



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: WRAG 25-074

May 28, 2025

Introduced: 5/6/2025

Current Status: Agenda Ready

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Matter Type: WR General Agenda

- a. Hold a public hearing to consider approving and adopting Fiscal Year (FY) 2025-26 rates with a cost-of-living adjustment (COLA) increase of 2.7% for Zones 2B, 2Y and 2Z assessments and the water service charge assessment; and
- b. Adopt a resolution approving the FY 2025-26 COLA increase of 2.7% to assessments of Zones 2B, 2Y and 2Z for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP), to the water delivery charge for the CSIP and SVRP, and water service charge of Zone 2B for the Salinas River Diversion Facility (SRDF); and
- c. Adopt a resolution approving the FY 2025-26 Zone 2B water delivery charge of \$85.24 per acre-foot of water delivered.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency (MCWRA) Board of Supervisors:

- a. Hold a public hearing to consider approving and adopting Fiscal Year (FY) 2025-26 rates with a cost-of-living adjustment (COLA) increase of 2.7% for Zones 2B, 2Y and 2Z assessments and the water service charge assessment; and
- b. Adopt a resolution approving the FY 2025-26 COLA increase of 2.7% to assessments of Zones 2B, 2Y and 2Z for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP), to the water delivery charge for the CSIP and SVRP, and water service charge of Zone 2B for the Salinas River Diversion Facility (SRDF); and
- c. Adopt a resolution approving the FY 2025-26 Zone 2B water delivery charge of \$85.24 per acre-foot of water delivered.

SUMMARY/DISCUSSION:

Zones 2B, 2Y, and 2Z were established to provide revenue to construct, operate and maintain the CSIP, SVRP and SRDF, which includes debt service for the municipal bonds, and two Small Reclamation Projects loans from the U.S. Bureau of Reclamation that funded the construction of the projects. The operation of the CSIP and SVRP assists in the reduction of seawater intrusion in the groundwater aquifers in the Salinas Valley by providing an alternative source of irrigation water in the form of recycled water. This will reduce the reliance on groundwater pumping in the northern portion of the Salinas Valley.

The MCWRA Agency Act (California Water Code, Appendix § 52) and Ordinances Nos. 3635 and 3636 require the adoption of annual resolutions by the MCWRA Board of Supervisors to continue the assessments for the CSIP and SVRP. MCWRA Resolution 10-188 established the water service

charge special assessment to support operations and maintenance of the Salinas River Diversion Facility (SRDF). Ordinance Nos. 3635 and 3636, and Resolution 10-188 stipulate the assessment rates be increased annually as a cost-of-living adjustment (COLA) by the Consumer Price Index (CPI) of the San Francisco Bay Area measured from March 1 of each year to March 1 of the next year. The CPI % measured from March 1, 2024 thru March 1, 2025 is 2.7%.

The MCWRA requests a 2.7% COLA in FY2025-26, to assessment charges of Zone 2B (operations and maintenance of CSIP and SVRP), Zone 2Y (operations and maintenance of CSIP), Zone 2Z (operations and maintenance of the SVRP), and the water service charge assessment of Zone 2B (operations and maintenance of SRDF).

The MCWRA requests that FY2025-26 water delivery charges of Zone 2B be set at \$85.24 per acre-foot of water delivered, which is an increase of \$40.00 from \$45.24 in FY 2024-25. The recommended water delivery fee of \$85.24 is to pay for increased cost of chemicals, utilities and M1W staffing as well as to fund deferred well maintenance and cathodic protection maintenance, and fund overdue facility condition assessments while still using Fund Balances to cover existing funding gap of CSIP and SVRP operations in FY26.

Revenues from the special assessments of Zones 2B, 2Y and 2Z and the water delivery and the service charges of Zone 2B are assigned to Fund 131 for CSIP Project, Fund 132 for SVRP Project and Fund 134 for SRDF operations.

It is requested that the Water Resources Board of Supervisors approve and adopt the assessment rates as set forth in the Notice of Public Hearing relating to rate changes of Zone 2B, 2Y and 2Z, Zone 2B's water delivery charge and water service charges in Fiscal Year 2025-26, all identified in the Public Notice. Notices of the public hearing have been published for two consecutive weeks in the Monterey County Weekly on May 8, 2025 and May 15, 2025.

OTHER AGENCY INVOLVEMENT:

The MCWRA Board of Directors held a public hearing on April 21, 2025 regarding above and recommended the MCWRA Board of Supervisors approve the rate changes.

The MCWRA Board of Directors recommended approval of the 2.7% COLA increase to the rates and charges of Zone 2B, 2Y and 2Z and the adoption of \$85.24 per acre-foot of water delivered for the FY2025-26 Zone 2B water delivery charge.

FINANCING:

As revenues from current rates of assessments and charges are no longer sufficient to fund increased operational costs, deferred maintenance, and the required capital improvement projects, it is critical to have the COLA increases and the proposed water delivery rate being approved.

Financial impacts of the requested increases to the FY26 water delivery fee were reviewed during the Agency Board of Directors' Budget Workshop, held on March 17, 2025.

Total assessment revenue and water service charge revenue with 2.7% COLA increase are estimated

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at \$17,782,840 and \$1,682,801, respectively in FY26. Total revenue from water delivery charge of \$85.24/AF is estimated at \$594,891 for CSIP Fund 131 and \$1,024,670 for SVRP Fund 132, based on an average of 19,000 AF of water delivered per year.

Prepared by: Nan Kyung Kim, Finance Manager III (831) 755-4860

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Approved by:

Ara Azhderian

Ara Azhderian, General Manager (831) 755-4860

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Attachments:

1. Summary - Fiscal Year 2025-2026 Assessment charges
2. Executed MCWRA Board of Directors Board Order
3. FY26 WRA Assessments PPT
4. Resolution