



Pajaro Valley Water Management Agency Proposition 218 Service Charge Adjustments

Frequently Asked Questions

1. What is the Pajaro Valley Water Management Agency (Agency)? Why was it formed?

The Agency is a state-chartered water management district formed in 1984 to efficiently and economically manage existing and supplemental water supplies in the Pajaro Basin. As stated in the Agency Act, the Agency was formed in order to “prevent further increase in, and to accomplish continuing reduction of, long-term overdraft and to provide and ensure sufficient water supplies for present and anticipated needs within Agency boundaries.”

2. Is the Pajaro Basin in overdraft?

Yes. Evidence of seawater intrusion in the Pajaro Basin, a result of groundwater overdraft, was first documented in 1953 (Bulletin 5, State Water Resources Board). Since then, annual water use in the Valley has generally increased, and the basin continues to be in a state of groundwater overdraft. Seawater intrusion into the fresh water aquifer continues as a result.

3. What is the Agency doing to fulfill its responsibility to reduce groundwater overdraft in the Pajaro Basin? What projects and programs are in place?

The Agency has completed three projects to help reduce overdraft, retard seawater intrusion and protect water quality within the entire basin. These projects work together to provide a portion of the required supplemental water to reduce overdraft, retard seawater intrusion, and improve and protect the supply and quality of the overall basin groundwater.

- **The Watsonville Recycled Water Facility:** In collaboration with the City of Watsonville, this facility was constructed to provide tertiary treated recycled water for agricultural use (2009). The recycled water project includes inland wells that are used to provide blend water with Harkins Slough excess flow water (see below) and recycled water to improve water quality for agricultural reuse. These wells reduce the need for pumping from wells located closer to the coast, and are a necessary component of the Watsonville Recycled Water Facility and the Harkins Slough Project.

- **The Harkins Slough Project:** This project diverts and filters excess wet-weather flows from Harkins Slough to a recharge basin. This supplemental water recharges the groundwater basin and is available to be extracted and delivered for agricultural use via the Coastal Distribution System (2001).

- **The Coastal Distribution System (CDS):** The CDS consists of nearly 20 miles of pipeline used to deliver blended recycled water, and Harkins Slough Project water for agricultural use. This project delivers water to the area most impacted by seawater intrusion and helps reduce pumping near the coast.

4. What is supplemental water and what are supplemental wells?

The Agency is authorized to develop supplemental water resources to address basin overdraft and seawater intrusion. The Agency Act defines supplemental water as imported water, conserved floodwater, and recycled water. As part of the Coastal Distribution System, to reduce or eliminate pumping of wells closest to the coastline and help reduce seawater intrusion in the water basin, the Agency constructed two projects: a) the Recycled Water Facility which provides recycled water in collaboration with City of Watsonville and, b) the Harkins Slough project which captures excess wet-weather water flow. Water from these projects is blended with varying amounts of groundwater pumped

from inland wells to create water quality suitable for agricultural uses. The inland wells that provide this blend water have been referred to in the Agency’s Basin Management Plan as “supplemental wells.”

5. What is an Augmentation Charge? What is a Delivered Water Charge?

The Augmentation Charge is a charge levied against every owner of real property with a groundwater extraction facility (a well). The charge is applied to all extraction facilities whether owned by a private party or a public/governmental agency. The Delivered Water Charge is a charge levied against property owners that receive water through the Agency’s Coastal Distribution System.

6. Why is the Agency proposing a Proposition 218 Service Charge Adjustment? What is Proposition 218?

The Agency is proposing service charge adjustments (Augmentation Charges and Delivered Water Charges) in order to pay for the operation and maintenance of the Agency supplemental water and delivered water services, and to pay for the debt service on water projects already in place for reducing seawater intrusion and water basin overdraft. The Service Charge revenue will be used for Agency expenses associated with providing supplemental and delivered water service to the Pajaro Basin. The costs of service includes expenses associated with the (a) operation, maintenance, management, repair and improvement of the existing facilities and water meters, (b) ongoing debt service related to the design and construction of the facilities, (c) groundwater modeling, water quality monitoring, water resources planning, and management of the groundwater basin including an update of the Agency Basin Management Plan, and (d) salaries and benefits, and other administration costs of the Agency based on the ratio of direct total costs associated with the supplemental water projects and programs.

Proposition 218, approved by the voters of California in 1996, is an amendment to the California Constitution requiring public agencies to follow certain procedures/requirements relating to the adoption or increase of property-related fees and charges. Proposition 218 includes notice requirements to property owners along with details of a public hearing to consider protests and tabulate ballots and, in some cases, an election requirement. A 2007 court case determined that the Agency augmentation charge is a property-related service charge under Proposition 218.

7. Who calculated the adjusted charges? How were the charges calculated? What will the increased charges be?

Agency staff, with the assistance of Carollo Engineers, developed the fee calculations. Complete information concerning the calculations is in the Engineer’s report, “Proposition 218 Service Charge Report, Final Draft Report dated February 2010”*. The adjusted charges were calculated based on four identified categories of user groups, and the cost of the associated services to each of the individual user classifications. The four user groups are:

- 1) Metered Users Outside Delivered Water Zone (DWZ) (Augmentation Charge)
- 2) Metered Users Inside DWZ (Augmentation Charge)
- 3) Unmetered Users (Rural Residential) (Augmentation Charge)
- 4) Delivered Water Users (Coastal Distribution System) (Delivered Water Charge)

<u>Unit Cost Per User Class</u>	<u>Cost of Service Rate (\$/acre-foot)</u>
Augmentation Charge, Metered Users - Outside DWZ	\$162
Augmentation Charge, Metered Users - Inside DWZ	195
Augmentation Charge, Unmetered (Rural Residential)	157
Delivered Water Charge	306

The Agency Board of Directors is scheduled to provide direction to staff regarding next steps in the Proposition 218 compliant rate process at its March 3, 2010 meeting. The final Proposition 218 Service Charge Report will be available at that time.

8. What is the procedure for the charge adjustments?

Proposition 218 requires a Protest Hearing prior to the election authorizing the adjustment of charges. The augmentation charge, but not the delivered water charge, also is subject to voter approval by the affected property owners. If a majority of affected property owners do not protest the proposed delivered water charge adjustment, then the Agency may impose the revised charges. If a majority of affected property owners do not protest the proposed augmentation charge adjustment, the Agency may then proceed with a mail ballot election to adjust the Augmentation Charges. The Agency has determined that the Delivered Water Charge is a charge for water service and therefore exempt from voter approval under Proposition 218.

9. What if the election to adjust the Augmentation Charge fails?

If the adjustment to the Augmentation Charge fails to get a majority of the weighted vote, the election fails and the Agency will not be able to adopt the adjusted charges.

10. What other revenue sources does the Agency have for funding its projects and programs?

Other than grants and loans, the Agency's current sources of revenue include the augmentation charge (\$80/acre-foot) and management fees (\$18/non-commercial and \$20/commercial parcel/year). The new rates would replace the existing \$80/year. These revenues do not meet the budget projections to maintain Agency services and project operations and maintenance, nor debt service on the existing projects.

11. What amount is required for funding the Agency programs?

The net revenue amount required for funding existing programs, projects and Agency services is \$9,851,000.

12. What are the Agency's options for continuing with the existing projects and programs?

Without the proposed adjustments in charges, the Agency will not generate sufficient revenue to be able to maintain the existing projects and programs or cover the debts for the projects. Options that may be considered include dissolution of the Agency, or takeover of the Agency by another entity.

13. What happens if the Agency defaults on the project loans? What about the court ordered refunds?

The existing Agency debt will not go away if the Agency defaults on the project loans. If the Agency is restructured or a successor entity is appointed to manage the basin, the Agency's debt would likely be transferred to the entity that takes over the Agency. The court ordered refunds would be considered unsecured debt, along with the Agency's loans and repayment obligations.

14. Who would manage the Agency projects, debt and finances if the Agency is in default or is bankrupt?

It is unknown at this time who would manage the Agency should it dissolve. The City of Watsonville is the jurisdiction with the highest assessed property value within the Agency boundaries. Other jurisdictions such as the County of Santa Cruz, the County of Monterey, or a Joint Powers Authority (JPA) of several jurisdictions could be possibilities for taking over the Agency.

15. If another entity takes over the Agency, would local control of the resources and programs be maintained?

Until a successor to the Agency is established it is unknown whether local control of the resources would be maintained.

16. Will any of the proposed Service Charge Adjustments be used to pay off the court ordered refund?

No. All court ordered refunds are being repaid from the Agency's General Fund or from cash reserves.

* The Proposition 218 Service Charge Report is available (paper copy and CD) at the Agency office, 36 Brennan Street, Watsonville, or download it from the Agency's website www.pvwma.dst.ca.us