



County of Monterey

Item No.14

Board Report

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

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Consider recommending the Monterey County Water Resources Agency Board of Supervisors adopt a resolution approving the Monterey County Water Resources Agency Fiscal Year 2026-27 (FY27) Recommended Budget.

RECOMMENDATION:

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

Consider recommending the Monterey County Water Resources Agency Board of Supervisors adopt a resolution approving the Monterey County Water Resources Agency Fiscal Year 2026-27 (FY27) Recommended Budget.

SUMMARY/DISCUSSION:

The Fiscal Year 2026-27 (FY27) Recommended Budget (Budget) for the Monterey County Water Resources Agency (Agency) totals \$48,286,681 in expenses and \$43,152,545 in revenue, reflecting a 11 percent increase in expenses and a 9 percent in revenue from the prior year. FY27 expenditure exceeds anticipated revenue by \$5,134,136. The deficit will be funded through use of available fund balances.

The Budget funds 45 of the Agency's 57 authorized positions and includes \$10.0 million for salaries and benefits. Cost of consultant and contractor services rises to \$23.2 million, while insurance costs decrease to \$1.6 million. Debt service and related transfers total \$7.8 million.

On the revenue side, the Budget includes \$17.9 million in assessments, \$3.7 million in Ad Valorem taxes, \$4.1 million from Water Delivery charge and Service charges, \$1.5 million from program revenue, and \$8.8 million in grants. Despite these increases, expenditure exceeds revenues by \$5.1 million, which will require use of fund balances.

The budget includes fund transfers totaling \$0.9 million. Of this amount, \$0.7 million will be transferred from Fund 1508 (Fund 130) Hydro-Electric Operations to Fund 1503 (Fund 116) Dam Operations to cover regulatory costs. An additional \$0.2 million will be transferred from Fund 1501 (Fund 111) Administration & Countywide Service to Fund 1507 (Fund 127) Moro Cojo Slough to address funding gaps.

MCWRA recommends that the Board hold the public hearing for the Agency's FY27 Budget on May 19, 2026, a date that is different from the County of Monterey's budget hearing. This timing will allow the public to engage specifically in MCWRA's budget and increase opportunities for public

participation.

The County of Monterey plans to replace the current Enterprise Resource Planning system (ERP) from CGI Advantage to Oracle Fusion ERP. The ERP project team plans to have ERP Financial system go live in July 2026. WRA's Fund and entity numbers will change to the following in Oracle ERP.

OTHER AGENCY INVOLVEMENT:

Staff worked with Monterey One Water for budgets of Agency's recycled water projects.

FINANCING:

Overall, FY27 expenditure exceeds anticipated revenue by \$5.1 million. The deficit will be funded through use of available fund balances. This figure reflects adjustments made to reduce the originally proposed expenses. The Agency's ending fund balance is projected at \$15.0 million. The FY27 Budget maintains funding for 45 positions and leaves 12 positions unfunded to limit additional fund-balance drawdowns and move closer to a structurally balanced budget. Despite these measures, revenue growth remains slower than rising operating and maintenance costs and both current and future repair and replacement needs.

The Agency is developing both interim and long-term strategies to improve financial sustainability, align staffing with service needs, and meet County fiscal guidelines aimed at reducing reliance on fund balances for ongoing operations. FY2027 Budget allocates \$350,000 for such effort.

Agency's FY27 Recommended Budget represents a statutorily balanced budget and meets all requirements for adoption.

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Attachments:

1. MCWRA FY2026-27 Recommended Budget Book
2. BoS Budget Hearing Notice
3. Resolution