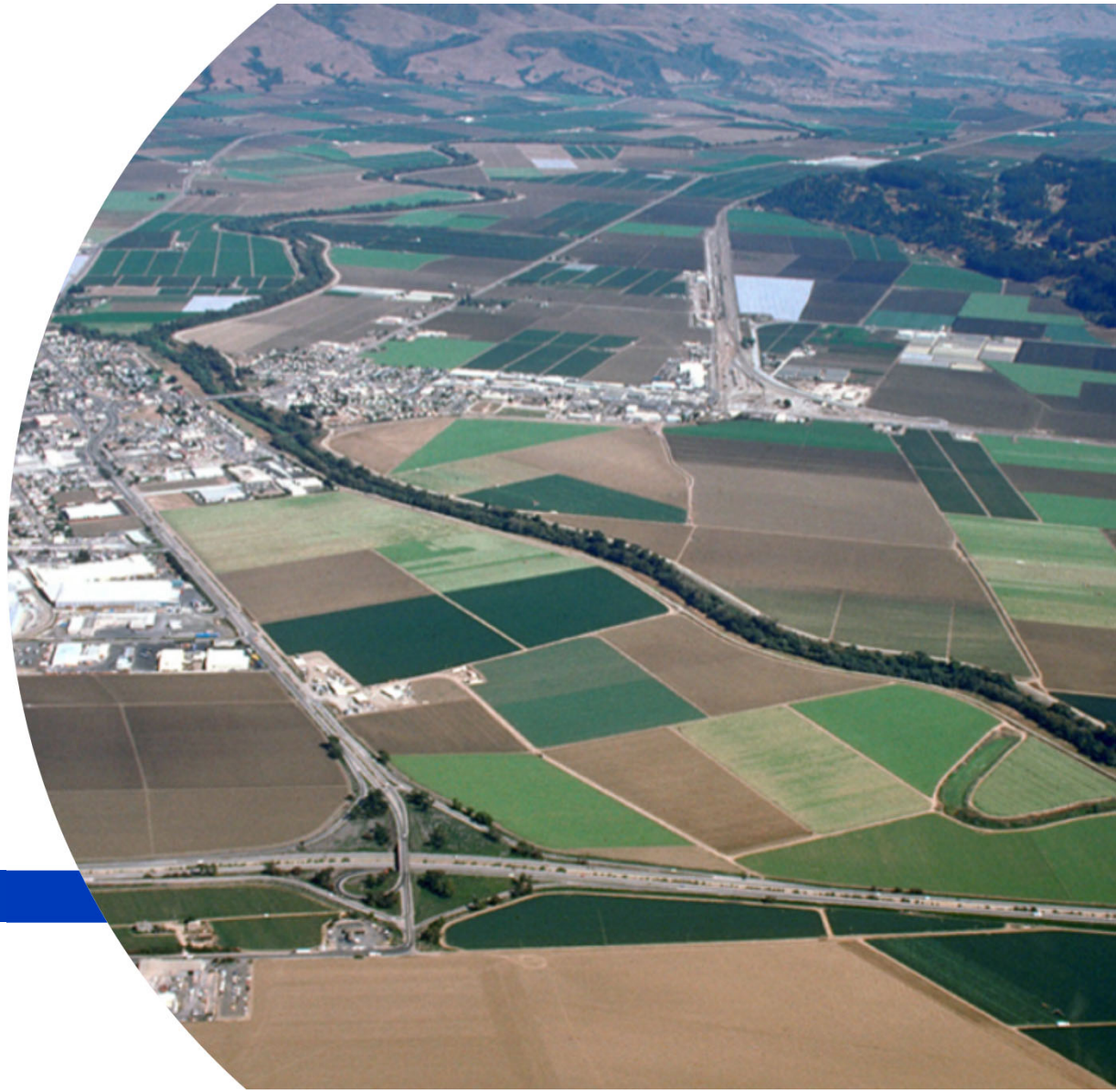
Ad Hoc Rate Setting Committee

Meeting #2

January 27, 2026



carollo

Pajaro Valley Water Management Agency

Agenda

1. Call to Order, Roll Call, Introductions
2. Committee Member Comments
3. Public Comments
4. Consider Corrections to Meeting #1 (Nov. 13, 2025) Summary
5. Consider Appointment of Ad Hoc Rate Setting Committee Applicants
6. Receive Presentation and Discuss Anticipated Revenues and Expenditures including CIP; Introduce Cost Allocation Process
7. Review Schedule and Next Steps
8. Discuss Future Agenda Items and Next Meeting Date
9. Adjournment

Meeting Objectives

- Understand current financial position and projected revenue requirements
- Understand financial drivers
  - Debt coverage
  - Reserve requirements
- Understand timeline of future costs
- Identify information gaps
- Receive Committee feedback

1

Call to Order, Roll Call, Introductions

2

Committee Member Comments

3

Public Comments

4

Consider Corrections to Meeting #1 (Nov. 13, 2025) Summary

5

Consider Appointment of Ad Hoc Rate Setting Committee Applicants

6

Receive Presentation and Discuss Anticipated Revenues and Expenditures including CIP; Introduce Cost Allocation Process

Scope of Work Review

PROJECT MANAGEMENT

Task 1. Kick-Off & Data Collection

- Finalize project schedule
- Confirm goals and objectives
- Data collection and review

Task 2. Model Update

- Update model
- Reflect any changes since last study
- Model training workshop

Task 3. Revenue Requirement Analysis

- Review fiscal policies
- Build three (3) capital funding scenarios

Task 4. Cost of Service Analysis

- Evaluate usage data and demand forest
- Review and update cost allocation

Task 5. Rate Design Analysis

- Calculate rates
- Review existing vs proposed rates
- Confirm equitability

Task 6. Study Report

- Draft report
- Final report

Task 7. Presentations

- RAC committee meetings
- Board of director presentations
- Community outreach presentations

Scope of Work Review

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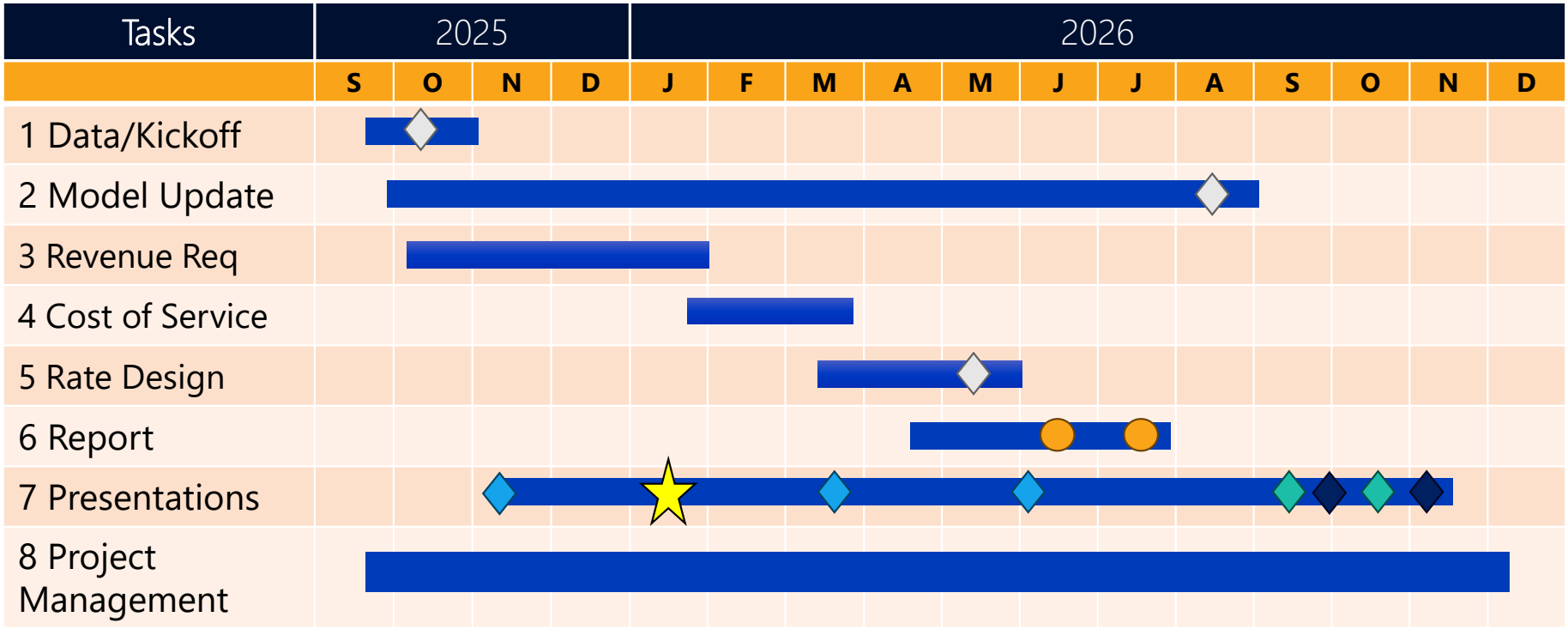
Schedule



Team Meeting

Board Presentation

Deliverable

RAC Meeting

Community Outreach

Assumptions Used

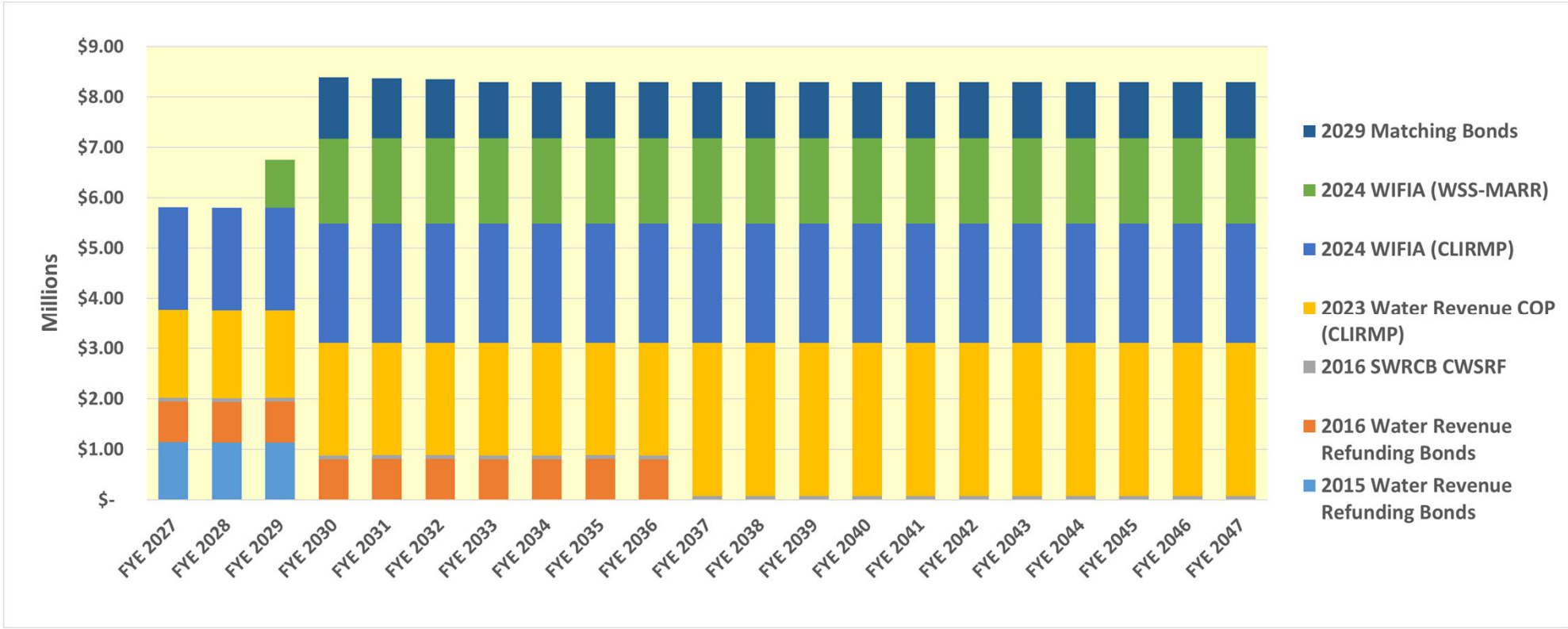
- General Assumptions
  - **Target debt service coverage ratio:** 1.20x
  - **Cash Reserve Policy**
    - **O&M Reserve Requirement:** 180 days of O&M expenses
    - **Rate Stabilization Fund:** Build from $1 NT1 to $1.5 Million by 2029
    - **Repair and Replacement Fund:** Target 25% of annual depreciation
  - **Additional debt issuance:** 30-year term at a 5.0% interest rate
  - **Starting Agency cash balance (as of 06/30/2025):** $24,286,258

$$Debt\ Service\ Coverage = \frac{\text{Total Revenue} - \text{O\&M Expenses}}{\text{Annual Debt Service Payment}}$$

Slide 13

NT1 This value not quite in alignment with 063025FY (pg10) Cash & cash equivalents
Nancy Trevino, 2026-01-26T19:40:11.820

Existing and Anticipated Debt Service



Recycled Water Facility Optimization

- Grant Funded Projects
  - DWR, SWRCB, BoR
  - ~$10 Million in total Grants
- Phase 1: Storage (1.5 MG Tank) and Pump Station Improvements (2016)
- Phase 2: Disk Filter Upgrade (2020)

College Lake Integrated Resources Management Project

WHEN GROUNDWATER OVERDRAFT AND SEAWATER INTRUSION THREATENED THE PAJARO VALLEY'S AGRICULTURAL FUTURE,

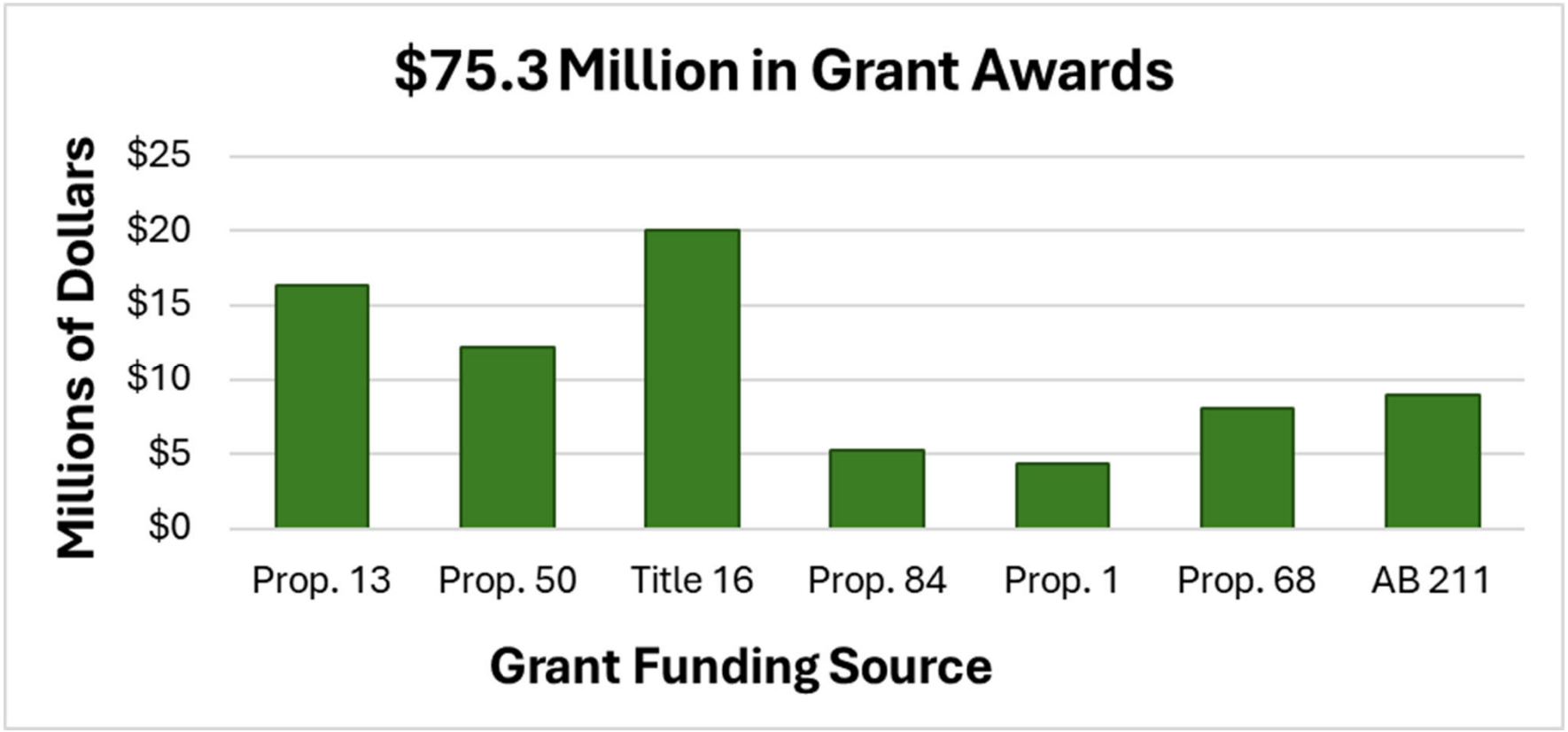
PV Water and Carollo delivered the region's largest new water supply—capturing and treating seasonal surface water from College Lake to provide a reliable, drought-resilient irrigation source while restoring fish passage and protecting endangered steelhead habitat.

POWERING A NEW, RELIABLE WATER SUPPLY

PROTECTING WATER QUALITY AND SYSTEM RELIABILITY

COMPLEX SITE AND ENVIRONMENTAL CHALLENGES

PV Water is Successful in Acquiring Grants



Assumptions for Two Scenarios

	SCENARIO 1	SCENARIO 2
Water Conservation Efforts, FYE 2027-2029	$550k/yr	$700k/yr
Capital Improvement Projects (CIP)	Current CIP plan	Deferred projects*
Year of WIFIA Funding (WSS-MARR)	FYE 2028	FYE 2029
Year of Bond Funding (RWF Switchgear)	FYE 2029	FYE 2030

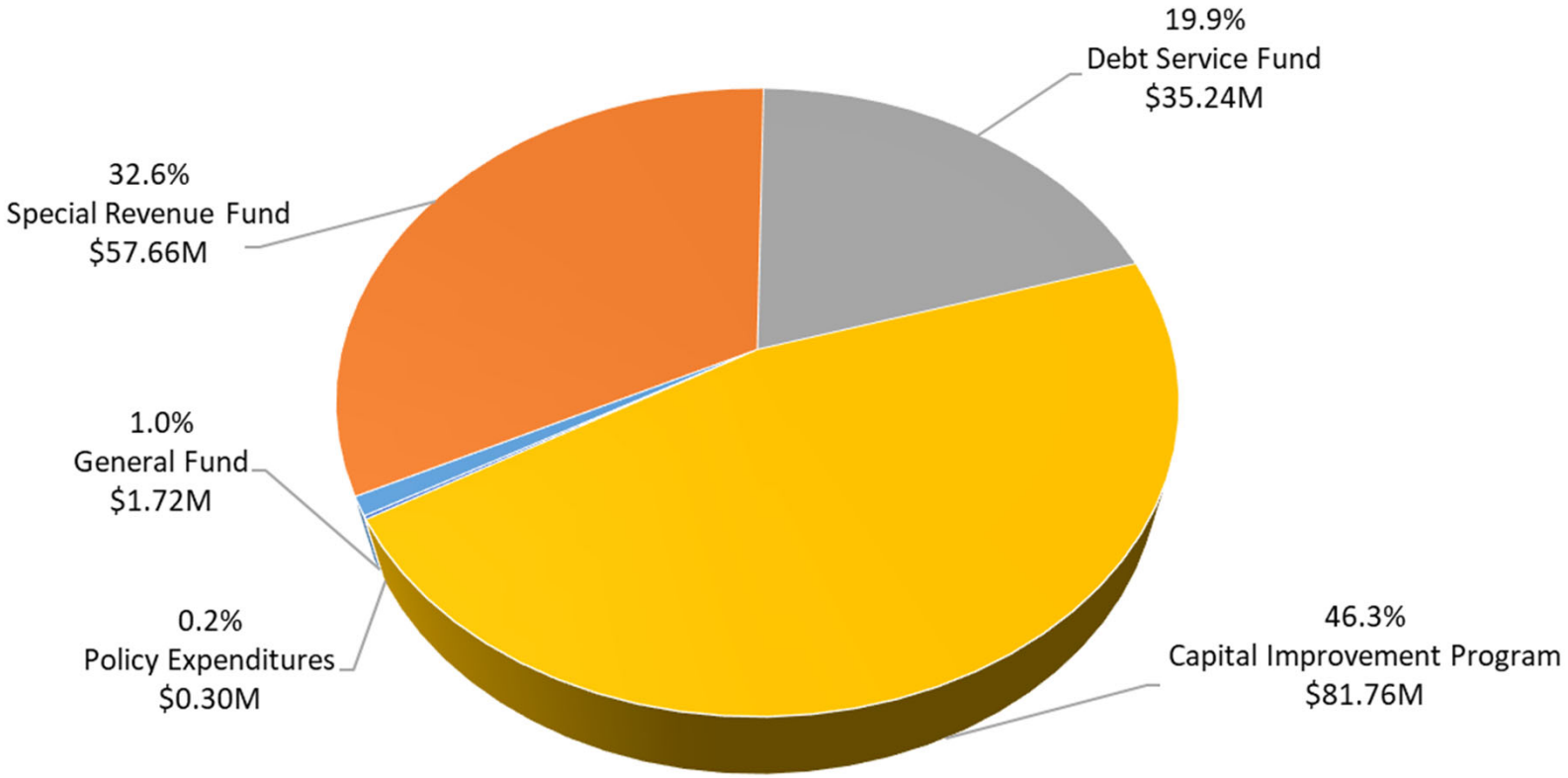
* Scenario 2 defers WSS-MARR and RWF Switchgear by 1 year (subject to Board decision).

6.1

Revenue Requirements Scenario 1 Overview & Results

NT1

Scenario 1 Projected Expenditures



Projected Expenditures ~$176.68M
(FYE 2027-2031)

Slide 20

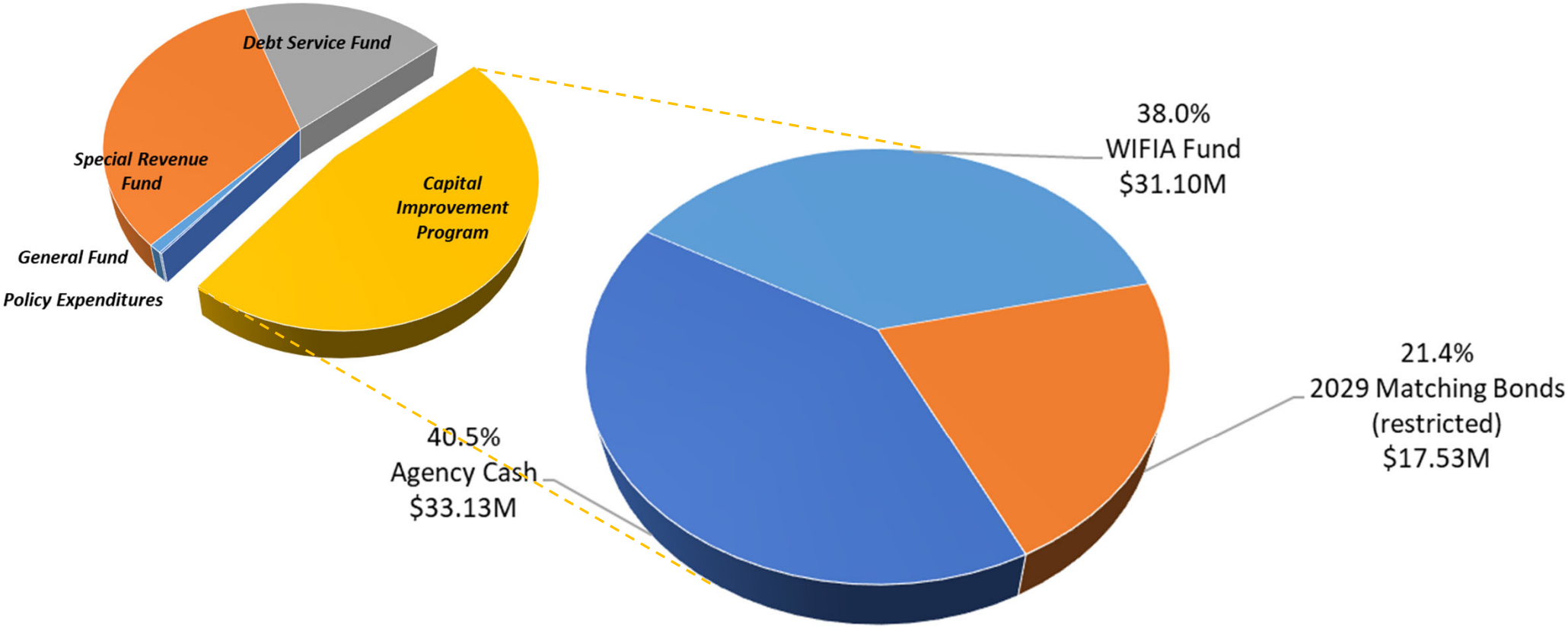
NT1 This value seems to be excluding the $300K Policy Expenditures. Is this something that should be included? (as noted on slide 13)

Nancy Trevino, 2026-01-26T19:38:45.461

Scenario 1 Projected Expenditures

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	TOTAL
General Fund	$ 309,735	$ 349,580	$ 333,233	$ 371,876	$ 354,674	$ 1,719,099
Special Revenue Fund	10,259,174	10,958,583	11,262,690	12,158,544	13,023,919	57,662,909
Debt Service Fund	5,933,222	5,798,414	6,748,951	8,386,342	8,369,408	35,236,337
Capital Improvement Program	10,540,000	33,907,000	28,838,000	7,800,000	676,000	81,761,000
Policy Expenditures	100,000	100,000	100,000	-	-	300,000
TOTAL EXPENDITURES	**$ 27,142,131**	**$ 51,113,577**	**$ 47,282,874**	**$ 28,716,763**	**$ 22,424,000**	**$ 176,679,345**

Scenario 1 CIP and Funding Sources



Anticipated CIP ~$81.76M
(FYE 2027-2031)

Scenario 1 CIP and Funding Sources

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	TOTAL
CIP SUMMARY						
Watsonville Slough System Managed Aquifer Recharge & Recovery Project	$ 6,000,000	$ 32,000,000	$ 20,200,000	$ -	$ -	$ 58,200,000
Basin Monitoring Wells Expansion Project	2,500,000	-	-	-	-	2,500,000
Watsonville Recycled Water Facility CIP	490,000	1,407,000	8,538,000	7,800,000	676,000	18,911,000
Supplemental Well No. 3 Improvements Project	1,500,000	-	-	-	-	1,500,000
Meter Shop	50,000	500,000	100,000	-	-	650,000
CIP SUMMARY	**$ 10,540,000**	**$ 33,907,000**	**$ 28,838,000**	**$ 7,800,000**	**$ 676,000**	**$ 81,761,000**

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	TOTAL
CIP FUNDING SOURCES						
WIFIA Fund	$ -	$ 31,099,063	$ -	$ -	$ -	$ 31,099,063
2029 Matching Bonds (restricted)	-	-	17,534,718	-	-	17,534,718
Grants	-	-	-	-	-	-
Additional Bond Proceeds	-	-	-	-	-	-
Agency Cash	10,540,000	2,807,937	11,303,282	7,800,000	676,000	33,127,219
Total CIP FUNDING SOURCES	**$ 10,540,000**	**$ 33,907,000**	**$ 28,838,000**	**$ 7,800,000**	**$ 676,000**	**$ 81,761,000**

Scenario 1 Revenue Requirement Analysis

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
Beginning Agency Cash Balance	***$ 30,031,347***	***$ 21,350,905***	***$ 20,025,626***	***$ 9,013,475***	***$ (1,062,986)***
Cash Reserve Target (180 days)	*$ 5,212,065*	*$ 5,576,628*	*$ 5,718,537*	*$ 6,179,385*	*$ 6,597,662*
TOTAL REVENUES	**$ 18,461,689**	**$ 49,788,299**	**$ 36,270,723**	**$ 18,640,302**	**$ 18,696,699**
TOTAL EXPENDITURES	**$ 27,144,158**	**$ 51,113,577**	**$ 47,282,874**	**$ 28,716,763**	**$ 22,424,000**
CASH FLOW SURPLUS/DEFICIT	***$ (8,682,469)***	***$ (1,325,279)***	***$ (11,012,151)***	***$ (10,076,461)***	***$ (3,727,302)***
DEBT COVERAGE SURPLUS/DEFICIT	**$ 772,914**	**$ 422,975**	***$ (958,659)***	***$ (3,953,729)***	***$ (4,725,183)***
DSCR	***1.33 x***	***1.27 x***	***1.06 x***	***0.73 x***	***0.64 x***
RESERVE TARGET SURPLUS/DEFICIT	**$ 16,138,840**	**$ 14,448,998**	**$ 3,294,937**	***$ (7,242,371)***	***$ (11,387,950)***
Ending Agency Cash Balance	***$ 21,348,878***	***$ 20,025,626***	***$ 9,013,475***	***$ (1,062,986)***	***$ (4,790,288)***
Cash Reserve Target (180 days)	*$ 5,212,065*	*$ 5,576,628*	*$ 5,718,537*	*$ 6,179,385*	*$ 6,597,662*
REVENUE SURPLUS/(SHORTFALLS)	**$ 772,914**	**$ 422,975**	***$ (958,659)***	***$ (7,242,371)***	***$ (11,387,950)***
Calculated Revenue Increase	***0.00%***	***0.00%***	***15.71%***	***118.66%***	***186.58%***
Required Revenue Increase	***6.50%***	***6.50%***	***6.50%***	***4.00%***	***3.50%***

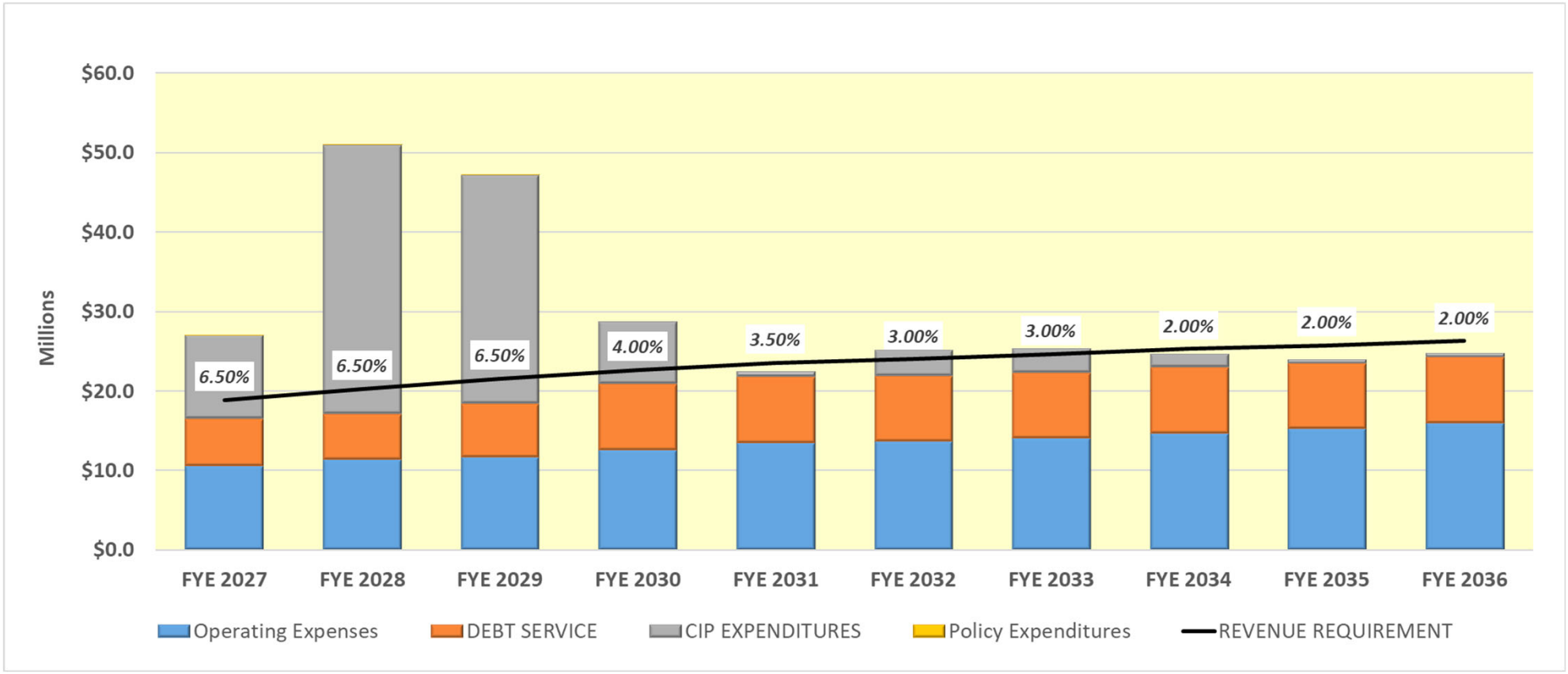
NT2

Slide 24

NT1 Beginning O&M Reserve Fund Balance: Is this labeled correctly? If so, where does this tie to on the Funds Reserves tab?
Nancy Trevino, 2026-01-26T19:55:21.234

NT2 Is the O&M worksheet in SharedPoint the latest version? Not seeing same values between PP & Excel
Nancy Trevino, 2026-01-26T20:01:02.693

Scenario 1 10-Year Financial Forecast



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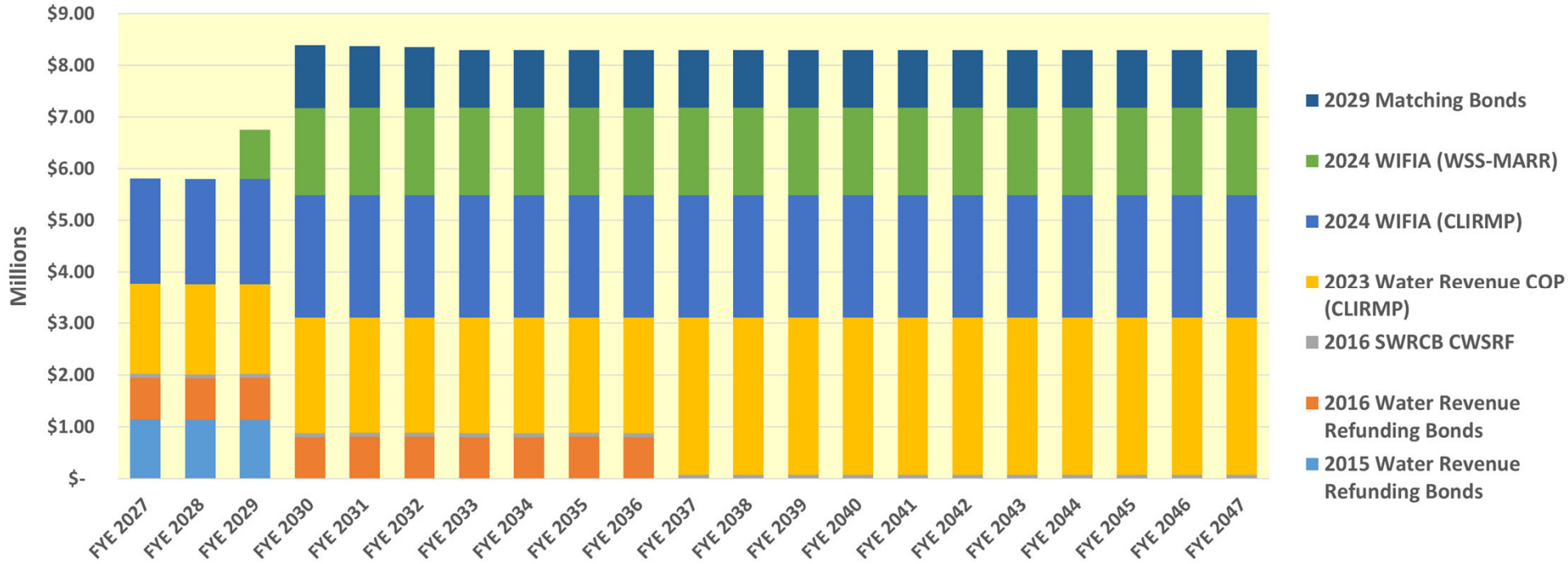
Scenario 1 Aggregate Outstanding and Anticipated Debt Service

KL1



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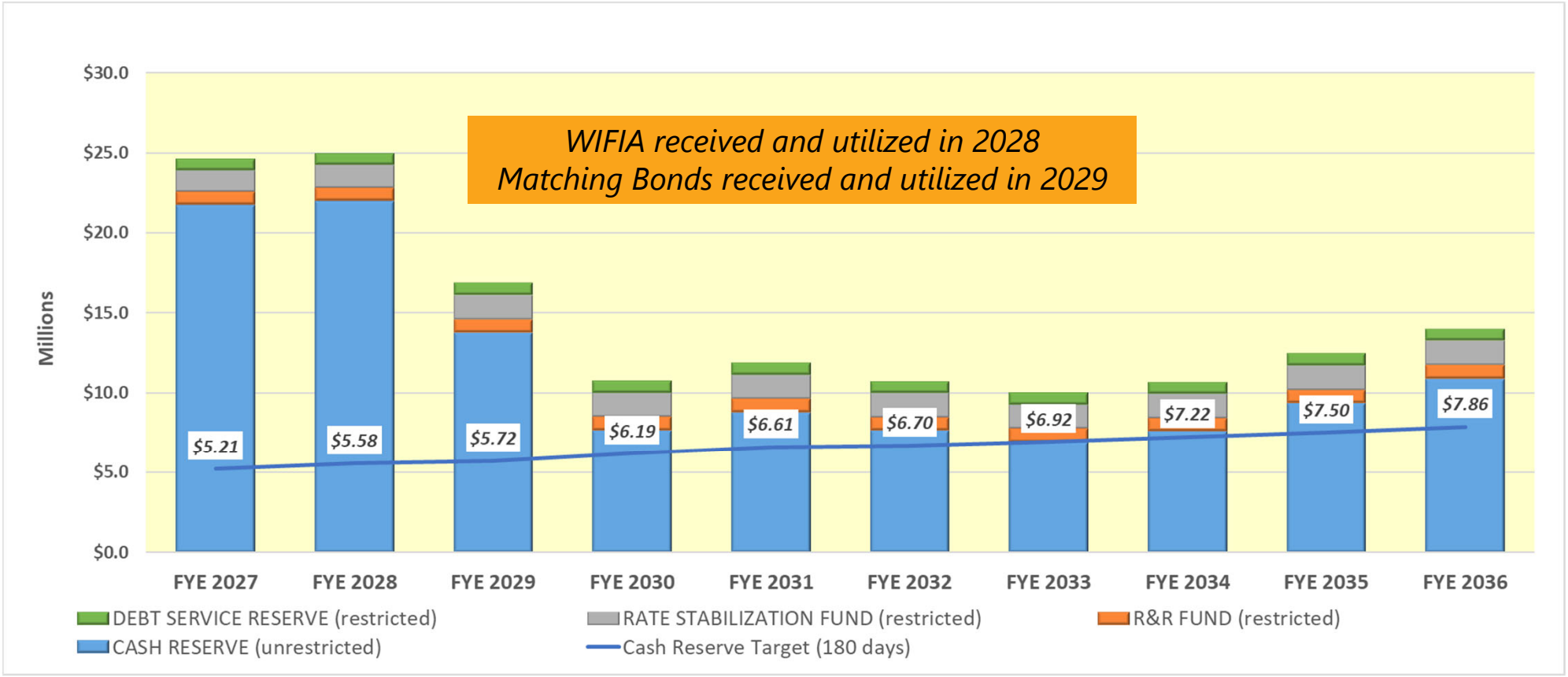
Slide 26

KL1 OPTION 1

Kim Lightner, 2026-01-27T01:28:17.831

Scenario 1 Funds/Reserves Forecast



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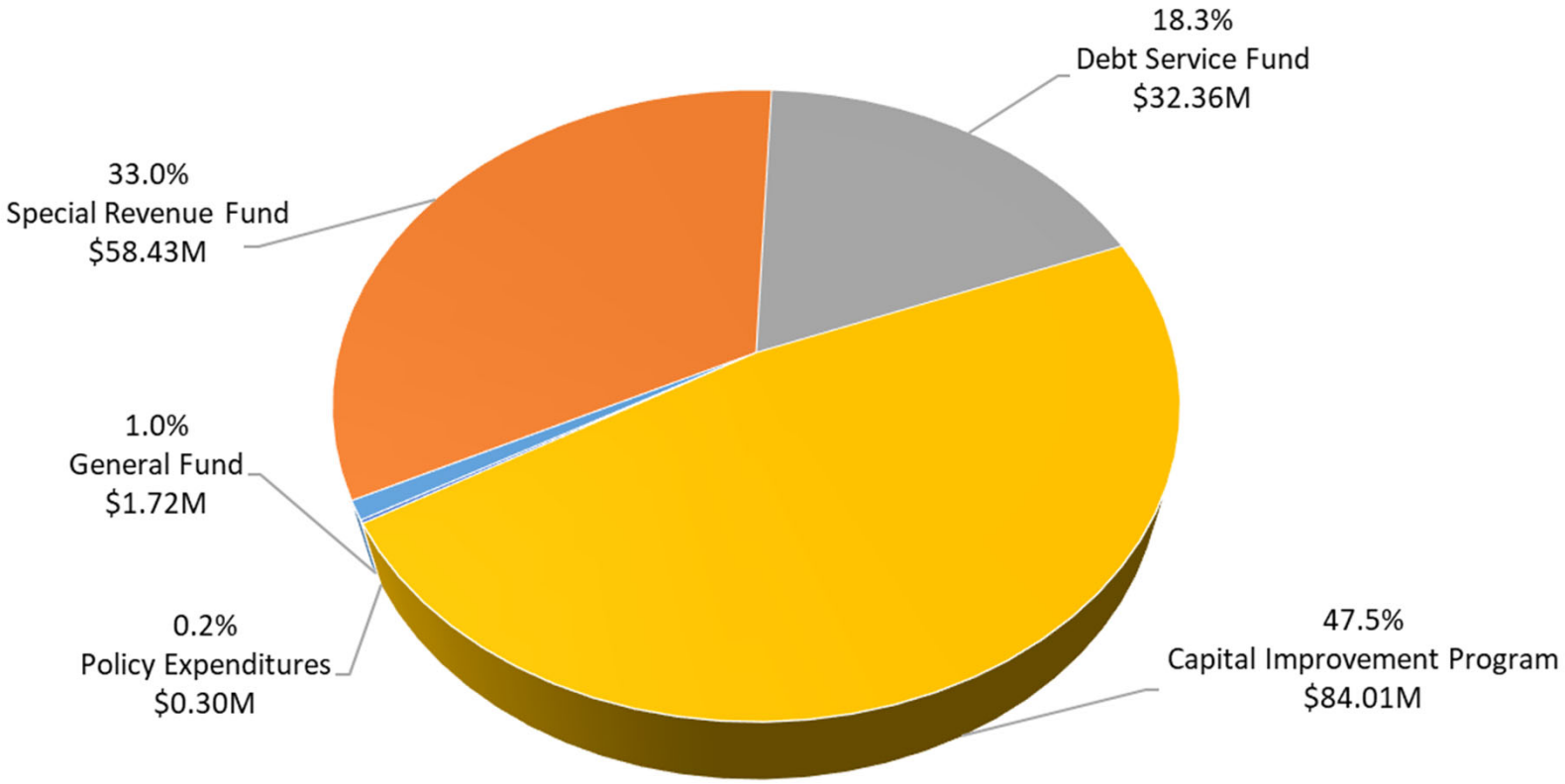
6.2

Revenue Requirements Scenario 2 Overview & Results

NT1

Scenario 2 Projected Expenditures



Projected Expenditures ~$176.81M
(FYE 2027-2031)

Slide 29

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Nancy Trevino, 2026-01-26T19:38:45.461

Scenario 2 Projected Expenditures

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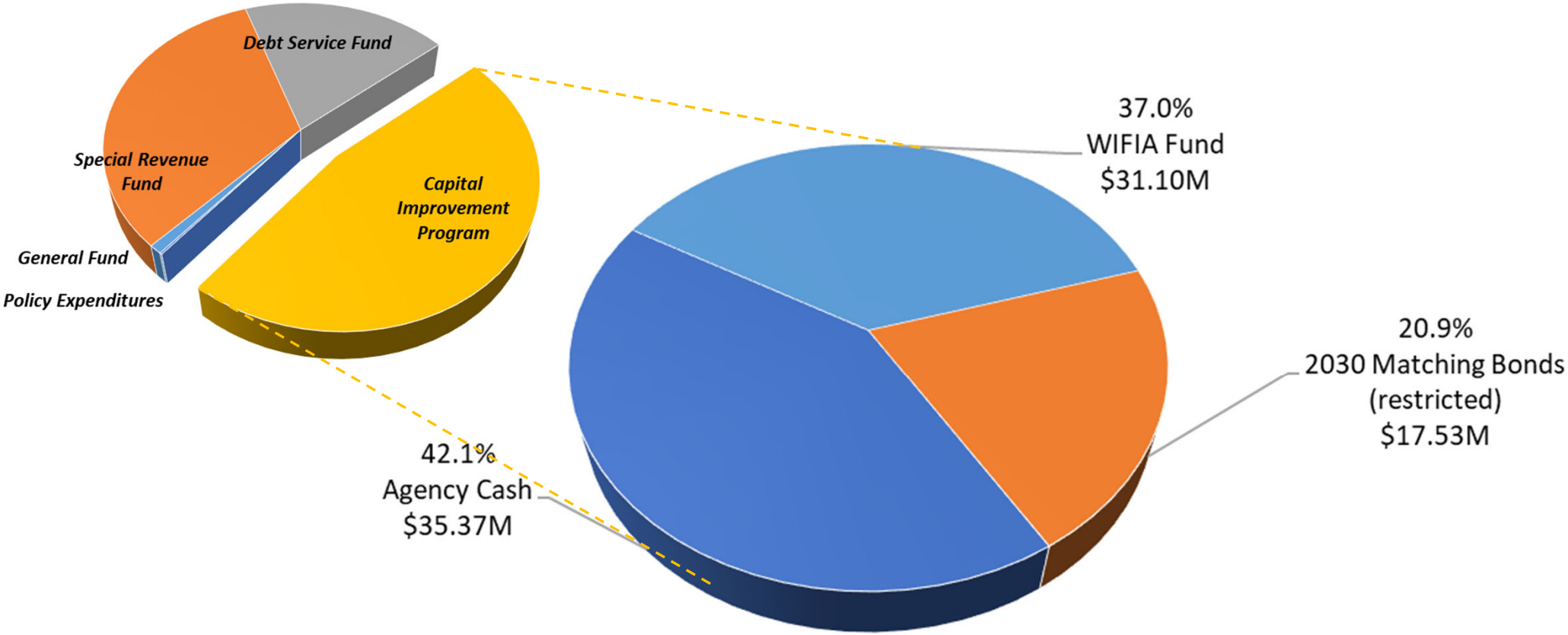
General Fund	$ 309,735	$ 349,580	$ 333,233	$ 371,876	$ 354,674	$ 1,719,099
Special Revenue Fund	10,409,174	11,108,583	11,412,690	12,313,044	13,183,054	58,426,544
Debt Service Fund	5,933,222	5,798,414	5,802,314	6,435,126	8,386,343	32,355,420
Capital Improvement Program	4,540,000	7,087,000	34,828,000	28,840,000	8,710,000	84,005,000
Policy Expenditures	100,000	100,000	100,000	-	-	300,000
TOTAL EXPENDITURES	**$ 21,292,131**	**$ 24,443,577**	**$ 52,476,238**	**$ 47,960,046**	**$ 30,634,070**	**$ 176,806,063**

Scenario 2 CIP and Funding Sources



Anticipated CIP ~$84.01M
(FYE 2027-2031)

Scenario 2 CIP and Funding Sources

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Watsonville Slough System Managed Aquifer Recharge & Recovery Project	$ -	$ 6,180,000	$ 32,960,000	$ 20,806,000	$ -	$ 59,946,000
Basin Monitoring Wells Expansion Project	2,500,000	-	-	-	-	2,500,000
Watsonville Recycled Water Facility CIP	490,000	407,000	1,768,000	8,034,000	8,710,000	19,409,000
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WIFIA Fund	$ -	$ -	$ 31,099,063	$ -	$ -	$ 31,099,063
2030 Matching Bonds (restricted)	-	-	-	17,534,718	-	17,534,718
Grants	-	-	-	-	-	-
Additional Bond Proceeds	-	-	-	-	-	-
Agency Cash	4,540,000	7,087,000	3,728,937	11,305,282	8,710,000	35,371,219
Total CIP FUNDING SOURCES	**$ 4,540,000**	**$ 7,087,000**	**$ 34,828,000**	**$ 28,840,000**	**$ 8,710,000**	**$ 84,005,000**

NT2

Scenario 2 Revenue Requirement Analysis

	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
Beginning Agency Cash Balance	***$ 30,031,347***	***$ 27,200,905***	***$ 21,446,563***	***$ 18,863,894***	***$ 7,151,576***
Cash Reserve Target (180 days)	*$ 5,286,037*	*$ 5,650,601*	*$ 5,792,510*	*$ 6,255,577*	*$ 6,676,140*
TOTAL REVENUES	**$ 18,461,689**	**$ 18,689,236**	**$ 49,893,568**	**$ 36,247,729**	**$ 20,484,065**
TOTAL EXPENDITURES	**$ 21,294,158**	**$ 24,443,577**	**$ 52,476,238**	**$ 47,960,046**	**$ 30,634,070**
CASH FLOW SURPLUS/DEFICIT	***$ (2,832,469)***	***$ (5,754,342)***	***$ (2,582,669)***	***$ (11,712,317)***	***$ (10,150,005)***
DEBT COVERAGE SURPLUS/DEFICIT	**$ 622,914**	**$ 272,975**	**$ 85,805**	***$ (1,694,060)***	***$ (4,967,274)***
DSCR	***1.30 x***	***1.25 x***	***1.21 x***	***0.94 x***	***0.61 x***
RESERVE TARGET SURPLUS/DEFICIT	**$ 21,914,868**	**$ 15,795,962**	**$ 13,071,383**	**$ 895,999**	***$ (9,674,569)***
Ending Agency Cash Balance	***$ 27,198,878***	***$ 21,446,563***	***$ 18,863,894***	***$ 7,151,576***	***$ (2,998,429)***
Cash Reserve Target (180 days)	*$ 5,286,037*	*$ 5,650,601*	*$ 5,792,510*	*$ 6,255,577*	*$ 6,676,140*
REVENUE SURPLUS/(SHORTFALLS)	**$ 622,914**	**$ 272,975**	**$ 85,805**	***$ (1,694,060)***	***$ (9,674,569)***
Calculated Revenue Increase	***0.00%***	***0.00%***	***0.00%***	***27.75%***	***158.50%***
Required Revenue Increase	***6.00%***	***6.00%***	***6.00%***	***5.50%***	***5.50%***

Slide 33

NT1 Beginning O&M Reserve Fund Balance: Is this labeled correctly? If so, where does this tie to on the Funds Reserves tab?
Nancy Trevino, 2026-01-26T19:55:21.234

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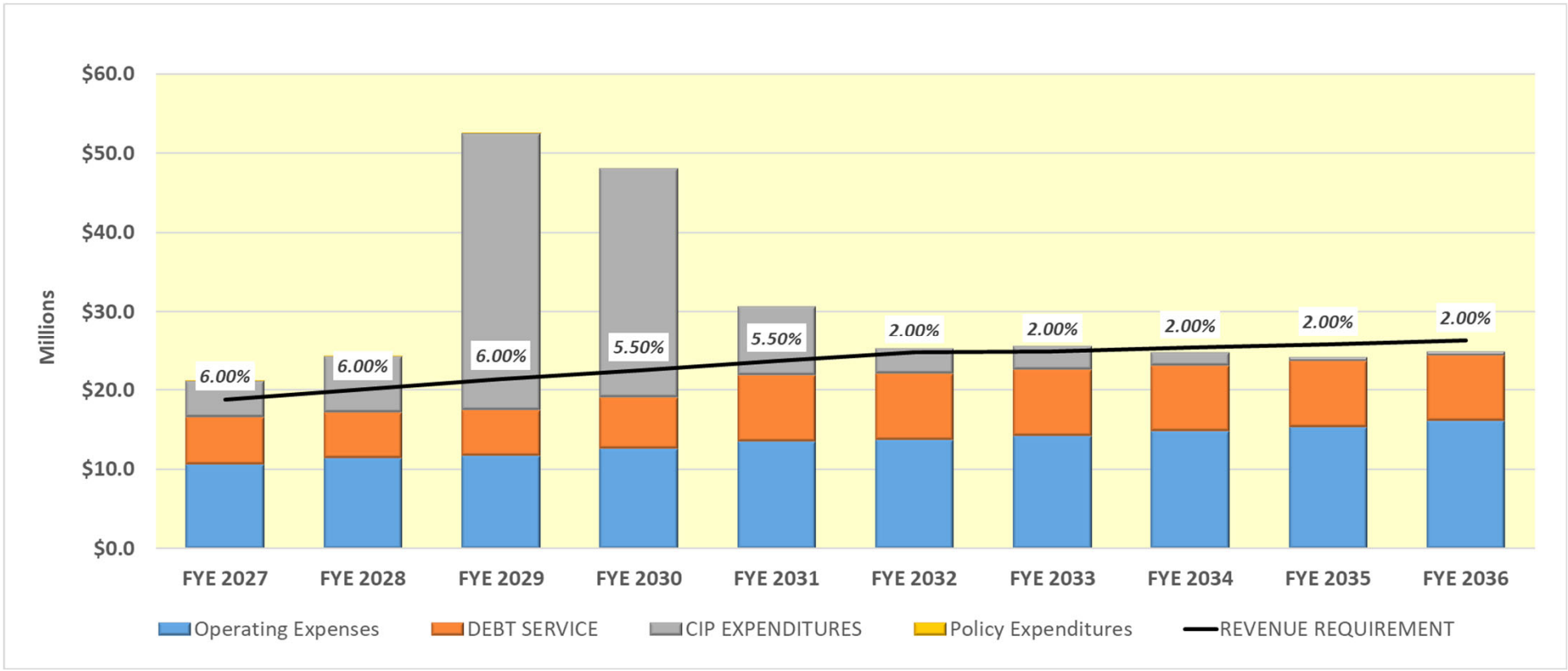
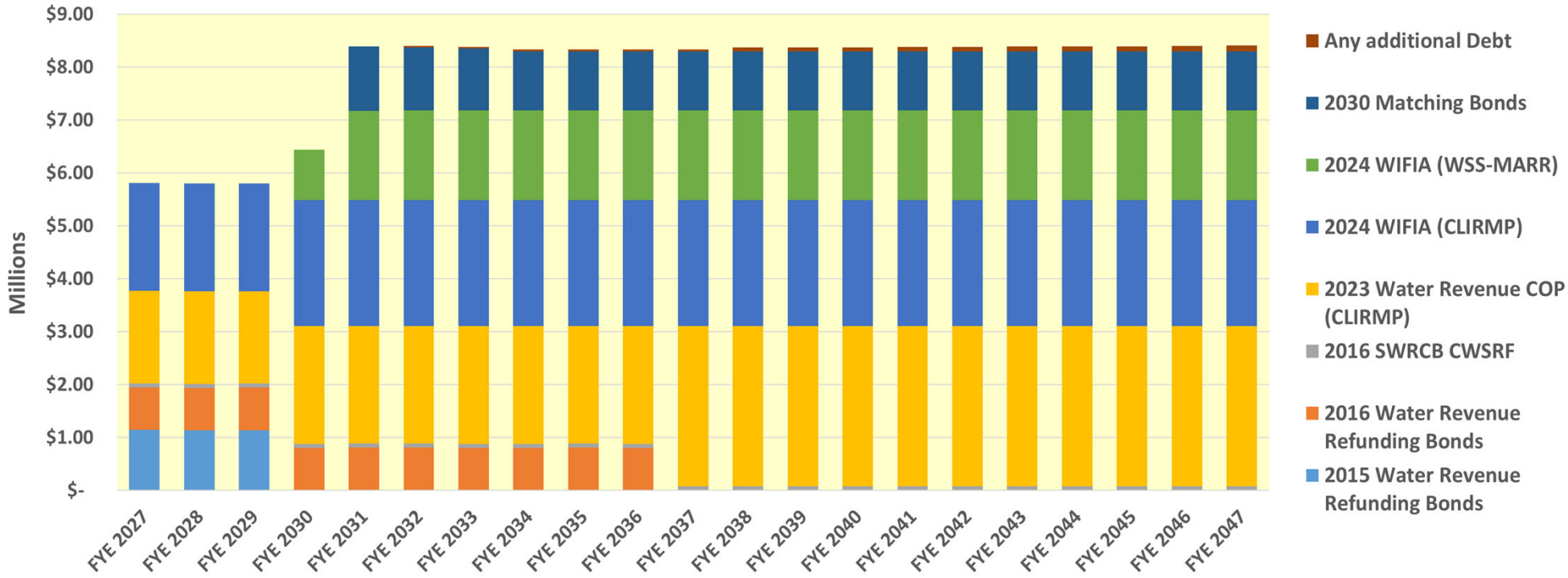


Scenario 2 Aggregate Outstanding and Anticipated Debt Service

KL1

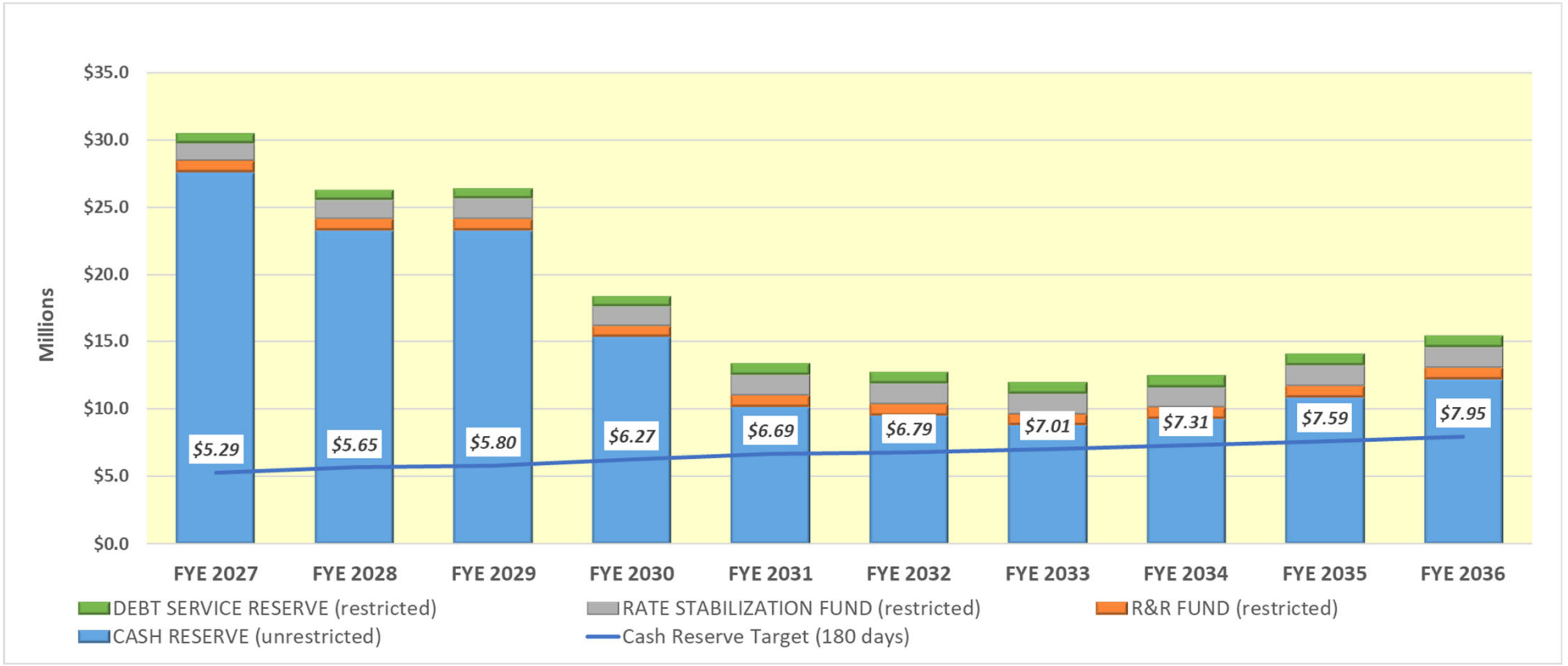


Slide 35

KL1 OPTION 1

Kim Lightner, 2026-01-27T01:28:17.831

Scenario 2 Funds/Reserves Forecast



6.3

Introduction to Cost of Service Analysis

Scope of Work Review

PROJECT MANAGEMENT

Task 1.
Kick-Off & Data Collection

- Finalize project schedule
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- Data collection and review

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- Update model
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Task 5.
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- Calculate rates
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- Confirm equitability

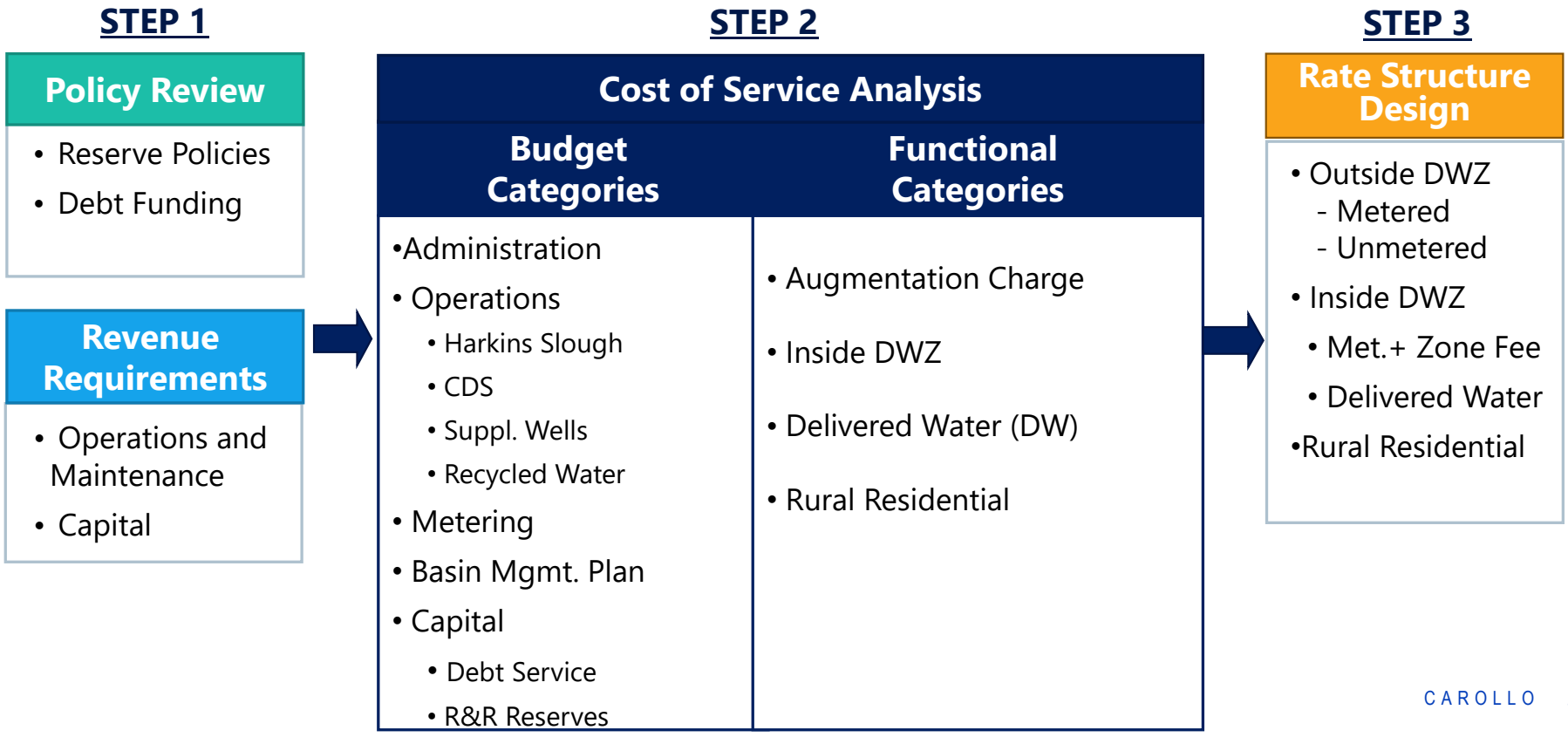
Task 6.
Study Report

- Draft report
- Final report

Task 7.
Presentations

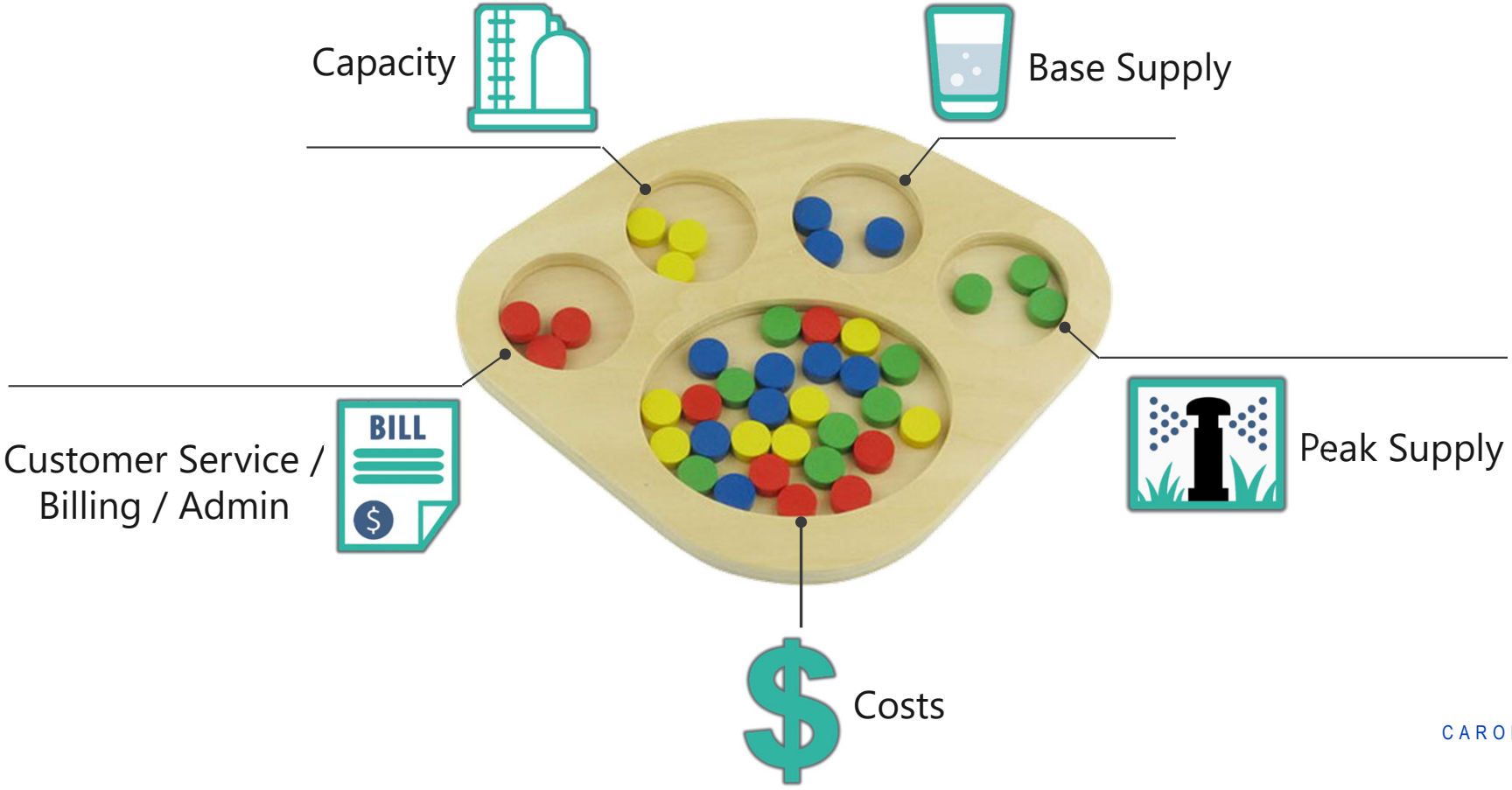
- RAC committee meetings
- Board of director presentations
- Community outreach presentations

Cost of Service bridges the gap between revenue increases and rates



RG1

Cost of Service Analysis: Engineering-Based Cost of Service Analysis Allocates Costs to Functional Categories



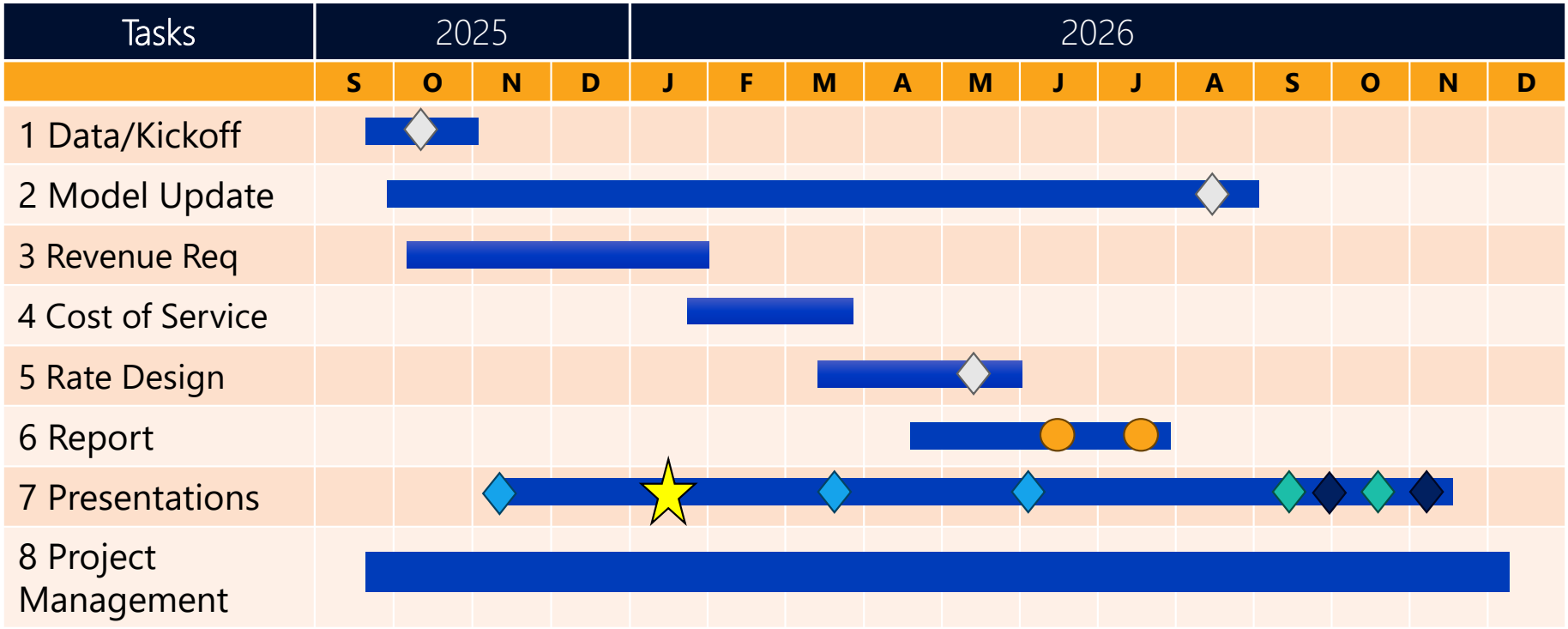
Slide 40

RG1 This graphic is geared towards WW, need to modify if we are using it.
Richard Gutierrez, 2026-01-27T14:22:06.434

7

Review Schedule and Next Steps

Schedule



Team Meeting

RAC Meeting

Board Presentation

Community Outreach

Deliverable

8

Discuss Future Agenda Items and Next Meeting Date

Thank you.

Comments / Questions?

Visit our website: pvwater.org

Email: lockwood@pvwater.org

Adjournment