MONTEREY COUNTY WATER RESOURCES AGENCY
Administrative Policy

Policy No.:	2026-01
Program/Project:	Groundwater Monitoring Program
Policy Title:	Regulatory Fee Stabilization Policy
Authorizing Resolution No.:	
Effective Date: XX-XX-2026	Next Review Date: XX-XX-2029

POLICY OBJECTIVES:

This Regulatory Fee Stabilization Policy (RFSP) applies to the Monterey County Water Resources Agency's (Agency) Groundwater Monitoring Program (GMP). This RFSP affirms the Agency's commitment to prudent financial management in support of GMP implementation and planning consistent with applicable laws, ordinances, grants, other contracts, and GMP objectives, as revised from time to time. The purposes of this RFSP are to:

A) establish and maintain prudent reserve levels that are specific to the needs and risks of the GMP;
B) moderate financial fluctuations to smooth year-over-year regulatory fee volatility due to aperiodic increases of GMP activities and/or expenses, while ensuring the GMP maintains sufficient funding to meet its regulatory obligations;
C) describe the reserve funds' purpose and target balances; and
D) identify when and how reserve funds are utilized and replenished.

Generally Accepted Accounting Principles (GAAP) recommend that governments establish a formal policy to indicate an appropriate level of reserves to be maintained for rate stability, capital improvement projects, and other operational obligations. Reserves will be accumulated and maintained within the GMP operating budget. The RFSP establishes two GMP reserves within Fund 1501:

1) a Capital Reserve to be held separately and used exclusively for GMP Capital Asset needs, including rehabilitation, improvement, and/or replacement of existing assets as well as acquisition or construction of new Capital Assets; and
2) an Operating Reserve to be held separately and used exclusively for GMP administration, operation, maintenance, and other non-capital costs.

POLICY PRINCIPLES:

- Maintain prudent financial health of the GMP;
- Provide financial liquidity to support rate stability for regulatory fee payers;
- Ensure funding is available timely for preservation and acquisition of GMP Capital Assets;
- Provide financial flexibility responsive to unpredictable variability of GMP activities within annual budgeting cycles.

DEFINITIONS:

- Capital Asset: A physical asset costing $10,000 or more that is necessary to support GMP functions. To the extent vehicles, or other physical assets, are rented or leased, they are not a

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Capital Asset regardless of cost; rather, they are accounted for as part of the annual operation and maintenance budget.

- Capital Reserve: This reserve is designated for the acquisition or construction of GMP Capital Assets, including the rehabilitation, improvement, and/or replacement of existing GMP Capital Assets, and to assure timely availability of adequate cash to pay those costs without requiring debt issuance, while moderating rate volatility for regulatory fee payers. The Designated Reserve target amount shall be set annually by calculating each Capital Asset depreciation expense so to allocate the cost of an asset evenly across its lifespan then summing the individual expenses to establish a total. The formula for calculating annual depreciation is: Annual Depreciation = (Cost of Asset - Salvage Value) ÷ Useful Life. Use of the Capital Reserve shall require prior approval from the Finance Manager and General Manager consistent with the procurement authority granted by the Agency's Board of Supervisors.
- Groundwater Monitoring Program (GMP): The GMP is a financially self-contained regulatory program that monitors groundwater in the Salinas Valley Groundwater Basin for the purpose of fulfilling the regulatory obligations of the Salinas Valley Basin Groundwater Sustainability Agency, or other Requesting Entities, under the Sustainable Groundwater Management Act. Regulatory compliance costs of the GMP are allocated on a per-well basis and collected from well owners or their designees as a regulatory fee under Proposition 26.
- Operating Reserve: This reserve is designated for GMP administration, operation, maintenance, and non-capital costs to protect operational capability within annual budgeting cycles. The Operating Reserve target amount is set at six months of total GMP operating expenses, as approved annually by the Board of Supervisors. Annual exceedance of the target shall be considered a credit to the subsequent annual regulatory fee calculation whereas deficiencies shall be considered a debit. Use of the Operating Reserve shall require prior approval from the Finance Manager and General Manager consistent with the procurement authority granted by the Agency's Board of Supervisors.

ACCUMULATION & REPLENISHMENT:

GMP reserve balances will be reviewed on an annual basis. Accumulation will occur over a five-fiscal-year period. Replenishment of GMP reserves, within any given fiscal-year, will not exceed 20% of the reserve target total. Conversely, if reserve balances exceed reserve targets, then the excess shall be refunded by reducing the GMP regulatory fee. To the extent the accumulation and replenishment of reserves is constrained within the 20% limit, the first priority shall be Operating Reserves. Interest earned by reserves shall accumulate in the specific reserve fund.

OVERSIGHT:

The Finance Manager is responsible for reporting GMP reserve funds activity at-least quarterly to the Finance & Administration Committee. Review by the Boards of Directors and Supervisors will occur at least annually during the budget preparation and approval process.

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