Santa Clara Valley Water District

MEMORANDUM

FC 14 (01-02-07)

TO:	Board of Directors	**FROM**:	Joint Water Resources Committee (Gilroy, Morgan Hill, SCRWA, SCVWD) Meeting
SUBJECT:	Joint Water Resources Committee (Gilroy, Morgan Hill, SCRWA, SCVWD) Meeting Summary for June 5, 2019	**DATE**:	June 11, 2019

This memorandum summarizes agenda items from the meeting of the Joint Water Resources Committee (Gilroy, Morgan Hill, SCRWA, Valley Water) held on June 5, 2019.

Attendees:

Committee Members in attendance were: City of Gilroy Council Members: Hon. Marie Blankley and Hon. Dion Bracco, City of Morgan Hill Council Member: Hon. Rene Spring; Valley Water Directors: Hon. Richard P. Santos, District 3, and Hon. John L. Varela, District 1.

Staff Members in attendance were: Glenna Brambill, George Cook, Victor Gutierrez, Garth Hall, Anthony Mendiola and David Tucker.

City of Gilroy Staff Members in attendance were: Gabriel Gonzalez and Saeid Vaziry.

City of Morgan Hill Staff Members in attendance were: Chris Ghione and Dan Repp.

Public Members in attendance were: Sharon Luna (SMNA), Billy Wong (Stantec).

ACTION ITEMS

4.1 OPEN SPACE CREDIT

Mr. Anthony Mendiola presented the following agenda item:

Summary:

The purpose of this item is to obtain stakeholder comments and input on the Board's Open Space Credit Policy, specifically a staff proposal to implement an Agricultural Charge Adjustment for Williamson Act and Conservation Easement Properties.

Background

The District Board has historically recognized that agriculture brings value to Santa Clara County in the form of open space and local produce. 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. In 1999, to further its support for agricultural lands, a policy was put into place further limiting the agricultural groundwater production charge to no more than 10% of the M&I charge. The agricultural community currently benefits from low groundwater charges that are 2% of M&I charges in North County and 6% of M&I charges in South County. According to Section 26.1 of the District Act, agricultural water is "water primarily used in the commercial production of agricultural crops or livestock."

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, the District redirects a portion of the 1% ad valorem property taxes generated in the Water Utility, General and Watershed Stream Stewardship Funds. The South County Open Space Credit is currently estimated to be $8.0 million in FY 2018-19 and projected to continually increase in the years that follow.

Since 2013, the Board has continued the past practice of setting the agricultural charge at 6.0% of the South County M&I charge. On September 18, 2017, in response to the President's Day Flood event, the Board's Capital Improvement Program Committee analyzed scenarios to decrease the Open Space Credit and therefore provide more funding for flood protection projects. Accordingly, alternatives were prepared to reduce the Open Space Credit by increasing the agricultural charge to 10% or 25% of the M&I charge over a multi-year timeframe. For FY 2018-19, staff recommended increasing the agricultural charge to 6.8% of the M&I charge. On May 8, 2018, the Board chose to continue the past practice of setting the agricultural charge at 6.0% of the South County M&I charge for FY 2018-19.

For FY 2019-20, staff recommended increasing the agricultural charge to 6.7% of the M&I charge, which would have been the first step in a 7-year transition toward ultimately setting the agricultural charge at 10% of the M&I charge. In addition, staff recommended implementing an adjustment that would be applied to all Williamson Act and conservation easement properties, which would result in a net agricultural charge of 6% of M&I charges for those properties. The Board chose to maintain the Open Space Credit policy as is for two more years, while pursuing other feasible revenue sources for the Open Space Credit by working with a coalition of stakeholders. The attached memo from Directors Hsueh, Estremera and Varela dated April 18, 2019 contains further details (See Attachment 1 below).

Handout 2.8-A
04/23/19

Valley Water

MEMORANDUM
FC 14 (02-08-19)

TO: Board of Directors

FROM: Vice Chair Nai Hsueh
Director Tony Estremera
Director John Varela

SUBJECT: Groundwater Production Charges – Open Space Credit

DATE: April 18, 2019

This memorandum presents a discussion on the Open Space Credit (OSC) portion of Item 2.8, Annual Report on the Protection and Augmentation of Water Supplies - February 2019 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2019-2020, on the April 23, 2019 agenda.

Issue
There are many comments urging support for agriculture in Santa Clara County by continuing the current OSC practice. Although the Board has explained at various occasions, it is important to clarify one more time that this Board, present and former, has never wavered its support for agriculture. **The issue facing the Board is about an "unsustainable financial future" of our property tax revenue (Fund 12, District Fund and Water Enterprise Fund.)**

Background
For several years, the Board has been concerned about the affordability of OSC and, in 2018, directed staff to report back on the following:

1. *Reasonableness of agriculture water usage projections in light of future development in south county and potential reduction of agriculture acreage (staff reported on December 5, 2018 that projected future agricultural water usage is reasonable.)*
2. *Feasibility of a reduced agriculture water charge for Williamson Act or Conservation Easement participants (Williamson Act Proposal) (on today's agenda as part of the Groundwater Production Charge.)*
3. *Feasibility of funding Open Space Credit with new revenue sources, e.g. contribution from private companies or other governmental agencies (analyses completed, see attached memorandum.)*

Discussion of Williamson Act Proposal
The Williamson Act Proposal is not a viable solution to the financial sustainability issue the Board is concerned about. A significant percentage, approximately 80%, of the current OSC is needed to comply with District Act requirement. Only 20% of the OSC is within the Board's authority to reduce. As shown in the analyses below, any adjustments within the 20% will not solve the unsustainable condition of Fund 12.

> *For the next 10 years, if the current practice continues, approximately $152M of total District 1% property tax revenue would be allocated to support OSC. If the Williamson Act Proposal is implemented, the cumulative savings would be $3.4M—$3.8M under the 10% alternative, and $16.0M—$17.9M under the 25% alternative, which amounts to approximately 2.0%—12.0% of the $152M "hole" that the Board is concerned about.*
> *Source: staff agenda memorandum.*

Additionally, and very importantly, the Williamson Act Proposal does not benefit farmers who own small acreages or lease/rent farmland, and therefore is not consistent with Board's policy regarding Environmental Justice.

Recommendation
Of the 3 directions by the Board (see Background section,) "Item 3 New Revenue Sources" is the one that has the potential to address the "financial sustainability issue", and is worth our efforts to pursue.

A stepped approach is recommended:

1. Continue current practice for OSC for the next 2 years, FY 2019-2020 and FY 2020-2021.
2. During the 2-year period, through a coalition of agriculture industry, open space organizations, other governmental organizations, environmental groups and Valley Water, work to pursue feasible revenue sources for OSC.
3. Depending on the outcomes of the efforts, the Board would then set the OSC accordingly. It is important to point out that the OSC decision cannot not be made independently, it needs to be considered in connection with the services Valley Water relies on Property Tax to deliver to the community.

Nai Hsueh, 2019 Vice Chair
Director District 5

Tony Estremera
Director District 6

John L. Varela
Director District 1

The Committee discussed the following items: finding viable solutions to sustaining the open space credit, overall budget for ag users, ad valorem tax, continued support for agricultural businesses, having a follow up for September meeting with invited stakeholders and guests (Farm Bureau, Open Space Authority, Loma Prieta, Chamber of Commerce and agricultural experts) and keeping this as a standing agenda item moving forward

The Committee took no action; however, the Committee would like to have this agenda item return for the next meeting, inviting Paul Mirassou, Andrea Mackenzie, Jess Brown and experts in agriculture to further discuss the sustainability aspect of open space credit.

4.2 UPDATE ON DAM PROJECTS

Mr. Victor Gutierrez presented the following agenda item:

Summary:
The District owns and operates fourteen dams and ten reservoirs in Santa Clara County. The District dams and reservoirs were funded and constructed for water supply, but also provide incidental flood management, recreation, and environmental benefits. Dam safety regulatory requirements, Board policies, and obligations due to dam ownership, set direction for the Anderson, Calero, Guadalupe, and Almaden dam seismic retrofit projects.

Drivers for these capital projects include the following Boards Ends Policies, Strategies and CEO Directions:

- E-1 – The mission of the District is a healthy, safe, and enhanced quality of living in Santa Clara County.
- S-2.1.2.2 – Manage, operate and maintain dams and reservoir assets to maximize reliability, to minimize life cycle costs and to minimize impacts to the environment.
- S-2.1.2.3 – Aggressively implement dam remediation projects.

This memorandum updates the Board on status of Anderson, Almaden, Calero and Guadalupe seismic retrofit projects

BACKGROUND:
As part of their seismic re-evaluation program in the early 2000's, the California Department of Water Resources (DWR), Division of Safety of Dams (DSOD) performed independent, preliminary seismic stability evaluations of Calero, Almaden, Guadalupe, Lenihan, Stevens Creek, Chesbro and Uvas Dams. Additionally, in 2003, with the concurrence of DSOD, the Federal Energy Regulatory Commission (FERC) required that a seismic stability evaluation of Anderson Dam be performed. Based on the preliminary stability evaluations, DSOD directed the District to update the seismic stability analyses for all the dams referenced above.

The District has completed the seismic stability evaluations of Anderson, Almaden, Calero, Guadalupe, Stevens Creek and Lenihan Dams, as directed by DSOD. The seismic evaluations of Chesbro and Uvas are on-going. The completed studies concluded that the embankments for the Anderson, Calero and Guadalupe Dams require remediation. As a result, seismic retrofit projects were initiated for these dams in 2012. Stevens Creek and Lenihan dams do not require any retrofitting. Although, the seismic evaluation of Almaden embankment indicated that no seismic retrofit was required, the existing intake structure at Almaden reservoir will need to be replaced due to seismic deficiencies. Water level operating restrictions have been imposed on these reservoirs by DSOD, as interim risk reduction measures until the seismic retrofit projects can be completed. A summary of the status, conclusion of seismic stability evaluations, and the current reservoir restrictions for each dam are as follows:

Dam	Evaluation	Planning	Design	Construction	Reservoir Capacity (AF)	Restricted Capacity (AF)
Anderson	Completed in 2011	Completed in 2013	On-going, planned completion in 2022	Planned completion in 2027	90,373	52,553
Almaden	Completed in 2012- Only intake retrofit required	Completed in 2017	Planned completion in 2029	Planned completion in 2031	1,586	1,472
Calero	Completed in 2012	Completed in 2015	On-going, planned completion in 2020	Planned completion in 2029	9,934	4,570
Guadalupe	Completed in 2012	Completion in 2015	On-going, planned completion in 2020	Planned completion in 2025	3,415	2,218

AF = acre-feet

Capital projects are on-going to design and construct the required dam retrofit projects. The following costs have been included in the FY2020-2024 Capital Improvement Program for these projects:

Project	Project No.	FY 2020-24 CIP
Anderson Dam Seismic Retrofit Project	91864005	$ 550,843,000
Calero-Guadalupe Seismic Retrofit Project (Planning & Environmental Phases)	91084020	$ 9,348,000
Calero Seismic Retrofit Project (Design & Construction Phases)	91874004	$ 118,400
Guadalupe Seismic Retrofit Project	91894002	$ 74,275
Almaden Dam Improvements Project	91854001	$ 60,615,000
	Total	$ 718,062,000

A detailed status of the Anderson, Calero, Guadalupe, and Almaden dam seismic retrofit projects is included as Attachment 1 see below.

DETAILED STATUS OF SEISMIC RETROFIT PROJECTS

As part of their seismic evaluation program in the early 2000's, the Division of Safety of Dams (DSOD) performed independent, preliminary seismic stability evaluations of Calero, Almaden, Guadalupe, Lenihan, Stevens Creek, Chesbro and Uvas Dams. Based on the results of their evaluations, DSOD directed the District to update the seismic stability analyses for these dams. Additionally, in 2003, based on a review of a required safety inspection report for Anderson Dam (GEI, 2001), the Federal Energy Regulatory Commission (FERC) also concluded that a seismic stability evaluation of Anderson dam was required. FERC's conclusion requiring a seismic evaluation of Anderson dam, was also supported by DSOD.

The District has completed the seismic stability evaluations of Anderson, Almaden, Calero, Guadalupe, Stevens Creek and Lenihan Dams. The evaluations conclude that the embankments for Anderson, Calero and Guadalupe Dams require remediation, and seismic retrofit projects have been initiated for these dams. Although, the seismic evaluation of Almaden embankment indicated that no seismic retrofit was required, the existing intake structure at Almaden reservoir will require to be replaced to address seismic deficiencies. The Almaden Dam Improvement Project (ADIP) was initiated to address the seismic deficiency of the existing intake structure at Almaden reservoir and deficiencies of aging infrastructure at the Almaden-Calero Canal in 2013.

During the planning phases of Anderson Dam Seismic Retrofit Project (ADSRP), Calero Dam Seismic Retrofit Project (CDSRP), Guadalupe Dam Seismic Retrofit Project (GDSRP) and Almaden Intake Project (ADIP), it was concluded that spillways at these reservoirs do not meet the current Probable Maximum Flood (PMF) standards. Additionally, in May 2017, DSOD directed the District to perform comprehensive evaluations of spillways at these reservoirs. Based on the findings of these evaluations, the spillways at Anderson, Calero, Guadalupe and Almaden reservoirs will need to be replaced or substantially modified to meet current safety standards. These required spillway modifications are being addressed in the design phases of the respective projects.

As part of the seismic retrofit projects, the existing outlets at Anderson, Calero, Guadalupe and Almaden dams were also evaluated. Based on these evaluations, the outlets and/or intake structures at these reservoirs will need to be replaced (the intake structures at the Almaden dam will be replaced, whereas the outlet works, including the outlet pipes will be replaced for Anderson, Calero and Guadalupe dams). The required outlet and intake modifications are included within the scope for the design phase of these projects.

As an interim risk reduction measure, DSOD has imposed water level operating restrictions on these reservoirs while the projects are designed and constructed. Detailed status of Anderson, Calero and Guadalupe dam seismic retrofit projects is provided as follows:

i. Anderson Dam Seismic Retrofit Project

Background: AMEC Geomatrix, Inc. performed the Anderson Dam Seismic Stability Evaluation. The results of the evaluation indicated that material at the base and foundation of the dam embankment would weaken due to liquefaction in a large earthquake. Such an event could significantly deform the dam embankment, increasing the risk of an uncontrolled release from Anderson Reservoir. Geologic/geotechnical investigations during the design phase of the project in June 2017, indicated that movement of potentially active faults located under the dam could adversely impact the embankment. It was also concluded that the existing transition zones within the dam

Attachment 1
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were inadequate to handle any fault offset, and the upstream shell of the dam embankment was also susceptible to liquification. The reservoir is being operated under a restricted reservoir level imposed by FERC and DSOD to ensure public safety (Table 1). In response to these findings, staff initiated the seismic stability retrofit project in Fiscal Year 2011-2012. The planning phase of the project was completed in 2013. The retrofit concept developed during the planning phase was revised in December 2017 to address the new findings in June 2017. The scope of this project includes seismic retrofit of the dam embankment and replacing the outlet works. The spillway structure will also be substantially modified or replaced based on the 2011 FERC Five Year Safety Inspection and Report, re-evaluation of the Anderson Dam Probable Maximum Flood, and the recent 2017 spillway evaluation directed by DSOD. The retrofit project has been incorporated in the Fiscal Year 2020-2024 Capital Improvement Plan. A budget of $550,083,000 is allocated.

Current status: The project is currently in the design phase and the environmental documentation process has been initiated. The 90% design submittal is scheduled for completion by November 2020. The construction phase is scheduled to begin in 2022 and last 5-years.

ii. Calero Dam Seismic Retrofit Project

Background: In 2011, URS Corporation performed seismic stability evaluations for Calero dam. The evaluation concluded that Calero Main Dam had inadequate seismic stability and would require retrofitting. The Calero Auxiliary Dam was found to have adequate seismic stability and no retrofit is required. Calero reservoir is currently being operated at a restricted reservoir level as directed by DSOD (Table 1). Staff initiated a seismic retrofit project for Calero dam in July 2012. The goal of this project is to remediate seismic deficiencies identified in the seismic stability evaluation. The planning phase of the project was completed in 2015. Based on the evaluations of the existing outlet and spillway conducted during the planning phase, both the spillway and the outlet will need to be replaced to meet current safety standards. The retrofit project has been incorporated in the Fiscal Year 2020-2024 Capital Improvement Plan. A total of $118,400,000 is allocated.

Current status: The project is in the design phase which is scheduled for completion by 2020. Due to operational considerations both Anderson Dam and Calero Dam cannot be out of commission concurrently. Therefore, construction of Calero Dam retrofit will commence in 2026 after the retrofit of Anderson Dam has been completed. Construction will be completed in 2029.

iii. Guadalupe Dam Seismic Retrofit Project

Background: In 2011, URS Corporation performed seismic stability evaluations for Guadalupe dam. The evaluation concluded that Guadalupe Dam had inadequate seismic stability and would require to be retrofitting. Guadalupe reservoir is currently being operated at a restricted reservoir level as directed by DSOD (Table 1). Staff initiated a seismic retrofit project for Guadalupe dam in July 2012. The goal of this project is to remediate seismic deficiencies identified in the seismic stability evaluation. The planning phase of the project was completed in 2015. Based on the evaluations of the existing outlet and spillway conducted during the planning phase, the outlet will need to be replaced and the spillway will be substantially modified to meet current safety standards. The retrofit project has been incorporated in the Fiscal Year 2020-2024 Capital Improvement Plan. A

total of $74,275.

Current status: The project is in the design phase which is scheduled for completion by 2020. This will be followed by the construction phase which is scheduled for completion by 2025.

iv. Almaden Dam Improvements Project

In October 2000, a capital project was initiated to address seismic deficiencies related to the Almaden Dam outlet works and deficiencies of aging infrastructure at the Almaden-Calero Canal. The planning level work was suspended in September 2005, pending completion of the seismic stability evaluation of Almaden Dam. This seismic stability evaluation was completed in 2011 and it was determined that remediation of the dam embankment is not required; therefore, the Almaden Dam Improvements Project was reinitiated in 2012. The project will replacement of the existing outlet works, replacement of existing spillway to meet the latest safety standards, and improvements to the aging infrastructure at the Almaden-Calero Canal. The planning study for the project was completed in 2017. The project has been incorporated in the Fiscal Year 2020-2024 Capital Improvement Plan. A total of $60,615,000 is allocated.

Current status: The design phase is on-going and is scheduled for completion in 2029. The construction phase is scheduled for completion in 2031.

Attachment 1
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The Committee discussed the following items: Anderson on target, regulators delay projects while Valley Water is ready to proceed, this is a huge project and the timeline is confusing since the dates seem to overlap.

The Committee took no action.

4.3 REVIEW JOINT WRC WITH CITIES OF GILROY/MORGAN HILL/SCRWA COMMITTEE WORK PLAN, THE OUTCOMES OF BOARD ACTION OF COMMITTEE REQUESTS; AND THE COMMITTEE'S NEXT MEETING AGENDA

Ms. Glenna Brambill reviewed the materials as outlined in the agenda item.

The Committee discussed the following items: water supply strategy studies conducted by the City of Gilroy and Morgan Hill as Water Retailers, unincorporated areas, County's engagement, invite the County for September's meeting to have them review their County-wide Master Plan to see if it includes the unincorporated areas for discussion. Ms. Sharon Luna of the San Martin Neighborhood Association has been asking for a "voice" on SCRWA and the Joint Water Resources Committees so the Committee would like to have a 'preliminary' discussion on this item since the South County Treatment Plant item is not ready, add SGMA update so the Committee can be kept up-to-date.

Place on next meeting's agenda: SGMA Update, Open Space Credit discussion with invited guests and the County's Master Plan for discussion.

The Committee took no action.

If you have any questions or concerns, you may contact me at, gbrambill@valleywater.org or 1.408.630.2408.

Thank you.

Glenna Brambill, Management Analyst II,
Board Committee Liaison
Office of the Clerk of the Board