

CEO BULLETIN



To: Board of Directors
From: Rick L. Callender, CEO

Weeks of April 22 – May 5, 2022

Board Executive Limitation Policy EL-7:

The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

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1. Fee Reduction for U.S. Bank Line of Credit

On April 29, 2022, Valley Water closed on an amendment to the revolving line of credit with U.S. Bank and reduced the fee structure applicable only to U.S. Bank. The amended fee structure is in line with current market rates for bank lines of credit, which has declined since Valley Water originally set up the facility in 2020, when rates were higher due to the then emerging COVID-19 pandemic. The fee structure applicable to the three small local community banks was not affected to ensure their continued participation levels. The overall revolving lines of credit ("Revolver") capacity remain the same at \$170 million and the credit allocations remain the same: (1) U.S. Bank \$150 million; (2) Bank of San Francisco \$7 million; (3) Community Bank of the Bay \$5 million; and (4) First Foundation Bank \$8 million.

The amended Revolver has a three-year term through April 29, 2025, with renewal options pursuant to Board Resolution 20-11 adopted by the Valley Water Board on April 28, 2020. The anticipated cost savings over the next three years is estimated to range between \$378,000 to \$3.9 million, depending on the draw status against the Revolver and market conditions. This credit facility ensures that Valley Water will have ample liquidity to continue funding ongoing capital projects, meet general financing needs and provide a financial buffer against the ongoing economic uncertainties related to the COVID-19 pandemic as well as global geopolitical risks.

For further information, please contact Darin Taylor at (408) 630-3068.

2. Permanente Flood Protection Project Letter of Map Revision Update

Valley Water, the County of Santa Clara, and the cities of Mountain View, Los Altos and Cupertino jointly filed a Letter of Map Revision (LOMR) application with the Federal Emergency Management Agency (FEMA) on April 18, 2022 to change the FEMA 100-year floodplain area to reflect the recently-completed flood protection projects on Permanente Creek.

A LOMR is FEMA's vehicle for changing their Flood Insurance Rate Maps (FIRM). Parcels located within the 100-year floodplain on the FIRM are required to purchase flood insurance if they carry federally-backed loans. It is estimated that up to 1,000 parcels will be removed from the FEMA floodplain.

Unfortunately, to correct an error in the FEMA map that is currently effective, two properties along the Permanente Diversion channel will also be added to the 100-year floodplain. After the LOMR filing, the FEMA review and appeals process occurs. Currently, notice letters for any property that will experience a change to their floodplain, (where "change" is defined as any change, even a small shift in the floodplain that may not impact any structures) are being sent out in coordination with Valley Water's Public Information Office. Subsequent to the review appeals process, the revised FIRM maps would then become effective. The process is expected to take approximately 12 to 18 months, but could be longer if additional review rounds are needed, and/or if valid appeals to the proposed FIRM are received from the community.

After the LOMR becomes effective, additional community outreach will be conducted to notify all properties that will be removed from the floodplain to inform them of the map change and the next steps required to remove the insurance requirement. Similar outreach has been conducted for the Lower Silver Creek LOMR.

For further information, please contact John Bourgeois at (408) 630-2990.

3. State Water Resources Control Board Issues Livestock Stockpond Certificates

Valley Water acquired mitigation property at Upper Penitencia Creek and Rancho Cañada de Pala in December 2014 and December 2015, respectively. These properties collectively contain a total of 14 stockponds. Upon acquisition of the property, Valley Water inherited three water right licenses and six certificates that cover 10 stockponds. These stockponds had been allotted water rights totaling just over 54 acre-feet.

In 2019, registration documentation was submitted to the State Water Resources Control Board for the remaining four stockponds. On April 19, 2022, the State Water Resources Control Board issued four livestock stockpond water right certificates to Valley Water and appropriated a total of 0.48 acre-feet in water rights.

For further information, please contact Greg Williams at (408) 630-2867.

4. Varela

Staff to respond to Margaret's public comment during 4/12/22 meeting asking how Valley Water is managing North County requests for new wells in neighborhoods already served by Valley Water.

R-22-0005

At the April 12, 2022 Valley Water Board Meeting, during public comment a constituent named Margaret asked how Valley Water manages North County requests for new wells in neighborhoods already served by Valley Water. Margaret did not provide any contact information, but a response is provided below for the Board's information and to support future inquiries.

Valley Water typically receives very few applications for new water supply wells in areas served by water retailers, such as North County. Valley Water issues permits for all new wells in Santa Clara County and manages groundwater for beneficial uses but does not directly serve water to neighborhoods or businesses. Valley Water reviews all well permit applications to determine if the proposed well construction conforms with State and Valley Water well standards and regulations. Valley Water also verifies the proposed well location has been approved by the Santa Clara County Department of Environmental Health. Drilling contractors must determine if the proposed well site can provide adequate access for drilling equipment to construct the proposed well, especially in residential neighborhoods.

For further information, please contact Greg Williams at (408) 630-2867.

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