PAJARO VALLEY WATER MANAGEMENT AGENCY

NOTICE OF PUBLIC HEARING ON PROPOSED AUGMENTATION CHARGE AND DELIVERED WATER CHARGE INCREASES

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NOTICE IS HEREBY GIVEN that on September 16, 2026, 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 adopting proposed ordinances increasing the Agency's augmentation charge and delivered water charge. All property owners, customers, and other interested persons are invited to attend the hearing and provide written and/or oral comments on the proposed rate increases. With respect to the delivered water charge, interested persons may also submit written protests against the proposed rates pursuant to Proposition 218 (Cal. Const. Art. § XIIID, Section 6). This notice provides information about the proposed increases to the augmentation charge and delivered water charge.

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; it is also the Groundwater Sustainability Agency for the Pajaro Valley Sub-Basin. The basin is critically overdrafted, which means that, over the long-term, groundwater extracted from the basin has exceeded 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 groundwater: (1) Watsonville Area 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 Managed Aquifer Recharge & Recovery Facility - diverts excess wet-weather flows from Harkins Slough to an infiltration basin that recharges groundwater, which then is available to be extracted and delivered for agricultural use; (3) Coastal Distribution System (CDS)—pipelines to deliver blended recycled water and Harkins Slough Project water for agricultural use along the coast. In addition, the College Lake Integrated Resources Management Project with Supplemental Well No. 4, and the Supplemental Well No. 3 Improvement Projects are nearing completion. The Watsonville Slough System Managed Aquifer Recharge & Recovery (WSS-MARR) Project is fully designed; staff is working to procure permits and property rights necessary to construct the project. Construction is anticipated to begin within the next two-years.

What is the Agency augmentation charge?
State law authorizes the Agency to impose a groundwater augmentation charge on groundwater extracted from wells within the Agency boundaries to fund the purchase, capture, storage, and distribution of supplemental water. Supplemental water includes water imported into the basin,

conserved floodwater, and recycled water. The Agency has imposed an augmentation charge since 1994.

What is the Agency delivered water charge?
With the completed supplemental water projects, the Agency is able to deliver supplemental water for agricultural use in the areas near the coast and served by the CDS. The use of supplemental water by farmers serves as in-lieu recharge; farmers using delivered water pump less groundwater to meet crop irrigation demand. State law authorizes the Agency to sell and levy a charge for the delivery of the supplemental water to property owners and farmers within the delivered water service 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 augmentation and delivered water charges?
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 Area Recycled Water Facility, Harkins Slough Managed Aquifer Recharge & Recovery Facility, the College Lake Integrated Resources Management Project with Supplemental Well No. 4, the Supplemental Well No. 3 Improvement Project, the Watsonville Slough System Managed Aquifer Recharge & Recovery (WSS-MARR) Project, the 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 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. The increased augmentation charge would fund the costs of the Agency's supplemental water service, which is the (a) purchase/acquisition, capture, storage and distribution of supplemental water through the supplemental water projects described above and including the planning, design, financing, construction, operation, maintenance, repair, replacement and management of these project facilities, and (b) basin management monitoring and planning to manage the existing projects and to implement future supplemental water projects that would further reduce groundwater overdraft and retard seawater intrusion. The cost of the service also includes ongoing debt payments related to the design and construction of the completed and future projects.

Why is the Agency proposing augmentation charge and delivered water charge increases?
The Agency is proposing the augmentation and delivered water charge increases in order to cover the costs of the service described above. In addition to operation and maintenance of the completed projects, the Agency is moving forward with the projects and programs identified in the Agency Basin Management Plan: Groundwater Sustainability Update 2022 ("GSU22") to supplement existing facilities and services[1]:

- *Conservation*: Reduce annual irrigation water use by 5,000 acre-feet per year (AFY) by the end of 2023. PV Water has made significant strides in this area and continues to fund water conservation programs through grants to farmers to continue to reduce irrigation water use. A recent evaluation of water use trends and agricultural conservation through comparing a rolling 5-year annual average to a baseline period annual average (2006-2010) showed that in 2021-2025, agricultural water use was approximately 6,355 AF less per year than the baseline period.

1 These projects and programs are described in more detail in GSU22.

- *Increased Recycled Water Storage:* Construct up to 2 million gallons (MG) of storage at the recycled water facility (RWF) to increase recycled water deliveries by approximately 750 AFY during peak irrigation season. In 2009, the Agency partnered with the City of Watsonville to build a RWF that can deliver tertiary treated disinfected, recycled water for irrigation purposes to users in the coastal area. In the time since, major improvement projects include a 1.5 MG storage tank, improvements to the distribution pump station, construction of a new disk filter facility, and an electrical project to make connecting to a generator simpler and safer.

- *College Lake Integrated Resources Management Project:* During summer months, send water from College Lake through a new pipeline directly to the Coastal Distribution System (CDS), with provisions to supply inland users along the new water transmission pipeline. The water from College Lake will replace groundwater used for agricultural irrigation while reducing the Agency's reliance on potable water currently used for blending. This project was commissioned in 2025 and is nearing completion of construction.

- *Watsonville Slough System Managed Aquifer Recharge & Recovery Projects*: install new shallow extraction wells at the Agency's recharge basin, upgrade the pump station at the Harkins Slough to improve system operation and construct a new recharge basin; divert water from the Struve Slough to surficial aquifers during winter high flows from December to May. This project has completed the design phase and is currently in the final stage of permitting and procuring property rights. Pending those items and Board action, the project could go out to bid by the end of 2026.

New rates are based on the approved GSU22 projects and the timetable above that plans for these projects to be constructed and operational. The rates also would cover costs necessary to implement the Recycled Water Facility capital improvements plan. The current augmentation and delivered water charges and other available revenue are not sufficient to cover the costs of the service and planned projects.

How were the proposed augmentation and delivered water charge increases determined?
Agency staff, with the assistance of Carollo Engineers, and under the guidance of a community-based Ad Hoc Rate Setting Committee, analyzed and developed the proposed augmentation and delivered water charge increases that were recommended to the Agency Board of Directors. Complete information concerning the calculation of and reasons for the increased charges are set forth in the Agency *2026 Cost of Service Rate Study (Rate Study),* dated June 2026. 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 Rate Study. The Rate Study also explains how Agency costs are allocated between the supplemental water service (augmentation charge) and delivered water service (delivered water charge). The increase also is supported by the Agency's GSU22 and other documents described in the Rate Study. The Rate Study and GSU22 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's website, www.pvwater.org.

How were the increased augmentation and delivered water charges calculated?
The Agency's revenues and expenses were evaluated to determine the net revenue requirements for the service to be recovered from the rate increases. A cost of service analysis (the Rate Study) was conducted to allocate the revenue requirements to the Agency's cost categories to reflect the service attributable to the augmentation and 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 groundwater pumpers. The cost apportionment and calculation are described in detail in the Rate Study.

What are the proposed increased augmentation and delivered water charges?
The proposed augmentation and delivered water charges for the next 5 years are shown in the table below.

CURRENT & PROPOSED AUGMENTATION AND DELIVERED WATER RATES

Charge	Existing Rate FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031	5-Year Total	5-Year Avg.
Delivered Water Charge	$501	$526	$552	$580	$609	$639	*27.5%*	*5.0%*
Augmentation Charge – Inside DWZ	$486	$504	$522	$541	$561	$581	*19.5%*	*3.6%*
Augmentation Charge – Outside DWZ	$346	$363	$380	$399	$418	$438	*26.6%*	*4.8%*
Augmentation Charge – Rural Residential	$326	$341	$357	$373	$390	$408	*25.2%*	*4.6%*
Augmentation Charge – Rural Residential ($/residence)	$163	$132	$140	$147	$155	$164	*0.6%*	*0.1%*

Note: Rural Residential customers would be billed at 0.4 AF per year, per residence.

What property owners and tenants would be subject to the increased augmentation and delivered water charges?
The increased augmentation charge would be levied against every owner of real property within the Agency with a groundwater well (excluding the area east of the San Andreas Fault, which is unaffected by the Pajaro basin overdraft and seawater intrusion). 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 for the delivered water charge, the Board may adopt ordinances approving the proposed increases, which would take effect December 1, 2026.

Are there any Agency rules that govern this proceeding?
Yes. The Agency Board of Directors has adopted a resolution with public hearing notice and, for the delivered water charge, majority protest procedures that will govern the Agency proceedings for the consideration and approval of the proposed increases (Resolution No. 2026-08). These procedures provide important instructions and direction to the public, and to augmentation and 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's website,

www.pvwater.org. Interested persons are encouraged to review the resolution for the specific rules concerning the protest hearing.

Important Legal Information & 120-Day Statute of Limitations

Under California Government Code Section 53759, any judicial action or proceeding to attack, review, set aside, void, or annul any ordinance adopting new, increased, or extended fees or charges must be commenced within 120 days of the effective date or the date of final passage, adoption, or approval of the fee, whichever is later. Furthermore, please be advised that to bring a legal challenge to the delivered water charge, parties must have first submitted a timely written objection during the Proposition 218 process.

AB 2257 Administrative Exhaustion Requirements

California Assembly Bill 2257 (Government Code Sections 53759.1 and 53759.2) establishes an optional administrative remedy. To preserve your rights to bring a judicial challenge regarding the legality of these proposed rates, you must adhere to the following:

- Written Objection Deadline: Any person or entity desiring to challenge the updated fees in court must submit a separate, timely written objection to the Agency no later than September 1, 2026.
- Specificity Required: The written objection must specify the grounds for alleging that the proposed rates do not comply with Proposition 218 for the Delivered Water Charge, and Proposition 26 for the Augmentation Charge.
- Agency Response: The Agency will evaluate all timely written objections and prepare a written response prior to the close of the public hearing.

Additional Information and Document Availability

The complete Cost of Service Study, supporting data, and this Notice are posted on the Agency website at www.pvwater.org. Copies are also available for public review at the Agency office.

If you have any questions regarding the proposed augmentation and delivered water charge increases, or if you would like to submit a comment regarding the proposed increases or, to submit a protest as to the delivered water charge increases 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/ Brian Lockwood

Dated: July 1, 2026

Brian Lockwood, General Manager