



County of Monterey

Item No.

Board Report

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

Legistar File Number: WRAG 25-043

April 22, 2025

Introduced: 4/2/2025

Current Status: Agenda Ready

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Matter Type: WR General Agenda

- a. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the Fiscal Year 2026 (FY26) cost-of-living adjustment (COLA) increase of 2.7% to the assessment charges of Zones 1, 1A, 2B, 2C, 2Y, 2Z, 8, 9, 12, and 17; and
- b. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the FY26 cost-of-living adjustment (COLA) increase of 2.7% to the Zone 2B water service charge for the Salinas River Diversion Facility Project; and
- c. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the FY26 Zone 2B water delivery fee of \$85.24 per acre-foot of water delivered (AF) for the Castroville Seawater Intrusion Project and the Salinas Valley Reclamation Project; and
- d. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the hearing.

RECOMMENDATION:

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

- a. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the Fiscal Year 2026 (FY26) cost-of-living adjustment (COLA) increase of 2.7% to the assessment charges of Zones 1, 1A, 2B, 2C, 2Y, 2Z, 8, 9, 12, and 17; and
- b. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the FY26 cost-of-living adjustment (COLA) increase of 2.7% to the Zone 2B water service charge for the Salinas River Diversion Facility Project; and
- c. Set and hold a public hearing at 9:00 AM on May 28, 2025, to consider approving and adopting the FY26 Zone 2B water delivery fee of \$85.24 per acre-foot of water delivered (AF) for the Castroville Seawater Intrusion Project and the Salinas Valley Reclamation Project; and
- d. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the hearing.

SUMMARY/DISCUSSION:

Assessments of Flood Zones: The Monterey County Water Resource Agency ("Agency") ordinances governing Agency flood zones - Ordinance Nos. 2626, 2974, 3878, and 3881 - were adopted to protect life and property and to minimize the impacts of flooding in Zones 1, 1A, 8, 9, 12 and 17. These ordinances specify that assessment rates for these zones are subject to an annual cost-of-living adjustment (COLA), based on the Consumer Price Index (CPI) for the San Francisco Bay Area, measured February- February of the next year.

Assessments & Water Service Charges of Zones 2B, 2Y & 2Z: Zones 2B, 2Y, and 2Z were established to fund the construction, operation, and maintenance of the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP), which includes

loan payments to the U.S. Bureau of Reclamation that funded the construction of the projects. Ordinances Nos. 3635 and 3636, as well as the MCWRA Agency Act (California Water Code, Appendix § 52) require the Agency Board of Supervisors to adopt annual resolutions to continue the assessments for the CSIP and SVRP. Additionally, Resolution 10-188 established the Water Services Charge to support operations and maintenance of the Salinas River Diversion Facility SRDF. These ordinances and the resolution also require annual COLA adjustment to assessment rates of Zones 2B, 2Y and Water Service Charge, based February CPI for the San Francisco Bay Area measured February- February of the next year.

Water Delivery Fee of SVRP and CSIP: Agency Act (California Water Code, Appendix § 52) and Ordinance No. 3789 require a public hearing by the Agency Board of Directors to consider a recommendation on a proposed water delivery fee for each new fiscal year. Following the public hearing the Board of Directors would make recommendations to the Agency Board of Supervisors concerning the adoption of resolutions to establish the water delivery fee of Zone 2B. Agency Ordinance No. 3798 and Resolution 00-172 establish that the water delivery charges may vary according to the financial needs of CSIP and SVRP.

The Agency recommends that the FY26 water delivery fee of Zone 2B be \$85.24/AF, increased from \$45.24 AF in FY25. The recommended water delivery fee of \$85.24 is to pay for increased cost in 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.

Assessments of Zone 2C: Ordinance No. 4203 governs Zone 2C assessments to support the Salinas Valley Water Project (SVWP). The assessments provide funding of operations and maintenance at Nacimiento Dam and San Antonio Dam. Ordinance 4203 stipulates that Operation & Maintenance & Administrative components of the SVWP assessments are also subject to annual COLA adjustments, based on the February CPI for the San Francisco, Oakland and San Jose urban area.

The CPI of the San Francisco Bay Area measured February 2024 through February 2025 indicates a 2.7% increase. Accordingly, MCWRA requests a 2.7% COLA adjustment for FY26 to flood control assessments, special benefit zones, and water service charges for the following:

- Zones 1 & 1A - Pajaro River Fund 112
- Zone 8 - Soledad Storm Drain Fund 121
- Zone 9 - Reclamation Ditch Fund 122
- Zone 12 - San Lorenzo Creek Fund 124
- Zone 17 - Moro Cojo Slough Fund 127
- Zone 2B - CSIP Fund 131 & SVRP Fund 132
- Zone 2Y - CSIP Fund 131
- Zone 2Z - SVRP Fund 132
- Water Service Charge - SRDF Fund 134
- Zone 2C - Dam Operations Fund 116 (Operation & Maintenance & Administrative components of the SVWP assessments only)

The attached summary chart details Agency's FY26 assessment rates, water delivery and service charges comparing to those of FY25.

It is requested that the Monterey County Water Resources Agency Board of Supervisors set and hold a public hearing at 9:00 a.m. on May 28, 2025 to consider approving and adopting the rates as set forth in the Notice of Public Hearing relating to rate changes of Agency's Zones, the water delivery charge, and water service charge/fee in Fiscal Year 2025-26, all identified in the Public Notice. Notices will be published once a week for two consecutive weeks prior to the date set for this hearing.

OTHER AGENCY INVOLVEMENT:

At the April 21, 2025 meeting, the Monterey County Water Resources Agency Board of Directors will consider recommending that the Monterey County Water Resources Agency Board of Supervisors approve and adopt the FY26 assessment rates, water delivery and service charges as requested.

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 FY2025-26 water delivery fee was 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 at \$17,782,840 and \$1,682,801, respectively in FY26. Total revenue from water delivery charge of \$84.21/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.

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Approved by:



Ara Azhderian, General Manager (831) 755-4860

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Attachments:

1. Summary - FY26 WRA Assessment Charges & Fees
2. Notices of Public Hearing for Flood Zones
3. Notices of Public Hearing for Zone 2C
4. Notices of Public Hearing for Zone 2B, 2Y, 2Z, Water Delivery Fee & Water Service Charge