



# County of Monterey

**Item No.3**

## Board Report

Legistar File Number: WRAG 24-067

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

April 15, 2024

**Introduced:** 4/10/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WR General Agenda

Public hearing to consider recommending the Monterey County Water Resources Agency Board of Supervisors:

- a. Approve and adopt the Fiscal Year (FY) 2024-25 Zone 2B water delivery charge of up to \$89.60 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 29, 2024, at 10:30 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.

(Staff Presenting: Ara Azhderian)

**RECOMMENDATION:**

It is recommended 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:

- a. Approve and adopt the Fiscal Year (FY) 2024-25 Zone 2B water delivery charge of up to \$89.60 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 29, 2024, at 10:30 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 part of a conjunctive use system that delivers a combination of recycled water, surface water, and groundwater to growers to reduce groundwater extraction within seawater intruded areas of the 180/400-Foot Aquifer Subbasin. Monterey One Water owns and operates the Regional Treatment Plant that provides treated effluent to the Salinas Valley Reclamation Project (SVRP), which treats the water for use in the CSIP distribution area. The water delivery charge for Zone 2B was established to help support operations and maintenance of the CSIP and SVRP by charging growers for each acre-foot of water delivered to parcels. This charge is in addition to assessments, grants and water service charges that are also collected for the system.

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 steadily over time, especially chemical costs, electrical charges, and staff rates since Fiscal Year 2019. Revenues from current assessments and the water delivery charge are no longer sufficient to afford increased operational costs and needed capital projects. Agency has been using Fund Balance to pay for capital projects approved by the Board of Directors, which is not sustainable with current revenues.

The Agency recommends that the FY2024-25 water delivery fee of Zone 2B be \$89.60/AF, an increase of \$52.36 from \$37.24 /AF in FY 2023-24. Utility and chemical costs of CSIP and SVRP operations experienced average annual increases of 17% and 33%, respectively since FY 2019. The amount requested for the FY25 budget accounts for anticipated increases for utilities and chemicals needed for each operation. The recommended water delivery fee of \$89.60 is to pay for increased chemicals and utility costs as well as to fully fund annual well maintenance, CSIP turnout flowmeter calibrations and new source water investigation, while still using Fund Balances to cover existing funding gap of CSIP and SVRP operations in FY 25.

Per Agency Ordinance No. 3798, a notice of the April 15, 2024, public hearing by Board of Directors was published in the Monterey County Weekly on April 4, 2024. Notices will be published once a week for two consecutive weeks prior to the date set for the Agency Board of Supervisors hearing.

The Agency Finance Committee meet on April 5th to consider its recommendation to the Board of Directors regarding the FY 25 water delivery charge. The Committee expressed concerns with the Agency recommended increase in the water delivery charge, impacts to fund balances, and potential reductions in service. They requested that staff prepare two additional water delivery charge options at lower rates for the Directors to consider at their April 15th public hearing and Board meeting. From the options, the Directors would then determine their recommendation to the Board of Supervisors for final consideration and approval.

Based on this request, staff prepared two additional water delivery charge options. Option "X" proposes to increase the current water delivery charge by about 20%, to \$45.24/AF. This option provides Fund 131 with \$11.24/AF and a reduction in staff recommended activities. Those include reduction of \$300,000 towards a well replacement project as well as the removal of additional well maintenance, new source water investigation, flow meter calibration and design of a second replacement well, making the impact to fund balance the same as staff's recommended budget. The balance of the water delivery fee would go to Fund 132 but the activities would remain the same resulting in a reduction to the fund balance by an additional \$ 460,500.

The second option staff developed, Option "Y", set the water delivery fee at \$55.24/AF. This option also provides Fund 131 with \$11.24/AF and the same reduction of staff recommended activities as

Option "X". The balance of the water delivery fee would go to Fund 132 but the activities would remain the same resulting in a reduction to the fund balance by an additional \$260,500.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

Financial impacts of the requested increases to the FY2024-25 water delivery fee was reviewed during the Agency FY2024-25 Budget Workshop, held on March 18, 2024.

Total FY 2024-25 water delivery charge revenue estimates are based on 20,000AF of water delivered. The total fiscal impact remains unknown but based on the options provided, ranges between \$904,800 and \$1,792,000 for Funds 131 and 132.

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

Approved by: Ara Azhderian, General Manager (831) 755-4860

Attachments:

1. Monterey One Water Five Year Expense Trend
2. Monterey One Water SVRP and CSIP utility and chemical expense in FY2023-24
3. Notice of Public Hearing at the Agency Board of Directors meeting on April 15, 2024
4. Board Order