTA MARGARITA GROUNDWATER AGENCY
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2026

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The Agency had no capital assets or long-term financing balances at June 30, 2026 and 2025. No capital asset additions, disposals, or long-term financing activity were recorded during fiscal year 2026.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Agency anticipates operating revenue of \$319,220 and operating expenses of \$504,220 for fiscal year 2027, as reflected in the proposed budget. Planned reserve use of \$185,000 includes funding the Groundwater Sustainability Plan periodic evaluation and amendment.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, creditors, and other interested parties with general overview of the Agency's financial operations and condition at the year ended June 30, 2026, and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact the Agency's Treasurer, at Santa Margarita Groundwater Agency, 2 Civic Center Drive, Scotts Valley, CA 95066 or (831) 600 – 1906.

SANTA MARGARITA GROUNDWATER AGENCY*Balance Sheets**June 30, 2026 (With Comparative Amounts as of June 30, 2025)*

	<u>2026</u>	<u>2025</u>
Assets		
Cash and cash equivalents (note 2)	\$ 527,141	\$ 460,545
Agency contribution receivable	<u>-</u>	<u>17,998</u>
Total assets	<u>\$ 527,141</u>	<u>\$ 478,543</u>
Liabilities		
Accounts payable	\$ 174,937	\$ 79,649
Total liabilities	<u>174,937</u>	<u>79,649</u>
Net Position		
Unrestricted	<u>352,204</u>	<u>398,894</u>
Total net position	<u>352,204</u>	<u>398,894</u>
Total liabilities and net position	<u>\$ 527,141</u>	<u>\$ 478,543</u>

SANTA MARGARITA GROUNDWATER AGENCY*Statements of Revenues Expenses and Changes in Net Position**For the Fiscal Year Ended June 30, 2026**(With Comparative Amounts for the Fiscal Year Ended June 30, 2025)*

	<u>2026</u>	<u>2025</u>
Operating Revenues		
Agency contributions	<u>\$ 451,790</u>	<u>\$ 359,968</u>
Total operating revenues	<u>451,790</u>	<u>359,968</u>
Operating Expenses		
Groundwater management	265,028	108,949
General and administrative	<u>234,925</u>	<u>214,354</u>
Total operating expenses	<u>499,953</u>	<u>323,303</u>
Operating income (loss)	(48,163)	36,665
Other Non-Operating Revenues		
Investment earnings	<u>1,473</u>	<u>-</u>
Total other non-operating revenues	<u>1,473</u>	<u>-</u>
Change in net position	(46,690)	36,665
Net Position		
Beginning of year	<u>398,894</u>	<u>362,229</u>
End of year	<u><u>\$ 352,204</u></u>	<u><u>\$ 398,894</u></u>

SANTA MARGARITA GROUNDWATER AGENCY*Statements of Cash Flows**For the Fiscal Year Ended June 30, 2026**(With Comparative Amounts for the Fiscal Year Ended June 30, 2025)*

	2026	2025
Cash flows from operating activities:		
Cash received from member and represented agencies	\$ 469,788	\$ 341,970
Cash payments for operating expenses	<u>(404,665)</u>	<u>(345,556)</u>
Net cash provided by (used in) operating activities	<u>65,123</u>	<u>(3,586)</u>
Cash flows from investing activities:		
Investment earnings	<u>1,473</u>	<u>-</u>
Net cash provided by investing activities	<u>1,473</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>66,596</u>	<u>(3,586)</u>
Cash and cash equivalents:		
Beginning of year	<u>460,545</u>	<u>464,131</u>
End of year	<u><u>\$ 527,141</u></u>	<u><u>\$ 460,545</u></u>
	2026	2025
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (48,163)	\$ 36,665
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Agency contribution receivable	17,998	(17,998)
Increase (decrease) in liabilities:		
Accounts payable	<u>95,288</u>	<u>(22,253)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 65,123</u></u>	<u><u>\$ (3,586)</u></u>

SANTA MARGARITA GROUNDWATER AGENCY

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Santa Margarita Groundwater Agency (Agency) was formed under a Joint Exercise of Powers Agency on June 1, 2017, pursuant to Sections 6506 and 6507 of the Exercise of Powers Act, codified at California Government Code sections 6500, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties. The Agency was formed between the Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz. Each Member is a local agency, as defined by the Sustainable Groundwater Management Act of 2014 (SGMA), duly organized and existing under and by virtue of the laws of the State of California; whereby, each member can exercise powers related to groundwater management. The Agency is an independent public agency separate from the Members. The Agency's board consists of two members from each of the Member agencies, one director each from the Cities of Santa Cruz and Scotts Valley, as well as three appointed directors representing private well owners.

The purpose of the Agency is to develop a groundwater sustainability plan, implement projects and management activities which achieve sustainability by 2042, and to ensure sustainability for the following thirty years. The Agency is a basin consolidation of four common groundwater basins located in Santa Cruz County in the vicinity of Scotts Valley, Felton, Ben Lomond, and Boulder Creek.

Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the costs of providing services be financed or recovered primarily through user (member) charges, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Agency's proprietary fund.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

SANTA MARGARITA GROUNDWATER AGENCY

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the Agency categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Agency has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Unrestricted – This component of net position is the net amount of the assets less liabilities that are not included in the determination of the investment in capital assets component of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

SANTA MARGARITA GROUNDWATER AGENCY

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member and Represented Agency Contributions

The Agency's joint exercise of powers agreement provides that any member may make contributions of money or assets to the Agency; make or advance payments of public funds to defray the cost of Agency's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Agency as set out in separate agreements between the Agency and the member and approved by the board and the governing body of the member. Contributions for 2026 and 2025 made by each member agency were as follows:

Agency	2026	2025
Scotts Valley Water District	\$ 209,480	\$ 166,905
San Lorenzo Valley Water District	143,067	113,990
County of Santa Cruz	56,323	44,876
City of Santa Cruz	22,589	17,998
Mount Hermon Association	20,331	16,199
Total	\$ 451,790	\$ 359,968

Grants

Grant revenues are recorded when earned on grants that have been approved and funded by the grantor.

Member Net Position

In the event of a member withdrawal, member termination, or dissolution of the Agency, any property interest remaining in the Agency, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2026, the Agency implemented new GASB pronouncements as follows:

GASB Statement No. 103 – Financial Reporting Model Improvements

This GASB Statement revises financial statement presentation requirements, including enhancements to Management's Discussion and Analysis (MD&A), proprietary fund reporting, and disclosures for major component units. The Agency adopted the Statement as of July 1, 2025. See the MD&A for the effect of this Statement.

GASB Statement No. 104 – Disclosure of Certain Capital Assets

This Statement establishes new disclosure requirements for certain types of capital assets, including capital assets held for sale. The Agency does not report capital assets; therefore, the provisions of this Statement are not applicable to the Agency.

GASB Statement No. 105 – Subsequent Events

This GASB Statement clarifies the subsequent events that constitute recognized and non-recognized events and establishes specific note disclosure requirements for non-recognized events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier implementation is encouraged. The Agency elected to early implement GASB Statement No. 105, Subsequent Events, effective July 1, 2025. See Note 5 for the effect of this Statement.

SANTA MARGARITA GROUNDWATER AGENCY

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2026 and 2025, were classified on the balance sheet as follows:

Description	2026	2025
Cash and cash equivalents	\$ 527,141	\$ 460,545
Total cash and investments	<u>\$ 527,141</u>	<u>\$ 460,545</u>

Cash and investments at June 30, 2026 and 2025, consisted of the following:

Description	2026	2025
Demand deposits with financial institutions	\$ 527,141	\$ 460,545
Total cash and investments	<u>\$ 527,141</u>	<u>\$ 460,545</u>

Demand Deposits with Financial Institutions

At June 30, 2026 the carrying amount of the Agency's demand deposits was \$527,141, and the financial institution's balance was \$532,003. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Agency's balance for the year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

SANTA MARGARITA GROUNDWATER AGENCY

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 3 – MEMBER AGENCY NET POSITION

The Agency was formed between the Scotts Valley Water District, the San Lorenzo Valley Water District, and the County of Santa Cruz, collectively the Member Agencies. The Member Agencies' investment or net position in the Joint Exercise of Powers Agency has been calculated as follows:

For the Periods Ending June 30, 2018 to June 30, 2026					
Member Agency	Member Contributions	Other Contributions	Grant Revenue	Expenses	Net Position
Scotts Valley Water District	\$ 1,970,816	\$ 90,843	\$ 984,291	\$ (2,861,743)	\$ 184,207
San Lorenzo Valley Water District	1,162,790	45,421	492,146	(1,579,993)	120,364
County of Santa Cruz	417,586	15,141	164,048	(549,142)	47,633
Total	\$ 3,551,192	\$ 151,405	\$ 1,640,485	\$ (4,990,878)	\$ 352,204

Remaining Balances at June 30, 2026			
Member Agency	Assets	Liabilities	Net Position
Scotts Valley Water District	\$ 275,701	\$ 91,494	\$ 184,207
San Lorenzo Valley Water District	180,148	59,784	120,364
County of Santa Cruz	71,292	23,659	47,633
Total	\$ 527,141	\$ 174,937	\$ 352,204

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Agency does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements from the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Litigation

The Agency is subject to routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 5 – SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through October 22, 2026, the date on which the financial statements were available to be issued.

Other Independent Auditors' Reports



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Santa Margarita Groundwater Agency
Scotts Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Margarita Groundwater Agency (Agency) which comprise the balance sheet as of June 30, 2026, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 22, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walnut Creek, California
October 22, 2026

AGENDA REPORT

Santa Margarita Groundwater Agency

To: Board of Directors
Date: October 22, 2026
Item: Staff Reports 5.1
Subject: **Financial Report for the Period July 1, 2026 – September 30, 2026**

SUMMARY

Attached is the Financial Management Report with the short summary provided below.

- Budget vs. Actuals – reflects contributions from member agencies and interest income, payments for services incurred in the period, in comparison with the fiscal year 2026–2027 budget.
- Balance Sheet – reflects the cash balance at West Coast Community Bank as of September 30, 2026, revenue invoiced but not yet received as Accounts Receivable, payments owed to vendors as Accounts Payable (A/P), retained earnings from prior year activity and net income for the period.
- Checking Account Activity – reflects all payments made in this period.
- A/P Aging Summary – reflects payments owed to vendors.
- Credit Card Activity – provides a list of expenses charged on the credit card.
- Investment Report – provides details on investments held by the Santa Margarita Groundwater Agency.

Submitted by,

John Dillon, Treasurer
Santa Margarita Groundwater Agency

Attachment(s): Financial Report for the Period July 1, 2026 through September 30, 2026

Santa Margarita Groundwater Agency

Budget vs. Actuals

July - September, 2026

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Income				
Billable Expense Income		319,220.00	-319,220.00	
Interest Income	3,083.73		3,083.73	
Total Income	\$3,083.73	\$319,220.00	\$ -316,136.27	0.97 %
GROSS PROFIT	\$3,083.73	\$319,220.00	\$ -316,136.27	0.97 %
Expenses				
51000 Administrative Services				
51100 Administrative Staff		129,600.00	-129,600.00	
51200 Treasury Administration		10,000.00	-10,000.00	
Total 51000 Administrative Services		139,600.00	-139,600.00	
52000 Professional Contract Services				
52100 Legal Services	2,227.50	10,000.00	-7,772.50	22.28 %
52200 Outreach Services	1,500.00	20,000.00	-18,500.00	7.50 %
52400 Audit Services		8,000.00	-8,000.00	
52500 Technical Services	109,312.50	311,220.00	-201,907.50	35.12 %
Total 52000 Professional Contract Services	113,040.00	349,220.00	-236,180.00	32.37 %
53000 General Administrative Expenses				
53100 Insurance	105.00	2,300.00	-2,195.00	4.57 %
53200 Membership Fees	5,000.00	7,045.00	-2,045.00	70.97 %
53300 Supplies & Equipment		500.00	-500.00	
53400 Software & Licenses	225.00	2,000.00	-1,775.00	11.25 %
53500 Meetings		500.00	-500.00	
53600 Travel, Training & Seminars		1,255.00	-1,255.00	
53700 Banking Fees		300.00	-300.00	
53800 Other Business Expenses		1,500.00	-1,500.00	
Total 53000 General Administrative Expenses	5,330.00	15,400.00	-10,070.00	34.61 %
Total Expenses	\$118,370.00	\$504,220.00	\$ -385,850.00	23.48 %
NET OPERATING INCOME	\$ -115,286.27	\$ -185,000.00	\$69,713.73	62.32 %
NET INCOME	\$ -115,286.27	\$ -185,000.00	\$69,713.73	62.32 %

Santa Margarita Groundwater Agency

Balance Sheet
As of Sep 30, 2026

	TOTAL	
	As of Sep 30, 2026	As of Sep 30, 2025 (PY)
Assets		
Current Assets		
Bank Accounts		
Checking	269,339.57	366,610.09
Total for Bank Accounts	\$269,339.57	\$366,610.09
Accounts Receivable		
Accounts Receivable (A/R)	0.00	17,998.00
Total for Accounts Receivable	\$0.00	\$17,998.00
Other Current Assets		
Undeposited Funds	0.00	0.00
Total for Other Current Assets	\$0.00	\$0.00
Total for Current Assets	\$269,339.57	\$384,608.09
Fixed Assets		
Other Assets		
Total for Assets	\$269,339.57	\$384,608.09
Liabilities and Equity		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable (A/P)	10,000.00	9,178.50
Total for Accounts Payable	\$10,000.00	\$9,178.50
Credit Cards		
SCCB Credit Card	75.00	75.00
Total for Credit Cards	\$75.00	\$75.00
Other Current Liabilities		
Accrued Expenses	22,347.50	0.00
Total for Other Current Liabilities	\$22,347.50	\$0.00
Total for Current Liabilities	\$32,422.50	\$9,253.50
Long-term Liabilities		
Total for Liabilities	\$32,422.50	\$9,253.50
Equity		
Retained Earnings	352,203.34	398,893.74
Net Income	-115,286.27	-23,539.15
Opening Balance Equity	0.00	0.00
Total for Equity	\$236,917.07	\$375,354.59
Total for Liabilities and Equity	\$269,339.57	\$384,608.09

Santa Margarita Groundwater Agency

Check Detail Report
July-September, 2026

Date	Transaction type	Num	Name	Description	Amount
07/02/2026	Bill Payment (Check)	1488	Pacific Policy Group	Small Groundwater Association Coalition - Jul 1, 2026 - Jun 30, 2027	-5,000.00
07/02/2026	Bill Payment (Check)	1489	Rein & Rein, APC	Legal Services - To 05/31/26	-1,293.75
07/02/2026	Bill Payment (Check)	1490	Errol L Montgomery & Associates Inc.	WY 2025 Annual Report - May 2026	- 42,715.00
07/29/2026	Bill Payment (Check)	1491	Balance Hydrologics	Bean Creek real-time gauge service - through 06/30/26	-4,767.56
07/29/2026	Bill Payment (Check)	1492	cbec eco engineering	Streamflow monitoring - June 2026	-3,994.00
07/29/2026	Bill Payment (Check)	1493	Errol L Montgomery & Associates Inc.	WY2025 Annual Report - Jun 2026	- 49,946.50
07/29/2026	Bill Payment (Check)	1494	Miller Maxfield	Public Outreach Services - Jun 2026	-231.25
08/14/2026	Bill Payment (Check)	1495	Miller Maxfield	July 2026 - Public Outreach Services	-675.00
08/14/2026	Bill Payment (Check)	1496	Nigro & Nigro PC	Audit Service for FY 2026 -Interim	-4,000.00
08/14/2026	Bill Payment (Check)	1497	County of Santa Cruz - Enviro Health	Admin/GSP Implement/Contract Mgmt - Apr-Jun 2026	- 57,914.21
09/16/2026	Bill Payment (Check)	1506	Rein & Rein, APC	Legal services- Aug 2026	-2,227.50
09/16/2026	Bill Payment (Check)	1507	Miller Maxfield	Public Outreach Services - Aug 2026	-825.00
09/16/2026	Bill Payment (Check)	1508	Errol L Montgomery & Associates Inc.	GSP Technical Work - August 2026	- 38,035.00
09/16/2026	Bill Payment (Check)	1509	Errol L Montgomery & Associates Inc.	GSP Technical Work - July 2026	- 48,930.00

Santa Margarita Groundwater Agency

A/P Aging Summary Report
As of Sep 30, 2026

	CURRENT	1 - 30	31 - 60	61 - 90	91 AND OVER	Total
SVWD	10,000.00					10,000.00
TOTAL	10,000.00					\$10,000.00

Santa Margarita Groundwater Agency

Credit Card Activity

July - September, 2026

DATE	NAME	MEMO/DESCRIPTION	AMOUNT
SCCB Credit Card			
07/27/2026	EvoGov, Inc.	July 2026 web hosting	75.00
		Monthly website hosting	75.00
08/27/2026	EvoGov, Inc.	August 2026 web hosting	75.00
		Monthly website hosting	75.00
09/27/2026	EvoGov, Inc.	September 2026 web hosting	75.00
		Monthly website hosting	75.00

Santa Margarita Groundwater Agency

Investment Summary

As of 09/30/26

						Rate		Balance as of:	
Institution	Investment	CUSIP	Purchased	Maturity	Purchase \$	6/30/2026	9/30/2026	6/30/2026	9/30/2026
Unrestricted Funds:									
West Coast Community Bank	General Checking		various			0.00%	0.00%	\$ 100,000	\$ 100,000
West Coast Community Bank	IntraFi Cash Service (ICS) Sweep Account		various			3.81%	3.84%	\$ 432,003	\$ 172,225
Subtotal for Unrestricted Funds:						%		\$ 532,003	\$ 272,225
Weighted Average Yield							2.43%		

The current investments comply with the requirements of the Investment Policy (P5)

Sufficient cash is available to meet expected expenditure requirements for the next six months.

**Santa Margarita Basin Groundwater Sustainability Plan
Implementation Activities Status Report
October 22, 2026**

1. Agency Membership and Funding Structure Evaluation
<ul style="list-style-type: none"> SMGWA Board of Directors (Board) approved the current cost share structure on February 24, 2022. This cost share, with minor modification, was used for Fiscal Year (FY) 2025, FY 2026 and FY 2027.
2. Administrative and Business Operations
<ul style="list-style-type: none"> Board approved the agreement with the County of Santa Cruz for administrative and planning services, and data management system (DMS) hosting and maintenance for a three-year period through June 30, 2025. The County contracted with Regional Water Management Foundation (RWMF) to provide administrative and planning services and Kisters North America to provide DMS hosting and maintenance effective July 1, 2022. Board approved an extension of the contract with the County through June 30, 2027. Board approved the FY 2027 budget on May 28, 2026. Board approved Montgomery & Associates as a contractor on October 26, 2023 for hydrogeologic support services. Services consist primarily of assistance in preparation of the required Groundwater Sustainability Plan (GSP) Annual Report, collection and upload of data required by the Sustainable Groundwater Management Act (SGMA), groundwater model data updates and simulations to assist in annual report preparation. The support agreement is eligible for up to 5 years, and the Board authorized Year 4 tasks on May 28, 2026.
3. Technical Support and Consultation
<ul style="list-style-type: none"> Basin groundwater model with Water Year 2025 (WY25) hydrology and metered pumping data updated and ran for purposes of preparing the WY25 annual report required under SGMA. The Basin model has also been updated to support the GSP Amendment. This includes an updated current and future conditions assessment based on more recent groundwater extraction that has declined relative to prior to SGMA passage. Staff has reviewed 2 well permits since the SMGWA Well Construction Permit Application Review Policy was adopted in August 2025. Staff had no concerns associated with either permit.
4. Monitoring and Reporting
<ul style="list-style-type: none"> Spring 2026 groundwater level data collected in late April to early May and uploaded into DMS. Data uploaded to the SGMA Portal by the July 1, 2026 deadline. Fall 2026 groundwater levels collected late September to mid-October. Data to be uploaded to SGMA Portal by January 1, 2027. WY25 annual report approved by Board on February 26, 2026 and posted to SGMA web portal on March 6, 2026. DWR confirmed the WY25 annual report determined as complete on August 20, 2026. DWR is modifying the SGMA reporting process for WY26. More information on reporting requirements will be provided by DWR before the end of 2026.

Santa Margarita Basin Groundwater Sustainability Plan Implementation Activities Status Report (continued)

5. Address Data Gaps
<ul style="list-style-type: none">• Request for construction of a deep monitoring well in the Butano Formation at Vine Hill Elementary School submitted to the Department of Water Resources Technical Support Services Program on September 26, 2023. DWR provided update on August 28, 2025 that the request is still being evaluated.• Coordinating with San Lorenzo Valley Water District on converting former production wells (Olympia 1 and Pasatiempo 3) to monitoring wells that are being added as representative monitoring points in the Basin GSP amendment. SMGWA is funding the converting and equipping of the wells with data loggers.
6. Data Management System (DMS)
<ul style="list-style-type: none">• Initial development of DMS with a public web portal, in coordination with the neighboring Mid-County Groundwater Basin and the County of Santa Cruz, has been completed. Kisters completed an update to the WISKI system to a newer version on May 20, 2026.• Member agency and RWMF staff continue to upload data to the DMS site.
7. Evaluate, Prioritize, and Refine Projects and Management Actions
<ul style="list-style-type: none">• Member agencies progressing on their respective projects. Updates on progress will be collected from agencies as part of WY26 GSP Annual Report preparation. Projects and management actions are being updated as part of GSP periodic evaluation and GSP amendment.