

CEO BULLETIN



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

Weeks of January 6 – January 19, 2023

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. Results of the Sale of Water Utility Debt Obligations

On January 19, 2023, Valley Water closed \$343 million of debt issuances for the Water Utility program. The financing was authorized by the Valley Water Board of Directors at its November 8, 2022, regular Board meeting.

The debt proceeds were used: (1) to refund outstanding short-term debt of \$134M; (2) as new project funds of \$207M; and the remainder were used to fund costs of issuance and capitalized interest accounts. Valley Water received AA+ and Aa1 credit ratings from Fitch and Moody's, respectively. The debt was sold in a competitive sale, with a total of nine bids submitted for the tax-exempt debt and six bids submitted for the taxable debt. The debt was sold to the lowest cost bidders: Morgan Stanley & Co. LLC (tax-exempt debt) and Citigroup Global Markets Inc. (taxable debt). Valley Water achieved very favorable pricing with an aggregate, all-in true interest cost of 4.13% vs. 4.40% estimated in the November 8, 2022 Board Agenda Memo and achieved total debt service savings of approximately \$14 million. The successful transaction was a result of the Board's strong leadership and a fiscally prudent executive management team.

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

2. Safe, Clean Water Grants Application Period Open From January 11 - March 10, 2023

Valley Water launched the 2023 Safe, Clean Water grants application cycle on January 11, 2023 by posting the 2023 Standard Grant Guidelines on valleywater.org/grants, opening the online application process, and widely promoting the grant cycle. Applications are due by March 10, 2023.

Valley Water will host three virtual informational sessions to help applicants submit a competitive grant proposal. The virtual informational sessions will take place on the following dates and times:

- January 25, 2023 from 1 - 2:30 p.m.
- February 2, 2023 from 6 - 7:30 p.m.
- March 1, 2023 from 10 - 11:30 a.m.

For the Fiscal Year 2023 (FY23) grant cycle, up to \$1.4 million in total funding is available, with no minimum or maximum for projects that fit into the following categories:

- Water Conservation Research
- Pollution Prevention
- Volunteer Cleanup Efforts and Education
- Wildlife Habitat Restoration
- Access to Trails and Open Space

Applicants are eligible for bonus points for demonstrating financial stability, implementing projects that serve disadvantaged communities, and groups applying for the first time.

Valley Water is promoting the FY23 grants cycle opportunity through a promotional video, press release, blog post, social media posts, Nextdoor posts, stakeholder emails and more. Valley Water is also conducting proactive outreach to reach new prospective applicants and organizations that serve disadvantaged communities.

Grant applications will be evaluated by a review committee using approved evaluation criteria. Valley Water will make recommendations based on the approved grant funding allocation matrix to its Board of Directors in May 2023 for final determination on projects awarded funding.

For more information about the grant award process, eligibility criteria, minimum qualifications, how to apply, or to register for one of the virtual informational sessions, visit valleywater.org/grants.

For further information, please contact Valley Water's Grants Team at grants@valleywater.org or (408) 630-2080.

3. Water Management Agreements Executed in December 2022

Pursuant to EL-5.1.6 and EL-5.3.3, the CEO is required to inform the Board on a timely basis when imported water management agreements are executed. The imported water management agreements executed in December 2022 are listed below:

- December 21, 2022 - Amendment (#A3441W) to the 2011 agreement between Valley Water and San Benito County Water District (SBCWD) for the exchange and banking of water in Semitropic Water Storage District: Provides an extension to the 2011 agreement from December 2021 to December 2027.

For further information, please contact Vincent Gin at (408) 630-2633.

4. Waterline Leak at Lower Calera Creek Flood Protection Project

As part of the Lower Calera Creek Flood Protection Project, Valley Water coordinated with the City of Milpitas on replacement of a section of City owned and operated 12-inch diameter waterline. The waterline spans beneath the creek where the project was making improvements. Milpitas reviewed and approved the plans for the waterline replacement work, which was completed in July of 2022. On December 9, 2022, a water leakage occurred at the location where the waterline replacement work took place. Valley Water quickly coordinated with Milpitas to turn off the water and investigate the source of the leak. Valley Water is currently working on engineering solutions to address the waterline leak and will continue to coordinate with Milpitas on a preferred path forward.

The Lower Calera Creek Flood Protection Project was scheduled to be completed by the end of January 2023, but it is now anticipated that the repair of the waterline will exceed the original schedule. Costs associated to repair the waterline leak are yet to be estimated. Valley Water will be negotiating the repair costs with the contractor as well as the cost sharing with Milpitas and bring forth any agreements or amendments as needed for consideration by the Board of Directors.

For further information, please contact Bhavani Yerrapotu at (408) 630-2735.

5. **Beall**
Recurring Report on Personnel Vacancies
R-22-0012

Valley Water strives to attract, develop, and retain a talented and diverse workforce. Valley Water aims to recruit employees from diverse, cultural, and professional backgrounds and promotes high performance, diversity, and equal employment opportunities. Additionally, Valley Water values Excellence in Innovation, Integrity, Transparency and Teamwork. The agency's goal is to cultivate career pathway opportunities through Workforce Development Programs.

The following information provides information on our staffing levels as of January 19, 2023.

Valley Water Staffing Levels:

- 909 - Total Positions
- 848 - Number of positions filled
- 61 - Total Vacant positions
- 7% Current Vacancy Factor

This staffing information will be provided as a CEO Bulletin on a monthly basis moving forward.

For further information, please contact Patrice McElroy at (408) 630-3159.

6. **Eisenberg**
Director Eisenberg requests the following information from the Office of District Counsel during the time period June 1, 2021 to December 16, 2022:

- engagement letters
- invoices
- paid bills
- amounts paid/outstanding
- budget estimates for all outstanding litigation as well, including responsive motions, discovery, and trial

I-22-0007

Because the records requested include information that is confidential or privileged, in whole or in part, as attorney-client privileged communications, attorney work-product, confidential personnel records, or under other legal doctrines, the full response to the IBMR is being provided in a confidential communication from counsel dated January 13, 2023.

For further information, please contact Carlos Orellana at (408) 630-2755.

7. **Beall**
Through BMR 1-23-0001, Director Beall asked, "Do we have boundaries when debris flows out to the bay? Who is responsible for clean up of that debris?"
I-23-0001

The response for I-23-0001 is included in the Board's January 20, 2023 Non-Agenda package.

For further information, please contact Rechelle Blank at (408) 630-2615.

8. **Eisenberg**

**Role and scale of stormwater capture in reservoirs versus green stormwater infrastructure
I-23-0007**

Stormwater in the upper unurbanized area above the reservoir is captured by reservoirs, thereby providing water supply as well as some incidental flood risk reduction. Most stormwater in the lower urbanized areas runs off of rooftops, driveways, streets, parking lots, and other impervious surfaces into gutters and storm drain inlets which connect to a network of storm drain pipes owned by cities and the County that empty into local creeks carrying any pollutants the water has picked up along the way. Those creek waters ultimately flow to the Bay.

Through the implementation of green stormwater infrastructure and low impact development, more and more stormwater in the urbanized area is being infiltrated into the ground or otherwise filtered and treated before being slowly released to the storm drain system. These green infrastructure measures are designed to capture most storms which are much smaller in size than the more recent atmospheric rivers. Larger storms bypass these systems and flow directly to the storm drains. Most green stormwater infrastructure including rain barrels provides a very small benefit to water supply and flood control. The amount of rain captured by rain barrels and other green stormwater infrastructure would likely cumulatively amount to tens of acre feet per year, orders of magnitude smaller than reservoirs.

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

9. **Eisenberg**

**Pacheco Reservoir Expansion Project Flood Protection Clarification
I-23-0008**

All dams attenuate high flows from the watershed(s) feeding into their reservoirs, allowing for controlled flow releases at a later date to help prevent flooding as compared to the initial high flows that would have been experienced by the areas downstream of the dam. Because Valley Water's dams and reservoirs were constructed for ground water recharge, and not explicitly for flood protection, the flow attenuation, controlled releases, and flood protection benefit to the downstream areas is classified as incidental flood protection.

In 2017, this type of flood protection was experienced on Coyote Creek downstream of Anderson Dam. At that time, due to the Anderson reservoir flood attenuation, the estimated Anderson inflow 9,000 cubic feet per second (cfs) was reduced to 7,200 cfs downstream of the dam. Without the controlled flow release capability, the downstream flows would have been 9,000 cfs and would have caused much worse flooding in San Jose.

Similarly, an expanded Pacheco Reservoir would provide for flow attenuation, controlled releases, and incidental flood protection benefit to the flood prone downstream areas on Pacheco Creek. Over the past few weeks of January 2023, the maximum mean daily flow on Pacheco Creek at the United States Geological Survey (USGS) stream gage near Walnut Avenue peaked at 5,250 cfs and exceeded 1,000 cfs several times. Based on the hydrologic analysis presented in the Draft EIR, if the expanded reservoir had been in place, these mean daily flows within Pacheco Creek near Walnut Avenue would have been reduced 15 - 24% on average.

For further information, please contact Christopher Hakes at (408) 630-3796.

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