

**PAJARO VALLEY WATER MANAGEMENT AGENCY
NOTICE OF PUBLIC HEARING
ON PROPOSED DELIVERED WATER CHARGE INCREASE**

NOTICE IS HEREBY GIVEN that on May 20, 2015 at 7:00 p.m. at the Watsonville City Council Chambers, 275 Main Street, 4th Floor, Watsonville, CA 95076, the Pajaro Valley Water Management Agency Board of Directors will hold a public hearing to consider the adoption of a proposed ordinance to increase the Agency delivered water charge. All property owners, customers and other interested persons are invited to attend the hearing and present written and/or oral comments on or protests against the proposed rate increase. This notice provides information concerning the proposed delivered water charge increase.

What is the Pajaro Valley Water Management Agency and why was it formed?

The Agency is a water management agency formed to manage the water in the Pajaro Valley groundwater basin. The basin is in an overdraft condition, which means that the groundwater being extracted from the basin regularly exceeds the amount recharged or replenished to the basin from rain, runoff and natural processes. With the Valley located near the coast, this overdraft leads to seawater intrusion into the groundwater basin, which can render the groundwater unusable. The principal purpose of the Agency is to reduce overdraft, retard seawater intrusion and protect the quantity and quality of the water in the groundwater basin. State law authorizes the Agency to develop, operate and maintain projects involving the purchase, capture, storing and distribution of supplemental water. Supplemental water means water imported into the basin, conserved floodwater, and recycled water.

What are the completed supplemental water projects?

The Agency has completed three supplemental water projects that work together to provide supplemental water to reduce overdraft, retard seawater intrusion, and improve and protect the groundwater basin supply: (1) Watsonville Recycled Water Facility - provides tertiary treated recycled water for agricultural use and includes inland wells that are used to improve the water quality for agricultural purposes; (2) Harkins Slough Project - diverts excess wet-weather flows from Harkins Slough to a basin that recharges the groundwater, which then is available to be extracted and delivered for agricultural use and recharge the local aquifer; and (3) Coastal Distribution System (CDS) - pipelines to deliver the blended recycled water and Harkins Slough Project water for agricultural use along the coast.

Four additional capital projects are underway now, ahead of schedule, in order for the Agency to take advantage of \$3 million in drought emergency and other grant funds, and low interest (1%) drought relief loans. These projects include additional tank storage at the Watsonville Recycled Water Facility, over 6,000 feet of additional CDS pipeline, new pipelines to improve water quality from blend wells, and monitoring wells.

What is the Agency delivered water charge?

With the completed supplement water projects, the Agency is able to deliver the supplemental water for agricultural use in the areas near the coast and served by the CDS. State law authorizes the Agency to sell and levy a charge for the delivery of the supplemental water to property owners and farmers in this area who request delivered water service from the Agency. The delivered water charge is the charge levied by the Agency on customers who request and receive supplemental water from the CDS.

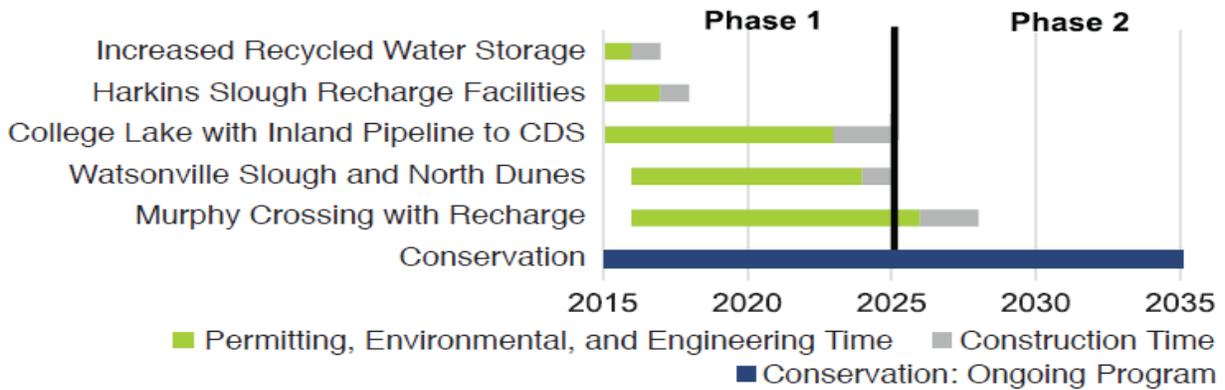
What is the service to be funded by the increased delivered water charge?

Delivered Water Service is comprised of the delivery of the alternate supplemental water supplies produced by the Agency supplemental water projects. The delivered water service includes: the construction, operation, maintenance, management, repair and improvement of the Watsonville Recycled Water Facility, Harkins Slough Project, CDS, turnouts, turnout meters, water storage and

other facilities that provide irrigation water to the Agency delivered water service customers; facilities to deliver the water supply at pressure appropriate for agricultural irrigation; basin management planning activities; water quality monitoring and testing; processing of water delivery orders and scheduling delivery of water; cross connection and backflow prevention device testing; and, monitoring and inspection of delivered water use sites. The Agency funds this service through a delivered water charge.

Why is the Agency proposing a delivered water charge increase?

The Agency is proposing the delivered water charge increase in order to cover the costs of the service described above. In addition to operation and maintenance of the completed projects, the Agency will be moving forward with projects identified in the Agency Basin Management Plan.



New rates are based on the approved BMP projects and proposed timetable shown above. The projects are described in more details in the BMP. The current \$338/acre-foot delivered water charge and other available revenue are not sufficient to cover the costs of the service.

How was the delivered water charge increase determined?

Agency staff, with the assistance of Carollo Engineers, analyzed and developed the delivered water charge increase that is being recommended to the Agency Board of Directors. Complete information concerning the calculation of and reasons for the increased charge are set forth in the Agency *Proposition 218 Service Charge Report* dated January 2015.¹ The increase also is supported by the Agency’s 2014 Basin Management Plan Update and other documents described in the Service Charge Report. The Service Charge Report and Basin Management Plan are available for public review and/or copying during normal business hours at the Agency office at 36 Brennan Street, Watsonville, CA 95076. The documents also are available on the Agency website, www.pvwater.org

How was the increased delivered water charge calculated?

The Agency’s revenues and expenses were evaluated to determine the net revenue requirements for the service to be recovered from the rate increase. A cost of service analysis (the Service Charge Report) was conducted to allocate the revenue requirements to the Agency’s cost categories to reflect the service attributable to the delivered water service customers. Costs were allocated based on the estimated percentage of staff time spent on various functions, costs of pumping/pressurizing the water supply in the CDS, and relative consumption of water by the delivered water service customers and

¹ The Agency concurrently is processing a proposed increase of its augmentation charge on the extraction of groundwater from groundwater wells within the Agency in order to pay the costs of purchasing, capturing, storing and distributing supplemental water. Because the delivered water service and supplemental water service utilize the same Agency facilities, the Agency combined the evaluation of the two service charge increases into a single Service Charge Report. The report also explains how Agency costs are allocated between the supplemental water service (augmentation charge) and delivered water service (delivered water charge).

groundwater pumpers. The cost apportionment and calculation are described in detail in the Service Charge Report.

What is the proposed increased delivered water charge?

The delivered water charges for the next 5 years are shown in the table below.

PROPOSED DELIVERED WATER RATES

Current Rates FY 2014/15	Average Percent Increase	Proposed Rate FY 2015/16	Proposed Rate FY 2016/17	Proposed Rate FY 2017/18	Proposed Rate FY 2018/19	Proposed Rate FY 2019/20
\$338	3.0%	\$348	\$359	\$369	\$380	\$392

What property owners and tenants would be subject to the increased delivered water charge?

The property owners subject to the increased delivered water charge would be those that have applied for and receive delivered water from the Agency through the CDS. For a parcel with a tenant/farmer, the Agency enters into a service agreement with the property owner and then coordinates with the tenant concerning water delivery, billing and payment. In these tenant situations, the delivered water charge bill may be paid by the tenant. Therefore, tenants receiving delivered water service may be directly liable to pay the delivered water charge.

When would the increased charges become effective?

Following the public hearing, and assuming there is not a majority protest, the proposed increase would take effect July 1, 2015.

Are there any Agency rules that govern this proceeding?

Yes. The Agency Board of Directors has adopted a resolution with public hearing notice and majority protest procedures that will govern the Agency proceedings for the consideration and approval of the proposed delivered water charge increase (Resolution No. 2015-xx). These procedures provide important instructions and direction to the public, delivered water service customers, landowners, tenants, and Agency directors and staff. The resolution is available at the Agency office, 36 Brennan Street, Watsonville, CA 95076, and the Agency website, www.pvwater.org. Interested persons are encouraged to review the resolution for the specific rules concerning the protest hearing.

How can someone get additional information?

If you have any questions regarding the proposed delivered water charge increase, or if you would like to submit a comment or protest regarding the proposed increase before the public hearing, then please review the Agency website and/or contact the Agency office at 36 Brennan Street, Watsonville, CA 95076 or 831-722-9292.

/S/ Mary Bannister

Dated: March 30, 2015

Mary Bannister, General Manager