



Santa Clara Valley Water District Board of Directors Meeting

Teleconference Zoom Meeting

7:00 PM SPECIAL SOUTH COUNTY PUBLIC HEARING AGENDA

**Thursday, April 15, 2021
7:00 PM**

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

DISTRICT BOARD OF DIRECTORS

Tony Estremera, Chair - District 6
Gary Kremen, Vice Chair - District 7
John Varela - District 1
Barbara Keegan - District 2
Richard P. Santos - District 3
Linda J. LeZotte - District 4
Nai Hsueh - District 5

During the COVID-19 restrictions, 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, or through a link in the Zoom Chat Section during the respective meeting. 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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Santa Clara Valley Water District
Board of Directors
7:00 PM SPECIAL SOUTH COUNTY PUBLIC HEARING
AGENDA

Thursday, April 15, 2021

7:00 PM

Teleconference Zoom Meeting

IMPORTANT NOTICES

This meeting is being held in accordance with the Brown Act as currently in effect under the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20 issued on March 17, 2020 that allows attendance by members of the Board of Directors, District staff, and the public to participate and conduct the meeting by teleconference, videoconference, or both.

Members of the public wishing to address the Board during a video conferenced meeting on an item not listed on the agenda, or any item listed on the agenda, should use the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Board Chair in the order requests are received and granted speaking access to address the Board.

Santa Clara Valley Water District (District), in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in District Board meetings to please contact the Clerk of the Board's office at (408) 630-2711, at least 3 business days before the scheduled District Board meeting to ensure that the District 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 the District 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:

<https://valleywater.zoom.us/j/95060012118>

Meeting ID: 950 6001 2118

Join by Phone:

1 (669) 900-9128, 95060012118#

1. CALL TO ORDER:

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 on any item not listed on the agenda should access the "Raise Hand" tool located in Zoom meeting link listed on the agenda. Speakers will be acknowledged by the Board Chair in order requests are received and granted speaking access to address the Board. Speakers comments should be limited to three minutes or as set by the Chair. The law does not permit Board action on, or extended discussion of, any item not on the agenda except under special circumstances. If Board 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 may take action on any item of business appearing on the posted agenda.

2. TIME CERTAIN:

7:00 PM

- 2.1. Public Hearing on February 2021 Annual Report on the Protection and Augmentation of Water Supplies and Recommended Increases to Groundwater Production and Other Water Charges for Fiscal Year 2021-2022 (Continued from April 13, 2021).

[21-0322](#)

- Recommendation:
- A. Continue the public hearing, pursuant to Section 26.6 of the District Act, to consider Valley Water's Fiscal Year (FY) 2021-22 Annual Report on the Protection and Augmentation of Water Supplies and recommended increases to groundwater production and other water charges;
 - B. Hear public comments from groundwater producers and any interested persons regarding such report;
 - C. Count all written protests received regarding proposed increased surface water rates;
 - D. Direct staff to review such report with, and solicit comments from, Valley Water's advisory committees; and
 - E. Continue the public hearing regarding such report and proposed rates to the April 27, 2021 regular meeting, at 6:00 p.m.

Manager: Aaron Baker, 408-630-2135

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

Est. Staff Time: 25 Minutes

Panelist: Aaron Baker

3. **ADJOURN:**

- 3.1. Clerk Review and Clarification of Board Requests.
- 3.2. Adjourn to Regular Meeting at 6:00 p.m., on April 27, 2021, to be called to order in compliance with the State Emergency Services Act, the Governor's Emergency Declaration related to COVID-19, and the Governor's Executive Order N-29-20.

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Santa Clara Valley Water District

File No.: 21-0322

Agenda Date: 4/15/2021

Item No.: 2.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Public Hearing on February 2021 Annual Report on the Protection and Augmentation of Water Supplies and Recommended Increases to Groundwater Production and Other Water Charges for Fiscal Year 2021-2022 (Continued from April 13, 2021).

RECOMMENDATION:

- A. Continue the public hearing, pursuant to Section 26.6 of the District Act, to consider Valley Water's Fiscal Year (FY) 2021-22 Annual Report on the Protection and Augmentation of Water Supplies and recommended increases to groundwater production and other water charges;
- B. Hear public comments from groundwater producers and any interested persons regarding such report;
- C. Count all written protests received regarding proposed increased surface water rates;
- D. Direct staff to review such report with, and solicit comments from, Valley Water's advisory committees; and
- E. Continue the public hearing regarding such report and proposed rates to the April 27, 2021 regular meeting, at 6:00 p.m.

SUMMARY:

Section 26.6 of the District Act requires a public hearing regarding the Protection and Augmentation of Water Supplies report be held 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 reliable water supply and the recommended groundwater production and other water charges necessary to pay for those activities. The hearing provides 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.

Groundwater Production Charge Recommendations

Staff proposes a (maximum) 9.6% increase in the North County Zone W-2 Municipal and Industrial groundwater production charge from \$1,374/AF to \$1,506/AF. Staff recommends increasing the treated water surcharge on treated water delivered under the contracts with retail agencies to

\$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 \$4.55 to \$5.06 or about 15 to 17 cents a day.

In the South County Zone W-5, staff proposes a (maximum) 4.6% increase in the M&I groundwater production charge from \$467/AF to \$488.50/AF. The proposal equates to a monthly bill increase for the average household of \$0.74 or about 2 cents per day.

In the South County Zone W-7, staff proposes a (maximum) 10.3% increase in the M&I groundwater production charge from \$481/AF to \$530.50/AF. The proposal equates to a monthly bill increase for the average household of \$1.70 or about 6 cents per day.

In the South County Zone W-8, staff proposes a (maximum) 4.4% increase in the M&I groundwater production charge from \$327/AF to \$341.50/AF. The proposal equates to a monthly bill increase for the average household of \$0.50 or about 2 cents per day.

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

Based on Board direction and past practice, the proposed (maximum) agricultural groundwater production charge is 25% of the M&I charge in the least expensive zone (Zone W-8), which would mean an increase from \$28.86/AF to \$85.38/AF. The proposed maximum groundwater production charge for agricultural rates would translate to an increase of up to \$9.41 per month per acre, assuming two acre-feet of water usage per acre per year.

Staff recommends a (maximum) 9.6% increase to the surface water master charge from \$37.50/AF to \$41.10/AF to align revenues with the costs related to managing, operating and billing for surface water diversions. This increase results in a maximum increase 9.6% increase in the overall North County M&I surface water charge. For South County M&I surface water charges, staff recommends (maximum) increases as follows: for Zone W-5, a 5% increase to \$529.60 per acre-foot; for Zone W-7, a 10.2% increase to \$571.60 per acre-foot; and for Zone W-8, to 5% increase to \$382.60 per acre-foot. For all zones, staff recommends a maximum 90.6% increase to the total agricultural surface water charge, to \$126.48 per acre-foot.

For recycled water (distributed in Zone W-5 only), staff recommends a (maximum) 4.8% increase to the M&I charge, to \$468.50 per acre-foot. For agricultural recycled water, staff recommends a (maximum) 100.5% increase, to \$112.78 per acre-foot. The increase maximizes cost of service recovery while still 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 maximum groundwater production charges for FY 2021-22 are necessary to pay for supplemental water purchases in preparation for drought, investments in water supply infrastructure rehabilitation and upgrades, and new water supply reliability investments. The need to purchase supplemental water is driven by the fact that the next drought appears to be on our doorstep, coupled with the mandated long-term lowering of the water level in Anderson Reservoir.

A key infrastructure rehabilitation investment includes the Anderson Dam Seismic Retrofit, which is a \$650 million project that will help ensure public safety and restore operational capacity. A key water supply reliability investment is the Pacheco Reservoir Expansion project, estimated to cost roughly \$2.5 billion and provide an additional 80,000 acre-feet of water storage capacity.

Given the size of the Pacheco Reservoir Expansion project investment, staff has also prepared an alternative rate projection scenario that shows the impact to water rate projections if this project were excluded. Under this scenario, the proposed (maximum) increase to the North County Zone W-2 M&I groundwater production charge for FY 2021-22 and the next 7 years into the future would be 8.5% instead of 9.6%. Also, under this scenario, for FY 2021-22 and the next 7 years, proposed South County M&I groundwater production charge proposed increases would be as follows: for Zone W-5, 3.8% instead of 4.6%; for Zone W-7, 8.1% instead of 10.3%; and for Zone W-8 it would remain 4.4%, as Zone W-8 does not receive a direct benefit from the Pacheco Reservoir Expansion project.

In order to pay for estimated State Water Project (SWP) charges in FY 2021-22, staff recommends setting the SWP Tax at \$26 million for FY 2021-22. This translates to a property tax bill for the average single-family residence of roughly \$40.00 per year. The recommended SWP tax is consistent with past practice. If the recommended FY 2021-22 State Water Project Tax is not approved, the M&I groundwater production charge would need to be increased by an additional \$139/AF in North County and either \$27/AF (Zones W-5 and W-7) or \$35/AF (Zone W-8) in South County. The open space credit would increase by roughly \$503,000.

Valley Water's 50th 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 <<http://www.valleywater.org>>.

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.

The agricultural community currently benefits from low groundwater charges that are, in North County Zone W-2, only 2% of M&I charges and, in South County Zone W-7, only 6% of M&I charges in.

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.

In April 2019, the Board directed staff to eliminate the discretionary portion of the Open Space Credit starting in FY 2021-22, after a two-year period in which a coalition of agricultural industry and other stakeholders would work to pursue an alternative revenue source to replace the discretionary portion of the Open Space Credit. Pursuant to this direction, the agricultural groundwater charge would increase to the maximum allowed by the District Act at 25% of M&I charges for FY 2021-22. Doing so would require an update to the Board's Pricing Policy which currently limits the agricultural groundwater production charge to 10% of the M&I Charge. As discussed at the January 12, 2021 Board meeting, staff offers an alternative for Board consideration due to the passage of Measure S in November of 2020, which has relieved some financial pressure for Valley Water in the future. Under this alternative, the agricultural groundwater charge would be set at 10% of the lowest M&I charge, or \$34.15/AF in FY 2021-22.

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 2021-22.

CEQA:

The establishment of groundwater production charges is not a project under CEQA. CEQA Guidelines Section 15273(a) reads as follows: CEQA does not apply to establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses; purchasing or leasing supplies, equipment and materials; meeting financial reserve needs/requirements; and obtaining funds for capital projects needed to maintain service within existing service areas.

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, which was filed with the Clerk of the Board on February 26, 2021.

The Report is the 50th 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 2021-22.

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. In light of the Supreme Court finding that Proposition 218 is inapplicable to groundwater production charges, only the surface water charge setting process will mirror the process described in Proposition 218 for property-related fees for water services. 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.

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 2021–22.

Staff Recommendations

Exhibit 1 shows the recommended groundwater production charges and other charges for FY 2021–22.

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

	Dollars Per Acre Foot		
	FY 2019–20	FY 2020–21	Proposed Maximum FY 2021-22
Zone W-2 (North County)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	1,374.00	1,374.00	1,506.00
Agricultural	28.86	28.86	85.38
Surface Water Charge			
Surface Water Master Charge	37.50	37.50	41.10
Total Surface Water, Municipal & Industrial*	1,411.50	1,411.50	1,547.10
Total Surface Water, Agricultural*	66.36	66.36	126.48
Treated Water Charges			
Contract Surcharge	100.00	100.00	115.00
Total Treated Water Contract Charge**	1,474.00	1,474.00	1,621.00
Non-Contract Surcharge	200.00	200.00	200.00
Total Treated Water Non-Contract Charge***	1,574.00	1,574.00	1,706.00
Zone W-5 (Llagas Subbasin)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	481.00	467.00	488.50
Agricultural	28.86	28.86	85.38
Surface Water Charge			
Surface Water Master Charge	37.50	37.50	41.10
Total Surface Water, Municipal & Industrial*	518.50	504.50	529.60
Total Surface Water, Agricultural*	66.36	66.36	126.48
Recycled Water Charges			
Municipal & Industrial	461.00	447.00	468.50
Agricultural	56.26	56.26	112.78
Zone W-7 (Coyote Valley)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	481.00	481.00	530.50
Agricultural	28.86	28.86	85.38

	Dollars Per Acre Foot		
	FY 2019–20	FY 2020–21	Proposed Maximum FY 2021-22
Zone W-7 (Coyote Valley)			
Surface Water Charge			
Surface Water Master Charge	37.50	37.50	41.10
Total Surface Water, Municipal & Industrial*	518.50	518.50	571.60
Total Surface Water, Agricultural*	66.36	66.36	126.48
Zone W-8 (Uvas/Chesbro)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	481.00	327.00	341.50
Agricultural	28.86	28.86	85.38
Surface Water Charge			
Surface Water Master Charge	37.50	37.50	41.10
Total Surface Water, Municipal & Industrial*	518.50	364.50	382.60
Total Surface Water, Agricultural*	66.36	66.36	126.48

Staff proposes a maximum 9.6% increase in the North County Zone W-2 Municipal and Industrial groundwater production charge from \$1,374 per acre foot (AF) to \$1,506/AF. Staff recommends increasing the treated water surcharge on treated water delivered under the contracts with retail agencies to \$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 \$4.55 to \$5.06 or about 15 to 17 cents a day.

In the South County Zone W-5, staff proposes a maximum 4.6% increase in the M&I groundwater production charge from \$467/AF to \$488.50/AF. The proposal equates to a monthly bill increase for the average household of \$0.74 or about 2 cents per day.

In the South County Zone W-7, staff proposes a maximum 10.3% increase in the M&I groundwater production charge from \$481/AF to \$530.50/AF. The proposal equates to a monthly bill increase for the average household of \$1.70 or about 6 cents per day.

In the South County Zone W-8, staff proposes a maximum 4.4% increase in the M&I groundwater production charge from \$327/AF to \$341.50/AF. The proposal equates to a monthly bill increase for the average household of \$0.50 or about 2 cents per day.

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

Based on Board direction, the proposed maximum agricultural groundwater production charge is 25% of M&I for Zone W-8, which would mean an increase from \$28.86/AF (6% of Zone W-7) to \$85.38/AF. The proposed maximum groundwater production charge for agricultural rates would translate to an increase of up to \$9.41 per month per acre, assuming 2 (two) acre-feet of water usage per acre per year. As discussed at the January 12, 2021 Board meeting, staff offers an alternative scenario for Board consideration due to the passage of Measure S in November of 2020, which has relieved some financial pressure for Valley Water in the future. Under this alternative, the agricultural groundwater charge would be set at 10% of the Zone W-8 M&I groundwater charge, or \$34.15/AF in FY 2021-22.

Staff recommends a maximum 9.6% increase to the surface water master charge from \$37.50/AF to \$41.10/AF to align revenues with the costs related to managing, operating and billing for surface water diversions. This increase results in an increase up to 9.6% in the overall North County municipal and industrial surface water charge. 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: \$529.60/AF, or an up to 5 percent increase for Zone W-5; \$571.60/AF, or an up to 10.2 percent increase for Zone W-7; and \$382.60/AF, or an up to 5 percent increase for Zone W-8. The total agricultural surface water charge in any zone represents up to a 90.6 percent increase at \$126.48/AF.

For recycled water, staff recommends increasing the M&I charge up to 4.8 percent to \$468.50/AF. For agricultural recycled water, the proposed maximum is a 100.5 percent increase to \$112.78/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 maximum groundwater production charges for FY 2021-22 are necessary to pay for supplemental water purchases in preparation for drought, investments in water supply infrastructure rehabilitation and upgrades, and new water supply reliability investments. The need to purchase supplemental water is driven by the fact that the next drought appears to be on our doorstep, coupled with the recent lowering of water levels at Anderson Reservoir.

A key infrastructure rehabilitation investment is the Anderson Dam Seismic Retrofit, which is a \$650 million project that will help ensure public safety and restore operational capacity. A key water supply reliability investment is the Pacheco Reservoir Expansion project, estimated to cost roughly \$2.5 billion, would provide an additional 80,000 acre-feet of water storage capacity.

Given the size of the Pacheco Reservoir Expansion project investment, staff has also prepared an alternative rate projection scenario that shows the impact to the water rate projection if the Pacheco Reservoir Expansion Project were excluded. Under that scenario, the increase to the North County Zone W-2 Municipal and Industrial groundwater production charge would be 8.5% instead of 9.6% for FY 2021-22 and the next 7 years into the future. Also, under this alternative rate scenario, for FY 2021-22 and the next 7 years into the future, the increase to the South County Zone W-5 Municipal and Industrial groundwater production charge would be 3.8% instead of 4.6%; in Zone W-7 it would be 8.1% instead of 10.3%; and in Zone W-8 it would remain 4.4% since Zone W-8 does receive a direct benefit from the Pacheco Reservoir Expansion project.

Staff recommends setting the State Water Project Tax at \$26 million for FY 2021–22. This translates to a property tax bill for the average single-family residence of roughly \$40.00 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 2021–22 will be at least \$28 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 supply contracts.

Projections

Exhibit 2 shows actual and projected District-managed water use. FY 2019–20 water usage came in at 231,000 AF, slightly higher than the projected usage. For the current year, FY 2020–21, staff estimates that water usage will be approximately 230,000 AF or higher, and roughly a 20% reduction versus calendar year 2013. For FY 2021–22, total District-managed water use is projected at 232,000 AF, which is about a 1% increase relative to the FY 2020-21 estimated actual. The FY 2021-22 water usage estimate represents a 19% reduction relative to calendar year 2013. Water use is projected to ramp up to 236,000 AF by FY 2025-26.

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

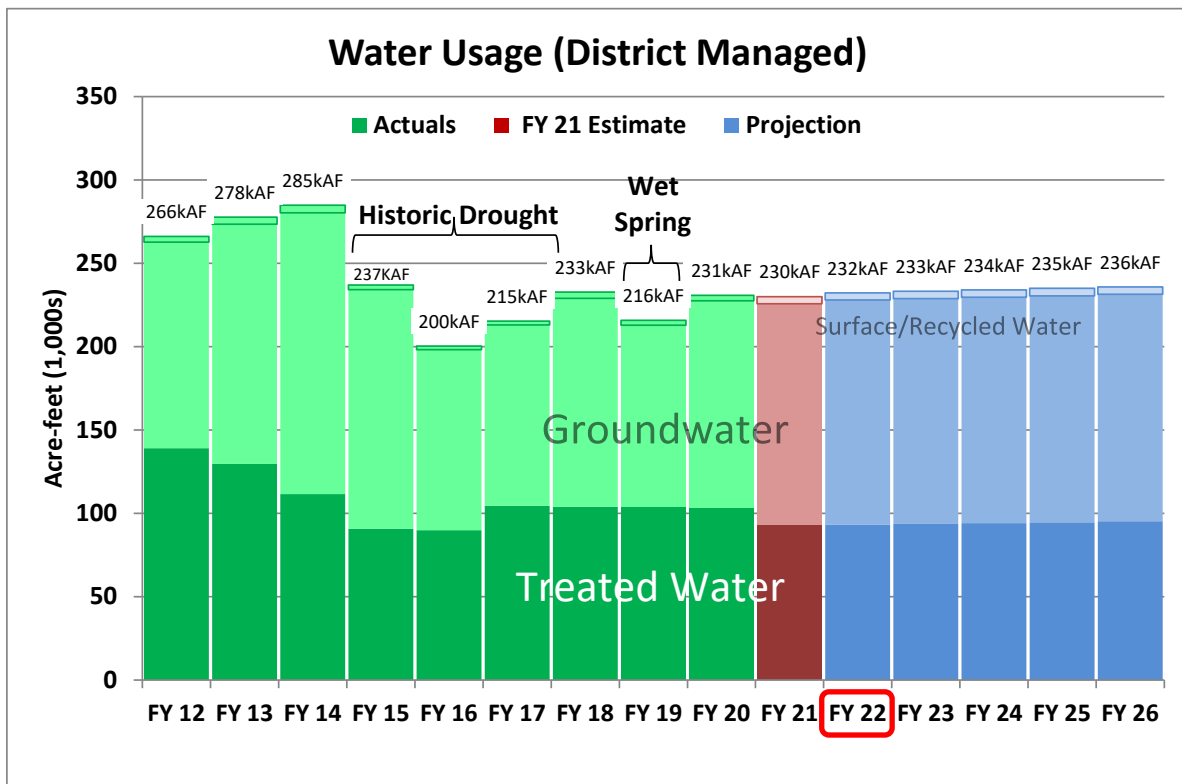


Exhibit 3 shows key financial indicators with staff's recommendation projected to FY 2026-27. The debt service coverage ratio, which is a ratio of revenue less operations expenses divided by annual debt service, is targeted at 2.0 or better which helps to ensure financial stability and continued high credit ratings keeping cost to borrow low.

Exhibit 3

5-Year Water Charge and Financial Indicator Projection

	Adjusted Budget						
Base Case	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
No. County (W-2) M&I GWP charge (\$/AF)	\$1,374	\$1,506.00	\$1,651	\$1,809	\$1,983	\$2,173	\$2,382
Y-Y Growth %	0.0%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
So. County (W-5) M&I GWP charge (\$/AF)	\$467	\$488.50	\$511	\$534	\$559	\$585	\$612
Y-Y Growth %	-2.9%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
So. County (W-7) M&I GWP charge (\$/AF)	\$481	\$530.50	\$585	\$645	\$712	\$785	\$866
Y-Y Growth %	0.0%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
So. County (W-8) M&I GWP charge (\$/AF)	\$327	\$341.50	\$357	\$372	\$389	\$406	\$424
Y-Y Growth %	-32.0%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Operating & Capital Reserve	\$92,217	\$45,020	\$51,639	\$55,726	\$61,028	\$57,652	\$57,491
Supplemental Water Supply Reserve (\$K)	\$15,477	\$15,877	\$16,277	\$16,677	\$17,077	\$17,477	\$17,877
Drought Contingency Reserve (\$K)	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Sr. Lien Debt Svc Cov Ratio (1.25 min)	2.54	2.08	2.14	2.12	2.52	2.66	2.62
South County (Deficit)/Reserves (\$K)	\$18,356	\$15,677	\$14,995	\$14,143	\$13,816	\$15,942	\$18,498

A significant portion of the projected increases in the groundwater production charge are driven by the capital improvement program as shown in Exhibit 4. Over \$4.8 billion in capital investments are planned for the next 10 years. Approximately \$2.2 billion is projected to be spent on the Pacheco Reservoir Expansion Project that would provide an additional 80,000 acre-feet of water storage capacity. Approximately \$549 million is projected to be spent on the Anderson Dam Seismic Retrofit, which would help ensure public safety and restore operational capacity. 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 4.7% per year driven by: 1) the ramp up of payments associated with the Delta Conveyance Project; and 2) the beginning of operations of the Expedited Purified Water Project in FY 2027-28, which would produce 9,000 to 12,000 AF of new water supply; and 3) inflation. Debt service is projected to rise from \$52.6 million in FY 2021–22 to \$194.4 million in FY 2030–31 as a result of periodic debt issuances to fund the capital program.

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

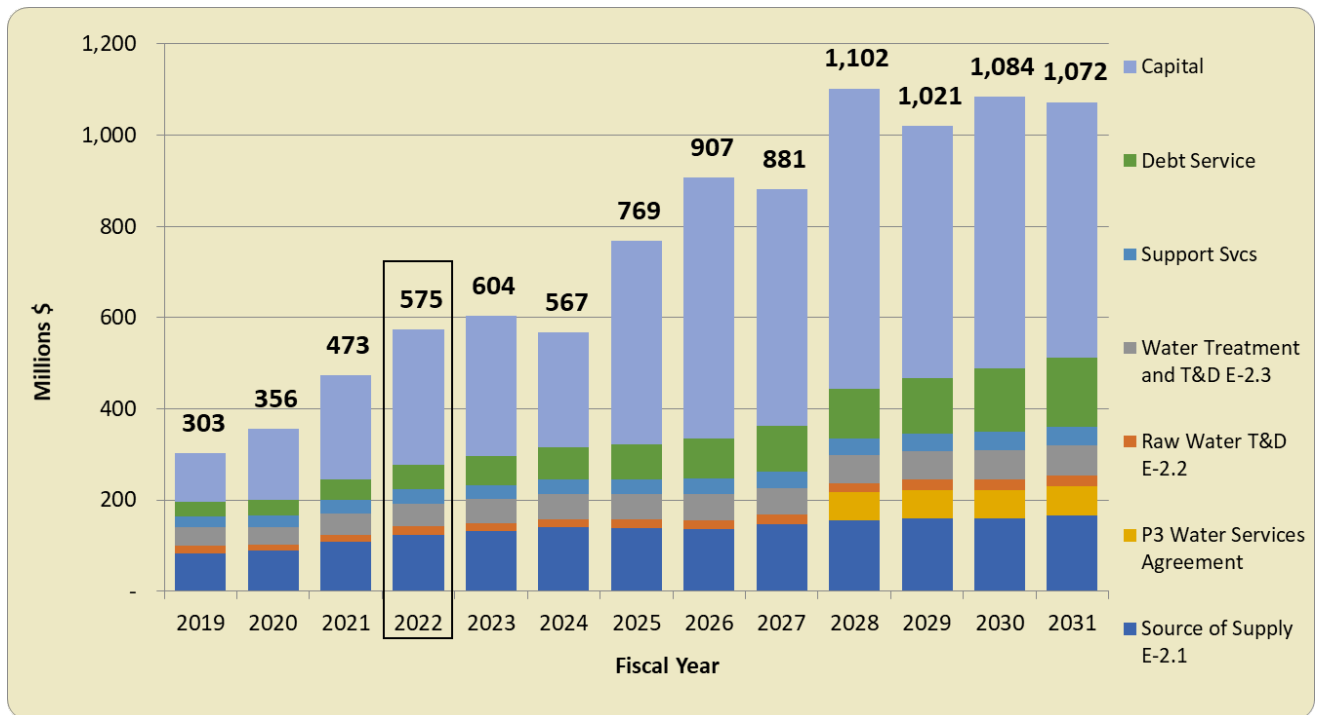


Exhibit 5 shows the groundwater production charge projection for the next 10 years and assumes a continuation of the level of service provided in FY 2020–21 and funding of the preliminary FY 2021-22 Capital Improvement Program (CIP). Note that there are initiatives and potential uncertainties that could result in the identification of additional capital or operations projects that are not reflected in projection.

Exhibit 5 10-Year Groundwater Charge Projection

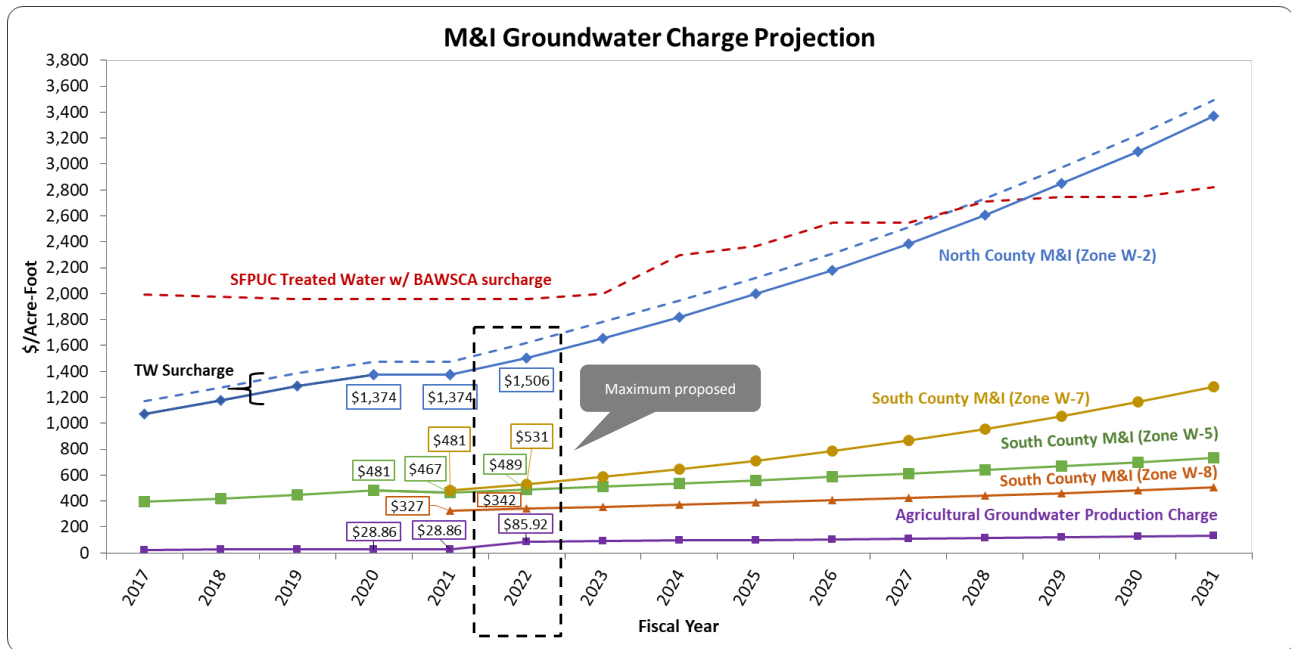


Exhibit 6 shows a comparison of the adjusted proposed groundwater production and treated water charges relative to the anticipated increases for the following similar agencies: Metropolitan Water District, Orange County Water District, San Diego County Water Authority, San Francisco PUC (Hetch Hetchy),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

Exhibit 6 Anticipated FY 2021–22 Water Charge Increases for Similar Agencies

	FY 19	% inc. '19 to '20	FY 20	% inc. '20 to '21	FY 21	Projection FY 22 ³
SCVWD North W-2 (Groundwater prdctn per AF)	\$1,289	6.6%	\$1,374	0.0%	\$1,374	9.6%
SCVWD North W-2 (Treated Water per AF)	\$1,389	6.1%	\$1,474	0.0%	\$1,474	10.0%
SCVWD South W-5 (Groundwater prdctn per AF)	\$450	6.9%	\$481	-2.9%	\$467	4.6%
SCVWD South W-7 (Groundwater prdctn per AF)	\$450	6.9%	\$481	0.0%	\$481	10.3%
SCVWD South W-8 (Groundwater prdctn per AF)	\$450	6.9%	\$481	-32.0%	\$327	4.4%
Metropolitan WD (Untreated Water per AF) ¹	\$846	3.1%	\$873	3.5%	\$904	3.8%
Metropolitan WD (Treated Water per AF) ¹	\$1,165	2.6%	\$1,196	2.6%	\$1,227	2.8%
Orange County WD (Groundwater per AF)	\$462	5.4%	\$487	0.2%	\$488	TBD
San Diego County WA (Treated Water per AF) ¹	\$1,619	2.9%	\$1,666	2.7%	\$1,710	TBD
San Francisco PUC (Treated Water per AF) ²	\$1,786	0.0%	\$1,786	0.0%	\$1,786	0.0%
Zone 7 (Treated Water per AF) ¹	\$1,401	8.8%	\$1,525	2.4%	\$1,561	0.0%

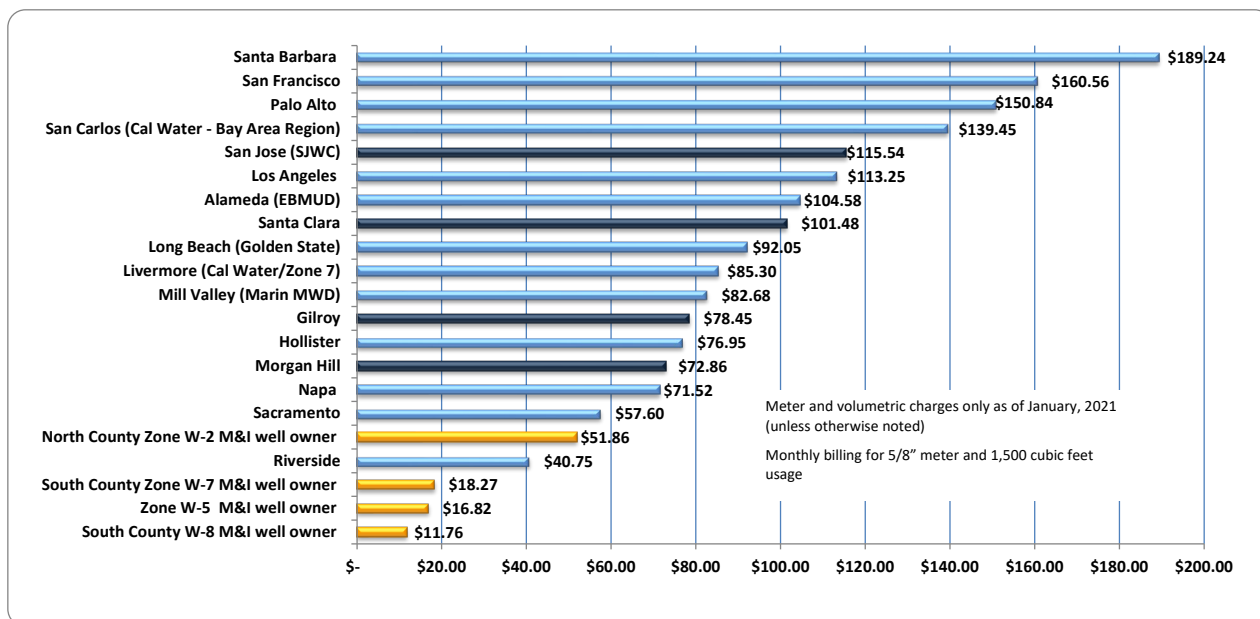
1) MWD, SDCWA and Zone 7 rates based on calendar year (i.e. 2021 rate would be effective on 1/1/2021)

2) SFPUC rate excludes BAWSCA bond surcharge

3) SCVWD FY 22 projection includes staff proposed adjustments to proposed maximum

Exhibit 7 shows a comparison of the average monthly bill for several of Valley Water’s retail customers (e.g. SJWC, 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 2021-22. 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 2021–22 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

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 2021-22, staff is not proposing a transfer of 1% ad valorem property taxes from the General Fund and the Watershed Stream Stewardship

Fund into the Water Utility Fund due to true up adjustments related to FY 2018-19, which have reduced the amount of Open Space Credit needed in FY 2021-22.

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 Raffelis 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.

Exhibit 8
Cost of Service North County Zone W-2 (\$K)

FY '22 Projection (\$ in Thousands)		Zone W-2					Total W-2
		GW		TW	SW		
		M&I	AG	M&I	M&I	Ag	
1	Operating Outlays						
2	Operations/Operating Projects	53,950	400	116,648	1,470	41	172,509
3	SWP Imported Water Costs	6,710	50	20,509	331	9	27,609
4	Debt Service	12,766	95	39,535	161	4	52,561
5	Total Operating Outlays	73,426	545	176,691	1,962	55	252,679
6							
7	Capital & Transfers						
8	Operating Transfers Out	1,550	12	1,808	27	1	3,397
9	Capital Outlays excl. carryforward	101,778	757	164,934	1,725	48	269,242
10	Total Capital & Transfers	103,328	769	166,742	1,752	49	272,639
11	Total Annual Program Costs	176,754	1,314	343,433	3,714	103	525,318
12	Step 3 - Allocate costs to customer classes						
13	Revenue Requirement Offsets						
14	Capital Cost Recovery	(2,886)	(21)	(3,365)	(50)	(1)	(6,323)
15	Debt Proceeds	(65,884)	(490)	(106,766)	(1,117)	(31)	(174,288)
16	Inter-governmental Services	(536)	(4)	(625)	(9)	(0)	(1,174)
17	SWP Property Tax	(5,940)	(44)	(18,155)	(293)	(8)	(24,440)
18	South County Deficit/Reserve	447	3	521	8	0	979
19	Interest Earnings	(653)	(5)	(761)	(11)	(0)	(1,430)
20	Inter-zone Interest	79	1	92	1	0	173
21	Capital Contributions	(207)	(2)	(241)	(4)	(0)	(453)
22	Other	(808)	(6)	(867)	(14)	(0)	(1,695)
23	Reserve Requirements	2,362	(128)	6,649	40	(8)	8,915
24	Adjusted Revenue Requirement (FY 22)	102,730	618	219,915	2,266	54	325,582
25	Adjusted Revenue Requirement (FY 19 adj)	(21,532)	(212)	(30,448)	684	(29)	(51,537)
26							
27	Total Adjusted Revenue Requirement	81,198	405	189,466	2,950	25	274,045
28	Volume (KAF)	79.9	0.6	93.2	1.4	0.0	175.2
29							
30	Revenue Requirement (\$ per AF)	\$ 1,016	\$ 682	\$ 2,033	\$ 2,150	\$ 647	
31	Step 5 - Develop unit costs by customer class						
32	Adjustments for Agricultural Preservation						
33	Allocate WU 1% Ad Valorem Prop Tax	-	(355)	-	-	(20)	(375)
34	Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	-
35	Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	-
36	Revenue Requirement (\$ per AF)	\$ 1,015.7	\$ 85.4	\$ 2,033	\$ 2,150	\$ 126.5	
37	Step 6 - Rate Design						
38	Adjustments to Facilitate Conjunctive Use						
39	Reallocate TW/SW/RW costs	39,191	-	(38,364)	(827)	-	0
40	Water Charge (\$ per AF)	\$ 1,506	\$ 85.38	\$ 1,621	\$ 1,547.10	\$ 126.48	\$ -
41	Total Revenue (\$K)	\$120,389	\$51	\$151,102	\$2,123	\$5	\$273,670

Exhibit 9
Cost of Service South County Zone W-5 (\$K)

FY '22 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	7,102	7,880	167	431	219	188	15,988
3	SWP Imported Water Costs	-	-	-	-	-	-	-
4	Debt Service	-	-	-	-	-	-	-
5	Total Operating Outlays	7,102	7,880	167	431	219	188	15,988
6								
7	Capital & Transfers							
8	Operating Transfers Out	-	-	-	-	-	-	-
9	Capital Outlays excl. carryforward	-	-	-	-	-	-	-
10	Total Capital & Transfers	-	-	-	-	-	-	-
11	Total Annual Program Costs	7,102	7,880	167	431	219	188	15,988
12		Step 3 - Allocate costs to customer classes						
13	Revenue Requirement Offsets							
14	Capital Cost Recovery	1,388	1,561	23	60	838	718	4,587
15	Debt Proceeds	-	-	-	-	-	-	-
16	Inter-governmental Services	(37)	(41)	(1)	(2)	-	-	(80)
17	SWP Property Tax	(528)	(594)	(9)	(23)	(17)	(15)	(1,186)
18	South County Deficit/Reserve	1,491	(580)	(34)	(22)	(252)	(15)	587
19	Interest Earnings	-	-	-	-	-	-	-
20	Inter-zone Interest	(59)	(66)	(1)	(3)	(2)	(2)	(132)
21	Capital Contributions	-	-	-	-	-	-	-
22	Other	(65)	(73)	(1)	(1)	(1)	(1)	(142)
23	Reserve Requirements	-	-	-	-	-	-	-
24	Adjusted Revenue Requirement (FY 22)	9,292	8,087	145	440	784	874	19,623
25	Adjusted Revenue Requirement (FY 19 adj)	(544)	(1,552)	26	(115)	235	(320)	(2,269)
26								
27	Total Adjusted Revenue Requirement	8,749	6,535	171	326	1,019	554	17,353
28	Volume (KAF)	19.4	21.8	0.3	0.8	0.6	0.5	43.5
29								
30	Revenue Requirement (\$ per AF)	\$ 451	\$ 300	\$ 534	\$ 391	\$ 1,592	\$ 1,009	
31		Step 5 - Develop unit costs by customer class						
32	Adjustments for Agricultural Preservation							
33	Allocate WU 1% Ad Valorem Prop Tax	-	(4,673)	-	(221)	-	(492)	(5,386)
34	Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	-	-
35	Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	-	-
36	Revenue Requirement (\$ per AF)	\$ 451	\$ 85.4	\$ 534	\$ 126.5	\$ 1,592	\$ 112.8	
37								
38	Adjustments to Facilitate Conjunctive Use							
39	Reallocate TW/SW/RW costs	721	-	(1)	-	(719)	-	-
40	Water Charge (\$ per AF)	\$ 488.50	\$ 85.38	\$ 529.60	\$ 126.48	\$ 468.50	\$ 112.78	
41	Total Revenue (\$K)	\$9,469	\$1,862	\$170	\$105	\$300	\$62	\$11,968

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

FY '22 Projection (\$ in Thousands)		Zone W-7				Total W-7
		GW		SW		
		M&I	AG	M&I	AG	
1	Operating Outlays					
2	Operations/Operating Projects	5,722	1,783	119	308	7,932
3	SWP Imported Water Costs	-	-	-	-	-
4	Debt Service	-	-	-	-	-
5	Total Operating Outlays	5,722	1,783	119	308	7,932
6						
7	Capital & Transfers					
8	Operating Transfers Out	-	-	-	-	-
9	Capital Outlays excl. carryforward	-	-	-	-	-
10	Total Capital & Transfers	-	-	-	-	-
11	Total Annual Program Costs	5,722	1,783	119	308	7,932
12		Step 3 - Allocate costs to customer				
13	Revenue Requirement Offsets					
14	Capital Cost Recovery	1,272	400	12	32	1,716
15	Debt Proceeds	-	-	-	-	-
16	Inter-governmental Services	(46)	(15)	(0)	(1)	(62)
17	SWP Property Tax	(254)	(80)	(2)	(6)	(343)
18	South County Deficit/Reserve	(1,474)	(78)	(10)	(6)	(1,568)
19	Interest Earnings	-	-	-	-	-
20	Inter-zone Interest	(28)	(9)	(0)	(1)	(38)
21	Capital Contributions	-	-	-	-	-
22	Other	(24)	(7)	(0)	(0)	(31)
23	Reserve Requirements	-	-	-	-	-
24	Adjusted Revenue Requirement (FY 22)	5,167	1,994	118	326	7,605
25	Adjusted Revenue Requirement (FY 19 adj)	(263)	(210)	7	(33)	(498)
26						-
27	Total Adjusted Revenue Requirement	4,904	1,784	126	293	7,107
28	Volume (KAF)	9.4	2.9	0.1	0.2	12.7
29						
30	Revenue Requirement (\$ per AF)	\$ 523	\$ 605	\$ 1,374	\$ 1,232	
31		Step 5 - Develop unit costs by customer class				
32	Adjustments for Agricultural Preservation					
33	Allocate WU 1% Ad Valorem Prop Tax	-	(1,532)	-	(263)	(1,795)
34	Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-
35	Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-
36	Revenue Requirement (\$ per AF)	\$ 523	\$ 85.3	\$ 1,374	\$ 126.4	
37						
38	Adjustments to Facilitate Conjunctive Use					
39	Reallocate TW/SW/RW costs	73	-	(73)	-	-
40	Water Charge (\$ per AF)	\$ 530.50	\$ 85.38	\$ 571.60	\$ 126.48	
41	Total Revenue (\$K)	\$4,978	\$252	\$52	\$30	\$5,312

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

FY '22 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	126	144	14	35	318	24,239
3	SWP Imported Water Costs	-	-	-	-	-	-
4	Debt Service	-	-	-	-	-	-
5	Total Operating Outlays	126	144	14	35	318	24,239
6							
7	Capital & Transfers						
8	Operating Transfers Out	-	-	-	-	-	-
9	Capital Outlays excl. carryforward	-	-	-	-	-	-
10	Total Capital & Transfers	-	-	-	-	-	-
11	Total Annual Program Costs	126	144	14	35	318	24,239
12		Step 3 - Allocate costs to customer					
13	Revenue Requirement Offsets						
14	Capital Cost Recovery	8	9	1	3	20	6,323
15	Debt Proceeds	-	-	-	-	-	-
16	Inter-governmental Services	(0)	(0)	(0)	(0)	(1)	(143)
17	SWP Property Tax	(12)	(14)	(1)	(4)	(31)	(1,560)
18	South County Deficit/Reserve	22	(11)	(5)	(3)	2	(979)
19	Interest Earnings	-	-	-	-	-	-
20	Inter-zone Interest	(1)	(1)	(0)	(0)	(3)	(173)
21	Capital Contributions	-	-	-	-	-	-
22	Other	(1)	(1)	(0)	(0)	(3)	(176)
23	Reserve Requirements	-	-	-	-	-	-
24	Adjusted Revenue Requirement (FY 22)	141	124	8	30	303	27,531
25	Adjusted Revenue Requirement (FY 19 adj)	(10)	(30)	4	(16)	(53)	(2,821)
26							
27	Total Adjusted Revenue Requirement	131	94	12	13	250	24,710
28	Volume (KAF)	0.4	0.4	0.0	0.1	1.0	57.1
29							
30	Revenue Requirement (\$ per AF)	\$ 357	\$ 224	\$ 255	\$ 113		
31		Step 5 - Develop unit costs by customer class					
32	Adjustments for Agricultural Preservation						
33	Allocate WU 1% Ad Valorem Prop Tax	-	(58)	-	2	(57)	(7,237)
34	Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	-
35	Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	-
36	Revenue Requirement (\$ per AF)	\$ 357	\$ 85.4	\$ 255	\$ 126.5		
37							
38	Adjustments to Facilitate Conjunctive Use						
39	Reallocate TW/SW/RW costs	(6)	-	6	-	-	-
40	Water Charge (\$ per AF)	\$ 341.50	\$ 85.38	\$ 382.60	\$ 126.48		
41	Total Revenue (\$K)	\$125	\$36	\$18	\$15	\$193	\$17,473

Open Space Credit

The District Act limits agricultural groundwater production charges to a maximum of 25 percent 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 and 6% of M&I charges in South County Zone W-7. The current FY 2020-21 agricultural groundwater production charge is \$28.86/AF, or 6% of the Zone W-7 M&I charge of \$481.00/AF.

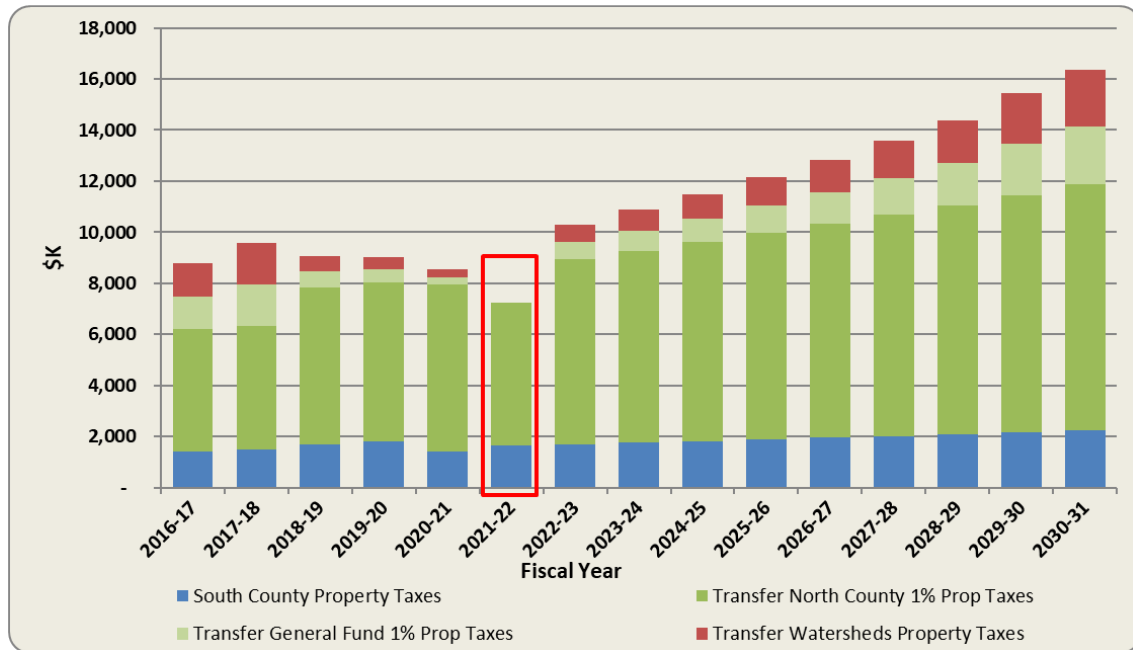
The credit to agricultural water users has become known as an “Open Space Credit.” It is paid for by fungible, non-rate related revenue. To offset lost revenue that results from the difference between the adopted agricultural groundwater production charge and the agricultural charge that would have resulted 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.

In April 2019, the Board directed staff to eliminate the discretionary portion of the Open Space Credit starting in FY 2021-22, after a two-year period in which a coalition of agricultural industry and other stakeholders would work to pursue an alternative revenue source to replace the discretionary portion of the Open Space Credit. As such the agricultural groundwater charge would increase to the maximum allowed by the District Act at 25% of the M&I charge for FY 2021-22. Doing so would require an update to the Board’s Pricing Policy which currently limits the agricultural groundwater production charge to 10% of the M&I Charge.

Based on Board direction, the proposed maximum agricultural groundwater production charge is 25% of M&I for Zone W-8, which would mean an increase from \$28.86/AF in FY 2020–21 to \$85.38/AF in FY 2021–22. The proposed maximum agricultural groundwater production charge for FY 2021–22 would translate to an increase of up to \$9.41 per month per acre, assuming 2 (two) acre-feet of water usage per acre per year. As discussed at the January 12, 2021 Board meeting, staff offers an alternative scenario for Board consideration due to the passage of Measure S in November of 2020, which has relieved some financial pressure for Valley Water in the future. Under this alternative, the agricultural groundwater charge would be set at 10% of the Zone W-8 M&I groundwater charge, or \$34.15/AF in FY 2021-22.

To comply with the current agricultural groundwater production charge setting policy, staff recommends the open space credit received by South County be \$7.2 million in FY 2021-22 (funded by 1 percent ad valorem property taxes). This includes an adjustment that reconciles FY 2018–19 actuals against what was projected. The \$7.2 million is comprised of a \$6.9 million transfer from North County Water Utility 1% ad valorem property taxes, and a \$0.3 million contribution from South County Water Utility 1% ad valorem property taxes. No transfer of 1% ad valorem property taxes from the General Fund or the Watershed Stream Stewardship Fund is required. As shown in Exhibit 10, the Open Space Credit is projected to grow to \$16.4 million by FY 2030-31.

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 – 2021

Date	Hearing/Meeting
January 4	Agricultural Water Advisory Committee Meeting
January 12	Board Meeting: Preliminary Groundwater Charge Analysis
January 20	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
January 20	Water Commission Meeting: Prelim Groundwater Charge Analysis
February 9	Board Meeting: Budget devlp. update & Set time & place of Public Hearing
February 26	Mail notice of public hearing and file PAWS report
March 17	Water Retailers Meeting: FY 22 Groundwater Charge Recommendation
March 23	Board Meeting: Budget development update
April 5	Agricultural Water Advisory Committee Meeting
April 6	Landscape Committee Meeting
April 13	Open Public Hearing
April 14	Water Commission Meeting
April 15	Continue Public Hearing in Morgan Hill (Informational Open House)
April 19	Environmental & Water Resources Committee
April 27	Conclude Public Hearing
April 28-29	Board Meeting: Budget work study session
May 11	Adopt Budget & Groundwater Production and Other Water Charges

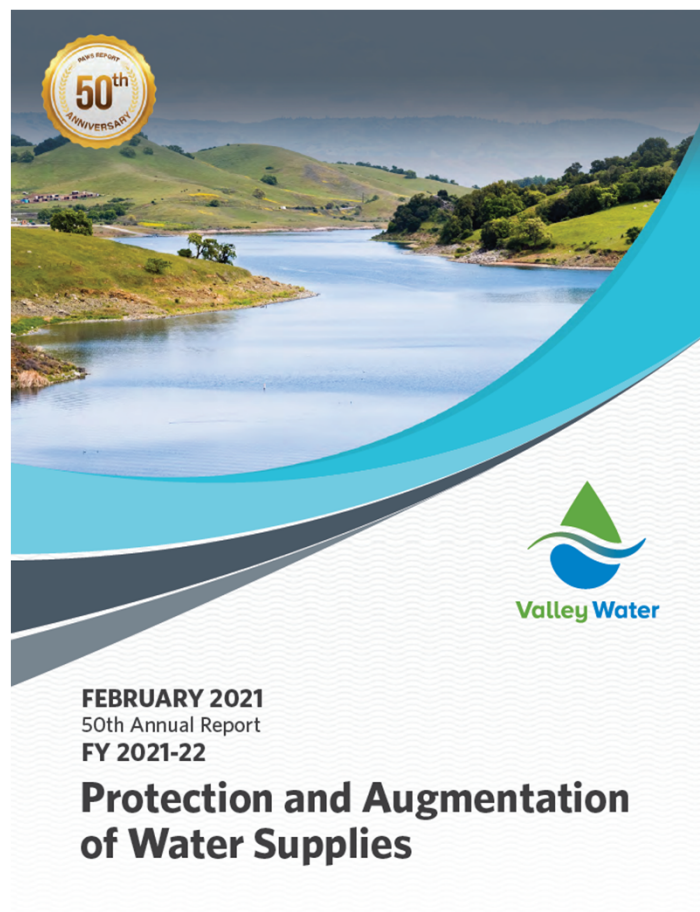
Public Hearing

Groundwater Production & Other Water Charges
April 15, 2021

Public Hearing has Three Specific Objectives

1. **Present annual report on Valley Water's activities and recommended groundwater 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 2021-22**

50th Annual Report Released



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

Filed February 26, 2021

Available online:

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



A comprehensive, flexible water system serves 2.0 million people

10 Reservoirs

393 acres of recharge ponds

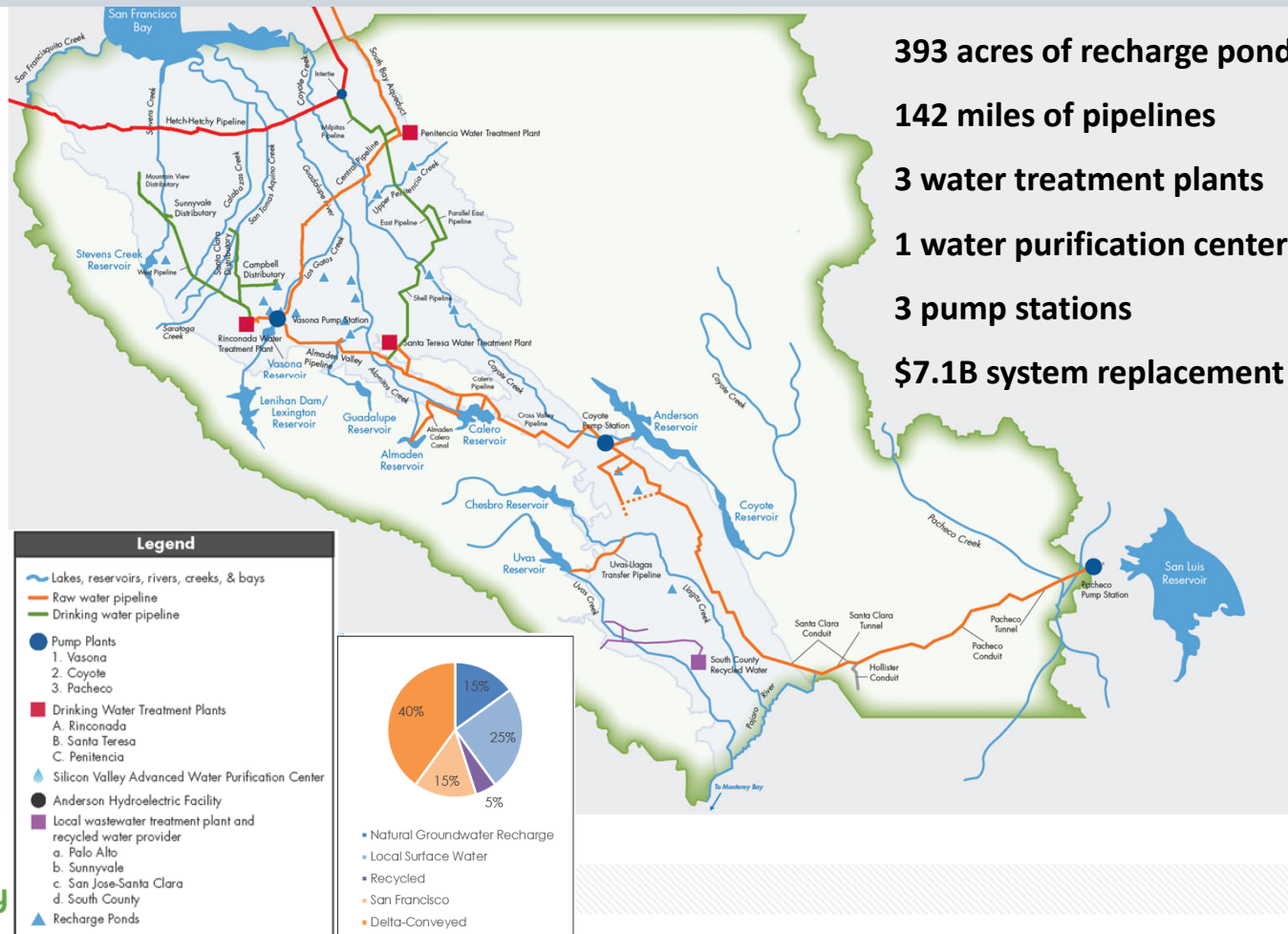
142 miles of pipelines

3 water treatment plants

1 water purification center

3 pump stations

\$7.1B system replacement value



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

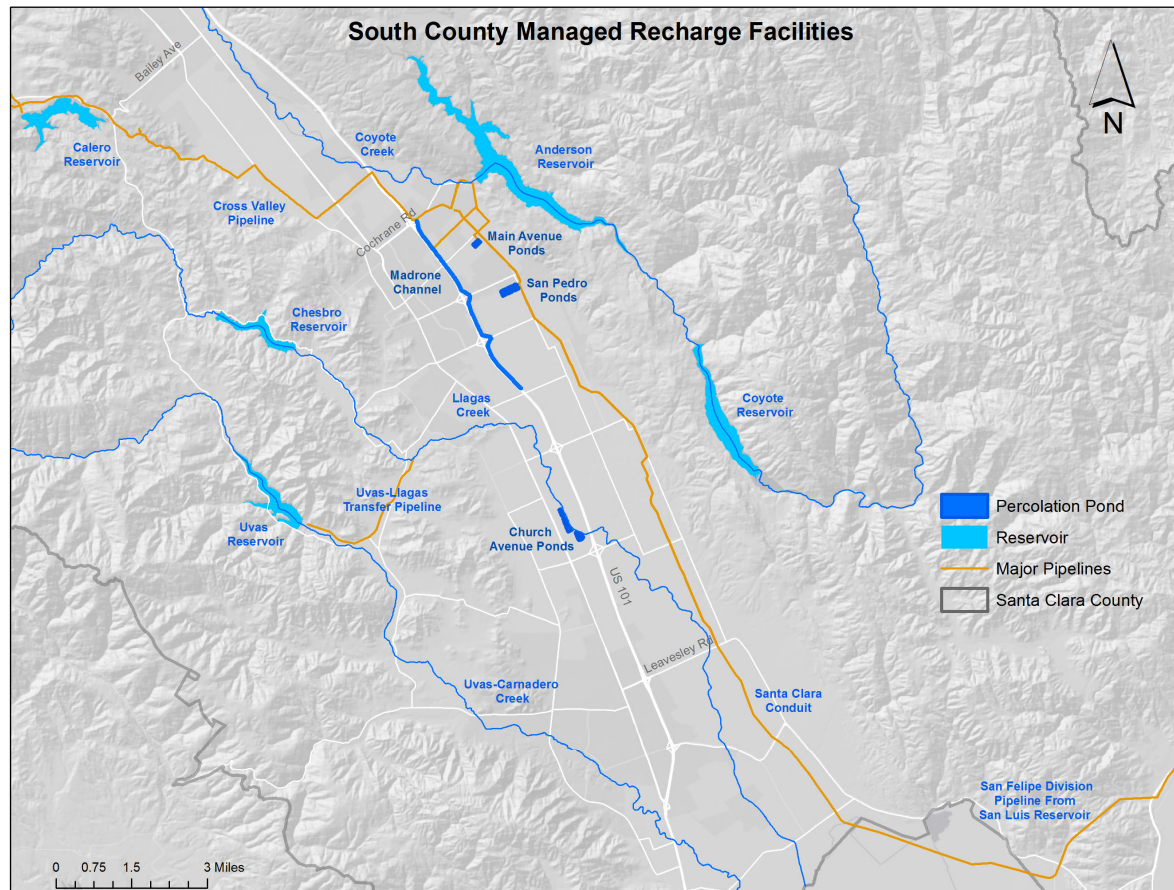
Construction at Anderson Reservoir, 1951



\$649M 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

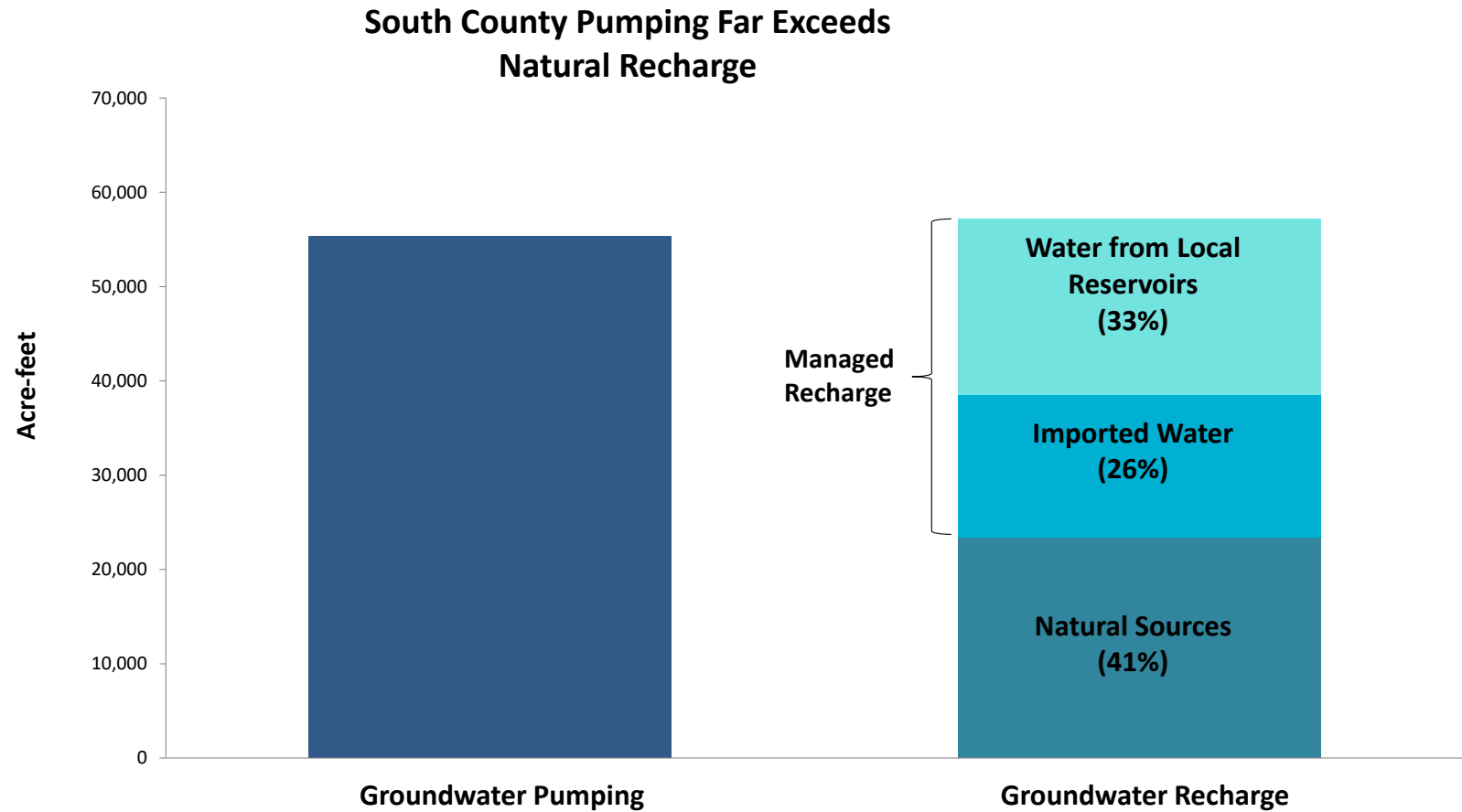


**Main Avenue
Recharge Ponds**



Madrone Channel

Recharge needed to offset groundwater pumping

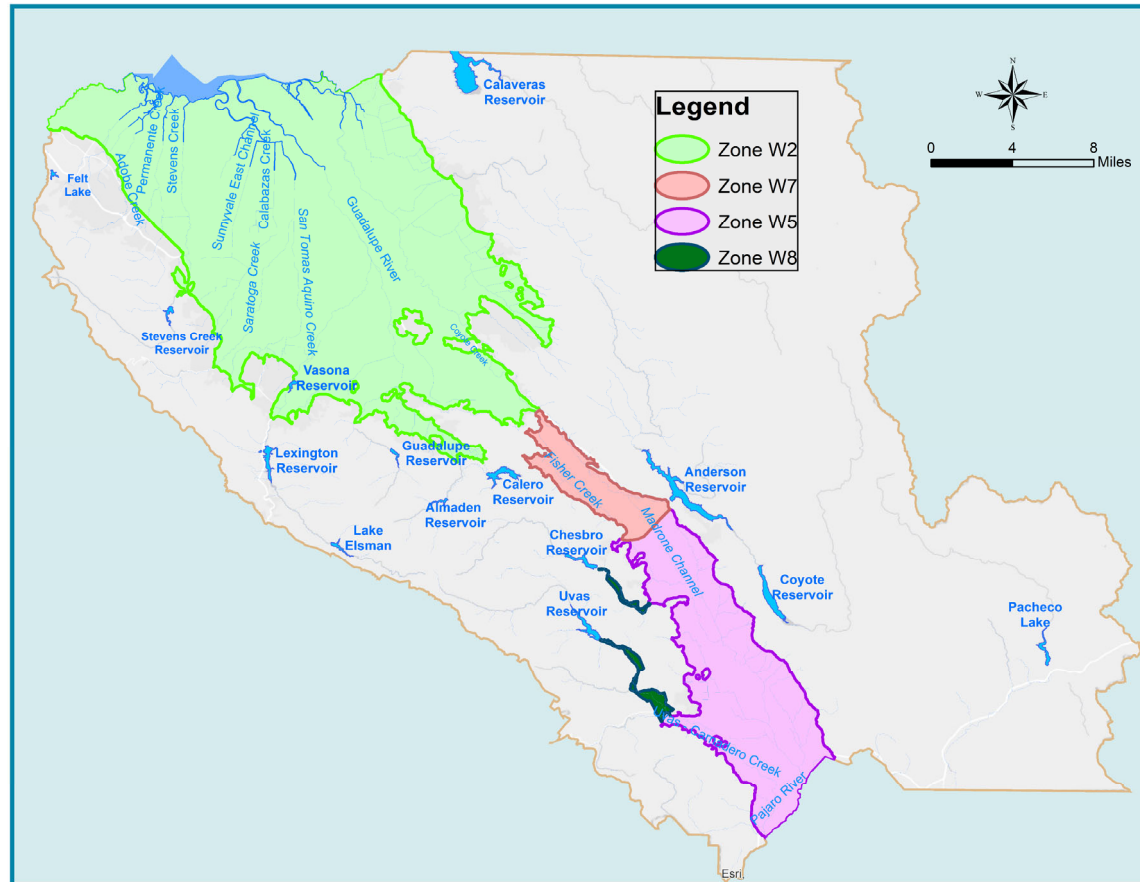


Topics for Today's Public Hearing

- ▶ **Rate Setting Process**
- ▶ **FY 22 Financial Analysis and Projections**
 - ▶ Key Assumptions for FY 22
 - ▶ Cost Projection
 - ▶ Water Usage
 - ▶ Recommended Groundwater Production Charges
 - ▶ Open Space Credit Policy
- ▶ **Schedule/Wrap up**

Rate Setting Process

Resolution 99-21 is the Board's Pricing Policy

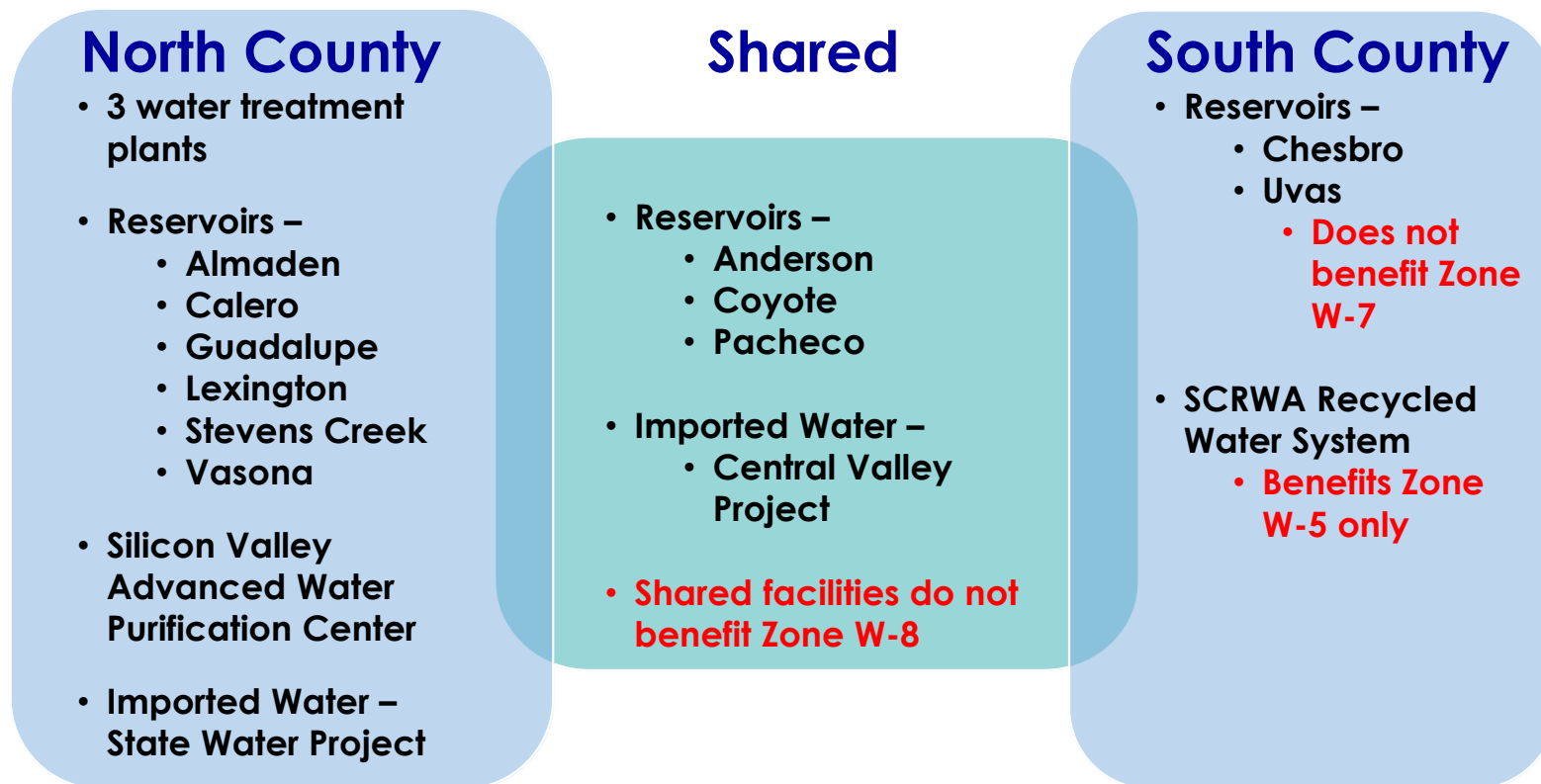


Board Pricing Policy Summary

- ▶ **Groundwater charges are levied within a zone for benefits received**
 - ▶ Modified zones shown became effective on 7/1/2020
- ▶ **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**

Infrastructure differences drive different groundwater production charges in each zone

Infrastructure differences drive different groundwater production charges in each zone



Prop 218 not applicable to Groundwater Charge-setting process

- ▶ **Supreme Court found Prop 218 not applicable to groundwater charges**
 - ▶ Certain Prop 218 requirements continue, like holding a public hearing, and noticing well owners, which are consistent with District Act
- ▶ **Supreme Court found 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

The Surface Water Charge-setting Process is Consistent with Prop 218 Process for Water Service Charges

- ▶ Includes cost of service analysis by customer class
- ▶ Includes protest procedure as defined in Board Resolution 12-10

Historical Majority Protest Procedure Results

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Surface Water									
North County W-2	0%	0%	0%	0%	0%	0%	0%	5%	0%
South County W-5	0%	0%	0%	1.3%	0%	0%	0%	0%	0%
South County W-7									0%
South County W-8									0%

FY 22 Financial Analysis and Projections

Scenario Assumptions

1) Baseline with Pacheco

Staff Recommendation

- ▶ **Baseline Projects***
- ▶ **Delta Conveyance (3.23% participation)**
- ▶ **Anderson Dam Seismic Retrofit**
- ▶ **Pacheco Reservoir**
 - ▶ \$485M Proposition 1 grant
 - ▶ WIFIA loan for 49%
 - ▶ Partner Agencies pay 20% of project
- ▶ **Master Plan Projects Placeholder**:**
 - ▶ Assumes \$346M from FY22-FY31, mainly after 5 Year CIP
- ▶ **Agricultural Charge at 25% of Zone W-8 M&I (\$85.38/AF in FY 22)**

2) Alternative without Pacheco

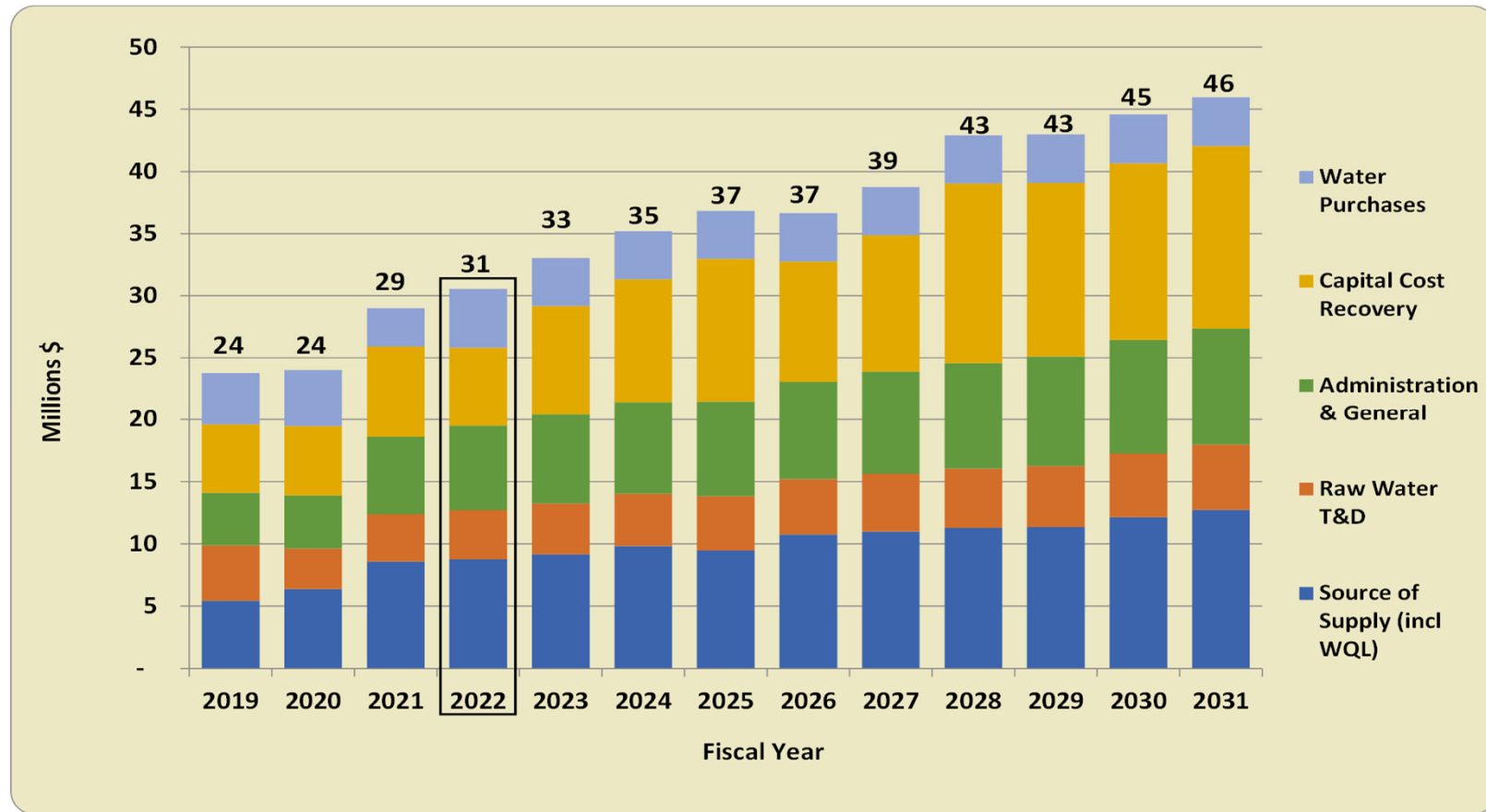
- ▶ **Baseline Projects***
- ▶ **Delta Conveyance (3.23% participation)**
- ▶ **Anderson Dam Seismic Retrofit**
- ~~▶ **Pacheco Reservoir**~~
 - ~~▶ \$485M Proposition 1 grant~~
 - ~~▶ WIFIA loan for 49%~~
 - ~~▶ Partner Agencies pay 20% of project~~
- ▶ **Master Plan Project Placeholder**:**
 - ▶ Assumes \$346M from FY22-FY31, mainly after 5 Year CIP
- ▶ **Agricultural Charge at 10% of Zone W-8 M&I (\$34.15/AF in FY 22)**



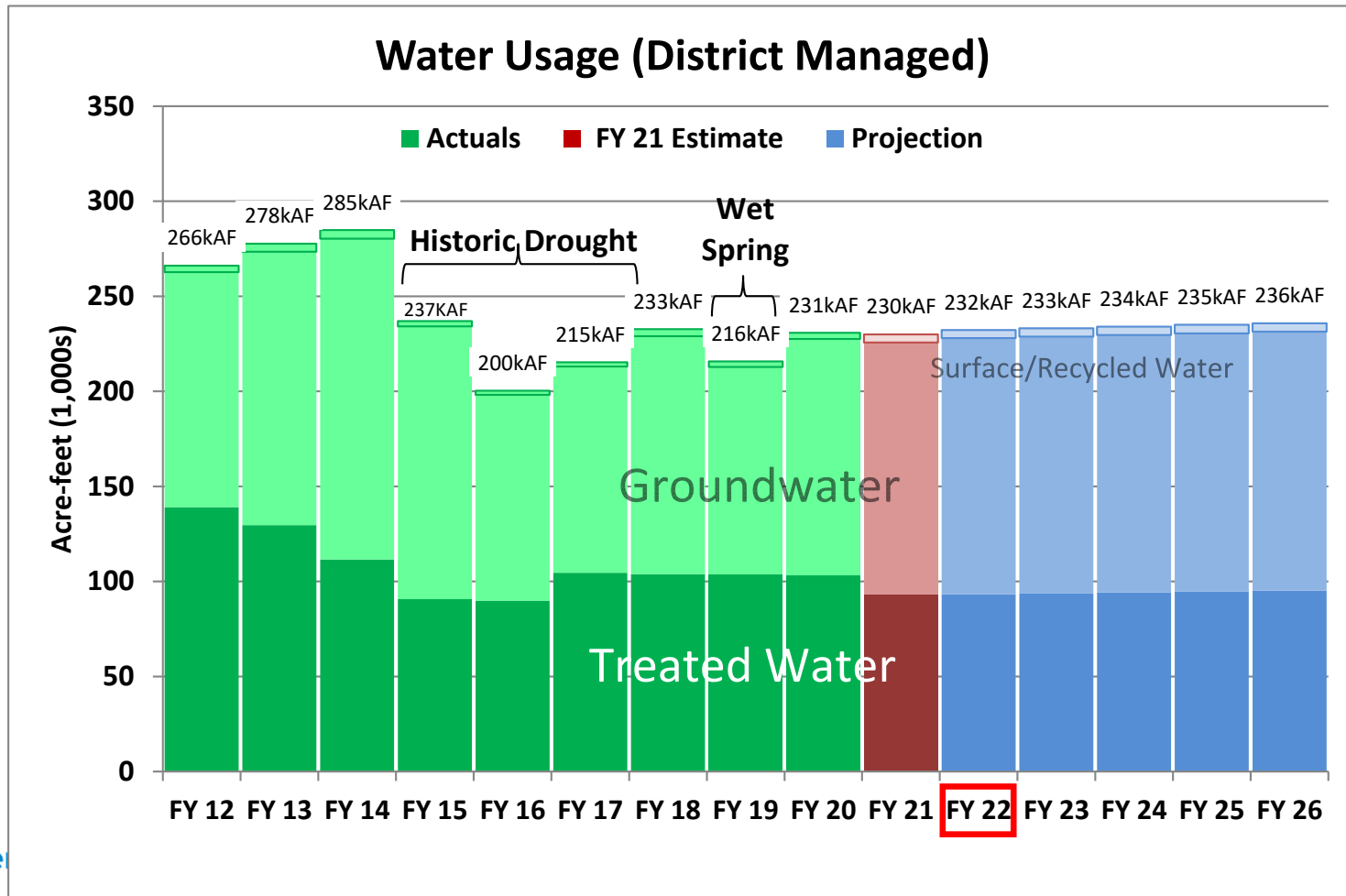
* Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program

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

South County Cost Projection (Combined Zones W-5, W-7, W-8)

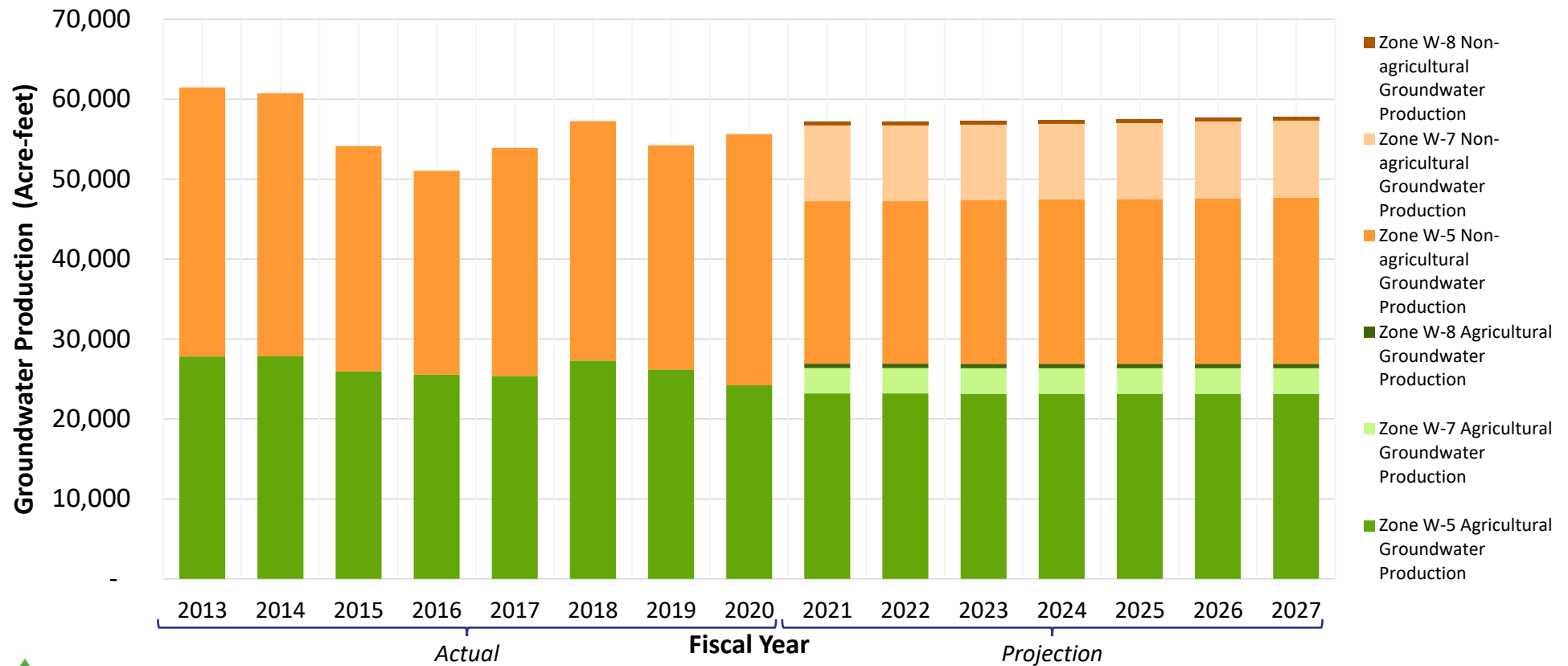


Water Usage (Valley Water Managed)



Water Usage Trend South County (Combined Zones W-5, W-7, W-8)

South County Water Usage Trend (Combined Zones W-5, W-7, W-8)



Recommended Groundwater Production Charges

Proposed Maximum Groundwater Charge Increases

M&I Groundwater Charge Year to Year Growth % Baseline Scenario: Pacheco

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
South County Zone W-5	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
South County Zone W-7	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%
South County Zone W-8	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%

Est. Monthly Impact to Average Household

M&I Groundwater Charge – Monthly Impact to Average Household Baseline Scenario: Pacheco

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
South County Zone W-5	\$0.74	\$0.77	\$0.81	\$0.85	\$0.89	\$0.93	\$0.97	\$1.01	\$1.06	\$1.11
South County Zone W-7	\$1.70	\$1.88	\$2.08	\$2.29	\$2.53	\$2.79	\$3.07	\$3.39	\$3.74	\$4.12
South County Zone W-8	\$0.50	\$0.52	\$0.54	\$0.56	\$0.59	\$0.61	\$0.64	\$0.67	\$0.70	\$0.73

FY 2022: South County W-5 Proposed Maximum Charges

Zone W-5 (South County) Llagas Subbasin	Dollars Per Acre Foot			% Change FY22 vs FY21
	FY 2019–20	FY 2020–21	Maximum Proposed FY 2021–22	
Basic User/Groundwater Production Charge				
Municipal & Industrial	481.00	467.00	488.50	4.6%
Agricultural	28.86	28.86	85.38	195.9%
Surface Water Charge				
Surface Water Master Charge	37.50	37.50	41.10	9.6%
Total Surface Water, Municipal & Industrial*	518.50	504.50	529.60	5.0%
Total Surface Water, Agricultural*	66.36	66.36	126.48	90.6%
Recycled Water Charge				
Municipal & Industrial	461.00	447.00	468.50	4.8%
Agricultural	56.26	56.26	112.78	100.5%



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



\$0.74 per month average household increase

Proposed Maximum Ag Charge at 25% of Zone W-8 M&I; Staff offered alternative at 10% of Zone W-8 M&I or \$34.15/AF

FY 2022: South County W-7 Proposed Maximum Charges

Zone W-7 (South County) Coyote Valley	Dollars Per Acre Foot			% Change FY22 vs FY21
	FY 2019–20	FY 2020–21	Maximum Proposed FY 2021–22	
Basic User/Groundwater Production Charge				
Municipal & Industrial	481.00	481.00	530.50	10.3%
Agricultural	28.86	28.86	85.38	195.9%
Surface Water Charge				
Surface Water Master Charge	37.50	37.50	41.10	9.6%
Total Surface Water, Municipal & Industrial*	518.50	518.50	571.60	10.2%
Total Surface Water, Agricultural*	66.36	66.36	126.48	90.6%



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



\$1.70 per month average household increase
Proposed Maximum Ag Charge at 25% of Zone W-8 M&I; Staff offered alternative at 10% of Zone W-8 M&I or \$34.15/AF

FY 2022: South County W-8 Proposed Maximum Charges

Zone W-8 (South County) Uvas / Chesbro	Dollars Per Acre Foot			% Change FY22 vs FY21
	FY 2019–20	FY 2020–21	Maximum Proposed FY 2021–22	
Basic User/Groundwater Production Charge				
Municipal & Industrial	481.00	327.00	341.50	4.4%
Agricultural	28.86	28.86	85.38	195.9%
Surface Water Charge				
Surface Water Master Charge	37.50	37.50	41.10	9.6%
Total Surface Water, Municipal & Industrial*	518.50	364.50	382.60	5.0%
Total Surface Water, Agricultural*	66.36	66.36	126.48	90.6%

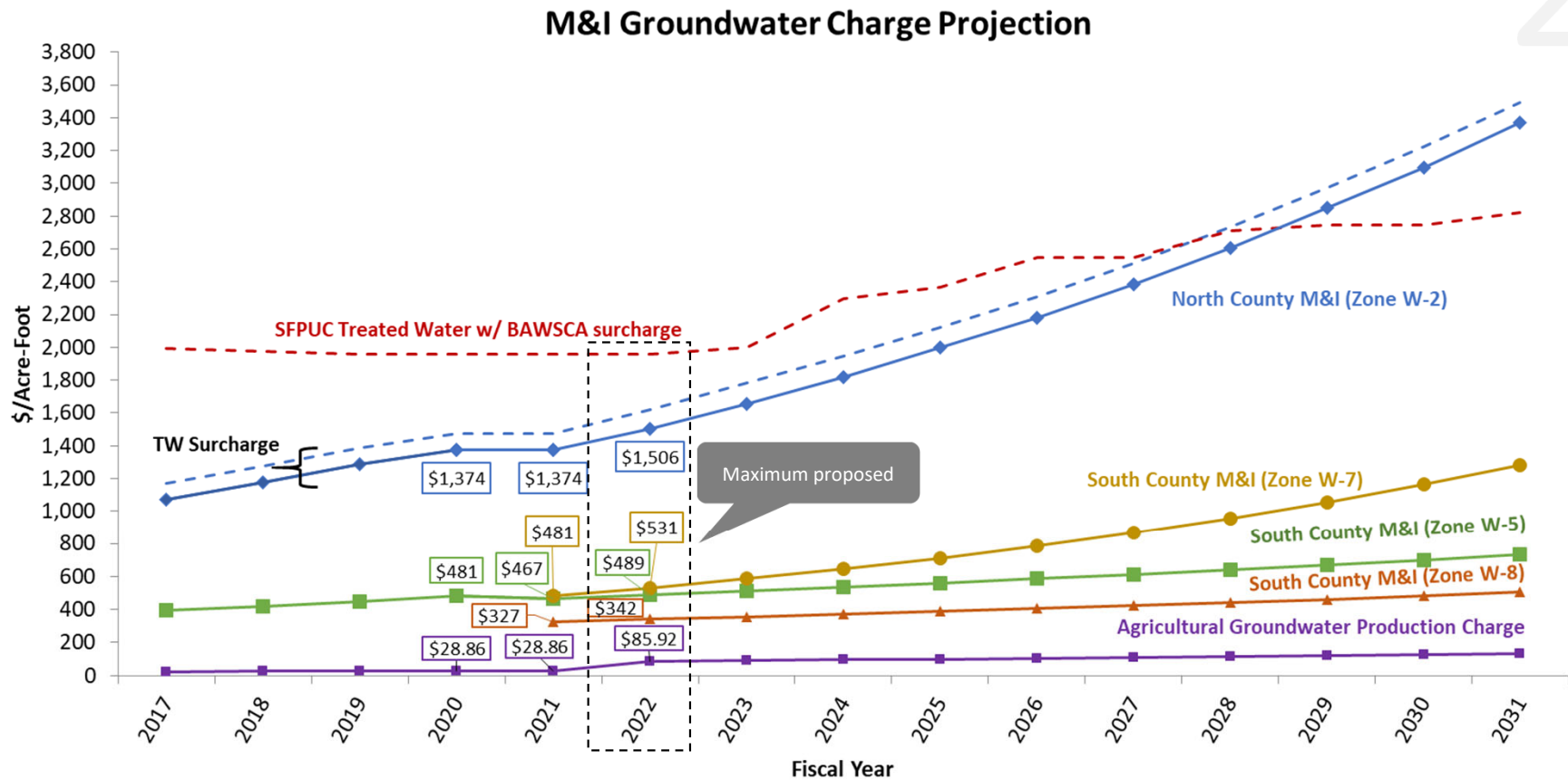


* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



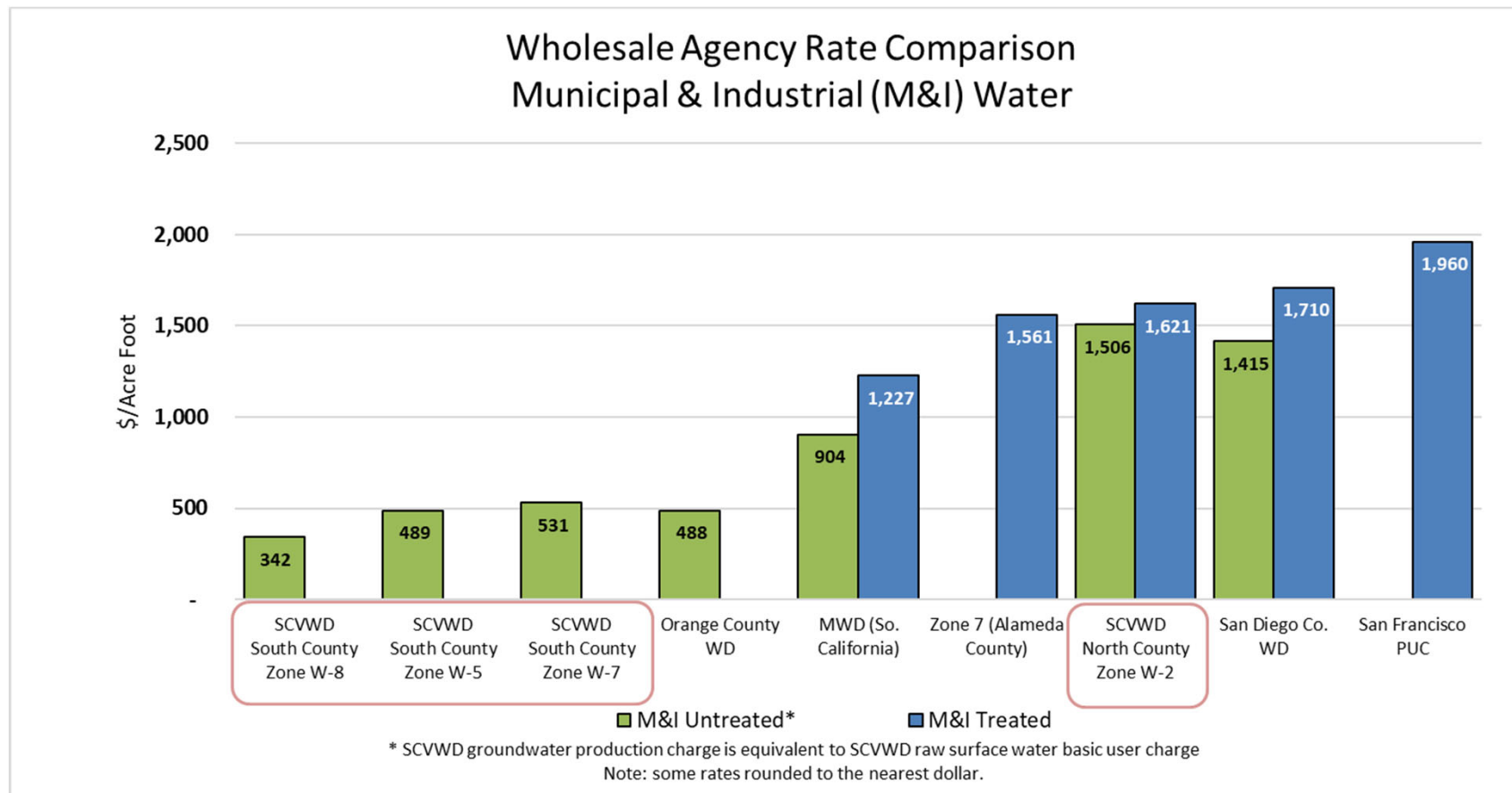
\$0.50 per month average household increase
Proposed Maximum Ag Charge at 25% of Zone W-8 M&I; Staff offered alternative at 10% of Zone W-8 M&I or \$34.15/AF

Groundwater Production Charge Projection



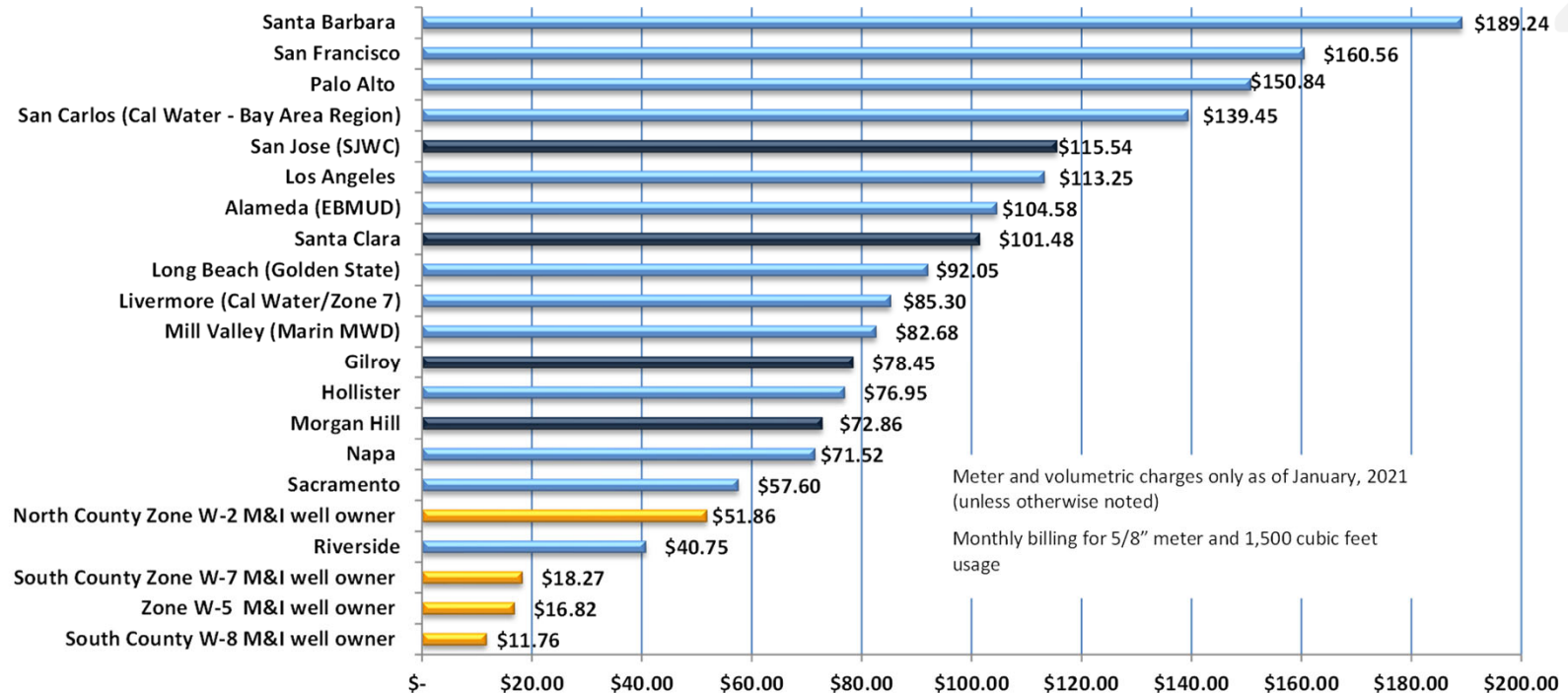
Rates shown rounded to nearest dollar.

Wholesale Agency Rate Comparison



Valley Water FY 22 Proposed Maximums shown versus FY 21 comparator rates

Retail Agency Benchmarks



Notes:

- SCVWD retailer rates shown include proposed maximum increase for FY22, but do not include increases that retailers may impose
- Well owner rates exclude pumping costs (e.g. electricity) and well maintenance costs

Agricultural Benchmarks

Agency (As of March 2021)	Ag \$/AF	Non-Ag \$/AF	Ag as % of Non-AG
San Benito Groundwater (Quality issues)	\$13.15	\$39.40	33%
Modesto ID Untreated SW (\$2/AF for first 2 AF)	\$2.00 to \$40.00	N/A	
SCVWD South Groundwater Zone W-5	\$85.38	\$488.50	18%
Zone W-7		\$530.50	16%
Zone W-8		\$341.50	25%
Merced ID Untreated SW	\$50.00	N/A	
SCVWD South Untreated SW Zone W-5	\$126.48	\$529.60	24%
Zone W-7		\$571.60	22%
Zone W-8		\$382.60	33%
Merced ID Groundwater	\$150.00	N/A	
Lost Hills Untreated SW	\$170.16 to \$269.29	N/A	
Zone 7 Untreated SW	\$182.00	N/A	
Westlands WD Pressurized	\$300.78	\$957.13	31%
San Benito Pressurized	\$305.45	\$455.45	67%

Alternative Groundwater Charge Increases

M&I Groundwater Charge Year to Year Growth % No Pacheco

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
South County Zone W-5	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
South County Zone W-7	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
South County Zone W-8	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%

Est. Monthly Impact to Average Household

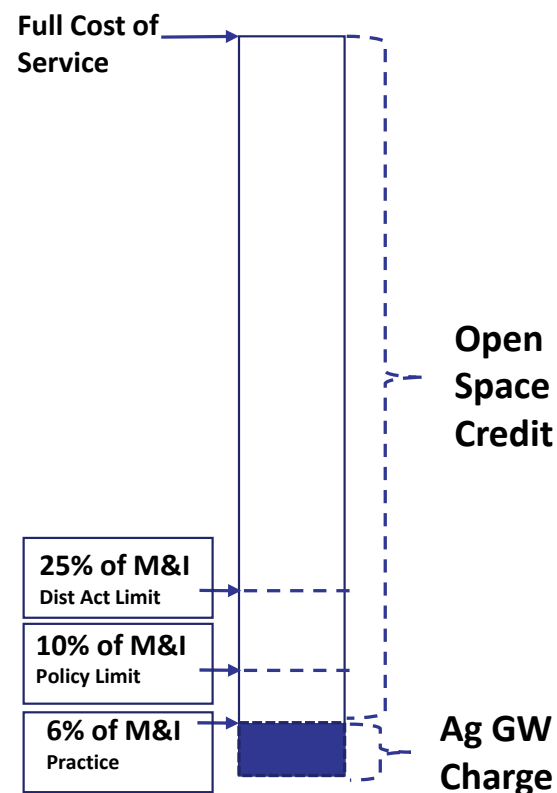
M&I Groundwater Charge – Monthly Impact to Average Household No Pacheco

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
South County Zone W-5	\$0.61	\$0.63	\$0.66	\$0.68	\$0.71	\$0.74	\$0.76	\$0.79	\$0.82	\$0.85
South County Zone W-7	\$1.34	\$1.45	\$1.57	\$1.70	\$1.83	\$1.98	\$2.14	\$2.31	\$2.50	\$2.70
South County Zone W-8	\$0.50	\$0.52	\$0.54	\$0.56	\$0.59	\$0.61	\$0.64	\$0.67	\$0.70	\$0.73

Open Space Credit Policy

What is the Open Space Credit (OSC)?

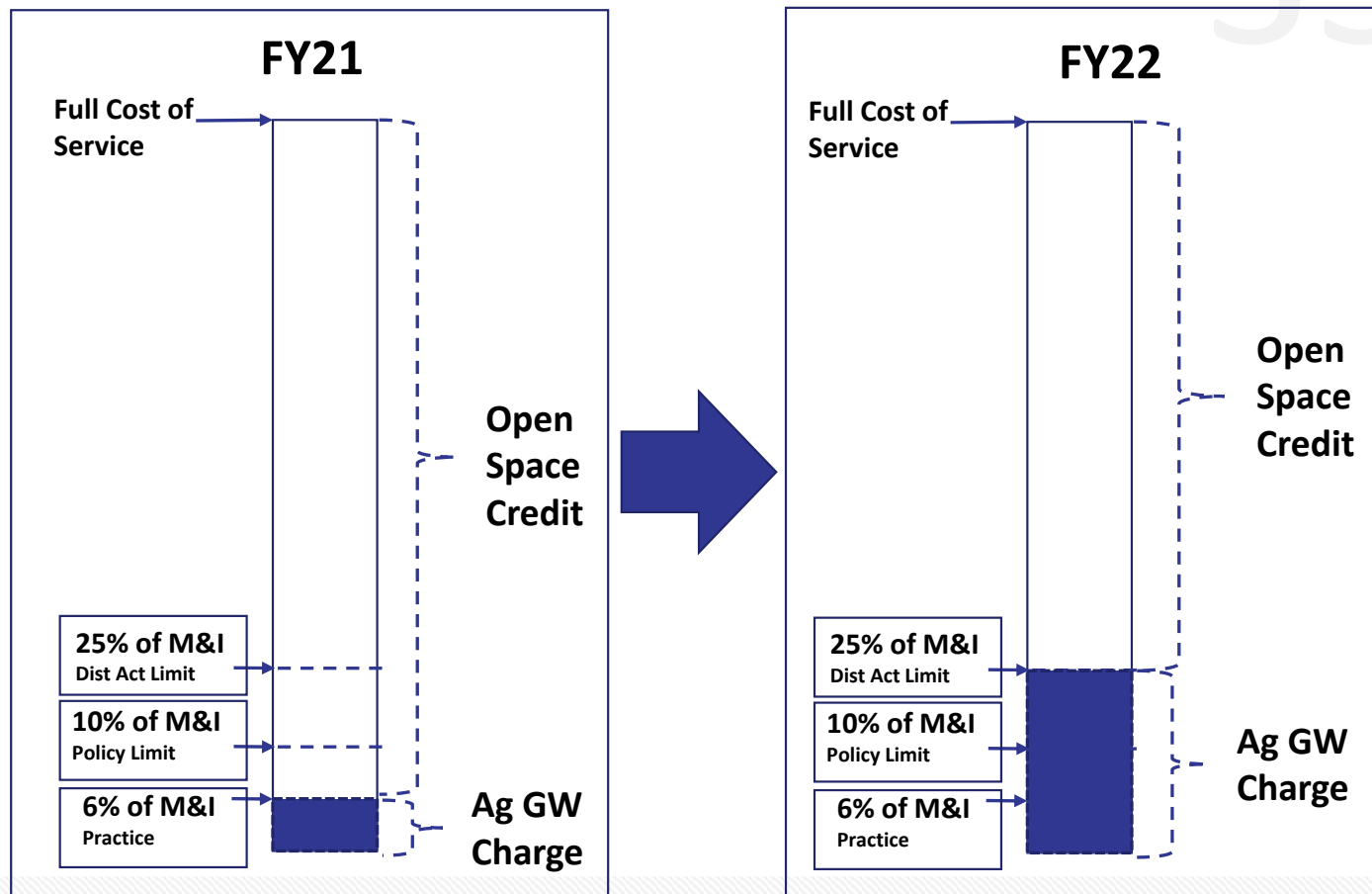
- **Formal definition:** “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”
- **Applies to agricultural water users only, not to all open space**



Background on Board Direction Related to Agricultural Rates

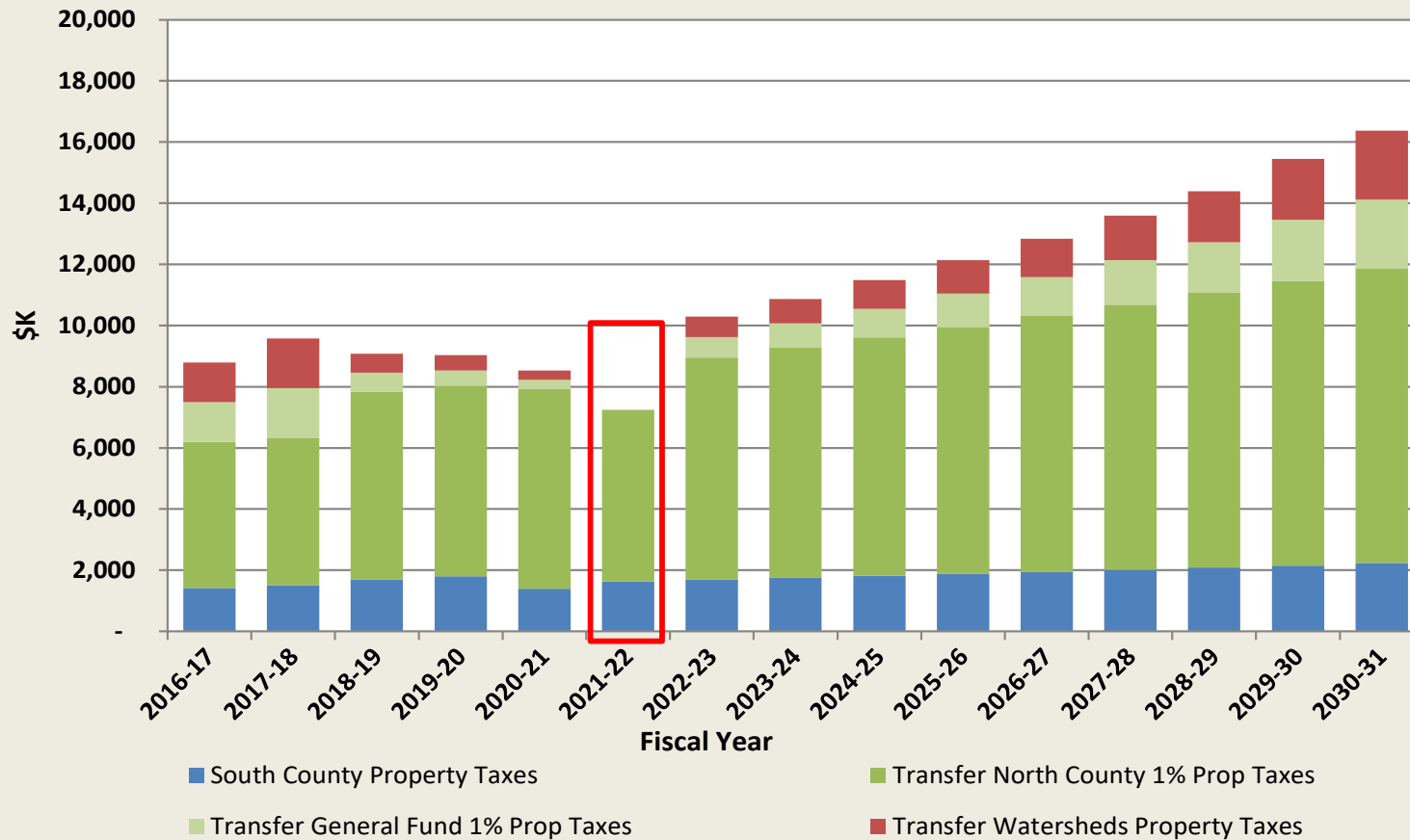
- Board direction in April 2019 to eliminate discretionary portion of Open Space Credit by FY22

- After 2-year period in which coalition would pursue alternative revenue source
- Would require update to Pricing Policy which currently limits Ag Charge to 10% of M&I Charge



Open Space Credit Projection

Ag Charge at 25% of Zone W-8 M&I

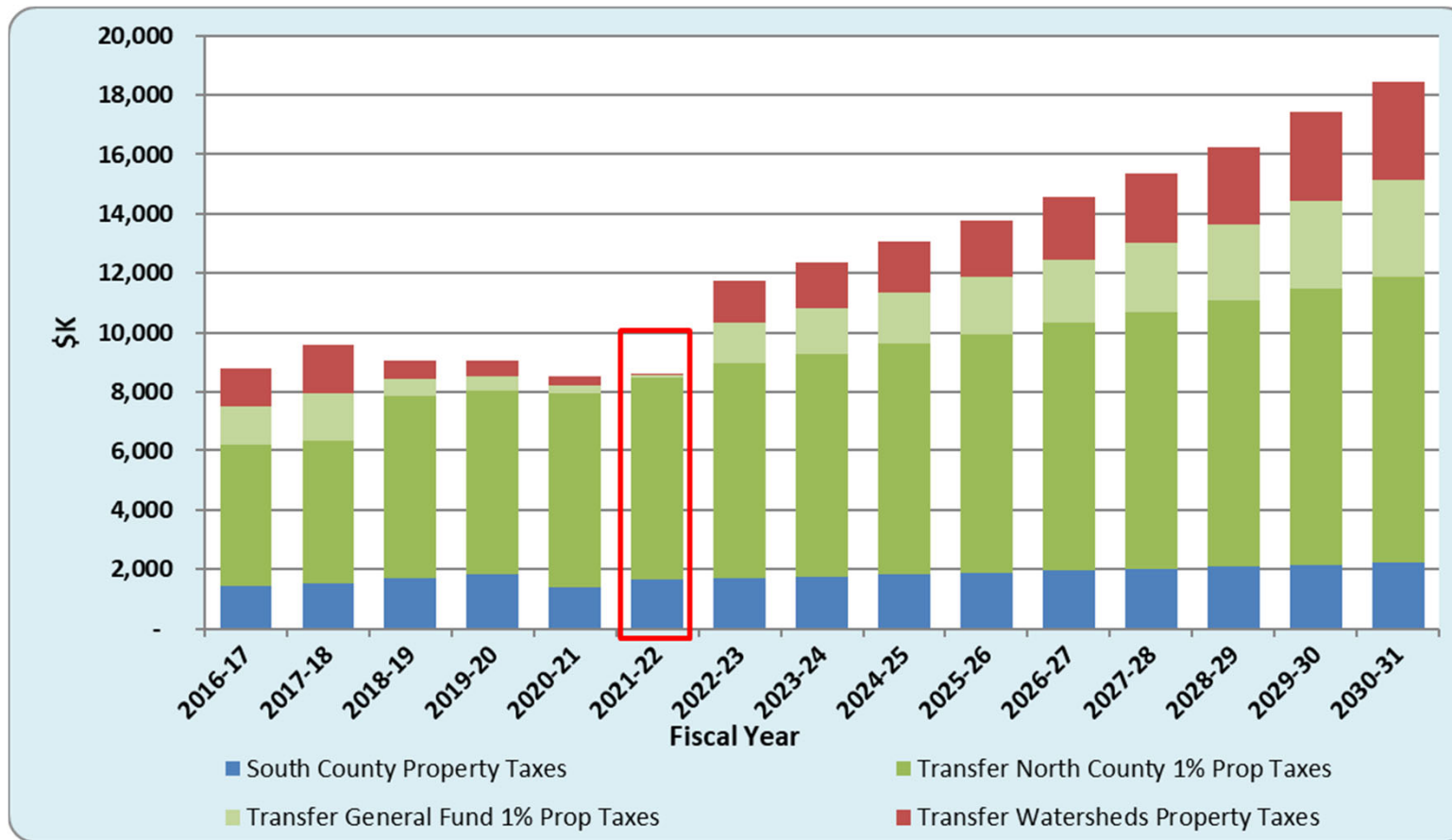


**\$24.2M Total 10-year
OSC Transfers**

valleywater.org

Open Space Credit Projection

Ag Charge at 10% of Zone W-8 M&I



10-year OSC
Transfer Total

10%	\$39.9M
25%	<u>\$24.2M</u>
Diff.	\$15.7M

valleywater.org

Schedule & Wrap Up

2022 Schedule

Jan 4	Ag Water Advisory Committee
Jan 12	Board Meeting: Preliminary Groundwater Charge Analysis
Jan 20	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
Jan 20	Water Commission Meeting: Prelim Groundwater Charge Analysis
Feb 9	Board Meeting: Budget development update & Set time & place of Public Hearing
Feb 26	Mail notice of public hearing and file PAWS report
Mar 17	Water Retailers Meeting: FY 22 Groundwater Charge Recommendation
Mar 23	Board Meeting: Budget development update
Apr 5	Ag Water Advisory Committee
Apr 6	Landscape Committee Meeting
Apr 13	Open Public Hearing
Apr 14	Water Commission Meeting
Apr 15	Continue Public Hearing in South County
Apr 19	Environmental & Water Resources Committee
Apr 27	Conclude Public Hearing
Apr 28-29	Board Meeting: Budget work study session
May 11	Adopt budget & groundwater production and other water charges

Feedback from Advisory Committees and Community

- ▶ **Water Commission**
- ▶ **Public Phone Calls**

Summary and Next Steps

Summary

- Groundwater Production Charge projection driven by drought preparation, water supply reliability investments and infrastructure repair & replacement
- Proposed Maximum FY 22 Groundwater Projection Charges for South County in terms of average household increase are:
 - Increase of \$0.74 per month in Zone W-5
 - Increase of \$1.70 per month in Zone W-7
 - Increase of \$0.50 per month in Zone W-8

Next Steps

- Continue Public Hearing on April 27th
- Obtain Feedback from Environmental & Water Resources Committee



Valley Water

Clean Water • Healthy Environment • Flood Protection

valleywater.org

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

REPORT OF THE DIRECTOR OF THE BUREAU OF THE CENSUS
ON THE RESULTS OF THE CENSUS OF 1900

PASSED AND ADOPTED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF ALBANY, N.Y., AT A REGULAR MEETING HELD AT THE COURTHOUSE, ALBANY, N.Y., ON THE 10TH DAY OF JANUARY, 1901.

ALBANY: DIRECTOR OF THE BUREAU OF THE CENSUS
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