



Santa Clara Valley Water District Board of Directors Meeting

City of Gilroy Council Chambers, 7351 Rosanna Street, Gilroy, CA. 95020
Join Zoom Meeting: <https://valleywater.zoom.us/j/84454515597>

SPECIAL BOARD MEETING SOUTH COUNTY AGENDA

Thursday, April 11, 2024
7:00 PM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

DISTRICT BOARD OF DIRECTORS

Nai Hsueh, Chair - District 5
Richard P. Santos, Vice Chair -
District 3
John L. Varela- District 1
Barbara Keegan - District 2
Jim Beall - District 4
Tony Estremera - District 6
Rebecca Eisenberg - District 7

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available to the public through the legislative body agenda web page at the same time that the public records are distributed or made available to the legislative body. Santa Clara Valley Water District will make reasonable efforts to accommodate persons with disabilities wishing to participate in the legislative body's meeting. Please advise the Clerk of the Board Office of any special needs by calling (408) 265-2600.

RICK L. CALLENDER, ESQ.
Chief Executive Officer

MICHELE L KING, CMC
Clerk of the Board
(408) 265-2600
Fax (408) 266-0271
www.valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

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Board of Directors
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IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as a “hybrid” meetings, conducted in-person as well as by telecommunication, and is compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while still maintaining transparency and public access, members of the public have an option to participate by teleconference/video conference or attend in-person. To observe and participate in the meeting by teleconference/video conference, please see the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at <https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf>

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board. Written comments on any item on the agenda may be submitted to clerkoftheboard@valleywater.org or board@valleywater.org.

- Members of the Public may test their connection to Zoom Meetings at: <https://zoom.us/test>
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: <https://www.youtube.com/watch?v=TojJpYCxXm0>

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board of Directors/Board Committee meetings to please contact the Clerk of the Board’s office at (408) 630-2711, at least 3 business days before the scheduled meeting to ensure that Valley Water may assist you.

This agenda has been prepared as required by the applicable laws of the State of

California, including but not limited to, Government Code Sections 54950 et. seq. and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes or other obligations. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at <https://emma.msrb.org/> and <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>, respectively.

Under the Brown Act, members of the public are not required to provide identifying information in order to attend public meetings. Through the link below, the Zoom webinar program requests entry of a name and email address, and Valley Water is unable to modify this requirement. Members of the public not wishing to provide such identifying information are encouraged to enter "Anonymous" or some other reference under name and to enter a fictional email address (e.g., attendee@valleywater.org) in lieu of their actual address. Inputting such values will not impact your ability to access the meeting through Zoom.

Join Zoom Meeting:

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Meeting ID: 844 5451 5597

Join by Phone:

1 (669) 900-9128, 84454515597#

1. CALL TO ORDER/ROLL CALL:

1.1. Roll Call.

1.2. Pledge of Allegiance/National Anthem.

1.3. Time Open for Public Comment on any Item not on the Agenda.

Notice to the public: Members of the public who wish to address the Board/Committee on any item not listed on the agenda may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify yourself to speak. Speakers will be acknowledged by the Board/Committee Chair in the order requests are received and granted speaking access to address the Board/Committee. Speakers' comments should be limited to three minutes or as set by the Chair. The law does not permit Board/Committee action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board/Committee action is requested, the matter may be placed on a future agenda. All comments that require a response will be referred to staff for a reply in writing. The Board/Committee may take action on any item of business appearing on the posted agenda.

2. 7:00 PM TIME CERTAIN:

- 2.1. Conduct a Public Hearing on the February 2024 Annual Report on the Protection and Augmentation of Water Supplies and Recommended Increases in Groundwater Production Charges, Surface Water Charges, and Recycled Water Charges for Fiscal Year 2023-24; Consider Staff's Recommendation Concerning Setting of State Water Project Tax. (Continued from April 9, 2024).

[23-1067](#)

- Recommendation:
- A. Conduct the continued Public Hearing pursuant to Section 26.6 of the District Act to consider Santa Clara Valley Water District's Fiscal Year (FY) 2024-25 Annual Report on the Protection and Augmentation of Water Supplies and recommended increases to groundwater production charges (between 6.6% to 12.9%), surface water charges (between 7.1% to 14.1%) and recycled water charges (between 4.4% to 6.8%);
 - B. Hear public comments from groundwater producers and any interested persons regarding the Report and recommendations;
 - C. Consider any written protests to proposed surface water rate increases;
 - D. Direct staff to review such Report with, and solicit comments from, Santa Clara Valley Water District's advisory committees;
 - E. Consider staff's recommendation to set the State Water Project (SWP) Tax in an amount sufficient to pay all annual SWP costs, which will reduce water rate impacts on low income residents having difficulty paying their water bills; and
 - F. Continue the Public Hearing regarding such Report and proposed charges to the April 23, 2024, regular meeting, at 1:00 pm.

Manager: Aaron Baker, 408-630-2135

Attachments: [Attachment 1: Staff Report](#)
[Attachment 2: PowerPoint](#)
[Attachment 3: SCVWD Resolution No. 12-10](#)

3. CLERK REVIEW AND CLARIFICATION OF BOARD REQUESTS:

4. ADJOURN:

- 4.1. Adjourn to the 1:00 p.m. Regular meeting on April 23, 2024, in the Santa Clara Valley Water District Headquarters Building Boardroom, 5700 Almaden Expressway, San Jose, California, and via Zoom teleconference.

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Santa Clara Valley Water District

File No.: 23-1067

Agenda Date: 4/11/2024

Item No.: 2.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Conduct a Public Hearing on the February 2024 Annual Report on the Protection and Augmentation of Water Supplies and Recommended Increases in Groundwater Production Charges, Surface Water Charges, and Recycled Water Charges for Fiscal Year 2023-24; Consider Staff's Recommendation Concerning Setting of State Water Project Tax.
(Continued from April 9, 2024).

RECOMMENDATION:

- A. Conduct the continued Public Hearing pursuant to Section 26.6 of the District Act to consider Santa Clara Valley Water District's Fiscal Year (FY) 2024-25 Annual Report on the Protection and Augmentation of Water Supplies and recommended increases to groundwater production charges (between 6.6% to 12.9%), surface water charges (between 7.1% to 14.1%) and recycled water charges (between 4.4% to 6.8%);
- B. Hear public comments from groundwater producers and any interested persons regarding the Report and recommendations;
- C. Consider any written protests to proposed surface water rate increases;
- D. Direct staff to review such Report with, and solicit comments from, Santa Clara Valley Water District's advisory committees;
- E. Consider staff's recommendation to set the State Water Project (SWP) Tax in an amount sufficient to pay all annual SWP costs, which will reduce water rate impacts on low income residents having difficulty paying their water bills; and
- F. Continue the Public Hearing regarding such Report and proposed charges to the April 23, 2024, regular meeting, at 1:00 pm.

SUMMARY:

Section 26.5. of Santa Clara Valley Water' District's (Valley Water) District Act requires that Valley Water annually prepare a "written report upon the District's activities in the protection and augmentation of the water supplies of the District." Section 26.6 of the District Act requires Valley Water to hold a Public Hearing regarding this annual "Protection and Augmentation of Water Supplies" report on or before the fourth Tuesday of April. This Public Hearing is conducted to inform the community of the activities performed by Valley Water to ensure a reliable water supply, and staff's recommended groundwater production charges and other water charges needed to pay for

those activities. The hearing provides an opportunity for any interested person to submit comments to the Board.

This year's groundwater production charge setting process is being conducted consistent with the District Act and Board Resolution 99-21. The raw surface water charge setting process includes a formal protest procedure consistent with Board Resolution 12-10 (See attachment 3). If written protests are filed by a majority of surface water operators, the surface water charge cannot be increased.

The Protection and Augmentation of Water Supplies (PAWS) can be found at www.valleywater.org <<http://www.valleywater.org>>.

Why Groundwater Production Charges Are Necessary

Groundwater production charges are necessary to pay for ongoing operations and maintenance of the existing water utility system, investments in water supply infrastructure rehabilitation and upgrades, and new water supply reliability investments.

The proposed maximum groundwater production charges for FY 2024-25 that are detailed below are necessary to (1) advance the Anderson Dam Seismic Retrofit, which will improve public safety and restore operational capacity; (2) fund key infrastructure projects such as the Rinconada Water Treatment Plant reliability improvement and the 10-year pipeline rehabilitation program; (3) conduct planning work related to the Pacheco Reservoir Expansion, the B.F. Sisk Dam Raise and the Los Vaqueros Reservoir projects, which would provide additional water storage capacity; and (4) to pay for general inflation impacting materials and supplies necessary to complete Water Utility projects.

Groundwater Production and Treated Water Charge Recommendations

Staff proposes a 12.9% increase in the North County Zone W-2 Municipal and Industrial (M&I) groundwater production charge, from \$1,974 per acre foot (AF) to \$2,229/AF. Staff recommends maintaining the treated water surcharge on treated water delivered under the contracts with retail agencies at \$115/AF, and maintaining the non-contract treated water surcharge at \$200/AF. The proposal equates to a monthly bill increase for the average household of \$8.78 or about 29 cents a day.

In the South County Zone W-5, staff proposes a 6.6% increase in the M&I groundwater production charge from \$543.50/AF to \$579/AF. The proposal equates to a monthly bill increase for the average household of \$1.22 or about 4 cents per day.

In the South County Zone W-7, staff proposes a 14.2% increase in the M&I groundwater production charge from \$657.50/AF to \$750.50/AF. The proposal equates to a monthly bill increase for the average household of \$3.20 or about 11 cents per day.

In the South County Zone W-8, staff proposes an 8% increase in the M&I groundwater production charge from \$398/AF to \$430/AF. The proposal equates to a monthly bill increase for the average household of \$1.10 or about 4 cents per day.

Customers in both areas of North and South County may also experience additional charge increases enacted by their retail water providers.

For agricultural groundwater users, staff proposes an increase of 8 percent from the prior year, which equates to setting the agricultural groundwater charge at 9.25 percent of the lowest M&I rate (Zone W-8). The proposed agricultural groundwater production charge in any groundwater benefit zone would change from \$36.85/AF to \$39.80/AF, or roughly a \$0.49 increase per month per acre, assuming two acre-feet of water usage per acre per year.

Surface Water, Recycled Water, and Other Charges Recommendations

Staff recommends a maximum 12.9% increase to the surface water master charge from \$54.00/AF to \$61.00/AF to align revenues with costs related to managing, operating and billing for surface water diversions. This increase results in a proposed 12.9% increase to the North County (Zone W-2) M&I surface water charge, to \$2,290.00/AF. For South County zones, staff proposes the following M&I surface water charge increases: for Zone W-5, a 7.1 percent increase to \$640.00/AF; for Zone W-7, a 12.9 percent increase to \$811.50/AF; for Zone W-8, an 8.6 percent increase to \$491.00/AF. Staff recommends that the total agricultural surface water charge be increased 10.9 percent in all zones, to \$100.80/AF.

For recycled water (Zone W-5), staff recommends increasing the M&I charge by 6.8 percent, to \$559.00/AF, and increasing the agricultural charge by 4.4 percent, to \$70.15/AF. The increase maximizes cost recovery while concurrently providing an economic incentive to use recycled water. This pricing is consistent with the provisions of the “Wholesale-Retailer Agreement for Supply of Recycled Water Between Santa Clara Valley Water District and City of Gilroy.”

Open Space Credit

The Valley Water Board has historically recognized that agriculture brings value to Santa Clara County in the form of open space and local produce. According to Section 26.1 of the District Act, agricultural water is “water primarily used in the commercial production of agricultural crops or livestock.” In an effort to help preserve this value, the District Act limits the agricultural charge to be no more than 25% of the M&I charge. Furthermore, the Board’s Pricing Policy limits the agricultural groundwater production charge to 10% of the M&I Charge. Currently the zone with the lowest M&I charge is used to set the agricultural groundwater production charge (Zone W-8).

The agricultural community benefits from low groundwater charges, currently set at \$39.80/AF, or 9.25% of the Zone W-8 M&I charge of \$430/AF.

The credit to agricultural water users has become known as an “Open Space Credit.” It is paid for by fungible, non-rate related revenue. To offset lost revenue that results from the difference between the adopted agricultural groundwater production charge and the agricultural charge that would have resulted at the full cost of service, Valley Water redirects a portion of the 1% ad valorem property taxes generated in the Water Utility, General and Watershed Stream Stewardship Funds.

Other Water Utility Costs

Staff recommends setting the State Water Project Tax at \$28 million for FY 2024-25. This translates to a property tax bill for the average single-family residence of roughly \$42.00 per year. This tax amount is necessary to pay for State Water Project costs. If the recommended FY 2024-25 State Water Project Tax is not approved, the impact translates to a needed increase in the M&I groundwater production charge of an additional \$155/AF in North County Zone W-2 and in South County an additional \$33/AF in Zone W-5, \$55/AF in Zone W-7 and \$29/AF in Zone W-8 in South County. The open space credit would increase by roughly \$786,588.

Valley Water's 53rd Annual Report on the Protection and Augmentation of Water Supplies, among other information, contains a financial analysis of the Valley Water's water utility system and additional details about the above recommendations. This report can be found at www.valleywater.org.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

If the Board approves the recommended groundwater production and other water charges, the Water Utility should have sufficient funding for planned operations and capital improvement projects for FY 2024-25.

CEQA:

The establishment of groundwater production charges and other water charges is not a project under CEQA Guidelines Section 15273(a) (CEQA does not apply to establishment or modification of charges by public agencies).

ATTACHMENTS:

- Attachment 1: Staff Report
- Attachment 2: PowerPoint
- Attachment 3: SCVWD Resolution No. 12-10

UNCLASSIFIED MANAGER:

Aaron Baker, 408-630-2135

Staff Report

In accordance with the District Act, District staff has prepared an annual report on the Protection and Augmentation of Water Supplies (PAWS), which was filed with the Clerk of the Board on February 23, 2024.

The Report is the 53rd annual report on the Santa Clara Valley Water District's (Valley Water) activities in the protection and augmentation of the water supplies. This Report is prepared in accordance with the requirements of the District Act, section 26.5. The Report provides information on water requirements and water supply availability, and financial analysis of Valley Water's water utility system. The financial analysis includes future capital improvement and maintenance requirements, operating requirements, financing methods and staff's recommended groundwater production and other water charges by zone for fiscal year (FY) 2024-25.

The PAWS Report can be found at www.valleywater.org.

The Rate Setting Process

According to Section 26.3 of the District Act, proceeds from groundwater production charges can be used for the following purposes:

1. Pay for construction, operation and maintenance of imported water facilities
2. Pay for imported water purchases
3. Pay for constructing, maintaining and operating facilities which will conserve or distribute water including facilities for groundwater recharge, surface distribution, and purification and treatment
4. Pay for debt incurred for purposes 1, 2 and 3.

This year, as in past years, staff has carefully evaluated the activities that can be paid for by groundwater production charges. The work of Valley Water is divided into projects. Every project has a detailed description including objectives, milestones, and an estimate of resources needed to deliver the project. To ensure compliance with the District Act, each project manager must justify whether or not groundwater production charges can be used to pay for the activities associated with their project. The financial analysis presented in the annual report is based on the financial forecasts for these vetted projects.

Resolution 99-21 guides staff in the development of the overall pricing structure based on principles established in 1971. The general approach is to charge the recipients of the various benefits for the benefits received. More specifically, pricing is structured to manage surface water, groundwater supplies and recycled water conjunctively to prevent the over use or under use of the groundwater basin. Consequently, staff is very careful to recommend pricing for groundwater production charges, treated water charges, surface water charges and recycled water charges that work in concert to achieve the effective use of available resources.

This year's rate setting process is being conducted consistent with Board Resolutions 99-21 and 12-10. The rate setting process for both groundwater and surface water is consistent with Proposition 26 requirements that the groundwater production and surface water charges are no more than necessary to cover reasonable costs and bear a fair or reasonable relationship to the rate payor's burdens on or benefits received from the groundwater and surface water programs. The surface water charge setting process mirrors the process described in Proposition 218 for property-related fees for water services. As in the past, the Board will continue to hold public hearings and seek input from its advisory committees and the public before rendering a final decision on groundwater production and other water charges for FY 2024-25.

Staff Recommendations

Exhibit 1 shows the recommended groundwater production charges and other charges for FY 2024-25.

Exhibit 1 Summary of Charges (Dollars Per Acre Foot, \$/AF)

		Dollars Per Acre Foot		
		FY 2022-23	FY 2023-24	Proposed Maximum FY 2024-25
Zone W-2 (North County)	Basic User/Groundwater Production Charge			
	Municipal and Industrial	1,724.00	1,974.00	2,229.00
	Agricultural	36.85	36.85	39.80
	Surface Water Charge			
	Surface Water Master Charge	47.10	54.00	61.00
	Total Surface Water, Municipal and Industrial*	1,771.10	2,028.00	2,290.00
	Total Surface Water, Agricultural*	83.95	90.85	100.80
	Treated Water Charges			
	Contract Surcharge	115.00	115.00	115.00
	Total Treated Water Contract Charge**	1,839.00	2,089.00	2,344.00
Non-Contract Surcharge	200.00	200.00	200.00	
Total Treated Water Non-Contract Charge***	1,924.00	2,174.00	2,429.00	
Zone W-5 (Llagas Subbasin)	Basic User/Groundwater Production Charge			
	Municipal and Industrial	513.00	543.50	579.00
	Agricultural	36.85	36.85	39.80
	Surface Water Charge			
	Surface Water Master Charge	47.10	54.00	61.00
	Total Surface Water, Municipal and Industrial*	560.10	597.50	640.00
	Total Surface Water, Agricultural*	83.95	90.85	100.80
	Recycled Water Charges			
Municipal and Industrial	493.00	523.50	559.00	
Agricultural	64.25	67.20	70.15	
Zone W-7 (Coyote Valley)	Basic User/Groundwater Production Charge			
	Municipal and Industrial	582.50	657.50	750.50
	Agricultural	36.85	36.85	39.80
	Surface Water Charge			
	Surface Water Master Charge	47.10	54.00	61.00
	Total Surface Water, Municipal and Industrial*	629.60	711.50	811.50
Total Surface Water, Agricultural*	83.95	90.85	100.80	
Zone W-8 (Uvas/ Chesbro)	Basic User/Groundwater Production Charge			
	Municipal and Industrial	368.50	398.00	430.00
	Agricultural	36.85	36.85	39.80
	Surface Water Charge			
	Surface Water Master Charge	47.10	54.00	61.00
	Total Surface Water, Municipal and Industrial*	415.60	452.00	491.00
Total Surface Water, Agricultural*	83.95	90.85	100.80	

*Note: The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

**Note: The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge

***Note: The total treated water non-contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the non-contract surcharge

Staff proposes a 12.9% increase in the North County Zone W-2 Municipal and Industrial groundwater production charge from \$1,974 per acre foot (AF) to \$2,229/AF. Staff recommends maintaining the treated water surcharge on treated water delivered under the contracts with retail agencies at \$115/AF, and maintaining the non-contract treated water surcharge at \$200/AF. The proposal equates to a monthly bill increase for the average household of \$8.78 or about 29 cents a day.

In the South County Zone W-5, staff proposes a 6.6% increase in the M&I groundwater production charge from \$543.50/AF to \$579/AF. The proposal equates to a monthly bill increase for the average household of \$1.22 or about 4 cents per day.

In the South County Zone W-7, staff proposes a 14.2% increase in the M&I groundwater production charge from \$657.50/AF to \$750.50/AF. The proposal equates to a monthly bill increase for the average household of \$3.20 or about 11 cents per day.

In the South County Zone W-8, staff proposes an 8% increase in the M&I groundwater production charge from \$398/AF to \$430/AF. The proposal equates to a monthly bill increase for the average household of \$1.10 or about 4 cents per day.

Customers in both areas of North and South County may also experience additional charge increases enacted by their retail water providers.

The proposed agricultural groundwater production charge is 9.25% of M&I for Zone W-8, which would mean an increase from \$36.85/AF (9.25% of Zone W-8) to \$39.80/AF. The proposed groundwater production charge for agricultural rates would translate to an increase of \$0.49 per month per acre, assuming 2 (two) acre-feet of water usage per acre per year.

Staff recommends a 12.9% increase to the surface water master charge from \$54/AF to \$61/AF to align revenues with the costs related to managing, operating and billing for surface water diversions. This increase results in a 12.9% increase in the overall North County municipal and industrial surface water charge, to \$2,290/AF. For South County, the overall increases in the basic user charge and surface water master charge result in a total surface water charge for M&I water as follows: \$640/AF, or a 7.1% increase for Zone W-5; \$811.50/AF, or a 12.9% increase for Zone W-7; and \$491/AF, or an 8.6% increase for Zone W-8. The total agricultural surface water charge in any zone represents up to a 10.9% increase at \$100.80/AF.

For recycled water, staff recommends increasing the M&I charge by 6.8% to \$559/AF. For agricultural recycled water, the proposed increase is 4.4% to \$70.15/AF. The increase maximizes cost recovery while concurrently providing an economic incentive to use recycled water. This pricing is consistent with the provisions of the "Wholesale-Retailer Agreement for Supply of Recycled Water Between Santa Clara Valley Water District and City of Gilroy." The proposed rate changes maximize cost recovery while concurrently providing an economic incentive to use recycled water.

The proposed groundwater production charges for FY 2024-25 are necessary to pay ongoing operations and maintenance of the existing water utility system, investments in water supply infrastructure rehabilitation and upgrades, and new water supply reliability investments. Valley Water remains in an era of investment driven by infrastructure rehabilitation needs and climate change.

Staff recommends setting the State Water Project Tax at \$28 million for FY 2024-25. This translates to a property tax bill for the average single-family residence of roughly \$42.00 per year. Valley Water incurs an annual indebtedness to the State of California pursuant to its Water Supply Contract dated November 20, 1961. Such indebtedness is proportional to Valley Water’s allocation of water from the State Water Project and pays for construction, maintenance and operation of state water project infrastructure and facilities. Staff anticipates that Valley Water’s contractual indebtedness to the State under the State Water Supply Contract for FY 2024-25 will be at least \$29 million. Staff’s recommendation regarding the State Water Project tax is consistent with Valley Water’s past practice and with the approach of other water districts and agencies that maintain State Water Project supply contracts.

Projections

Exhibit 2 shows actual and projected District-managed water use. Water usage in FY 2022-23 was estimated at approximately 198,000 AF, which is roughly 6,000 AF higher than budgeted in FY 2022-23. For the current year, FY 2023-24, staff estimates that water usage will be approximately 207,000 AF, which reflects ongoing rebound from the drought. For FY 2024-25, staff is projecting that water usage of 222,000 AF which reflects continued drought rebound. Water use is projected to return to prior projections of 239,000 AF by FY 2025-26.

Exhibit 2 **District-managed Water Use Projection (1,000’s AF)**

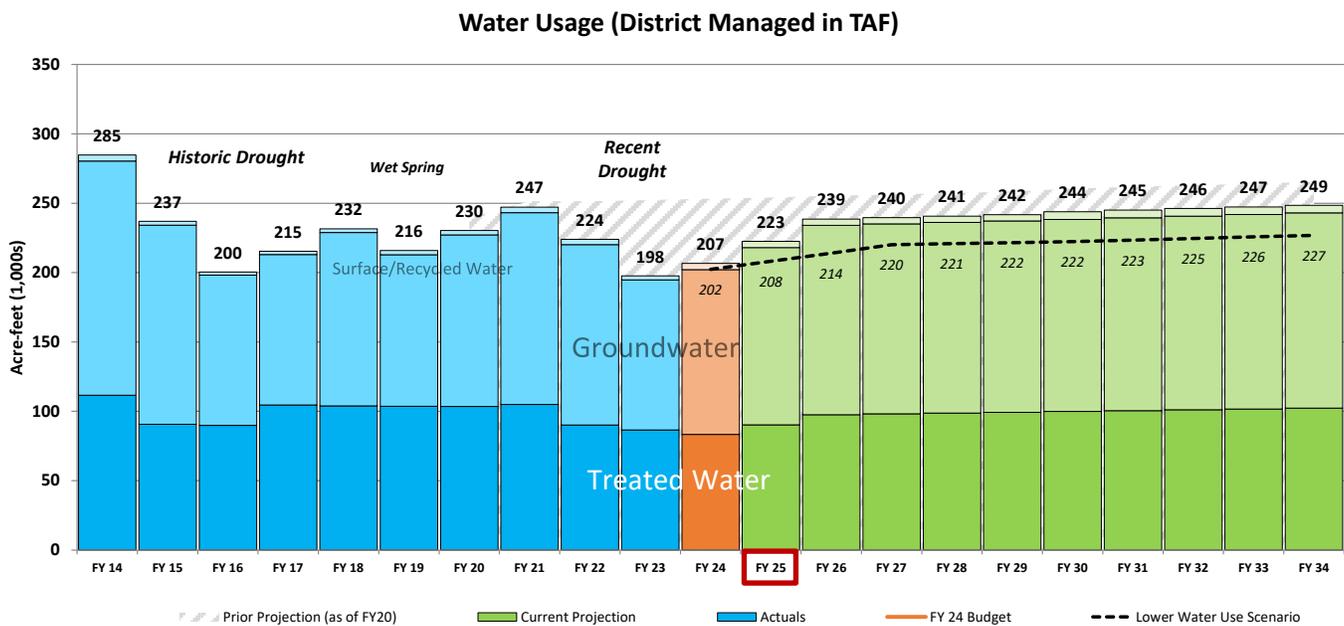


Exhibit 3 shows key financial indicators with staff’s recommendation projected to FY 2029-30. The debt service coverage ratio, which is a ratio of revenue less operations expenses divided by annual debt service, is targeted at 2.0 or better which helps to ensure financial stability and continued high credit ratings keeping cost to borrow low.

Exhibit 3 5-Year Water Charge and Financial Indicator Projection

Base Case	Adopted Budget						
	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
No. County (W-2) M&I GWP charge (\$/AF)	\$1,974	\$2,229	\$2,450	\$2,692	\$2,959	\$3,252	\$3,574
Y-Y Growth %	14.5%	12.9%	9.9%	9.9%	9.9%	9.9%	9.9%
So. County (W-5) M&I GWP charge (\$/AF)	\$544	\$579	\$617	\$658	\$701	\$748	\$797
Y-Y Growth %	6.0%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
So. County (W-7) M&I GWP charge (\$/AF)	\$658	\$750.50	\$857	\$979	\$1,118	\$1,276	\$1,458
Y-Y Growth %	12.9%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
So. County (W-8) M&I GWP charge (\$/AF)	\$398	\$430	\$464	\$502	\$542	\$585	\$632
Y-Y Growth %	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Operating & Capital Reserve	\$56,931	\$43,942	\$64,555	\$65,451	\$70,674	\$74,309	\$81,991
Supplemental Water Supply Reserve (\$K)	\$5,277	\$5,277	\$5,277	\$8,677	\$12,077	\$15,477	\$18,877
Drought Contingency Reserve (\$K)	\$0	\$0	\$0	\$1,000	\$4,000	\$8,000	\$12,000
Sr. Lien Debt Service Coverage Ratio (1.25 min)	2.54	2.02	2.52	2.56	2.63	2.39	2.06
South County (Deficit)/Reserves (\$K)	\$7,317	(\$478)	(\$2,199)	(\$2,042)	(\$5,507)	(\$9,001)	(\$9,249)

A significant portion of the projected increases in the groundwater production charge are driven by the capital improvement program as shown in Exhibit 4. Around \$5.5 billion in capital investments are planned for the next 10 years. Approximately \$1.6 billion is projected to be spent on the Anderson Dam Seismic Retrofit, which would improve public safety and restore operational capacity. Climate change has brought the need for new infrastructure investments. Planning work continues on efforts to build local storage through the Pacheco Reservoir Expansion Project and to expand the purified water program, which would provide new drought proof water supply. The Water Supply Master Plan 2050 will shed more light on what new infrastructure investments are recommended to be built. The remaining portion of the capital program is primarily dedicated to asset management of Water Utility Enterprise facilities throughout the county.

Over the next 10 years, operating outlays are projected to increase an average of 6.4% per year driven by: 1) the ramp up of payments associated with both the Delta Conveyance Project and the Los Vaqueros Reservoir Expansion Project; and 2) the inclusion of the new B.F. Sisk Dam Raise Project at San Luis Reservoir. Operations cost increases are also driven by significant inflation impacting the nation including cost increases associated with employee salaries and benefits. Debt service is projected to rise from \$1.2 billion in FY 2024-25 to \$7 billion in FY 2033-34 as a result of periodic debt issuances to fund the capital program.

Exhibit 4 **Cost Projection by Cost Center (\$M)**

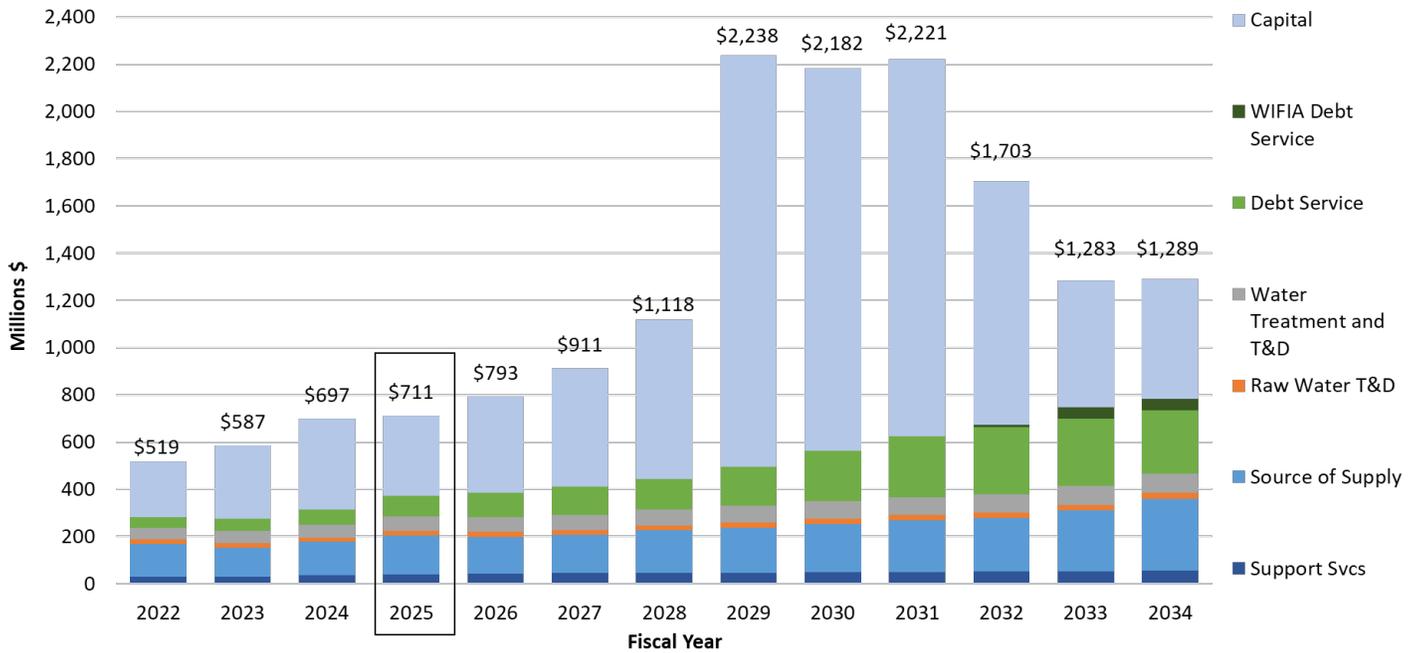


Exhibit 5 shows the groundwater production charge projection for the next 10 years and assumes a continuation of the level of service provided in FY 2023-24 and funding of the draft FY 2024-25 Capital Improvement Program (CIP). Note that there are initiatives and potential uncertainties that could result in the identification of additional capital or operations projects that are not reflected in the projection.

Exhibit 5 **10-Year Groundwater Charge Projection**

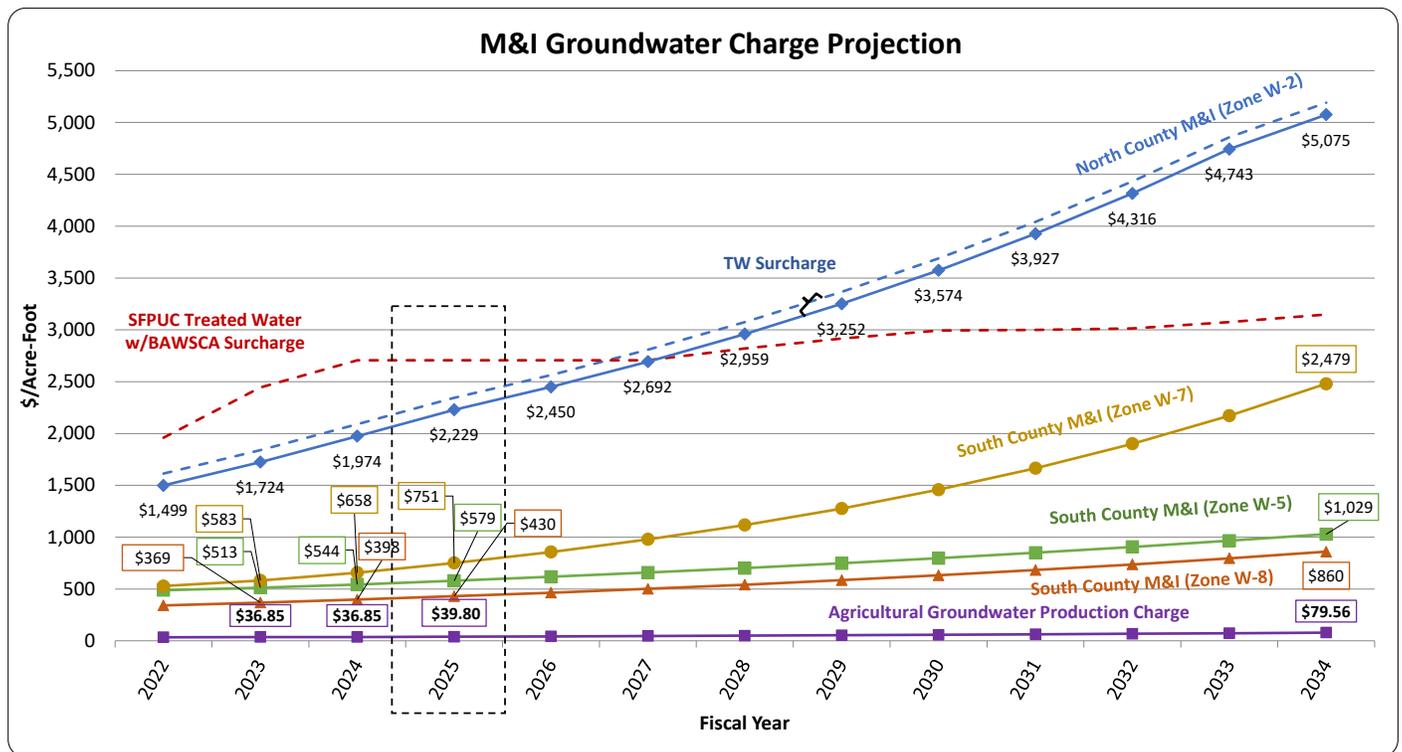


Exhibit 6 shows a comparison of the adjusted proposed groundwater production and treated water charges relative to the anticipated increases for the following similar agencies: Metropolitan Water District, Orange County Water District, San Diego County Water Authority, San Francisco PUC (Hetch Hetchy), and Zone 7.

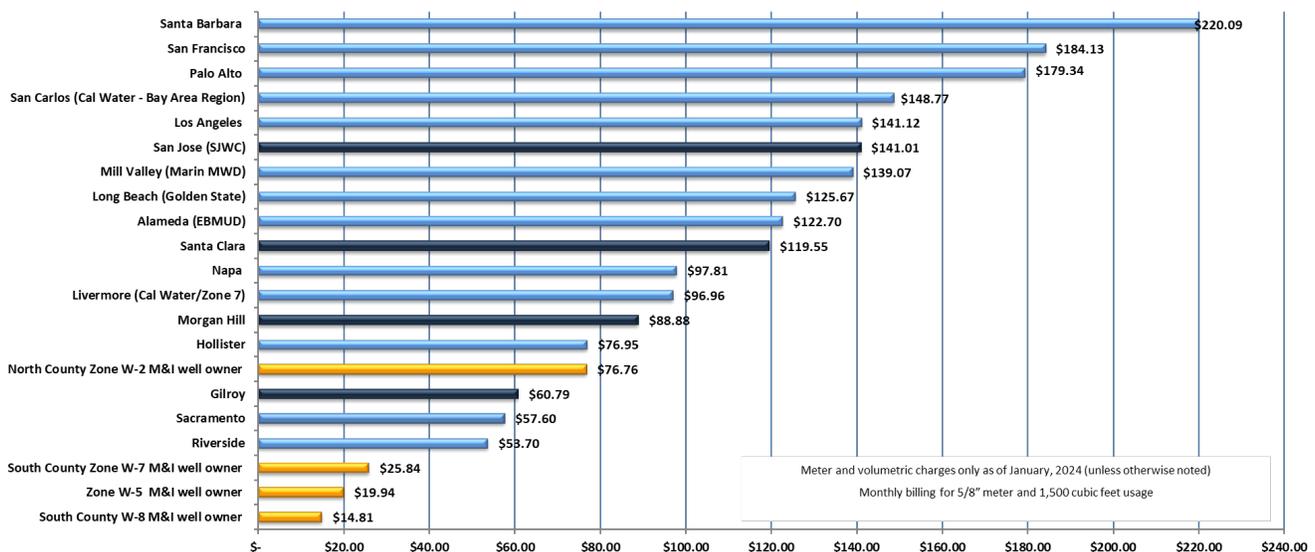
Exhibit 6 Anticipated FY 2024-25 Water Charge Increases for Similar Agencies

Agency	% inc.		% inc.		Projection		
	FY 22	'22 to '23	FY 23	'23 to '24	FY 24	'24 to '25	
SCVWD North W-2 (Groundwater prdctn per AF) ¹	\$1,499	15.0%	\$1,724	14.5%	\$1,974	12.9%	\$2,229
SCVWD North W-2 (Treated Water per AF) ¹	\$1,614	13.9%	\$1,839	13.6%	\$2,089	12.2%	\$2,344
SCVWD South W-5 (Groundwater prdctn per AF) ¹	\$488	5.1%	\$513	5.9%	\$544	6.6%	\$579
SCVWD South W-7 (Groundwater prdctn per AF) ¹	\$529	10.2%	\$583	12.9%	\$658	14.2%	\$751
SCVWD South W-8 (Groundwater prdctn per AF) ¹	\$342	7.9%	\$369	8.0%	\$398	8.0%	\$430
Metropolitan WD (Untreated Water per AF) ²	\$920	11.1%	\$1,022	7.3%	\$1,097	4.8%	\$1,150
Metropolitan WD (Treated Water per AF) ²	\$1,264	9.6%	\$1,386	5.8%	\$1,467	5.3%	\$1,544
Orange County WD (Groundwater per AF)	\$507	10.1%	\$558	11.8%	\$624	6.6%	\$665
San Diego County WA (Treated Water per AF) ²	\$1,807	8.5%	\$1,962	19.5%	\$2,344	2.7%	\$2,408
San Francisco PUC (Treated Water per AF) ³	\$1,786	15.9%	\$2,069	11.6%	\$2,309	7.7%	\$2,487
Zone 7 (Treated Water per AF) ²	\$1,561	15.2%	\$1,798	3.1%	\$1,853	4.3%	\$1,932

1. Amounts may be rounded to the nearest dollar.
2. MWD, SDCWA and Zone 7 rates based on calendar year (i.e., 2024 rate would be effective on 1/1/2024)
3. SFPUC rate excludes BAWSCA bond surcharge

Exhibit 7 shows a comparison of the average monthly bill for several of Valley Water’s retail customers (e.g., San Jose Water Company, City of Santa Clara, City of Morgan Hill, and City of Gilroy) relative to Valley Water’s perennial list of retail agency comparators across the state. SCVWD retailer rates shown include the staff recommended increase for FY 2024-25. North County and South County well owner rates are also shown, which exclude pumping costs (e.g., electricity) and well maintenance costs.

Exhibit 7 Retail Agency Benchmarks



Cost of Service

The cost of service analyses for FY 2024-25 are shown in Exhibit 8 for North County and Exhibit 9 for South County. The exhibits are laid out in a format that follows six industry standard rate making steps.

1. Identify utility pricing objectives and constraints
2. Identify revenue requirements
3. Allocate costs to customer classes
4. Reduce costs by revenue offsets or non-rate related funding sources
5. Develop unit costs by customer class or net revenue requirements by customer class
6. Develop unit rates by customer class

Water Utility pricing objectives and constraints representing rate making step 1 are identified in Resolution 99-21, the District Act, Proposition 218, Proposition 26, and existing contracts.

Step 2 includes identifying and segregating Water Utility Fund costs from Watershed and Administrative Funds and allocating Water Utility costs between zones W-2 (North County) and W-5, W-7, and W-8 (South County) according to benefits provided in each zone. Step 3 involves allocating costs by customer class either directly or based on water usage. Steps 4 and 5 result in unit costs by customer class after applying non-rate related offsets.

Step 6 includes two adjustments. The first adjustment is the application of 1% ad valorem property taxes, to offset the costs of agricultural water in accordance with Board Resolution 99- 21, also known as the "Open Space Credit." For FY 2024-25, staff is proposing a \$4 million transfer of 1% ad valorem property taxes from the General Fund and the Watershed Stream Stewardship Fund into the Water Utility Fund to help offset the reduced revenue from keeping agricultural charges lower than the cost of service.

The second adjustment involves reallocating a portion of the cost of treated water (or recycled water in the case of South County) to groundwater and surface water users. Treated and recycled water offsets the need to pump groundwater and therefore increases the volume of stored groundwater and improves reliability. The reallocation of a portion of the treated water cost for example represents the value of treated water to groundwater and surface water users and facilitates a pricing structure that prevents the over use of the groundwater basin. Preventing over use not only preserves groundwater for use in times of drought, but also prevents land subsidence or sinking of the land, which can cause serious infrastructure issues.

Another aspect of the second adjustment is related to setting the basic user charge for surface water equal to the groundwater production charge. Surface water use is effectively in-lieu groundwater use permitted by Valley Water to help preserve the groundwater basin. As such, the costs related to preserving the groundwater basin provide value to surface water users because it makes available District surface water, which otherwise would only be used for groundwater recharge. Similarly, the costs related to providing surface water benefit groundwater users because surface water usage helps preserve the groundwater basin.

The second adjustment reallocates costs between surface water and groundwater customers in order to set the basic user charge for surface water equal to the groundwater production charge in recognition of this conjunctive use relationship, and in accordance with board policy. A 2015 study was conducted by Raftelis Financial Consultants, Inc (RFC) that confirms the reasonableness of such an adjustment. The report titled "Report Documenting the Reasonableness of the Conjunctive Use Benefit of Surface Water and Recycled Water to Groundwater Customers" documents the support and justification for the water district's cost of service methodology and can be found on Valley Water's website.

Cost of Service North County Zone W-2 (\$K)

FY 25 Projection (\$ in Thousands)	Zone W-2					Total W-2
	GW		TW	SW	Ag	
	M&I	AG	M&I	M&I		
1 Operating Outlays						
2 Operations/Operating Projects	69,149	597	149,882	1,865	52	221,544
3 SWP Imported Water Costs	7,885	69	23,172	340	9	31,475
4 Debt Service	21,916	190	64,763	285	8	87,162
5 Total Operating Outlays	98,949	856	237,816	2,490	69	340,181
6 Capital & Transfers						
7 Operating Transfers Out	3,848	33	4,646	71	2	8,600
8 Capital Outlays excl. carryforward reqmnts	96,855	842	210,600	1,751	49	310,096
9 Total Capital & Transfers	100,703	875	215,246	1,822	51	318,697
10 Total Annual Program Costs	199,653	1,731	453,062	4,312	120	658,878
11 Revenue Requirement Offsets	Step 3 - Allocate costs to customer classes					
12 Capital Cost Recovery	(4,967)	(43)	(5,998)	(91)	(3)	(11,102)
13 Debt Proceeds	(81,618)	(709)	(177,467)	(1,476)	(41)	(261,311)
14 Inter-governmental Services	(1,407)	(12)	(1,698)	(26)	(1)	(3,144)
15 SWP Property Tax	(6,594)	(57)	(19,377)	(285)	(8)	(26,320)
16 South County Deficit/Reserve	2,756	24	3,328	51	1	6,160
17 Interest Earnings	(1,634)	(14)	(1,973)	(30)	(1)	(3,652)
18 Inter-zone Interest	15	0	18	0	0	34
19 Capital Contributions	(18)	(0)	(22)	(0)	(0)	(41)
20 Transfers In	(3,336)	(29)	(4,028)	(61)	(2)	(7,455)
21 Other	(741)	(6)	(764)	(11)	(0)	(1,524)
22 Reserve Requirements	2,529	84	7,134	46	5	9,798
23 Adjusted Revenue Requirement (FY 25)	104,638	968	252,216	2,429	71	360,321
24 Adjusted Revenue Requirement (FY 22 adj)	17,505	558	5,364	(574)	14	22,867
25 Total Adjusted Revenue Requirement	122,144	1,525	257,579	1,855	85	383,188
26 Volume (KAF)	74.8	0.7	90.3	1.4	0.0	167.2
27 Revenue Requirement (\$ per AF)	\$ 1,633	\$ 2,346	\$ 2,852	\$ 1,352	\$ 2,227	\$ -
28 Adjustments for Agricultural Preservation	Step 5 - Develop unit costs by customer class					
29 Allocate WU 1% Ad Valorem Prop Tax	-	(1,499)	-	-	(81)	(1,580)
30 Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	-
31 Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	-
32 Revenue Requirement (\$ per AF)	\$ 1,633	\$ 40	\$ 2,852	\$ 1,352	\$ 101	\$ -
33 Adjustments to Facilitate Conjunctive Use	Step 6 - Rate Design					
34 Reallocate TW/SW/RW costs	44,588	-	(45,876)	1,288	-	0
35 Water Charge (\$ per AF)	\$ 2,229.00	\$ 39.80	\$ 2,344.00	\$ 2,290.00	\$ 100.80	\$ -
36 Total Revenue (\$K)	\$ 166,732	\$ 26	\$ 211,703	\$ 3,143	\$ 4	\$ 381,608

Cost of Service South County Zone W-5 (\$K)

FY 25 Projection (\$ in Thousands)	Zone W-5						Total W-5
	GW		SW		RW		
	M&I	AG	M&I	AG	M&I	AG	
1 Operating Outlays							
2 Operations/Operating Projects	8,431	10,179	231	595	254	218	19,906
3 SWP Imported Water Costs	-	-	-	-	-	-	-
4 Debt Service	-	-	-	-	-	-	-
5 Total Operating Outlays	8,431	10,179	231	595	254	218	19,906
6 Capital & Transfers							
7 Operating Transfers Out	-	-	-	-	-	-	-
8 Capital Outlays excl. carryforward	-	-	-	-	-	-	-
9 Total Capital & Transfers	-	-	-	-	-	-	-
10 Total Annual Program Costs	8,431	10,179	231	595	254	218	19,906
11 Revenue Requirement Offsets							
12 Capital Cost Recovery	2,053	2,506	40	105	2,085	1,787	8,576
13 Debt Proceeds	-	-	-	-	-	-	-
14 Inter-governmental Services	(29)	(35)	(1)	(1)	-	-	(66)
15 SWP Property Tax	(540)	(659)	(11)	(28)	(21)	(18)	(1,277)
16 South County Deficit/Reserve	(850)	(2,782)	(26)	(116)	13	(77)	(3,838)
17 Interest Earnings	-	-	-	-	-	-	-
18 Inter-zone Interest	(11)	(13)	(0)	(1)	(0)	(0)	(26)
19 Capital Contributions	-	-	-	-	-	-	-
20 Transfers In	-	-	-	-	-	-	-
21 Other	(60)	(74)	(1)	(2)	(1)	(1)	(138)
22 Reserve Requirements	-	-	-	-	-	-	-
23 Adjusted Revenue Requirement (FY 25)	8,993	9,121	233	552	2,329	1,908	23,137
24 Adjusted Revenue Requirement (FY 22 adj)	(490)	(541)	(19)	10	(103)	(180)	(1,323)
25 Total Adjusted Revenue Requirement	8,503	8,580	214	562	2,226	1,729	21,815
26 Volume (KAF)	17.8	21.8	0.4	0.9	0.7	0.6	42.2
27 Revenue Requirement (\$ per AF)	\$ 477	\$ 394	\$ 612	\$ 618	\$ 3,181	\$ 2,881	
28 Adjustments for Agricultural Preservation							
29 Allocate WU 1% Ad Valorem Prop Tax	-	(7,714)	-	(471)	-	(839)	(9,024)
30 Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	(424)	(424)
31 Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	(424)	(424)
32 Revenue Requirement (\$ per AF)	\$ 477	\$ 40	\$ 612	\$ 101	\$ 3,181	\$ 70	
33 Adjustments to Facilitate Conjunctive Use							
34 Reallocate TW/SW/RW costs	1,825	-	10	-	(1,835)	-	-
35 Water Charge (\$ per AF)	\$ 579.00	\$ 39.80	\$ 640.00	\$ 100.80	\$ 559.00	\$ 70.15	
36 Total Revenue (\$K)	\$10,328	\$867	\$224	\$92	\$391	\$42	\$11,944

Exhibit 9, continued **Cost of Service South County Zone W-7 (\$K)**

FY 25 Projection (\$ in Thousands)	Zone W-7				Total W-7
	GW		SW		
	M&I	AG	M&I	AG	
1 Operating Outlays					
2 Operations/Operating Projects	7,038	2,538	164	418	10,157
3 SWP Imported Water Costs	-	-	-	-	-
4 Debt Service	-	-	-	-	-
5 Total Operating Outlays	7,038	2,538	164	418	10,157
6 Capital & Transfers	-	-	-	-	-
7 Operating Transfers Out	-	-	-	-	-
8 Capital Outlays excl. carryforward	-	-	-	-	-
9 Total Capital & Transfers	-	-	-	-	-
10 Total Annual Program Costs	7,038	2,538	164	418	10,157
11 Revenue Requirement Offsets	Step 3 - Allocate costs to customer classes				
12 Capital Cost Recovery	1,757	657	20	53	2,487
13 Debt Proceeds	-	-	-	-	-
14 Inter-governmental Services	(44)	(16)	(1)	(1)	(62)
15 SWP Property Tax	(261)	(98)	(3)	(8)	(370)
16 South County Deficit/Reserve	(1,773)	(412)	(5)	(33)	(2,223)
17 Interest Earnings	-	-	-	-	-
18 Inter-zone Interest	(5)	(2)	(0)	(0)	(8)
19 Capital Contributions	-	-	-	-	-
20 Perchlorate Response	-	-	-	-	-
21 Other	(20)	(8)	(0)	(0)	(28)
22 Reserve Requirements	-	-	-	-	-
23 Adjusted Revenue Requirement (FY 25)	6,692	2,659	175	428	9,954
24 Adjusted Revenue Requirement (FY 22 adj)	(299)	34	(8)	(62)	(334)
25 Total Adjusted Revenue Requirement	6,393	2,693	168	367	9,620
26 Volume (KAF)	8.6	3.2	0.1	0.3	12.2
27 Revenue Requirement (\$ per AF)	\$ 740	\$ 835	\$ 1,676	\$ 1,410	
28	Step 5 - Develop unit costs by customer				
29 Allocate WU 1% Ad Valorem Prop Tax	-	-	-	-	-
30 Transfer GF 1% Ad valorem Prop Tax	-	(1,282)	-	(170)	(1,453)
31 Transfer WS 1% Ad Valorem Prop Tax	-	(1,282)	-	(170)	(1,453)
32 Revenue Requirement (\$ per AF)	\$ 740	\$ 40	\$ 1,676	\$ 101	
33 Adjustments to Facilitate Conjunctive Use	Step 6 - Rate Design				
34 Reallocate TW/SW/RW costs	86	-	(86)	-	-
35 Water Charge (\$ per AF)	\$ 750.50	\$ 39.80	\$ 811.50	\$ 100.80	
36 Total Revenue (\$K)	\$6,479	\$128	\$81	\$26	\$6,715

Exhibit 9, continued **Cost of Service South County Zone W-8 (\$K)**

FY 25 Projection (\$ in Thousands)	Zone W-8				Total W-8	Total South County
	GW		SW			
	M&I	AG	M&I	AG		
1 Operating Outlays						
2 Operations/Operating Projects	184	230	23	59	496	30,559
3 SWP Imported Water Costs	-	-	-	-	-	-
4 Debt Service	-	-	-	-	-	-
5 Total Operating Outlays	184	230	23	59	496	30,559
6 Capital & Transfers						
7 Operating Transfers Out	-	-	-	-	-	-
8 Capital Outlays excl. carryforward	-	-	-	-	-	-
9 Total Capital & Transfers	-	-	-	-	-	-
10 Total Annual Program Costs	184	230	23	59	496	30,559
11 Revenue Requirement Offsets	Step 3 - Allocate costs to customer classes					
12 Capital Cost Recovery	14	17	2	5	38	11,102
13 Debt Proceeds	-	-	-	-	-	-
14 Inter-governmental Services	(0)	(0)	(0)	(0)	(0)	(128)
15 SWP Property Tax	(12)	(15)	(2)	(5)	(34)	(1,680)
16 South County Deficit/Reserve	(22)	(54)	(6)	(17)	(98)	(6,160)
17 Interest Earnings	-	-	-	-	-	-
18 Inter-zone Interest	(0)	(0)	(0)	(0)	(1)	(34)
19 Capital Contributions	-	-	-	-	-	-
20 Perchlorate Response	-	-	-	-	-	-
21 Other	(1)	(1)	(0)	(0)	(2)	(169)
22 Reserve Requirements	-	-	-	-	-	-
23 Adjusted Revenue Requirement (FY 25)	162	177	17	43	399	33,490
24 Adjusted Revenue Requirement (FY 22 adj)	(9)	26	(1)	5	20	(1,636)
25 Total Adjusted Revenue Requirement	153	202	17	48	419	31,854
26 Volume (KAF)	0.3	0.4	0.1	0.1	0.9	55.3
27 Revenue Requirement (\$ per AF)	\$ 454	\$ 480	\$ 331	\$ 369		
28	Step 5 - Develop unit costs by customer class					
29 Allocate WU 1% Ad Valorem Prop Tax	-	-	-	-	-	(9,024)
30 Transfer GF 1% Ad valorem Prop Tax	-	(93)	-	(17)	(110)	(1,986)
31 Transfer WS 1% Ad Valorem Prop Tax	-	(93)	-	(17)	(110)	(1,986)
32 Revenue Requirement (\$ per AF)	\$ 454	\$ 40	\$ 331	\$ 101		
33 Adjustments to Facilitate Conjunctive Use	Step 6 - Rate Design					
34 Reallocate TW/SW/RW costs	(8)	-	8	-	-	-
35 Water Charge (\$ per AF)	\$ 430.00	\$ 39.80	\$ 491.00	\$ 100.80		

Open Space Credit

The District Act limits agricultural groundwater production charges to a maximum of 25% of the M&I groundwater production charges. Current board policy adds an “open space” credit to agricultural revenues. The purpose of the credit is to preserve the open space benefits provided by agricultural lands by keeping agricultural groundwater production charges low. While the Supreme Court found Proposition 218 inapplicable to groundwater production charges, the Court determined that Proposition 26 does apply, which means that in order for the groundwater production charge to qualify as a nontax fee, costs to end users must be proportional such that one class of users is not subsidizing another.

The agricultural community currently benefits from low groundwater charges that are 2% of M&I charges in North County Zone W-2, 6.9% of M&I charges in South County Zone W-5, and 5.3% of M&I charges in South County Zone W-7. The current FY 2023-24 agricultural groundwater production charge is \$36.85/AF, or 9.25% of the South County Zone W-8 M&I charge of \$398/AF. The FY 2024-25 proposed agricultural groundwater production charge is 9.25% of M&I for Zone W-8, or an increase from \$36.85/AF in FY 2023-24 to \$39.80/AF in FY 2024-25, translating to an increase of up to \$0.49 per month per acre, assuming 2 (two) acre-feet of water usage per acre per year.

The credit to agricultural water users has become known as an “Open Space Credit.” It is paid for by fungible, non-rate related revenue. To offset lost revenue that results from the difference between the adopted agricultural groundwater production charge and the agricultural charge that would have resulted at the full cost of service, Valley Water redirects a portion of the 1% ad valorem property taxes generated in the Water Utility, General and Watershed Stream Stewardship Funds.

To comply with the current agricultural groundwater production charge setting policy, staff recommends the open space credit received by South County be \$13 million in FY 2024-25 (funded by 1% ad valorem property taxes). This incorporates an adjustment that reconciles FY 2021-22 actuals against what was projected for that year. The \$13 million is comprised of a \$7.1 million transfer from North County Water Utility 1% ad valorem property taxes, a \$1.9 million contribution from South County Water Utility 1% ad valorem property taxes and a \$4 million transfer of 1% ad valorem property taxes from the General Fund and Watershed Stream Stewardship Fund. As shown in Exhibit 10, the Open Space Credit is projected to grow to \$28.0 million by FY 2033-34.

Exhibit 10 Open Space Credit Trend



Hearings and Meetings Schedule

Exhibit 11 presents the schedule for the annual groundwater production charge setting process.

Exhibit 11 Hearings and Meetings Schedule – 2024

Date	Hearing/Meeting
January 8	Agricultural Water Advisory Committee Meeting
January 9	Board Meeting: Preliminary Groundwater Charge Analysis
January 17	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
January 24	Water Commission Meeting: Prelim Groundwater Charge Analysis
February 13	Board Meeting: Set time and place of Public Hearing
February 23	Mail notice of public hearing and file PAWS report
March 12	Board Meeting: Budget development update
March 20	Water Retailers Meeting: FY 25 Groundwater Charge Recommendation
April 8	Agricultural Water Advisory Committee Meeting
April 9	Open Public Hearing
April 10	Water Commission Meeting
April 11	Continue Public Hearing (Informational Open House with South County focus)
April 23	Conclude Public Hearing
April 24-25	Board Meeting: Budget work study session
May 14	Adopt Biennial Budget & Groundwater Production and Other Water Charges



FISCAL YEAR 2024-25 Public Hearing

Presented by:
Carmen Narayanan, Financial Planning and Revenue Unit Manager

April 11, 2024

Public Hearing has Three Specific Objectives

- 1. Present annual report on Valley Water's activities and recommended ground water production charges**
- 2. Provide opportunity for any interested person to "...appear and submit evidence concerning the subject of the written report" to the Board of Directors**
- 3. Determine and affix Groundwater Production and Other Water Charges for FY 2024-25**

53rd Annual Report Released

Annual Protection and Augmentation of Water Supplies Report provides information & accountability

Filed February 23, 2024

Available Online:

<https://www.valleywater.org/ProposedWaterCharges>



Topics for Today's Public Hearing

Background

Water Usage

Cost Projections

Key Assumptions for FY 2024-25

Groundwater Production Charges

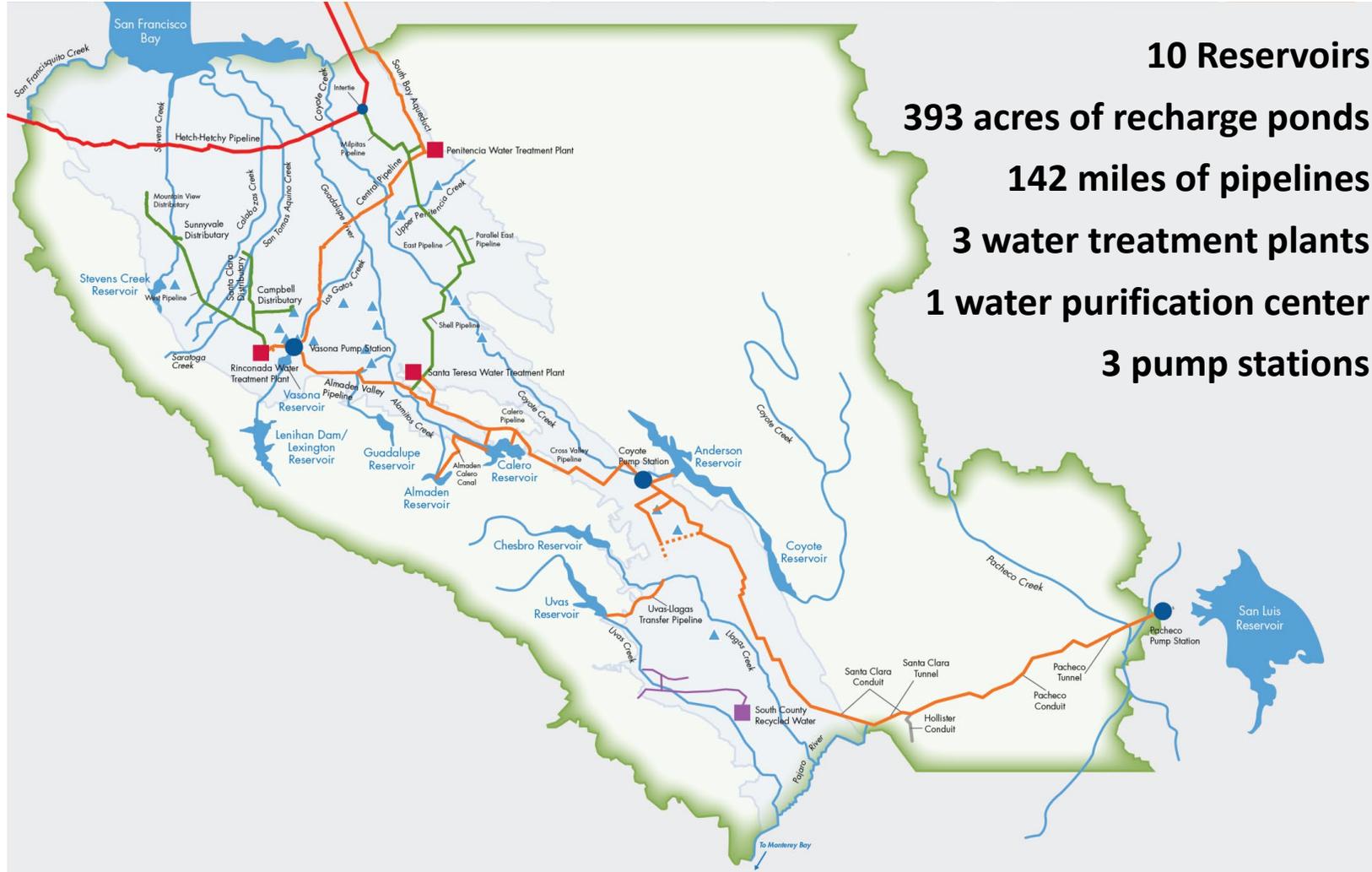
State Water Project Tax

Schedule/Wrap up

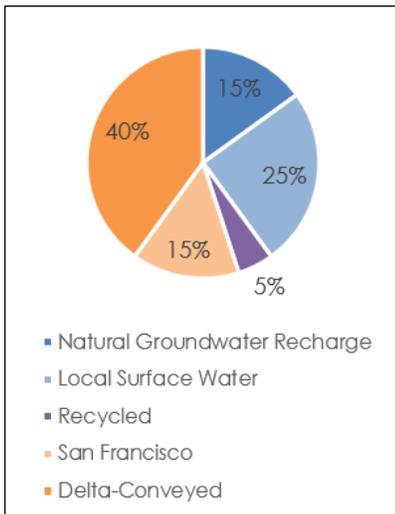
4

A comprehensive, flexible water system

SERVING OVER 2.0 MILLION PEOPLE



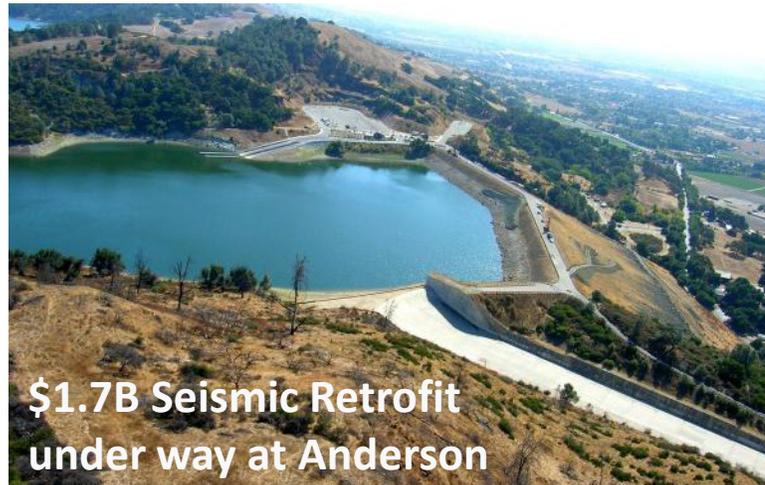
10 Reservoirs
393 acres of recharge ponds
142 miles of pipelines
3 water treatment plants
1 water purification center
3 pump stations



Why do well owners pay SCVWD to pump water from the ground?

6

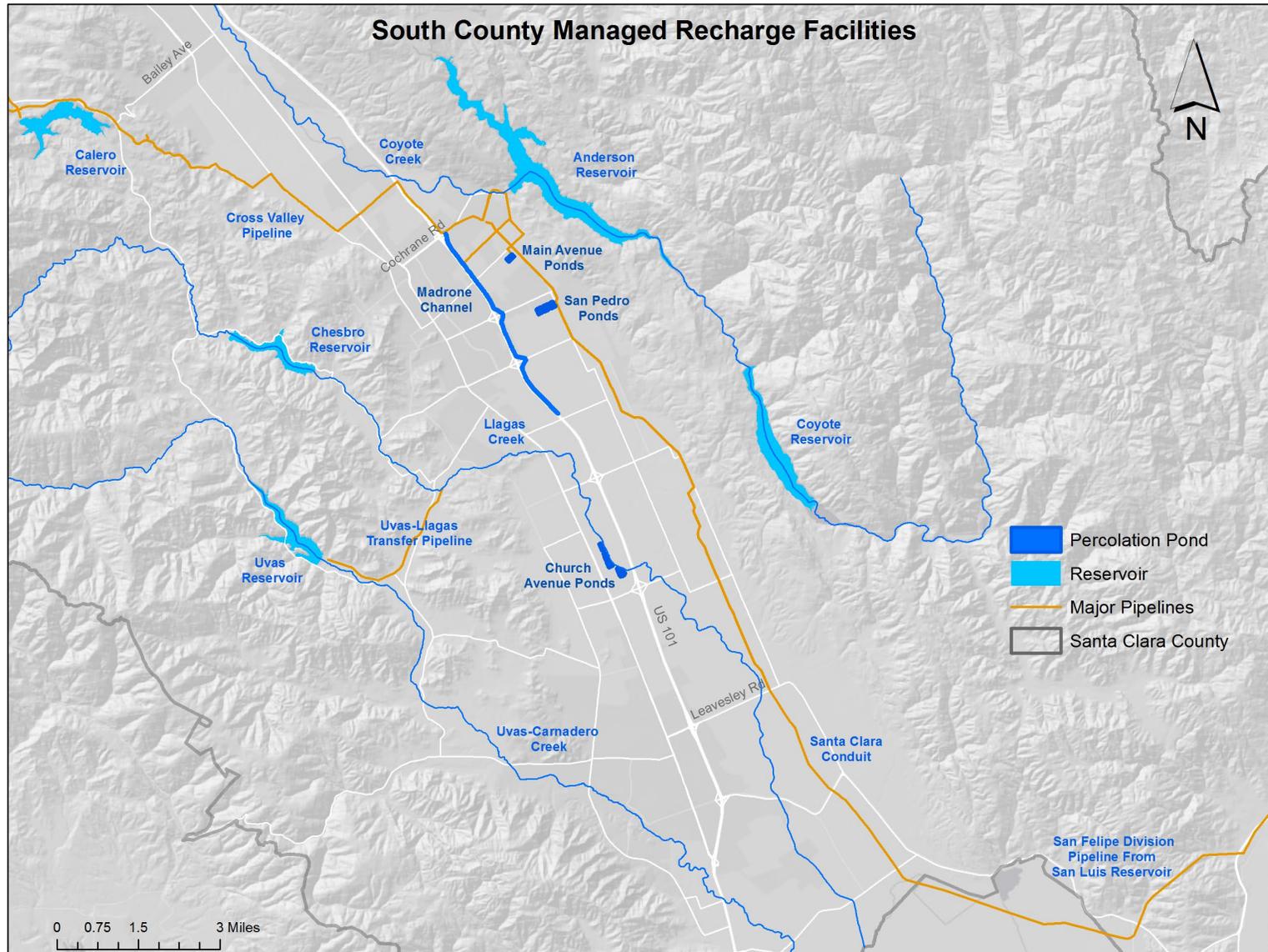
Construction at Anderson Reservoir, 1951



\$1.7B Seismic Retrofit under way at Anderson

- **Local rainfall cannot sustain South County water needs**
- **Planning in early 1900's called for construction of reservoirs to capture rainwater to percolate into the ground**
- **Groundwater Production Charge is a reimbursement mechanism**
 - **Pays for efforts to protect and augment water supply**
 - **Fee for service, not a tax**

South County facilities help ensure reliability



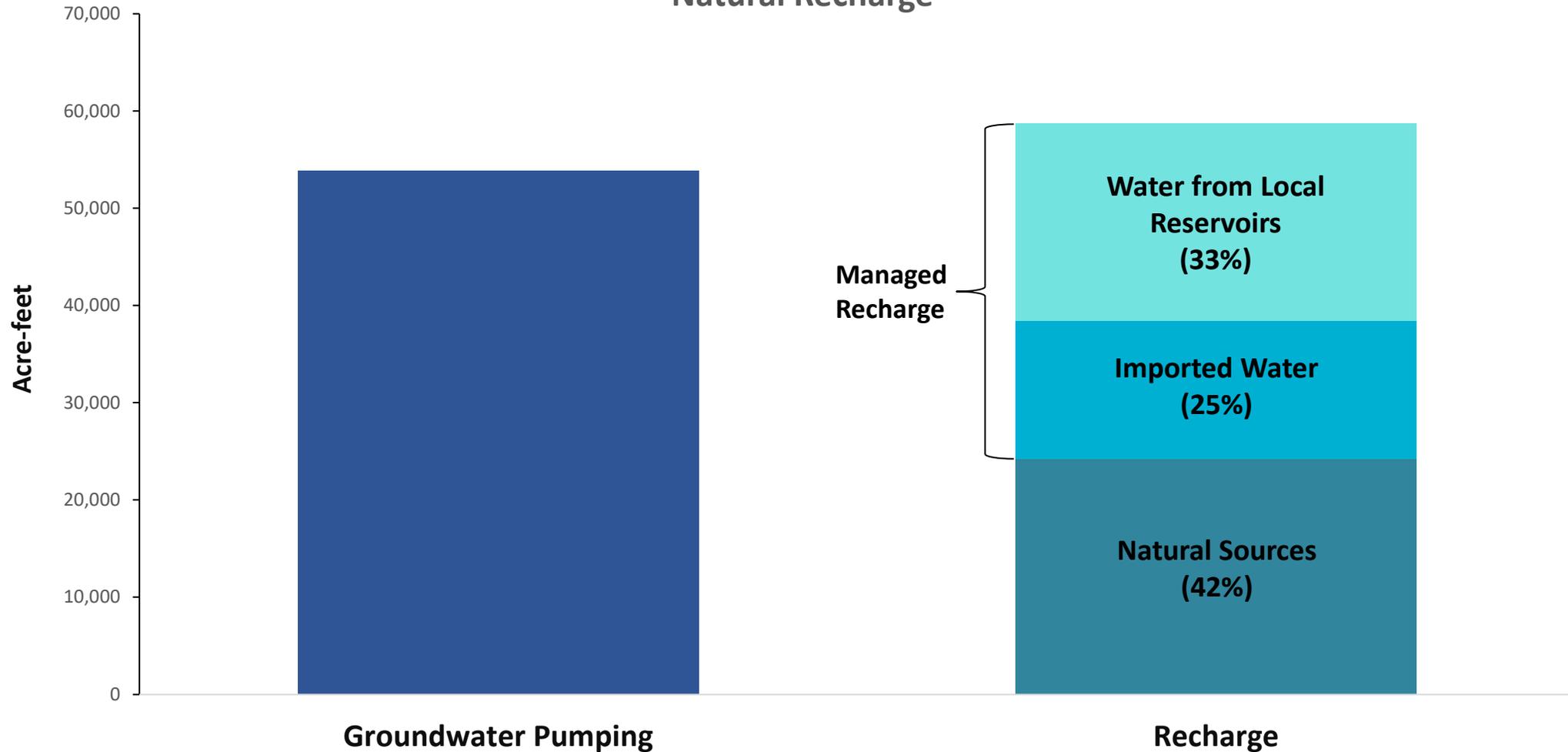
Main Avenue Recharge Ponds



Madrone Channel

Recharge needed to offset groundwater pumping

South County Pumping Far Exceeds Natural Recharge



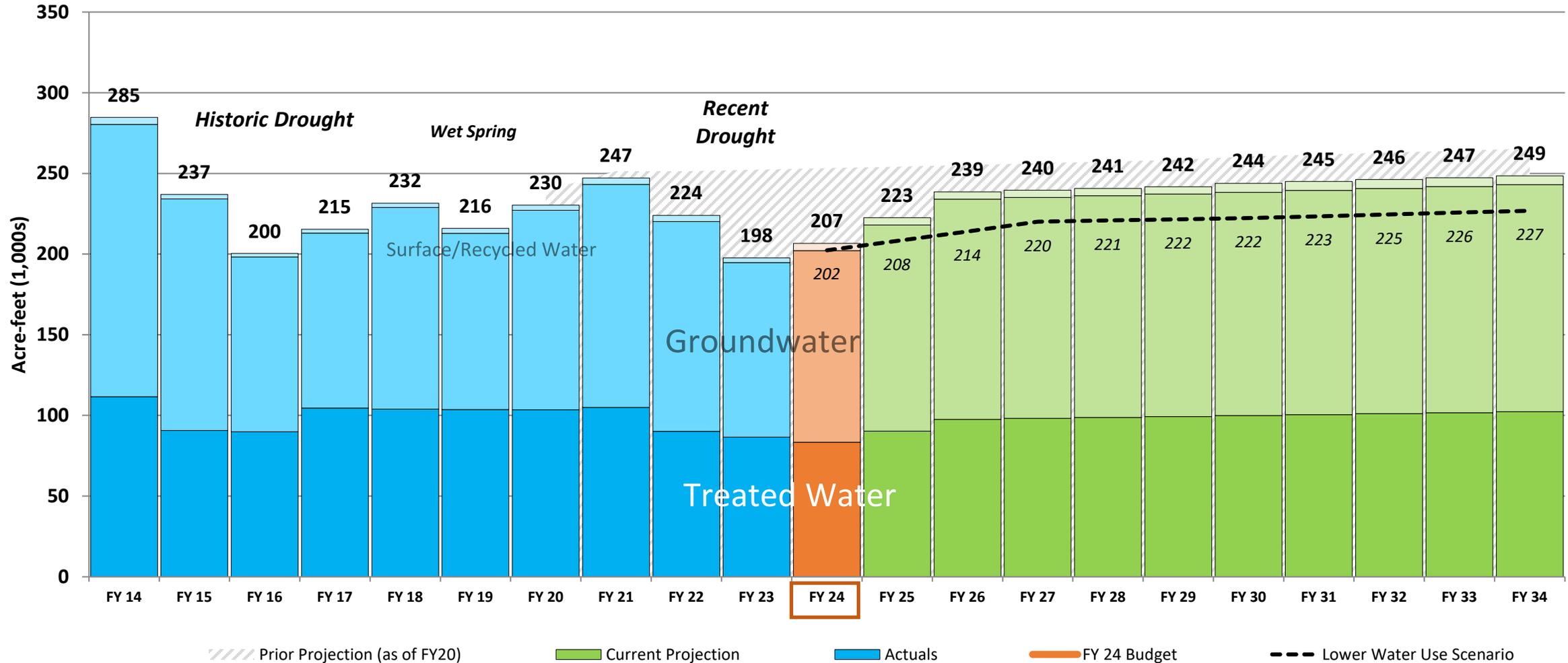
Based on average annual data from 2013 to 2022

Rate setting process is consistent with Props 218 and 26

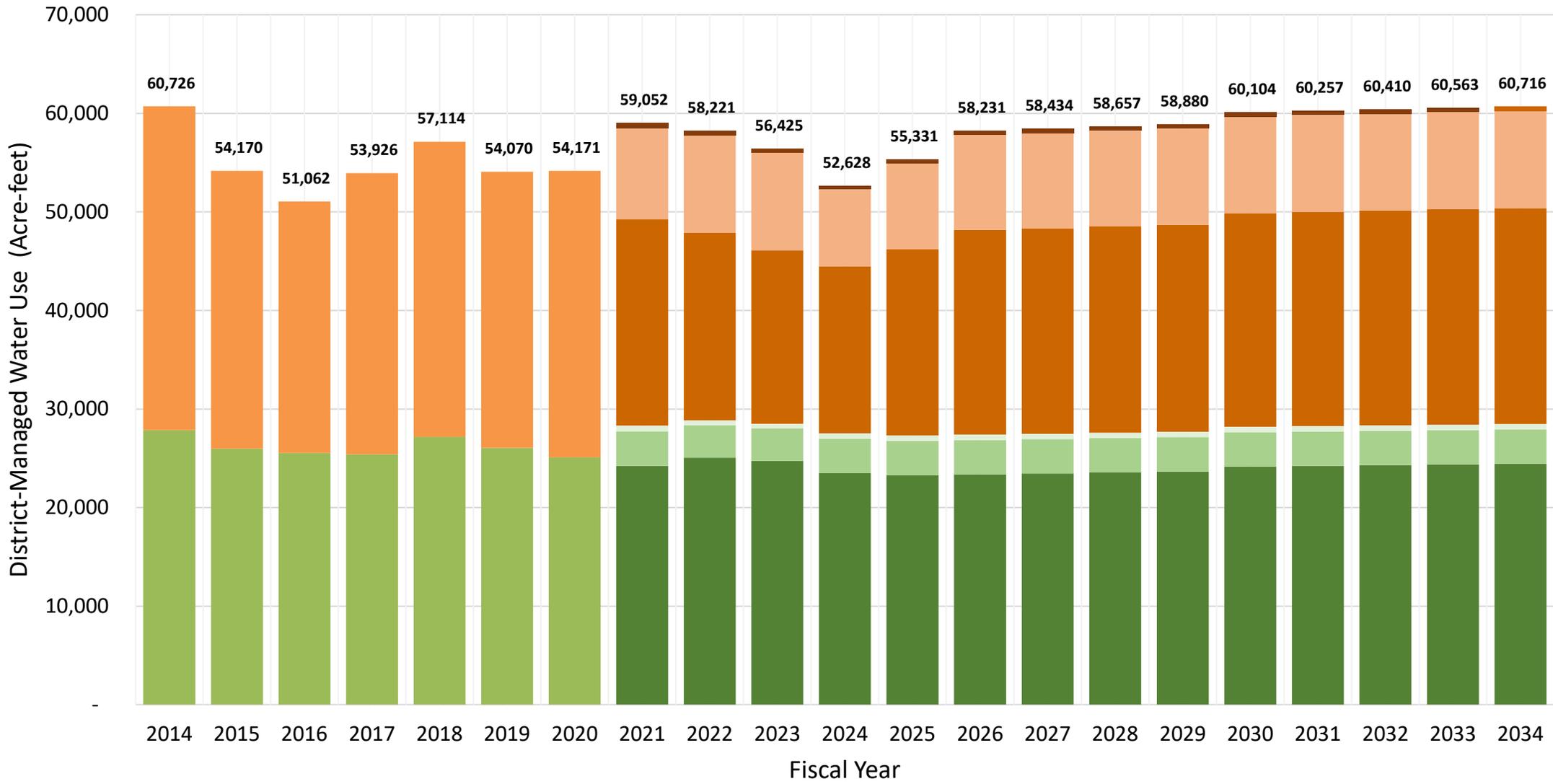
- **Groundwater charge setting process is consistent with Prop 26**
 - Certain Prop 218 requirements continue, like holding a public hearing, and noticing well owners, which are consistent with District Act
- **Surface Water Charge setting process is consistent with Prop 218**
 - Includes protest procedure as defined in Board Resolution 12-10

Water Usage (District Managed)

Water Usage (District Managed in TAF)

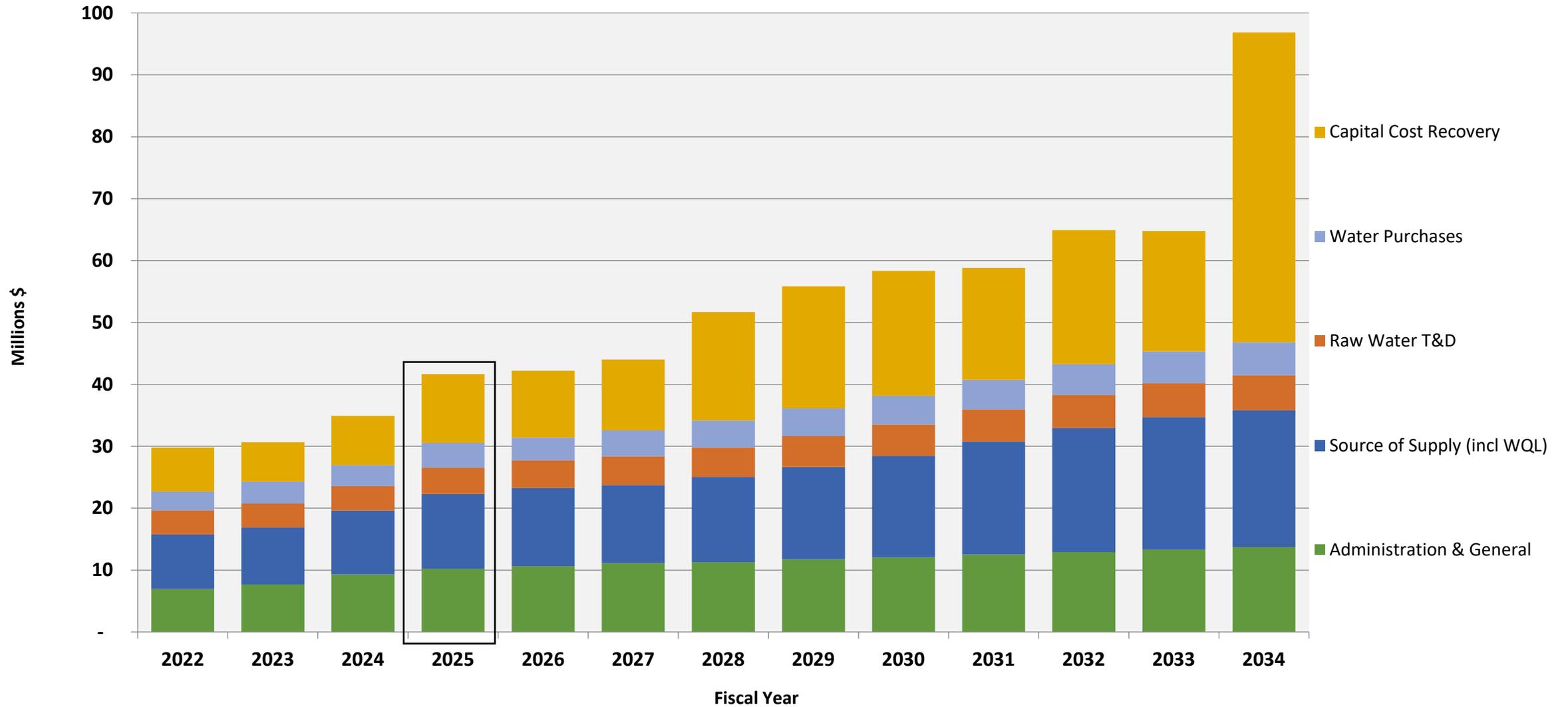


Water Usage Trend in South County (Zone W-5, W-7 & W-8)



- Zone W-8 Non-agricultural Water Use
- Zone W-7 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-8 Agricultural Water Use
- Zone W-7 Agricultural Water Use
- Zone W-5 Agricultural Water Use
- Zone W-5 Agricultural Water Use

South County Long Term Cost Projection



- **Recent inflation trends have put upward pressure on water rates**
- **Valley Water is in era of investment as existing water supply infrastructure was built decades ago**
 - **Fixing Anderson Dam** – Address public health and safety concerns and relieve operational restrictions
 - **Address seismic deficiencies at Coyote Dam** – DSOD requested expedited project implementation schedule
- **Climate change has brought need for new infrastructure investments**
 - **Building local storage with Pacheco Reservoir Expansion Project** – Add water storage to help face extended droughts
 - **Investing in out-of-county storage with Los Vaqueros Reservoir Expansion & Sisk Dam Raise** – Maintaining out-of-county storage is critical in securing water supply reliability and for storage diversification
- **Water Supply Master Plan 2050 will shed more light on what new infrastructure investments are recommended to be built**

Planning
work

Rate setting strategy for FY 2024-25

FY 25 RATE ASSUMPTIONS:

Water Usage (District-Managed)

- Continued rebound from the drought – water use projected at 222 kAF (vs. 207 kAF in FY24)

Secure Existing Supplies and Infrastructure

- Baseline Projects ¹
- Anderson Dam Seismic Retrofit with WIFIA loan (up to 49% of TPC)
- Dam Safety Program (preliminary placeholder): Coyote Dam
- Master Plan Projects Placeholder: Assumes \$326M from FY26-FY34 ²
- SWP Tax pays for 100% of SWP costs (excludes SWP portion of Delta Conveyance)
- Delta Conveyance SWP portion continues at 3.23% ^{3, 4}

Increase System Reliability & Flexibility

- Pacheco Reservoir Expansion Project (PREP) with \$504M Proposition 1 grants, WIFIA loan (up to 49% of TPC) and Partnership Participation at 35% of TPC ⁴
- Sisk Dam Raise at San Luis Reservoir with up to 60 kAF Storage ^{3, 4}

¹ Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program.

² Master Plan Project Placeholder includes anticipated costs for new pipelines, pipeline rehabilitations, treatment plant upgrades & SCADA implementation projects.

³ Project costs are reflected as Operations & Maintenance.

⁴ Project is included in Water Supply Master Plan 2050 Update analysis.

TPC: Total Project Cost

kAF: Thousand Acre-Feet

ENSURING A RELIABLE A WATER SUPPLY

Construction at Anderson Dam in east Morgan Hill continues, with crews progressing on a 24-foot outlet tunnel that will feed into Coyote Creek when the project is complete. That new tunnel will allow for the quicker, controlled release of water from the reservoir during a storm or other emergency.

Following construction of the tunnel, Valley Water will begin the seismic retrofit project to strengthen the dam in case of a large earthquake. In addition to building a high-level outlet, the project work includes removal and construction of the spillway and dam embankment. This effort will ensure public safety and secure a reliable water supply and is expected to be completed by 2032. Anderson Reservoir remains an integral part of our regional water supply system. For further details please visit valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit.



Tunnel Portal and Diversion Outlet Structure Overview



Anderson Dam Tunnel, Low-Level Outlet Tunnel

Recommended Groundwater Production Charges

Infrastructure

DRIVES DIFFERENT GROUNDWATER PRODUCTION CHARGES IN EACH ZONE

North County

- 3 water treatment plants
- Reservoirs –
 - Almaden
 - Calero
 - Guadalupe
 - Lexington
 - Stevens Creek
 - Vasona
- Silicon Valley Advanced Water Purification Center
- Imported Water – State Water Project

Shared

- Reservoirs –
 - Anderson
 - Coyote
 - Pacheco
- Imported Water –
 - Central Valley Project
- *Shared facilities do not benefit Zone W-8*

South County

- Reservoirs –
 - Chesbro
 - Uvas
 - *Does not benefit Zone W-7*
- SCRWA Recycled Water System
 - *Benefits Zone W-5 only*

Groundwater Charge Increase Projection

As published in the PAWS Report February 23, 2024

M&I Groundwater Charge Year to Year Growth %

Baseline Scenario	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
South County Zone W-5	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<i>Prior Year</i>	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
South County Zone W-7	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
<i>Prior Year</i>	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
South County Zone W-8	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Prior Year</i>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	

Lower water use rebound would add more upward pressure on water rates.

Groundwater Charge Increase Projection

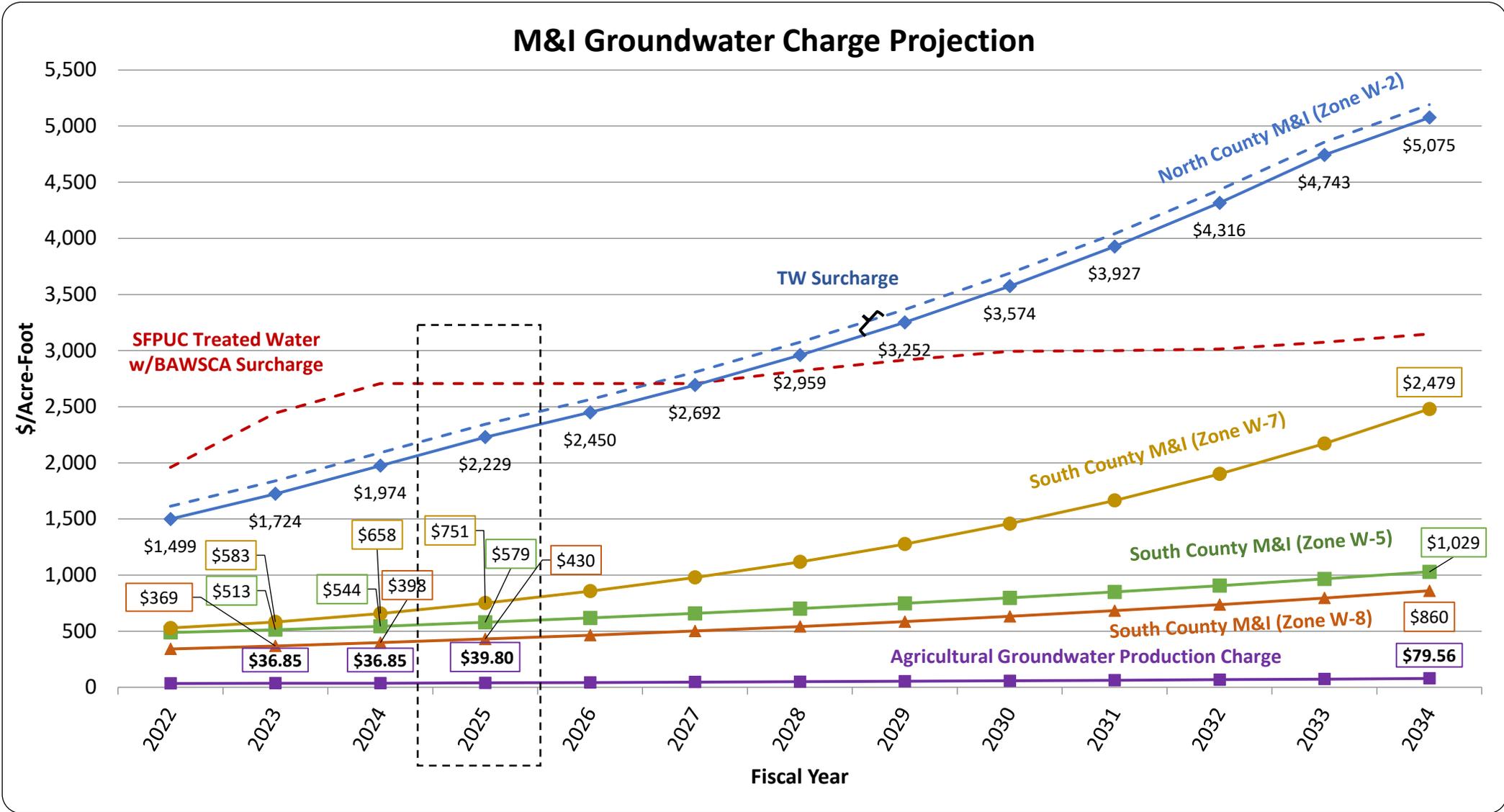
As published in the PAWS Report February 23, 2024

M&I Groundwater Charge – Monthly Impact To Average Household

Baseline Scenario	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
South County Zone W-5	\$1.22	\$1.32	\$1.40	\$1.50	\$1.59	\$1.70	\$1.81	\$1.93	\$2.06	\$2.19
South County Zone W-7	\$3.20	\$3.67	\$4.19	\$4.79	\$5.47	\$6.24	\$7.13	\$8.14	\$9.30	\$10.62
South County Zone W-8	\$1.10	\$1.18	\$1.28	\$1.38	\$1.49	\$1.61	\$1.74	\$1.88	\$2.03	\$2.19

Does not include any additional increases a Retailer may add.

FY 2024-25 Recommended Groundwater Charge Projection



FY 2024-25 South County Zone W-5 Maximum Proposed Charges

Zone W-5 (Llagas Subbasin)	Dollars Per Acre Foot		
	FY 2022-23	FY 2023-24	Proposed Maximum FY 2024-25
Basic User/Groundwater Production Charge			
Municipal & Industrial	513.00	543.50	579.00
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	560.10	597.50	640.00
Total Surface Water, Agricultural*	83.95	90.85	100.80
Recycled Water Charges			
Municipal & Industrial	493.00	523.50	559.00
Agricultural	64.25	67.20	70.15



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

M&I Increase approximately \$1.22 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

FY 2024-25 South County Zone W-7 Maximum Proposed Charges

Zone W-7 (Coyote Valley)	Dollars Per Acre Foot		
	FY 2022–23	FY 2023–24	Proposed Maximum FY 2024–25
Basic User/Groundwater Production Charge			
Municipal & Industrial	582.50	657.50	750.50
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	629.60	711.50	811.50
Total Surface Water, Agricultural*	83.95	90.85	100.80



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

M&I Increase approximately \$3.20 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

FY 2024-25 South County Zone W-8 Maximum Proposed Charges

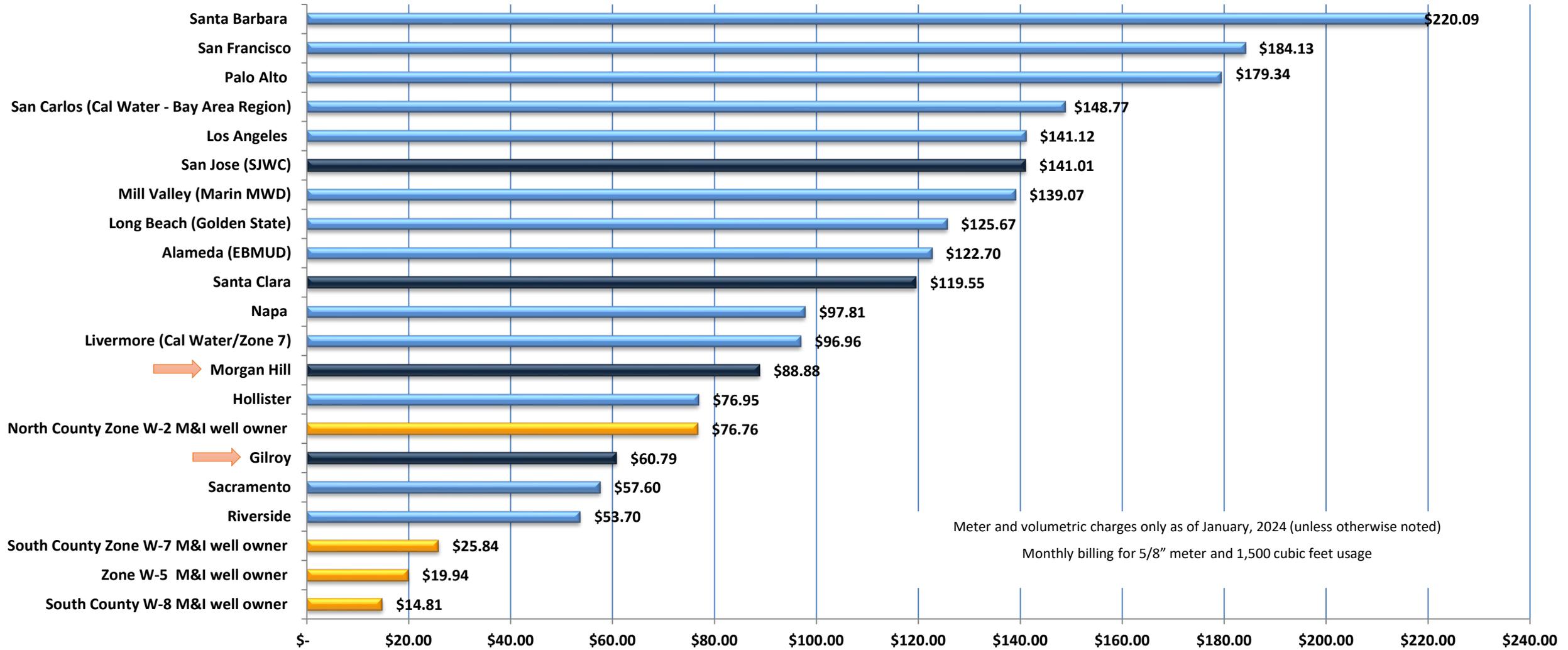
Zone W-8 (Uvas / Chesbro)	Dollars Per Acre Foot		
	FY 2022-23	FY 2023-24	Proposed Maximum FY 2024-25
Basic User/Groundwater Production Charge			
Municipal & Industrial	368.50	398.00	430.00
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	415.60	452.00	491.00
Total Surface Water, Agricultural*	83.95	90.85	100.80



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

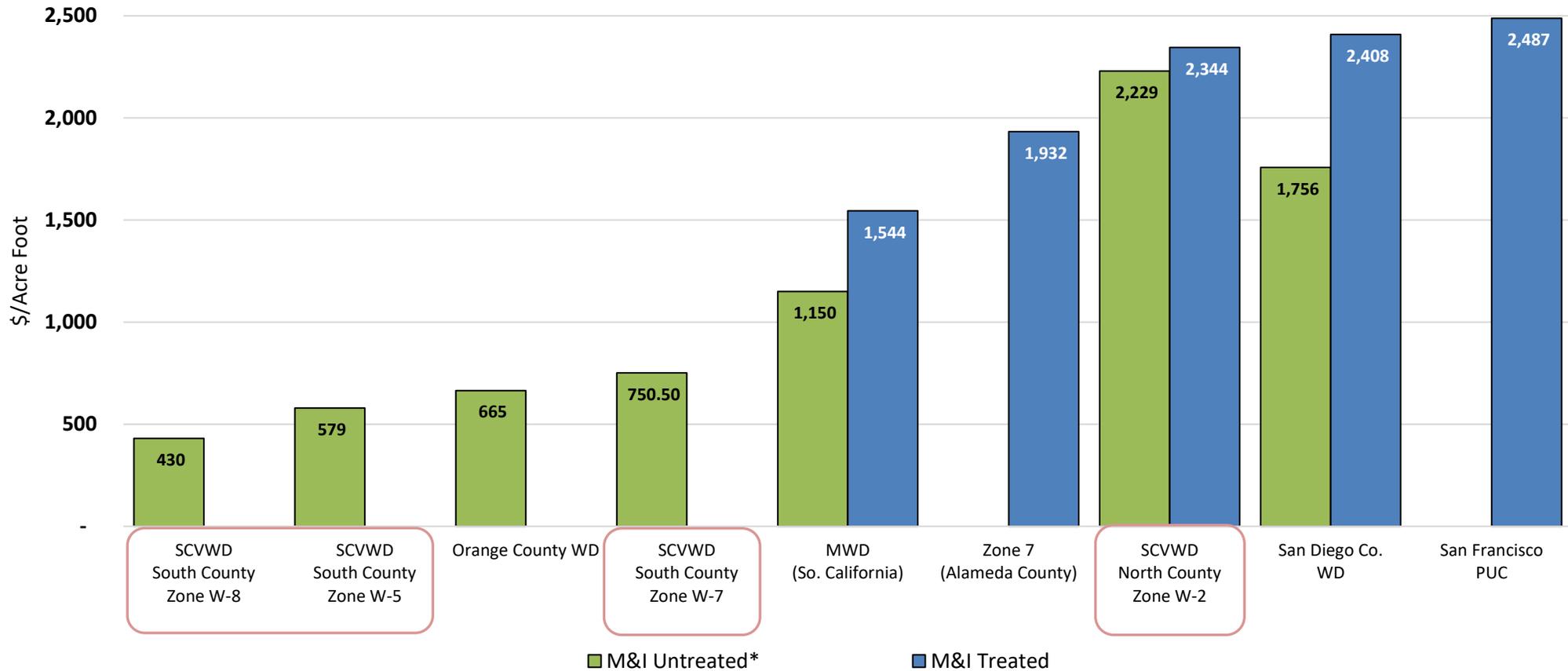
M&I Increase approximately \$1.10 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

Retail Agency Benchmarks



Wholesale Agency Rate Comparison

Wholesale Agency Rate Comparison Municipal & Industrial (M&I) Water



* SCVWD groundwater production charge is equivalent to SCVWD raw surface water basic user charge
Note: some rates rounded to the nearest dollar.

Valley Water FY 25 Proposed Maximums Shown versus FY25 projected comparator rates

Agricultural Benchmarks

Agency (As of March 2024) ¹		Agricultural Rate (\$/AF)	Non-Agricultural Rate (\$/AF)	Ag as % of Non-AG
San Benito ²	Groundwater (Quality issues)	\$14.00	\$14.00	100%
Modesto ID (\$2/AF for first 2 AF)	Untreated SW	\$2.00 to \$40.00	N/A	
SCVWD South	Groundwater		\$579.00	7%
	Zone W-5	\$39.80	\$750.50	5%
	Zone W-7		\$430.00	9%
SCVWD South	Zone W-8			
	Untreated SW		\$640.00	16%
	Zone W-5	\$100.80	\$811.50	12%
	Zone W-7		\$491.00	21%
	Zone W-8			
Merced ID	Untreated SW	\$50.00	N/A	
Merced ID	Groundwater ³	N/A	N/A	
Lost Hills	Untreated SW	\$185.09 to \$268.84	N/A	
Zone 7	Untreated SW	\$263.00	N/A	
Westlands WD	Pressurized	\$191.21	\$891.01	19%
San Benito	Pressurized	\$341.60	\$341.60	100%

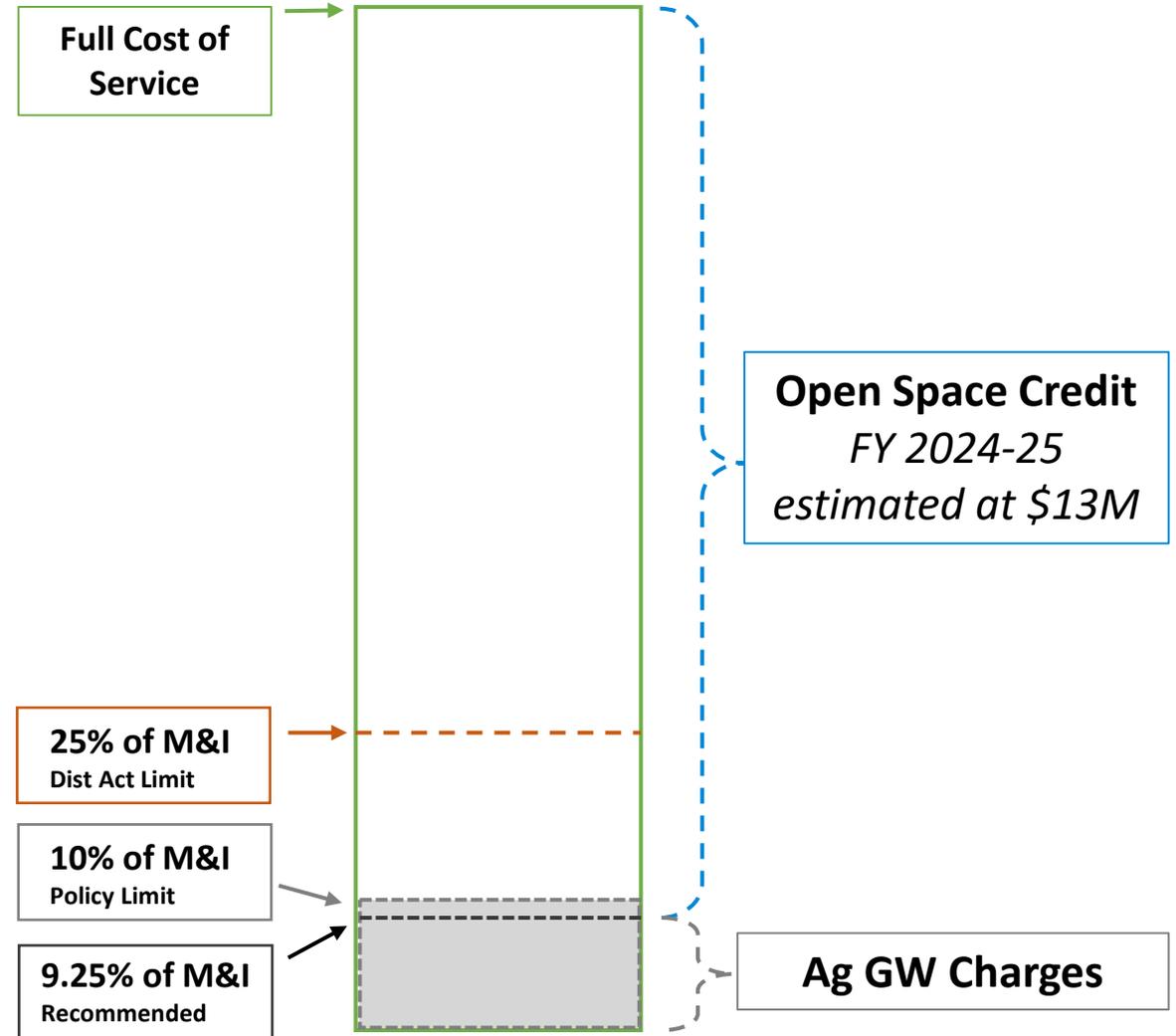
1. Reflects Valley Water proposed FY 2024-25 rates against current adopted rates for comparator agencies.

2. San Benito County Water District adopted groundwater charges for FY 2024-25 and FY 2025-26 setting Non-Agricultural (M&) and Agricultural rates the same \$/AF.

3. Merced Irrigation District is not offering their Supplemental Water Supply Pool Program (Groundwater) for the 2024 irrigation season and is encouraging growers to conserve groundwater.

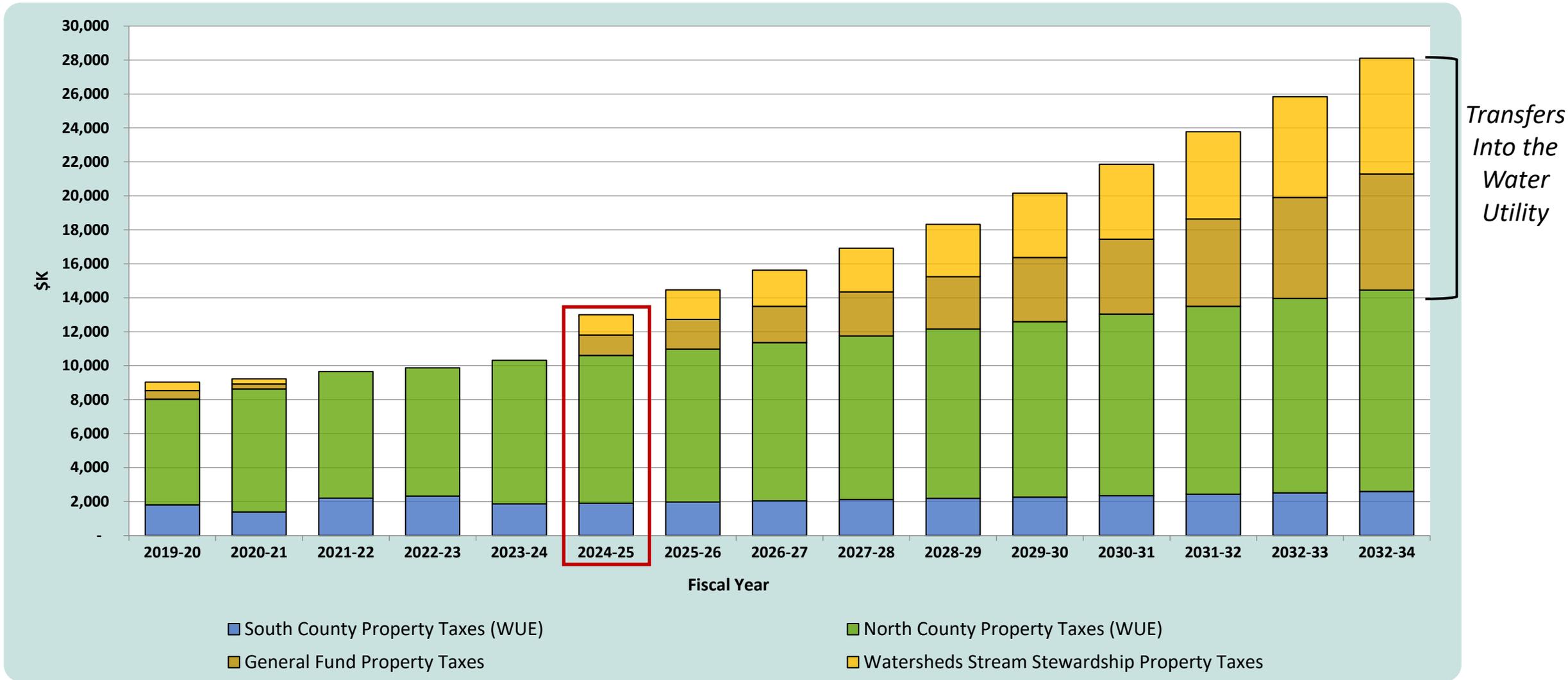
Benefits of the Open Space Credit (OSC)

- **Formal definition: “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”**
- **Applies to agricultural water users only, not to all open space**
- **Open Space Credit covers 90% of full cost of service for Agricultural Water customers**



Open Space Credit Projection

10-year Total Benefit to Open Space Credit: \$198M



Schedule/Wrap up

2024 Schedule

Jan 8	Agricultural Water Advisory Committee: Preliminary Groundwater Charge Analysis
Jan 9	Board Meeting: Preliminary Groundwater Charge Analysis
Jan 17	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
Jan 24	Water Commission Meeting: Preliminary Groundwater Charge Analysis
Feb 13	Board Meeting: Set time & place of Public Hearing
Feb 23	Mail notice of public hearing and file PAWS report
Mar 12	Board Meeting: Second Pass Budget development update
Mar 20	Water Retailers Meeting: FY 25 Groundwater Charge Recommendation
Apr 8	Agricultural Water Advisory Committee
Apr 9	Open Public Hearing
Apr 10	Water Commission Meeting
Apr 11	Continue Public Hearing in South County
Apr 23	Conclude Public Hearing
Apr 24-25	Board Meeting: Budget work study session
May 14	Adopt budget & groundwater production and other water charges

- **Water Retailers**
- **Ag Advisory**
- **Water Commission**
- **Public Phone Calls**

Valley Water remains in an era of investment

- Coupled with climate change, driving planning efforts for new infrastructure investments

Water Supply Master Plan 2050 will shed more light on what new infrastructure investments are recommended to be built.

Proposed Maximum FY 25 Groundwater Projection Charges for South County in terms of average household increase are:

- Increase of \$1.22 per month in Zone W-5
- Increase of \$3.20 per month in Zone W-7
- Increase of \$1.10 per month in Zone W-8

Proposed Maximum FY 25 Groundwater Production Charge in terms of average Agricultural user is:

- Increase of \$0.49 per month per acre assuming two acre feet of water pumped per year

Next Steps

- Continue and conclude Public Hearing on April 23rd



Valley Water

Clean Water • Healthy Environment • Flood Protection

RESOLUTION NO. 12- 10

A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SANTA CLARA VALLEY WATER DISTRICT ADOPTING PROCEDURES
FOR THE IMPOSITION OF SURFACE WATER CHARGES

WHEREAS, pursuant to Section 4 of the District Act, the purposes of the District Act are to authorize the District to provide comprehensive water management for all beneficial uses within Santa Clara County; and

WHEREAS, Section 5(5) of the District Act authorizes District to do any and every lawful act necessary to be done that sufficient water may be available for beneficial uses within Santa Clara County; and

WHEREAS, Section 5(12) authorizes the District to make contracts and do all acts necessary for the full exercise of all powers vested in the District; and

WHEREAS, Proposition 218, adopted on November 6, 1996, added Articles XIIIC and XIID to the California Constitution which impose certain procedural and substantive requirements with respect to the imposition of certain new or increased fees and charges; and

WHEREAS, whether legally required or not, the District Board believes it to be in the best interest of the community to align its practices with respect to the imposition of surface water charges to mirror the majority protest requirements of Article XIII D, section 6 applicable to charges for water services to the extent possible; and

WHEREAS, the District Board believes it to be in the best interest of the community to record its decisions regarding implementation of the provisions relating to imposition of surface water charges and to provide the community with a guide to those decisions and how they have been made; and

NOW, THEREFORE, the Board of Directors of Santa Clara Valley Water District does hereby resolve as follows:

SECTION 1. Statement of Legislative Intent. It is the Board of Directors' intent in adopting this resolution, to adopt the notice, hearing, and majority protest procedure proceedings that are consistent, and in conformance with, Articles XIIIC and XIID of the California Constitution and with the Proposition 218 Omnibus Implementation Act and the provisions of other statutes authorizing imposition of surface water charges. To the extent that these requirements are legally required to supercede the requirements set forth in the District Act, these provisions are intended to prevail.

SECTION 2. Definitions.

- A. Record Owner.** The District will provide the required notice to the Record Owner. "Record Owner" means the record owner of the property on which the surface water use-facility is present, and the tenant(s) who are District surface water permittees liable for the payment of the surface water charge.

A Resolution of the Board of Directors of the Santa Clara Valley Water District Adopting
Procedures for the Imposition of Surface Water Charges

- B. Charge Zone.** "Charge Zone" means the District zone (i.e. Zone W-2 or Zone W-5) that a surface water user's turnout is located, which is applicable in identifying the proposed surface water charge. Surface water users that receive surface water outside of either Zone W-2 or Zone W-5 are deemed to be located in the zone to which the surface water user's turnout is most nearly located.

SECTION 3. Surface Water Charge Proceeding. The following procedures will be used:

- A. Those Subject to the charge.** The Record Owners of the existing surface use-facilities.

- B. Amount of Charge.** A formula or schedule of charges by which the customer can easily calculate the potential surface water charge will be included in the notice. The surface water charge is comprised of a basic user charge and a surface water master charge. The surface water charge must comply with the following substantive requirements:

1. Revenues derived from the surface water charge will not be used for any purpose other than that for which the charge is imposed.
2. Revenues derived from the surface water charge will not exceed the direct and indirect costs required to provide the service.
3. The amount of the surface water charge must not exceed the proportional cost of the service attributable to the property.
4. No charge may be imposed for a service unless the service is actually used by, or immediately available to the property owner (or, if applicable, the tenant).
5. No charge can be imposed for general governmental services where the service is available to the public at large in substantially the same manner as it is to property owners.

- C. Notice.** The following guidelines apply to giving notice of the surface water charge.

1. Record Owner(s) of each parcel subject to the surface water charge, meaning any parcel with a surface water use-facility, will be determined from the last equalized property tax roll. If the property tax roll indicates more than one owner, each owner will be sent the notice. District surface water permittees liable for the payment of the surface water charge will also be provided with the notice.
2. The notice must be sent at least forty-five (45) days prior to the date set for the public hearing on the surface water charge.
3. Failure of any person to receive the notice will not invalidate the proceedings.

A Resolution of the Board of Directors of the Santa Clara Valley Water District Adopting
Procedures for the Imposition of Surface Water Charges

D. Surface Water Charge Protest. The following guidelines apply to the surface water charge protest procedure:

1. The notice will be mailed to all affected Record Owners at least forty-five (45) days prior to the date of the public hearing on the proposed surface water charge.
2. Written protests must be forwarded to the Clerk of the Board by mail or in person, sealed in an envelope which conceals the contents, with the property address or APN written on the outside of the envelope. To be counted, protests must be received no later than the date for return of protests stated on the notice, or the close of the public hearing, whichever is later.
3. A protest must be signed under penalty of perjury. For properties with more than one Record Owner, a protest from any one surface water user-facility will count as a protest for the property. No more than one protest will be counted for any given property.
4. Only protests with original signatures will be accepted. Photocopied signatures will not be accepted. Protests will not be accepted via e-mail. Protests must be submitted in sealed envelopes identifying the property on which the surface water user-facility is located, and include the legibly printed name of the signator. Protests not submitted as required by this Resolution will not be counted.
5. This proceeding is not an election.
6. Written Protests must remain sealed until the tabulation of protests commences at the conclusion of the public hearing. A written protest may be submitted or changed by the person who submitted the protest prior to the conclusion of the public testimony on the proposed charge at the public hearing.
7. Prior to the public hearing, neither the protest nor the envelope in which it is submitted will be treated as a public record, pursuant to the Government Code section 6254(c) and any other applicable law, in order to prevent potential unwarranted invasions of the submitter's privacy and to protect the integrity of the protest process.

E. Tabulating Protests. The following guidelines apply to tabulating protests:

1. It will be the responsibility of the Clerk of the Board to determine the validity of all protests. The Clerk will accept as valid all protests except those in the following categories:
 - a. A photocopy which does not contain an original signature;
 - b. An unsigned protest;
 - c. A protest without a legible printed name;
 - d. A protest which appears to be tampered with or otherwise invalid based upon its appearance or method of delivery or other circumstances;

A Resolution of the Board of Directors of the Santa Clara Valley Water District Adopting
Procedures for the Imposition of Surface Water Charges

- e. A protest submitted to the District via e-mail;
- f. A protest submitted in an envelope that does not have the address or APN written on the outside of the envelope;
- g. A protest signed by someone other than the Record Owner for the APN.

The Clerk's decision, after consultation with the District Counsel, that a protest is invalid is final.

- 2. An impartial person, designated by the governing board, who does not have a vested interest in the outcome of the proposed charge will tabulate the written protests submitted, and not withdrawn. The impartial person may be a member of the Clerk of the Board Office.
- 3. A Record Owner who has submitted a protest may withdraw that protest at any time up until the conclusion of the final public hearing on the surface water charge.
- 4. A property owner's failure to receive notice of the surface water charge will not invalidate the proceedings conducted under this procedure.

F. Public Hearing.

- 1. At the public hearing, the District Board will hear and consider all public testimony regarding the proposed surface water charge and accept written protests until the close of the public hearing, which hearing may be continued from time to time.
- 2. The District Board may impose reasonable time limits on both the length of the entire hearing and the length of each speaker's testimony.
- 3. At the conclusion of the hearing, the Clerk of the Board, or other neutral person designated to do the tabulation will complete tabulation of the protests from Record Owners, including those received during public hearing.
- 4. If it is not possible to tabulate the protests on the same day as the public hearing, or if additional time is necessary for public testimony, the District Board may continue the public hearing to a later date to receive additional testimony, information or to finish tabulating the protests; or may close the public hearing and continue the item to a future meeting to finish tabulating the protests.
- 5. If according to the final tabulation of the protests from Record Owners, the number of protests submitted against the proposed surface water charge (or increase of the surface water charge) within a Charge Zone exceeds 50% plus one of either: (i) the identified number of parcels within that Charge Zone, or (ii) the identified number of owners and tenants who are subject to the surface water charge within that Charge Zone, then a "majority protest" exists and the District Board of Directors will not impose the surface water charge within that Charge Zone.

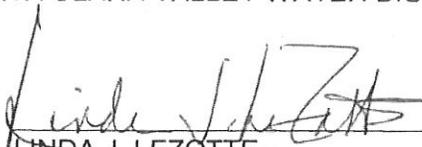
A Resolution of the Board of Directors of the Santa Clara Valley Water District Adopting
Procedures for the Imposition of Surface Water Charges

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District by the following vote on February 14, 2012.

AYES: Directors T. Estremera, D. Gage, J. Judge, P. Kwok, R. Santos, B. Schmidt,
L. LeZotte
NOES: Directors None
ABSENT: Directors None
ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT

By:


LINDA J. LEZOTTE

Chair/Board of Directors

ATTEST: MICHELE L. KING, CMC


Clerk/Board of Directors

