PV Water · Funding Pajaro Valley Water Solutions

Purpose

The Pajaro Valley Water Management Agency (PV Water) is proposing new rates that could become effective December 1, 2026. The new rates are required to fund the implementation of critical water supply projects and programs needed to achieve sustainable groundwater resources in the Pajaro Valley as mandated by the Sustainable Groundwater Management Act. The Basin Management Plan (BMP) Groundwater Sustainability Update 2022 (GSU22) documents the need for additional water supply projects. The College Lake Integrated Resources Management Project, the Watsonville Slough System Managed Aquifer Recharge & Recovery Projects, and water conservation programs are designed to mitigate major threats to the Pajaro Valley's water resources, including groundwater overdraft, seawater intrusion, and groundwater quality degradation.

Existing Revenues and Expenditures

Revenues are primarily generated by consumer charges (pumped groundwater or augmentation charges and delivered water charges for irrigation supply in the coastal areas). Rate revenues as documented in the Fiscal Year 2024/25 Audited Financial Statements was $16.4. million. Forecasted revenues between Fiscal Years Ending June 30, 2026, and June 30, 2031, of approximately $109.2 million are insufficient to support the planned projects.

The Agency's existing expenditures are categorized into 5 components: 1) Administration; 2) Operations, including the supplemental water production and delivery through the Coastal Distribution System (CDS); 3) Metering; 4) Basin Management Planning; and 5) Capital Projects. Forecasted expenditures between Fiscal Years Ending June 30, 2026, and June 30, 2031, are approximately $189.4 million.

Capital Projects

New rates are based on the approved GSU22 projects and proposed timetable, and the Agency's capital improvement program. Construction of these projects is projected to be debt funded. Although PV Water has received grant funding for past projects, grants or low-interest loans were not assumed. Should PV Water receive grants or low interest loans, it may be possible to lessen the rate increases.

2026 Cost of Service Rate Study

The purpose of the Rate Study is to evaluate, explain, and substantiate the Agency's revenue needs and proposed new augmentation and delivered water charges. The Rate Study also serves to provide the documentation necessary to meet Proposition 26, Proposition 218, and other legal requirements. The Rate Study is available online at the following location: https://www.pvwater.org/images/board-and-committees/board_of_directors_assets/2026_BOD/2026.Cost-of-Service.Rate.Study_Board.Review.Draft.pdf

Existing & Proposed Rates

Rate Class	FY 2025/26 Existing Rate	FY 2026/27 Proposed 12/1/2026	FY 2027/28 Proposed 12/1/2027	FY 2028/29 Proposed 12/1/2028	FY 2029/30 Proposed 12/1/2029	FY 2030/31 Proposed 12/1/2030
Augmentation Charge – Inside DWZ	$486/AF	$504/AF	$522/AF	$541/AF	$561/AF	$581/AF
Augmentation Charge – Outside DWZ	$346/AF	$363/AF	$380/AF	$399/AF	$418/AF	$438/AF
Augmentation Charge – Rural Residential*	$163/ Residence	$132/ Residence	$140/ Residence	$147/ Residence	$155/ Residence	$164/ Residence
Delivered Water Charge	$501/AF	$526/AF	$552/AF	$580/AF	$609/AF	$639/AF

**Beginning with the FY2026/27 billing, rural residential estimated consumption will be based on 0.4 AF per residence annually, pending adoption of the rate-setting ordinances.*

PV Water · Frequently Asked Questions – Rate Setting

Why are rate increases necessary?

Revenues are insufficient to fund projects and programs necessary to address groundwater overdraft, seawater intrusion, and to achieve sustainable groundwater resources. The need for additional water supply projects has been well documented in the BMP, now GSU22. Risk from climate change further heightens the need to develop additional water sources and increase conservation. The rates are designed to provide funding to initiate these critical projects.

Was the same methodology utilized in the 2021 Rate Setting Process?

Yes, the cost-of-service allocation completed in this study follows the same methodology that was used in the 2021 Service Charge Report and affirmed by the California Court of Appeal in the Pendry-Griffith Decision. The methodology follows the principles developed by the American Water Works Association.

Will we have to repeat this process in five years?

The rate increases are effective for five years. The FY 2030/31 (year 5) rates will remain in place until another rate study is performed. Each year's noticed rate is the maximum rate the Agency can charge.

Will the rates change annually based on inflation?

No, the rates have built-in cost escalators to fund on-going Operations and Maintenance and projected debt and capital costs. The rates cannot exceed the rates noticed for that fiscal year. The PV Water Board always has the option of limiting the increase, should additional revenues not be necessary (for instance if grants are received to fund projects). PV Water pursues available grant funding aggressively and has had significant success over the last couple decades.

When do the new rates become effective?

The new rates would go into effect on December 1, 2026. Each subsequent increase would go into effect on the subsequent December 1, through 2030.

How often am I billed?

The billing schedule will remain as it is now: quarterly for metered well users and annually for rural residential accounts.

What measures did the Agency take to gather community input?

The rate change recommendations were presented to, and reviewed by, a community-based Ad Hoc Rate Setting Committee established by the Board of Directors.

Where can I learn more?

Please visit pvwater.org for more information, or call the office at (831) 722-9292. The Board of Directors monthly meetings are held on the third Wednesday of the month at 7:00 p.m. Please check the website or call the office to confirm the board meeting date, time, and location.

PV Water Board of Directors

Elected

Mary Bannister, Division A
Stephen Rider, Chair, Division B
Amy Newell, Division C
Bob Culberson, Division D

Appointed

CJ Miller, Vice Chair, Monterey County
Tom Broz, Santa Cruz County
Nolberto Hernandez, City of Watsonville

PV Water is a public agency whose mission is to protect and preserve the water resources within the agency's jurisdiction, generally the greater coastal Pajaro Valley. Please call the office at (831) 722-9292 or visit our website at pvwater.org for more information.