County of Monterey

Board Report

Legistar File Number: WRAFIN 25-041

Item No.

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

April 04, 2025

Introduced: 3/31/2025
Version: 1

Current Status: Agenda Ready
Matter Type: WRA FInance Item

Consider recommending that the Monterey County Water Resources Agency Board of Directors hold a public hearing to consider recommending the Monterey County Water Resources Agency Board of Supervisors to:
a. Approve and adopt the Fiscal Year 2025-26 (FY26) Zone 2B Water Delivery charge of $85.24 per acre-foot (AF) of water delivered for Zone 2B for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP); and
b. Notice and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the rate change; and
c. 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 public hearing by Board of Supervisors.

RECOMMENDATION:
It is recommended that the Finance Committee recommend the Monterey County Water Resources Agency Board of Directors hold a public hearing to consider recommending the Monterey County Water Resources Agency Board of Supervisors to:

a. Approve and adopt the Fiscal Year 2025-26 (FY26) Zone 2B water delivery charge of $85.24 per acre-foot (AF) of water delivered for Zone 2B for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP); and
b. Notice and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the rate change; and
c. 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 public hearing by Board of Supervisors.

SUMMARY/DISCUSSION:
The Castroville Seawater Intrusion Project (CSIP) is the recycled water distribution system established in 1998, to reduce groundwater extractions within seawater intruded areas of the 180/400-Foot Aquifer Subbasin. The project receives and delivers water from three primary sources: tertiary recycled water, treated and rediverted Agency Reservoir surface water, and groundwater. Monterey One Water owns and operates the Regional Treatment Plant that provides the treated secondary effluent to the Salinas Valley Reclamation Project (SVRP), which treats the water to tertiary standard for use in the CSIP distribution usage area. The water delivery charge for Zone 2B was established to help support operations and maintenance of the CSIP and SVRP by charging the Recycled Water Users for each acre-foot of water delivered through the CSIP Turnouts. This charge is in addition to assessments, grants and water service charges that are also collected for the funding of the Recycled Water Project.

The Monterey County Water Resources Agency ("Agency") 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 cost of operations and maintenance of CSIP and SVRP has increased significantly since Fiscal Year 2019. Revenues from current assessments and the water delivery charge at its current rate, are no longer sufficient to fund increased operational costs, deferred maintenance, and the required capital improvement projects. The Agency has been using Fund Balance to fund capital improvement projects approved by the Board of Directors in prior fiscal years, which is not sustainable with current revenues.

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.

Per Agency Ordinance No. 3798, a notice of the public hearing by Board of Directors on this matter was published in the Monterey County Weekly on April 10, 2025. Notices will be published once a week for two consecutive weeks prior to the date set for the Agency Board of Supervisors hearing.

OTHER AGENCY INVOLVEMENT:
None

FINANCING:
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.

FY 2025-26 water delivery charge revenue 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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Attachments:
1. Notice of Public Hearing at the Agency Board of Directors
2. Notice of Public Hearing at the Agency Board of Supervisors