

## **DRAFT BOARD FISCAL YEAR 2017/18 BUDGET MESSAGE**

As we balance the needs and desires of the community along with the financial constraints that we face, there are several factors we have taken into consideration in formulating our priorities. The District's aging infrastructure requires maintenance and updating to ensure the systems are functioning for the public. We know that no matter how much rain we get, we won't be able to capture and store enough water to meet current and future demands unless we address our water delivery and storage systems. Further we recognize that our current infrastructure is vulnerable to climate change, drought, flooding, and rising sea levels. We must ensure that we consciously consider our carbon footprint and promote environmental stewardship projects, while ensuring that watershed planning efforts are advanced. Uncertainty continues to be a theme that many local governments face, and we are not exempt from uncertainty. As such, we are concerned about the uncertainty of receiving anticipated federal and state funding, obtaining regulatory permits in a timely manner, and engaging in succession planning to prepare for expected retirements, because of a mature and aging workforce.

The items that the Policy and Planning Committee (Committee) are proposing to be included in the Fiscal Year 2018 (FY 2018) budget message are intended to be the Board's urgent priorities, but are not exclusive of important priorities which are still necessary to achieve. The Committee understands that some non-urgent priorities may need to be slowed or stalled for the time being, shifting resources to concentrate on these urgent items. We will look to management to identify what efforts will fall into this category as part of the budget process. We expect the budget brought to the Board will reflect our guidance and be a fiscally responsible, balanced budget that meets the community's expectations of the District.

Therefore, the Committee is recommending that the Board consider and adopt the following budget message, which will detail the Board's budget priorities and will equate to direction to staff so that a budget can be developed, and delivered, for the Board's consideration.

The Policy and Planning committee is recommending the following ten urgent priorities for the FY 2018 budget, and these are not in order of priority.

1. Make key decisions regarding the California WaterFix
2. Prioritize the care of our District facilities and assets
3. Advance the District's interest in Countywide stormwater resource planning
4. Provide for a watershed-wide regulatory planning and permitting effort
5. Foster a coordinated approach to environmental stewardship efforts
6. Advance the Anderson Dam Seismic Retrofit Project
7. Advance recycled and purified water efforts with San José and other agencies
8. Finalize the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)
9. Actively pursue efforts to increase water storage opportunities
10. Advance diversity and inclusion efforts

## **1. Make Key Decisions Regarding the California WaterFix**

As part of the budget process, the Board directs staff to include all resources necessary to ensure that the Board is able to consider the best possible result and outcome for Silicon Valley if we are to participate in the WaterFix.

We know that Board decisions regarding the District's participation in the next phase of the California WaterFix are anticipated in 2017. We are clear that the timing for our decisions are predicated on the Record of Decision and Notice of Determination by the State and Federal Government and on staff's analysis of the benefits of District's participation in the project.

As such, the Board is directing staff in FY 2018, or as soon as critical participation information is available, to present to the Board an analysis and recommendation on the District's level of participation in project funding, including funding for initial design work and support for other associated costs. Further, depending on the ultimate decision in participating, the Board expects to possibly consider many decisions relative to the WaterFix, such as design-construction oversight agreements and a potential Joint Power Authority agreement. We expect other important information to be provided including updates on federal biological opinions that will govern project operation, updates on the State Water Resources Control Board's water rights deliberations, updates on any WaterFix legal matters, updates on the financing plan for the project, and an updated "business case" for District potential participation in the project, including costs that may be incurred and benefits that may be provided by participation.

## **2. Prioritize the Care of Our District Facilities and Assets**

Regarding the Winfield warehouse property, we understand that in FY17 there were four trailers set up for staff there. We ask that the FY 2018 budget include an independent evaluation of the property which can result in a report on the best use of the property. We expect to provide further direction after receiving the report on how to proceed.

Relative to surplus property, the Board understands that we have offered our surplus property to outside agencies and that none of the agencies has expressed interest in purchasing them. We hope to explore how to utilize these properties to address the homeless situation in Santa Clara County, or explore other beneficial uses in FY 2018.

The budget should include funding for workspace planning so that staff can return with recommendations for future planning over the upcoming years. Finally, relative to our District facilities we would like the budget to include maintenance to replace, repair and restore necessary dilapidated equipment, complete needed facility repairs and restore and protect our facilities.

## **3. Advance the District's Interest in Countywide Stormwater Resource Planning**

The budget should include continued funding to explore the District's role in countywide stormwater resource planning and management. This effort should identify stormwater and dry weather capture projects and programs that satisfy water management objectives and provide multiple benefits, including identifying opportunities to improve surface water quality; enhance habitat and open space; augment water supply; and/or use publicly owned lands and easements for stormwater capture.

#### **4. Provide for a Watershed-Wide Regulatory Planning and Permitting Effort**

The Board understands the challenges that the District is facing in obtaining permits for our projects. The FY 2018 budget should include continued funding to complete planning for a watershed wide look that will assist in expediting our permitting efforts and will provide for a better collaborative approach with regulatory agencies.

#### **5. Foster a coordinated approach to environmental stewardship efforts**

The District is a leader in environmental stewardship. These efforts, whether they relate to the Water Utility or Watersheds activities, should be coordinated under one division to maximize their positive impact. It is understood that such a consolidation of efforts will take time to phase in..

#### **6. Advance the Anderson Dam Seismic Retrofit Project**

As our largest reservoir, Anderson serves not just as a critical water supply facility, but also supports the District's mission of flood protection and environmental stewardship. Recently, the Anderson Dam Seismic Retrofit Project's scope has changed dramatically with the discovery of trace faults and other engineering issues related to the dam, which has significantly extended the estimated date for project completion.

Given Anderson's critical importance to ensuring safe, clean water and flood protection for our communities and to protect public safety, it is imperative that the Anderson Dam Seismic Retrofit Project move forward proactively while ensuring that the planned project achieves all the project's objectives. To that end, the budget should include adequate funding to advance this key project, and to increase the level of communication with the community and city councils to keep them informed of the project's progress. We understand that permitting for this project is both key to its completion and a potential regulatory hurdle, so the budget should reflect resources adequate to overcome any hurdles and improve timely issuance of permits.

#### **7. Advance Recycled and Purified Water Efforts with the City of San Jose and Other Agencies**

Given our previous direction to expedite purified water projects, and in light of the key role recycled and purified water will continue to play in the long-term sustainability of our county's water supplies, the execution of various Memoranda of Understanding (MOU) with appropriate agencies, to expand the use of non-potable and the production and use of advanced purified water, is a high priority. Key issues of land, treated wastewater quantity, and reverse osmosis (RO) concentrate management must be resolved with the City of San Jose before design and construction efforts for an expanded advanced purified water facility on Zanker Road can be pursued. In addition, it is expected that efforts to expand the use and availability of non-potable and advanced purified water with other agencies, both in north and south county, will increase in the next fiscal year.

The budgeted funding should be sufficient to ensure that staff can negotiate and resolve the key MOU items with the City of San Jose. The budget should also include funding to allow staff to continue to closely follow the evolution of Direct Potable Reuse (DPR) regulations, and conduct

an assessment of DPR feasibility as a future drought-proof component of the District's water supply portfolio. Finally, the budget should include adequate resources necessary to support recycled and purified water efforts with other agencies, in both north and south county.

## **8. Finalize the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)**

For almost 20 years, the District has been working to resolve a water rights complaint surrounding fish, wildlife, water quality, and other beneficial uses in Coyote Creek, the Guadalupe River, and Stevens Creek. We understand that the sheer scope of the actions involved in the resolution of the complaint--including filing water rights change petitions, preparing a Fish Habitat Restoration Plan and Environmental Impact Report and obtaining federal and state permits from several regulatory agencies--is large, but we believe that an adequately funded multi-disciplinary team can complete the planning, permitting, and other actions necessary to finalize resolution of the complaint.

Consequently, the budget should fund sufficient resources in order to finalize the FAHCE Settlement Agreement with all parties, and begin implementation of the FAHCE program. The budget should also include close coordination with other projects that tie into the FAHCE effort, such as the Anderson Dam Seismic Retrofit Project, so that any potential delays are avoided.

## **9. Actively Pursue Efforts to Increase Water Storage Opportunities**

Water storage capacity is an important tool for the District for capturing lower-value water for higher-value uses later. Such storage aids water supply, flood protection, and recreational uses and helps regulate downstream water quality and supply cold water flows for fish. As such, water storage is important for both human and environmental objectives and must fit within a large and diverse water and environmental portfolio.

The District has to be thoughtful and creative in exploring ways to increase our storage capacity, and the budget should reflect the Board's desire to evaluate, find and secure opportunities to increase our storage capacity in the coming fiscal year.

## **10. Advance Diversity and Inclusion Efforts**

We can't succeed without diversity in our ranks. By investing in diversity and inclusion, our employees feel respected and valued for who they are, therefore enabling them to bring far more of themselves to their jobs because they are required to suppress far less in order to better address the needs of the people of the Santa Clara County. Diversity and Inclusion efforts foster a pipeline for the development of our future workforce. These efforts include support for Science, Technology, Engineering and Math (STEM) programs, internship programs, our educational work with high schools and the Youth Stewardship Commission, all of which serve as an incubator for talent. The budget should include resources to continue ongoing programs and enhanced levels of resources, if necessary, for development of future workforce.