

# PV Water · Funding Pajaro Valley Water Solutions

## Purpose

The Pajaro Valley Water Management Agency (PV Water) is proposing new rates effective July 2021. 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 2014 Basin Management Plan (BMP) Update 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 tackle major threats to the Pajaro Valley: 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 2019/20 Audited Financial Statements was \$14.7 million. Forecasted revenues between Fiscal Years Ending June 30, 2021 and June 30, 2026 of approximately \$72.9 million are insufficient to support the planned BMP 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, 2021 and June 30, 2026 are approximately \$140.4 million.

## Basin Management Plan Capital Projects

New rates are based on the approved BMP projects and proposed timetable. 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.

## 2021 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/2021-Cost-of-Service-Rate-Study-Final\\_Feb.2021\\_Final.pdf](https://www.pvwater.org/images/2021-Cost-of-Service-Rate-Study-Final_Feb.2021_Final.pdf)

## Existing & Proposed Rates

Rate Class	FY 2019/20 Existing Rate	FY 2020/21 Existing Rate	FY 2021/22 Proposed	FY 2022/23 Proposed	FY 2023/24 Proposed	FY 2024/25 Proposed	FY 2025/26 Proposed
Augmentation Charge – Inside DWZ	\$338/AF	\$338/AF	\$363/AF	\$391/AF	\$420/AF	\$452/AF	\$486/AF
Augmentation Charge – Outside DWZ	\$246/AF	\$246/AF	\$263/AF	\$282/AF	\$302/AF	\$323/AF	\$346/AF
Augmentation Charge – Rural Residential*	\$115/ Residence	\$115/ Residence	\$123/ Residence	\$132/ Residence	\$142/ Residence	\$152/ Residence	\$163/ Residence
Delivered Water Charge	\$392/AF	\$392/AF	\$412/AF	\$432/AF	\$454/AF	\$477/AF	\$501/AF

\*Rural Residential Users are billed 0.5 AF/year

# ***PV Water · Frequently Asked Questions - Rate Setting***

## **Why are rate increases necessary?**

Revenues are currently insufficient to fund projects and programs necessary to address groundwater overdraft and seawater intrusion and achieve sustainable groundwater resources. The need for additional water supply projects has been well documented in the BMP. Drought conditions further heighten the need to create additional water sources and increase conservation. The proposed rates are designed to provide funding to initiate these critical projects.

## **Was the same methodology utilized in the 2015 Rate Setting Process?**

Yes, the cost of service allocation completed in this study follows the same methodology that was used in the 2015 Proposition 218 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?**

Five years of rates are being proposed. The proposed FY 2025/26 (year 5) rates will remain in place until another 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 proposed projects). PV Water pursues available grant funding aggressively and has had great previous success.

## **When do the new rates become effective?**

The new rate structure would be timed to go into effect with the beginning of the next fiscal year, which is July 1, 2021. Each subsequent increase would also be implemented on July 1.

## **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 Funding Committee.

## **Where can I learn more?**

Please visit [pvwater.org](http://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., presently by teleconference due to COVID-19. Please check the website or call the office to confirm the board meeting date, time, and location.

### **PV Water Board of Directors**

#### **Elected**

**Amy Newell**, Chair, Division C

**Bob Culberson**, Vice Chair, Division D

**Mary Bannister**, Division A

**Stephen Rider**, Division B

#### **Appointed**

**Javier Zamora**, Monterey County

**Tom Broz**, Santa Cruz County

**Vacant**, 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](http://pvwater.org) for more information.*

