



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

Water Supply Distribution
Map

Legend

 Lakes, reservoirs, rivers, creeks, & bays

 Raw water pipeline

 Drinking water pipeline

 Pump Plants

1. Vasona

2. Coyote

3. Pacheco

 Drinking Water Treatment Plants

A. Rinconada

B. Santa Teresa

C. Penitencia

 Silicon Valley Advanced Water Purification Center

 Anderson Hydroelectric Facility

 Local wastewater treatment plant and recycled water provider

a. Palo Alto

b. Sunnyvale

c. San Jose-Santa Clara

d. South County

 Recharge Ponds



Many activities ensure safe, reliable groundwater supplies

- Plan & construct improvements to infrastructure
- Operate & maintain local reservoirs
 - Purchase imported water
 - Operate & maintain raw, treated & recycled water pipelines
- Monitor & protect groundwater from pollutants

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%

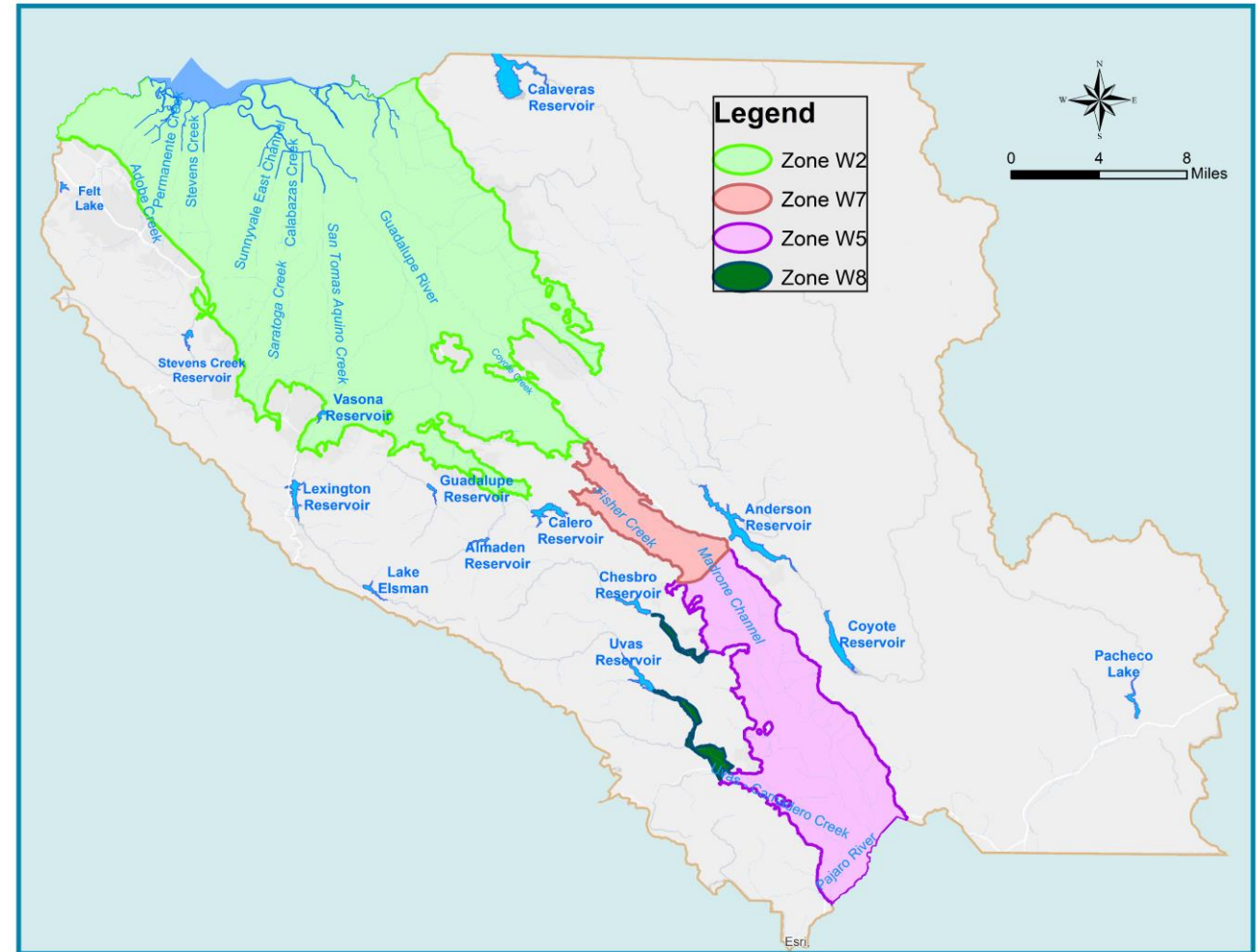
Groundwater Charge-Setting Process

Consistent with Prop 26

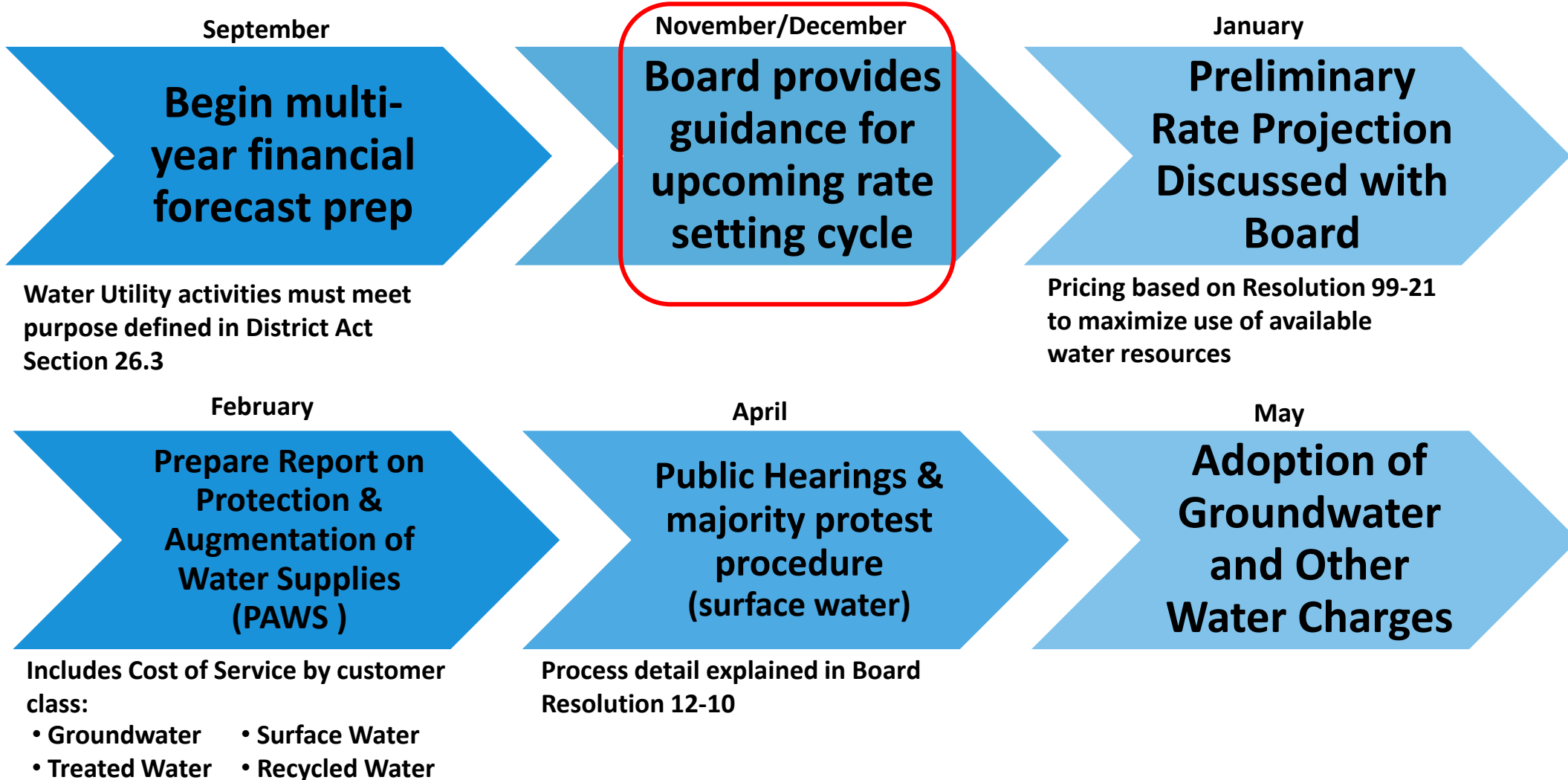
- Prop 26 is applicable to groundwater charges
- To qualify as a nontax fee under Prop 26, GW charge must satisfy both:
 1. GW charge established at amount that is no more than necessary to cover reasonable costs of government activity
 2. Manner in which costs are allocated to payor bear a fair or reasonable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

Resolution 99-21 is the Board's Pricing Policy

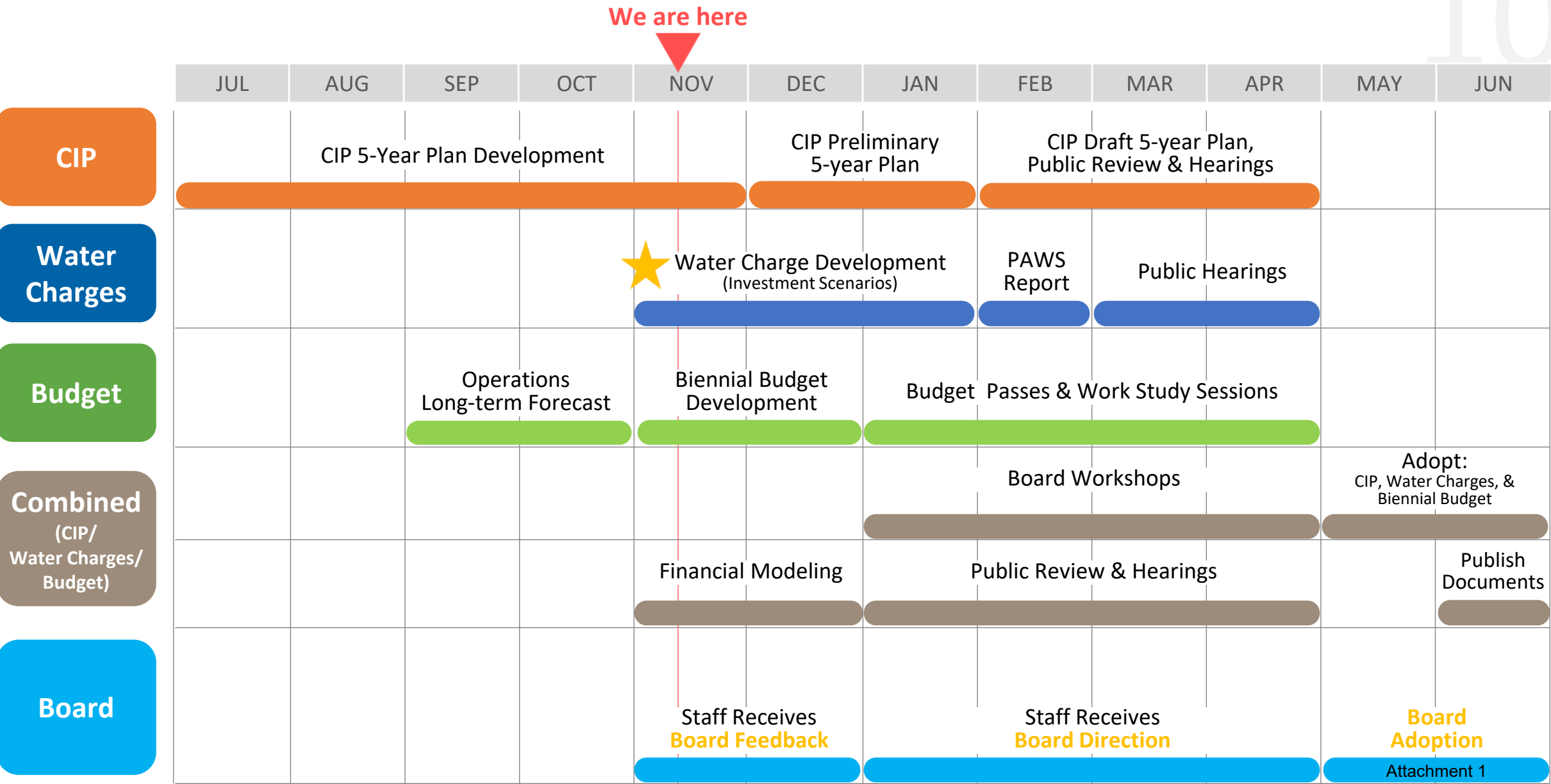
- Groundwater charges are levied within a zone for benefits received
- All water sources and water facilities contribute to common benefit within a zone regardless of cost, known as “pooling” concept
 - Helps maximize effective use of available resources
- Agricultural water charge shall not exceed 10%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



Groundwater Charge-Setting Approach



Annual CIP, Biennial Budget & Water Charges Development Timeline



Infrastructure

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

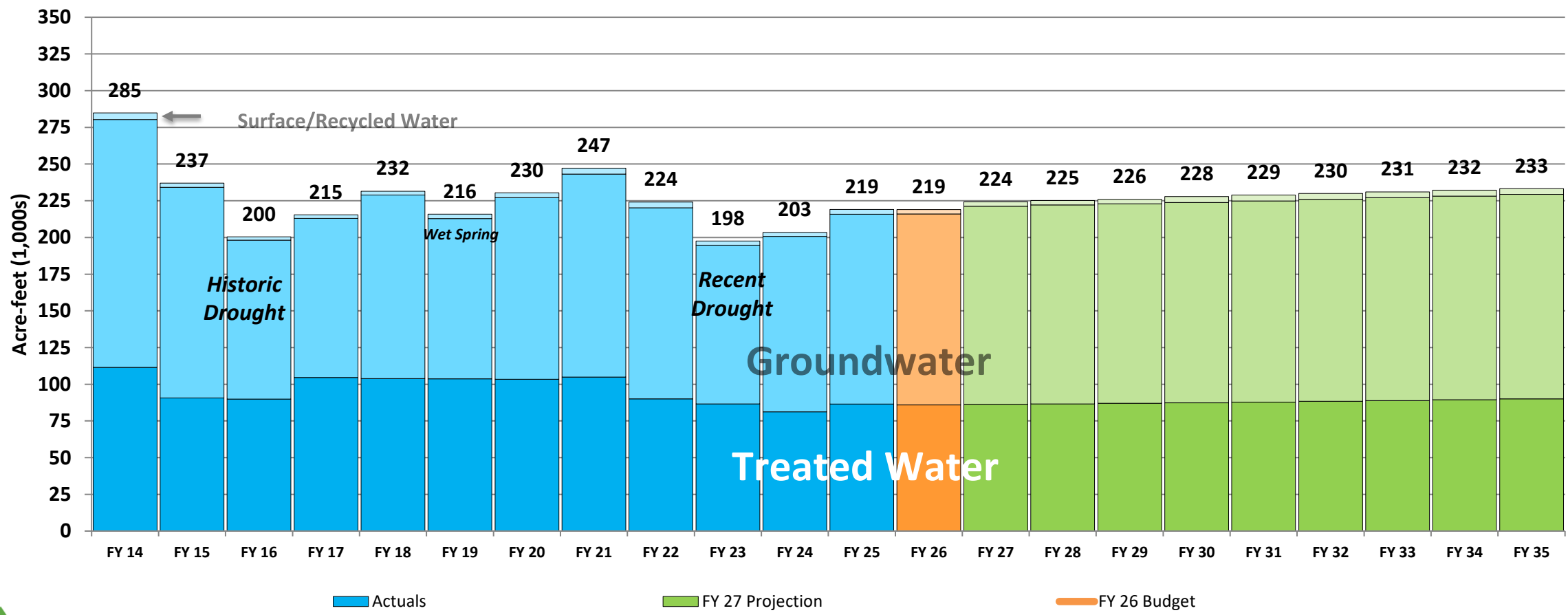
South County

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

District Managed Water Usage

Reflects Lower Water Use Projection Versus Pre-2023 Drought

District Managed Water Usage (TAF)



Average Water Usage Per Household

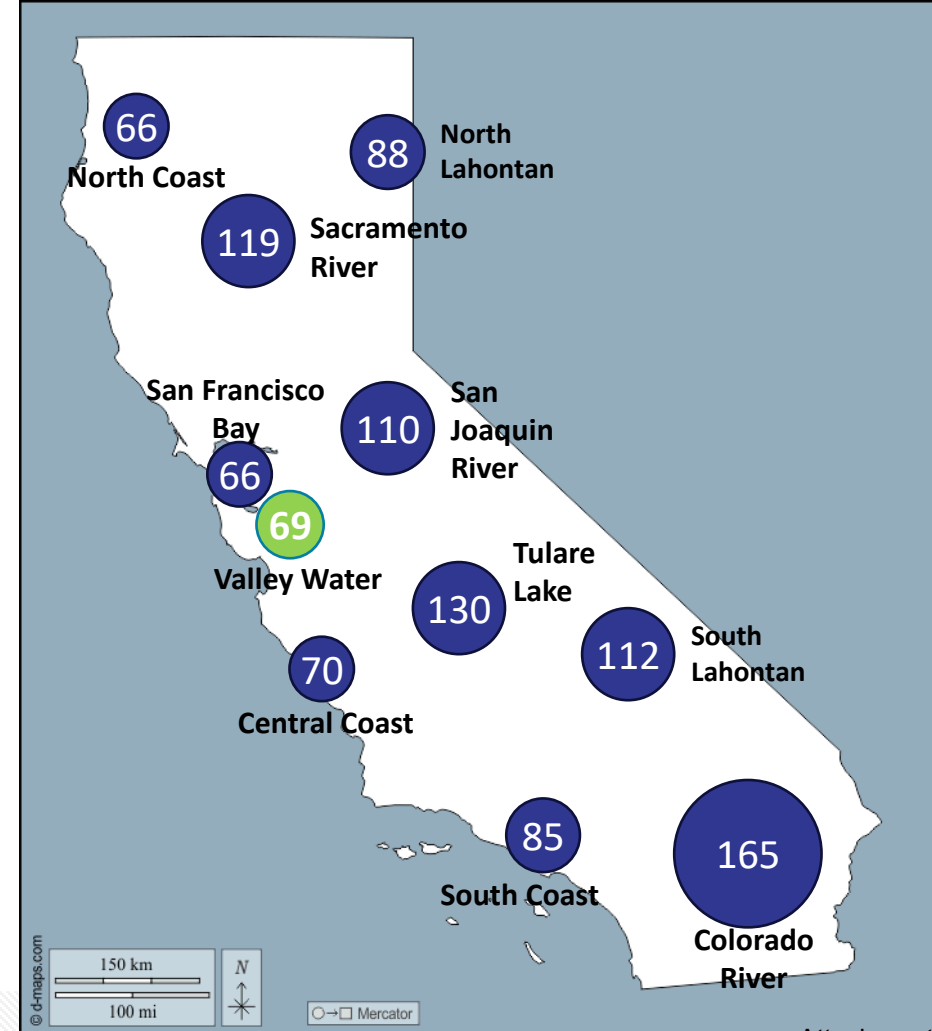
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Average Residential Water Use, 2014 - 2023 (Gallons Per Capita Daily)

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



Rate Setting Strategy for FY 2026-27

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

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

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

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- 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
- Mar 18 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
- May 12 Adopt budget & groundwater production and other water charges

Summary

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



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