

## Overview of the FY 2026-27 Groundwater Production Charge Setting Process

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## **Topics**

- 1. Background Information on Groundwater Production Charge Setting Process
  - District Act
  - Prop 218 & Prop 26
  - Pricing Policy
  - Groundwater Benefit Zones
- 2. North County & South County Infrastructure
- 3. Water Usage Projections
- 4. Rate Setting Strategy for FY 2026-27
- 5. Long Range Forecast for Water Utility
- 6. Schedule & Summary



## **District Act Requirements**

Details Several Process Requirements to Set Groundwater Production Charges

- Requires setting of groundwater production charges once per year
  - Option to do mid-year adjustment (added in 1992)
- Requires publication of Annual Report on Protection and Augmentation of Water Supplies (PAWS)
- Requires public hearing
  - Surface, treated, & recycled water rates can be set separately
- Requires establishment of groundwater benefit zones



# District Act Defines Purposes for Groundwater Charges

# 1. Imported Water Facilities

# 2. Imported Water Purchases

Purpose for Groundwater Charges

3. All Facilities which will "conserve or distribute water including facilities for groundwater recharge, surface distribution, and purification and treatment"

4. Debt



## **Surface Water Charge-Setting Process**

Consistent with Prop 218 Process for Water Service Charges Includes protest procedure as defined in Board Resolution 12-10

Historical Majority Protest Procedure Results by Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Surface Water											
North County W-2	0%	0%	0%	0%	5%	0%	0%	0%	0%	0%	0%
South County W-5	1.3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
South County W-7						0%	0%	0%	0%	0%	0%
South County W-8						0%	0%	0%	0%	0%	0%



## **Groundwater Charge-Setting Process**

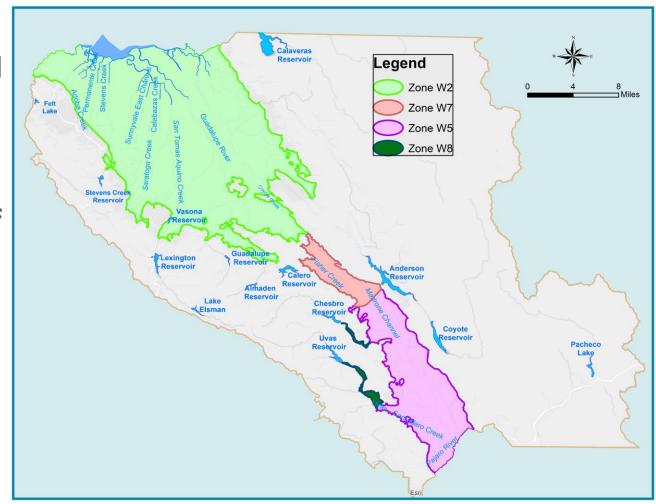
**Consistent with Prop 26** 

- Prop 26 is applicable to groundwater charges
- To qualify as a nontax fee under Prop 26, GW charge must satisfy both:
  - 1. GW charge established at amount that is no more than necessary to cover reasonable costs of government activity
  - 2. Manner in which costs are allocated to payor bear a fair or reasonable relationship to payor's burdens on, or benefits received from government activity



## Resolution 99-21 is the Board's Pricing Policy

- Groundwater charges are levied within a zone for benefits received
- All water sources and water facilities contribute to common benefit within a zone regardless of cost, known as "pooling" concept
  - Helps maximize effective use of available resources
- Agricultural water charge shall not exceed 10% of M&I water charge





## **Groundwater Charge-Setting Approach**

September

**Begin multi**year financial forecast prep

Water Utility activities must meet purpose defined in District Act Section 26.3

**February** 

**Prepare Report on Protection & Augmentation of Water Supplies** (PAWS)

**Includes Cost of Service by customer** class:

- Groundwater
- Surface Water
- Recycled Water

November/December

**Board provides** guidance for upcoming rate setting cycle

January

**Preliminary Rate Projection Discussed with Board** 

**Pricing based on Resolution 99-21** to maximize use of available water resources

April

**Public Hearings &** majority protest procedure (surface water)

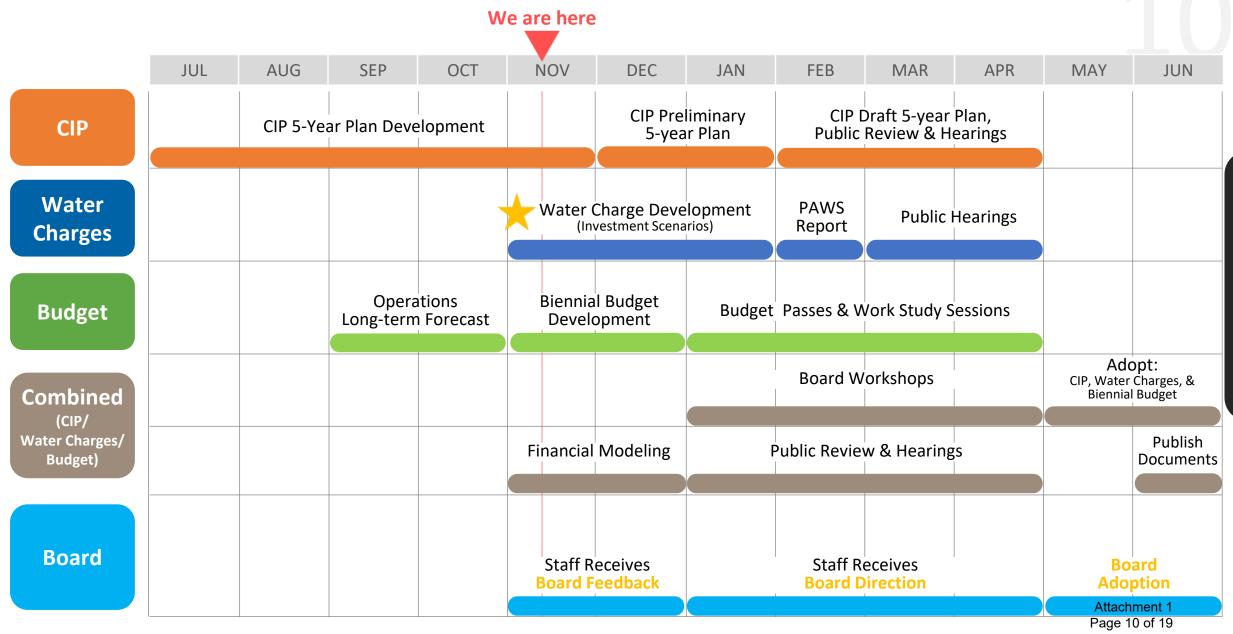
**Process detail explained in Board Resolution 12-10** 

May

**Adoption of** Groundwater and Other **Water Charges** 



#### Annual CIP, Biennial Budget & Water Charges Development Timeline



### Infrastructure

11

#### **Differences Drive Unique 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
- Benefits Zone W-2 only

#### **Shared**

- Reservoirs
  - Anderson
  - Coyote
  - Pacheco
- Imported Water
  - Central Valley Project
- Shared facilities benefit
   Zones W-5 & W-7 only

#### **South County**

- Reservoirs
  - Chesbro
  - Uvas
  - Benefits Zones
     W-5 & W-8 only
- SCRWA Recycled Water System
  - Benefits Zone W-5 only

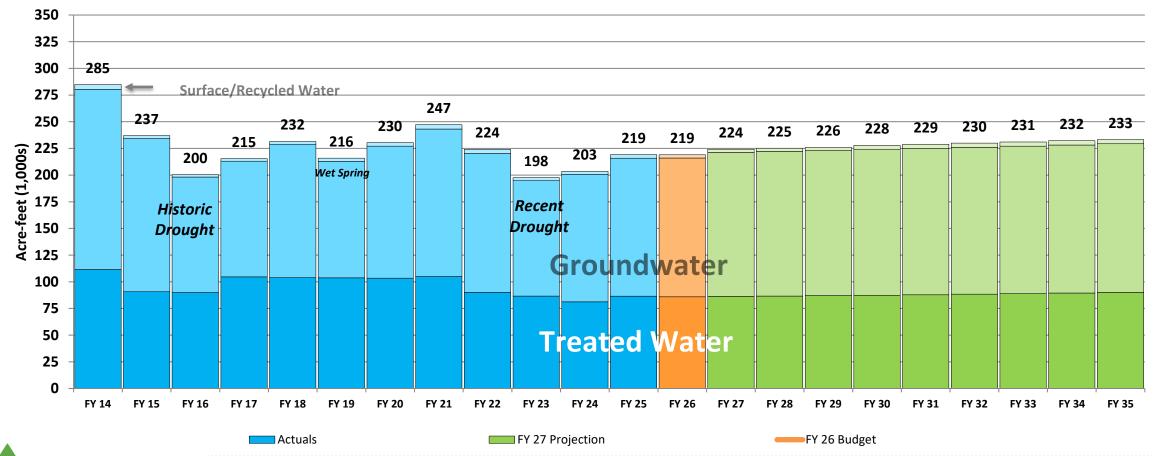


## District Managed Water Usage

12

Reflects Lower Water Use Projection Versus Pre-2023 Drought

**District Managed Water Usage (TAF)** 





## Average Water Usage Per Household

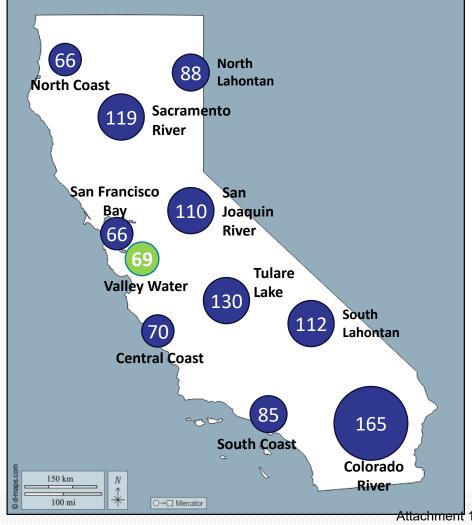
Recent conservation efforts and water use trends reflect reduced average water use for a 3 to 4-person household.

- Long-term average: 15 HCF/month
- Revised average: 11 HCF/month

www.watersavings.org



Average Residential Water Use, 2014 - 2023 (Gallons Per Capita Daily )



Data Source: State Water Resources Control Board

Page 13 of 19

## Rate Setting Strategy for FY 2026-27

14

**FY 27 Baseline Case Assumptions** 

- Anderson Dam Seismic Retrofit
- Pure Water Silicon Valley Full-Scale Direct Potable Reuse (DPR) Facility
- San Luis Reservoir: B.F. Sisk Dam Raise with up to 63 TAF Storage
- Master Plan projects: SCADA, Water Treatment Plants & Distribution
- Dam Safety Program: Almaden, Calero, Coyote, & Guadalupe
- SWP Tax pays for 100% of SWP costs Excludes SWP portion of Delta Conveyance
- Delta Conveyance at 3.23% participation
- Agricultural Rate (\$/AF) remains at 10% or less of lowest M&I rate



## Rate Setting Strategy for FY 2026-27

15

**FY 27 Rate Scenario Ideas** 

- Baseline
  - Will reflect Board feedback for Preliminary CIP 5-Year Plan
- Baseline with expanded Sites participation

Other scenarios based on Board feedback?



## Long Range Forecast for Water Utility

16

**Proposed Timing Adjustment** 

- Typically presented in March → proposed in August
  - To better align with Board's strategic planning discussions
- Background
  - Forecast O&M, CIP, Debt & Water Charges out ~40 years
  - Incorporate asset replacement needs
  - Align with Water Supply Master Plan
  - Illustrate impact of debt service obligations



## Rate Setting Schedule FY 2026-27

• Jan 5	Agricultural Water Advisory Committee
• Jan 13	Board Meeting: Preliminary Groundwater Charge Analysis
• Jan 14	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
• Jan 21	Water Commission Meeting: Preliminary Groundwater Charge Analysis
• Feb 10	Board Meeting: Set time & place of Public Hearing
• Feb 27	Mail notice of public hearing and file PAWS report
• Mar 10	Board Meeting: Budget development update
<ul> <li>Mar 18</li> </ul>	Water Retailers Meeting: FY 27 Groundwater Charge Recommendation
• Apr 6	Agricultural Water Advisory Committee
• Apr 8	Water Commission Meeting
• Apr 14	Open Public Hearing
• Apr 16	Continue Public Hearing in South County
• Apr 28	Conclude Public Hearing
• Apr 29-30	Board Meeting: Budget work study session
<ul> <li>May 12</li> </ul>	Adopt budget & groundwater production and other water charges



## Summary

## 18

#### Staff seeking Board guidance for FY 2026-27 rate setting cycle

- 1. Assumptions for Baseline water rate projections
- 2. Feedback on water rate scenario ideas
- 3. Confirm Long Range Forecast timing
- 4. Further Board guidance



## QUESTIONS



