



Santa Clara Valley Water District

File No.: 22-0551

Agenda Date: 5/10/2022

Item No.: 2.11.

BOARD AGENDA MEMORANDUM

SUBJECT:

Resolutions Approving and Adopting the Fiscal Year 2022-23 Operating and Capital Budget, Providing for Levy of Ad-Valorem Property Taxes, and Authorizing the Transfer of Funds from Special Purpose Funds and Making Certain Determinations in Connection Therewith, in a Not to Exceed Amount of \$23 Million in FY 2022-23 to Fund Emergency Water Purchases and Drought Related Expenses; and, Approval of Santa Clara Valley Water District Reserve Policy.

RECOMMENDATION:

- A. Discuss and adopt the Resolution APPROVING AND ADOPTING THE OPERATING AND CAPITAL BUDGET FOR FISCAL YEAR 2022-2023;
- B. Discuss and adopt the Resolution PROVIDING FOR LEVY OF AD VALOREM REAL PROPERTY TAXES IN FISCAL YEAR 2022-23 TO MEET THE COST OF ITS WATER SUPPLY CONTRACT WITH THE STATE OF CALIFORNIA;
- C. Discuss and adopt the Resolution AUTHORIZING THE TRANSFER OF FUNDS FROM SPECIAL PURPOSE FUNDS AND MAKING CERTAIN DETERMINATIONS IN CONNECTION THEREWITH, in a not to exceed amount of \$23 million in Fiscal Year 2022-23 to fund emergency water purchases and drought related expenses; and,
- D. Approve the Santa Clara Valley Water District (Valley Water) Reserve Policy.

SUMMARY:

In accordance with the District Act, Section 20. Adoption of Budget, after conclusion of the public meeting(s) to hear comments from the general public on the proposed budget, the Board shall by Resolution adopt the budget as finally determined including any revisions that the Board determines advisable during or after the meeting(s) and no later than June 30 of each year.

Throughout the Fiscal Year 2022-23 (FY23) budget process, staff provided numerous budget development updates for the Board and the public. The FY23 budget proposal is consistent with the Board's direction given to staff at those meetings. Therefore, staff recommends Board approval of the Resolution Approving and Adopting the Santa Clara Valley Water District Operating and Capital Budget for Fiscal Year 2022-23. A copy of the resolution will be included in a supplemental agenda memo on May 6, 2021.

In addition, in order for Valley Water to receive funds to pay for the contract costs of water importation from the State of California, staff recommends approval of the Resolution to Provide for a Levy of Ad-

valorem Real Property Taxes in Fiscal Year 2022-23. A copy of the resolution will be included in a supplemental agenda memo on May 6, 2022.

In response to the drought that is expected to continue in FY23, and potential water supply limitations related to imported water, staff recommends approval of the Resolution Authorizing the Transfer of Funds from Special Purpose Funds and Making Certain Determinations in Connection Therewith. Approval of this resolution will allow staff to utilize funds from the Special Purpose Funds, which includes the Supplemental Water Supply Reserve and the Drought Reserve, to purchase emergency water supply, pursuant to the Water Utility Parity Master Resolution (Resolution No. 16-10, as amended), in an amount up to \$23 million which is the total balance currently budgeted in these Reserves. A copy of the resolution will be included in a supplemental agenda memo on May 6, 2022.

Staff recommends approval of the Valley Water Reserve Policy. The Valley Water Reserve Policy will be included in the final summary budget document as has been the case in past years. A copy of the Reserve Policy will be included in a supplemental agenda memo on May 6, 2022.

The transmittal letter for the FY 2022-23 Budget will be included in a supplemental agenda memo on May 6, 2022.

The final summary budget document will be available on the Valley Water website by June 30, 2022.

A supplemental agenda memo including attachments will be forthcoming on May 6, 2022.

ENVIRONMENTAL JUSTICE IMPACT:

Valley Water acknowledges that disadvantaged communities are disproportionately impacted by the effects of drought and currently provides the Low-Income Water Rate Assistance Program to help low-income households pay their water bills. The development of Valley Water's budget is accomplished in an open transparent process providing opportunity for public input into the decision-making process. To ensure meaningful awareness of Valley Water's budget and engagement in the decision-making process, public hearings are noticed in county newspapers in various languages, including English, Spanish, Chinese, and Vietnamese. The FY23 budget process included over nine (9) open session discussions so far this year, supported by the online budget simulation tool, providing the public significant opportunity for input.

FINANCIAL IMPACT:

Currently, the proposed FY 2022-23 Operating and Capital Budget includes a net expenditure budget appropriation of \$916.0 million which is comprised of Capital Outlays totaling \$462.8 million and Operating Outlays of \$568.2 million minus Intra-District Reimbursements of \$115.0 million. The FY 2022-23 Operating and Capital Budget also includes a \$25 million transfer from the Watershed Stream Stewardship fund (Fund 12) to the Water Utility Enterprise Fund (Fund 61) and a \$13 million reduction of the Water Utility Enterprise Rate Stabilization Reserve to help minimize water rate impacts due to the severe drought.

Adoption of the Resolution to Provide for a Levy of Ad-valorem Real Property Taxes in FY 2022-23 enables Valley Water to receive funds in the amount of \$27 million to pay for the contract costs of water importation from the State of California.

Adoption of the Resolution Authorizing the Transfer of Funds from Special Purpose Funds in FY 2022-23 enables Valley Water to draw down up to \$23 million from special purpose reserves for emergency water purchases and drought related expenses, and to count the draw down as supplemental revenue for purposes of the debt service coverage ratio calculation. Of the \$23 million, a \$2.6 million draw down of the Supplemental Water Supply Reserve, and a \$10 million draw down of the Drought Contingency Reserve have already been incorporated in the FY 2022-23 Operating and Capital Budget. Should it be needed, staff will bring a budget adjustment for Board approval to request any further draw down of the special purpose reserves in FY 2022-23.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably, foreseeable indirect physical changes in the environment.

ATTACHMENTS:

Handout 2.6-A: Dr. J. Michael

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068

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