

Public Hearing

Groundwater Production & Other Water Charges

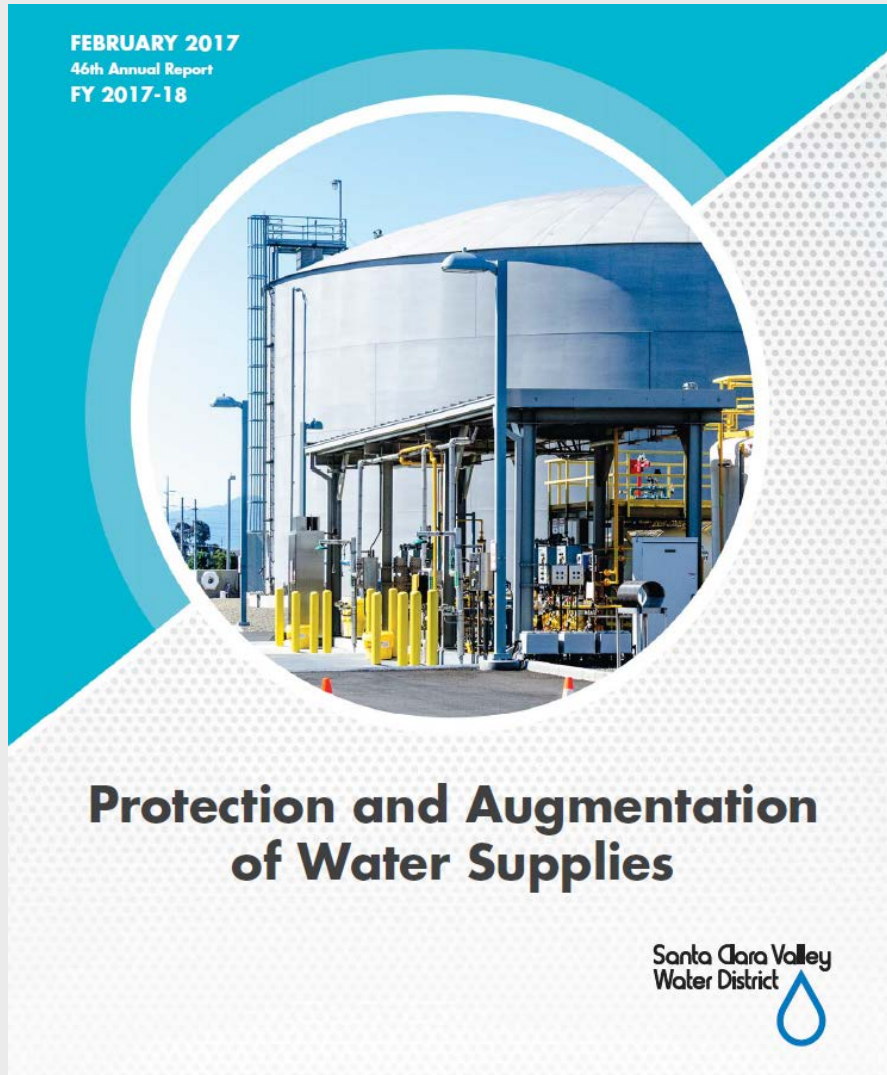
April 11, 2017



Public Hearing has Three Specific Objectives

1. Present annual report on Santa Clara Valley Water District'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 2017-18

46th Annual Report Provides Information, Accountability



2017 Protection and Augmentation of Water Supplies Report

www.valleywater.org

A comprehensive, flexible water system serves 1.9 million people



10 Reservoirs

393 acres of recharge ponds

142 miles of pipelines

3 water treatment plants

1 water purification center

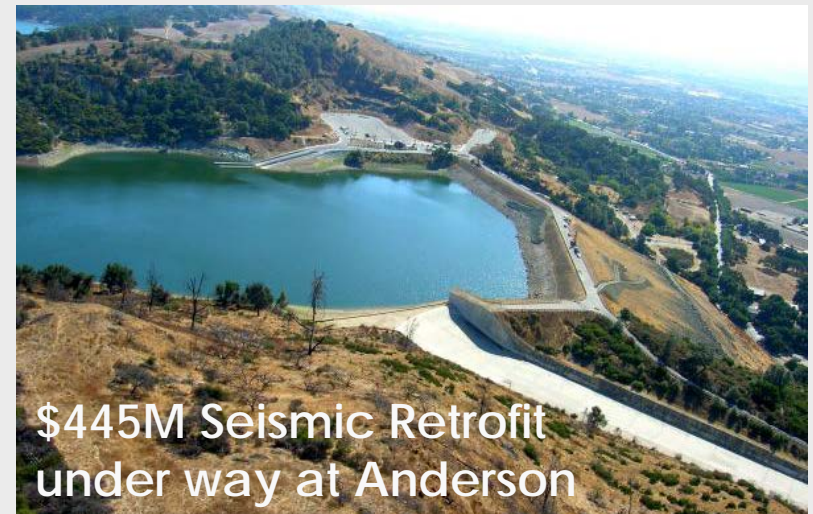
3 pump stations

\$7.1B system replacement value



Many activities ensure safe, reliable groundwater supplies

- ▶ Operate & maintain local reservoirs
- ▶ Purchase imported water
- ▶ Operate & maintain raw, treated & recycled water pipelines
- ▶ Plan & construct improvements to infrastructure
- ▶ Monitor & protect groundwater from pollutants



Topics For Today's Public Hearing

- ▶ Rate Setting Process
- ▶ FY 18 financial analysis and projections
 - ▶ Water Usage
 - ▶ Cost Projection
 - ▶ Proposed Maximum Groundwater Production Charges & Staff Proposed Adjustments
 - ▶ Benchmarks
 - ▶ State Water Project Tax
- ▶ Schedule/Wrap up

Rate Setting Process

District Act Defines Uses for Groundwater Charges

- ▶ **District Act Section 26.3:** Defines purposes of groundwater production charges that can be imposed on a zone of benefit
 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

Pricing Policy helps Optimize Use of Water Resources

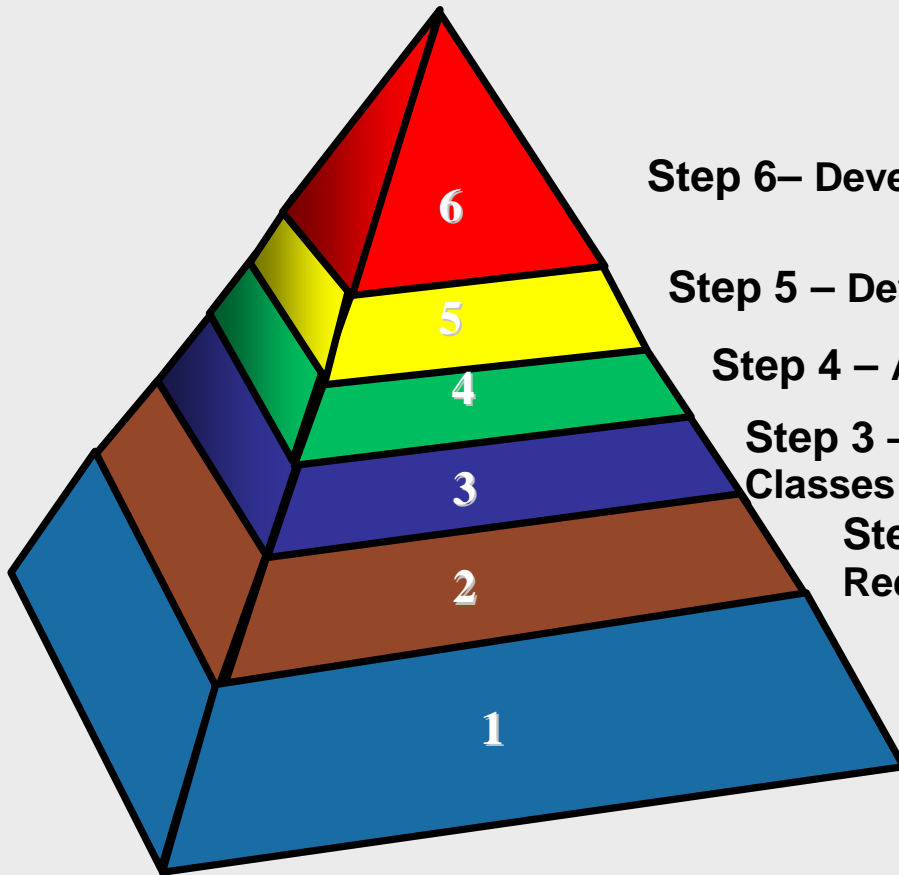
- ▶ **Resolution 99-21:** Utility taxing and pricing policy guides staff in the development of the overall structure to charge recipients for the various direct and indirect benefits received
- ▶ Key concept – “water supplies are managed, through taxing and pricing, to obtain the effective utilization of the water resources of the District...”

Objective: Maximize effective use of available resources

The Charge Setting Process is Consistent with Resolutions 12-10 and 12-11

- ▶ Meets the procedural and substantive requirements for establishing property related fees
- ▶ Includes cost of service analysis by customer class
- ▶ Includes protest procedure as defined in Board Resolutions 12-10 & 12-11
 - ▶ Prior Year Results North County = <1.7% for GW, 0% for SW
 - ▶ Prior Year Results South County = <0.3% for GW, 0% for SW

The District follows best practice rate making steps



Step 6– Develop Unit Rates by Customer Class

Step 5 – Develop Unit Costs by Customer Class

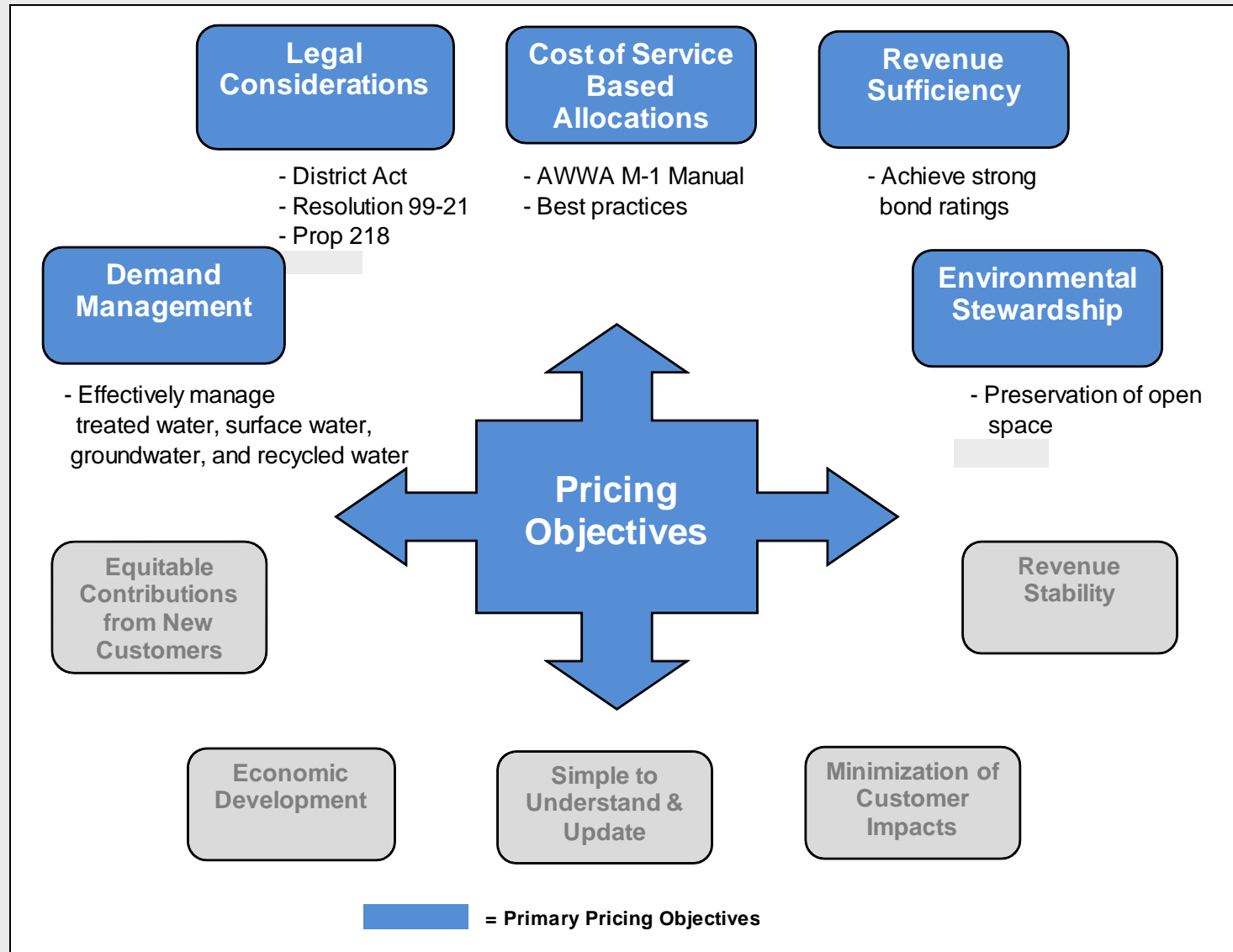
Step 4 – Allocate Offsets to Customer Classes

Step 3 – Allocate Costs to Customer Classes

Step 2 - Identify Revenue Requirements

Step 1 - Identify Utility Pricing Objectives and Constraints

Pricing Objectives and Constraints



FY 18 Financial Analysis and Projections

Financial Analysis: FY 18 Key Assumptions

California Water Fix (CWF):

- ▶ “Conveyance Pumping” Case included in Prelim Analysis
- ▶ State Water Project portion of CWF would be paid for by SWP tax in FY 19 & beyond
- ▶ Incremental SWP tax for average single family residence would be \$13/yr by FY 27

Expedited Purified Water:

- ▶ Costs assume a Progressive Design Build (PDB) method
- ▶ Two year schedule extension versus January 2017 preliminary analysis

Recycled Water North County Partnership:

- ▶ FY 17 budget totals \$3M
- ▶ No additional funding in FY 18 & beyond

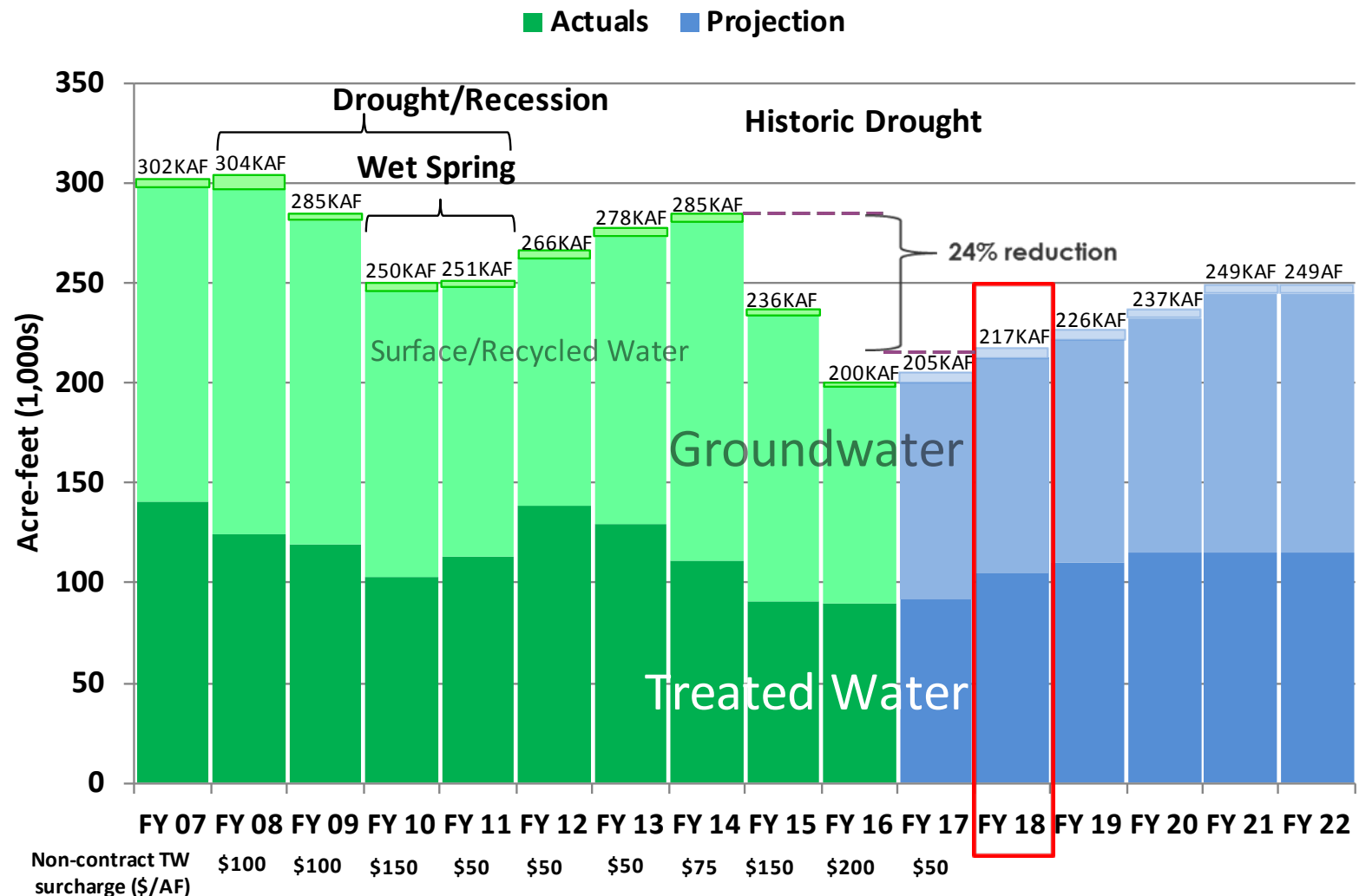
Drought Reserve:

- ▶ \$3M of seed funding allocated in FY 17, no further funding included in forecast

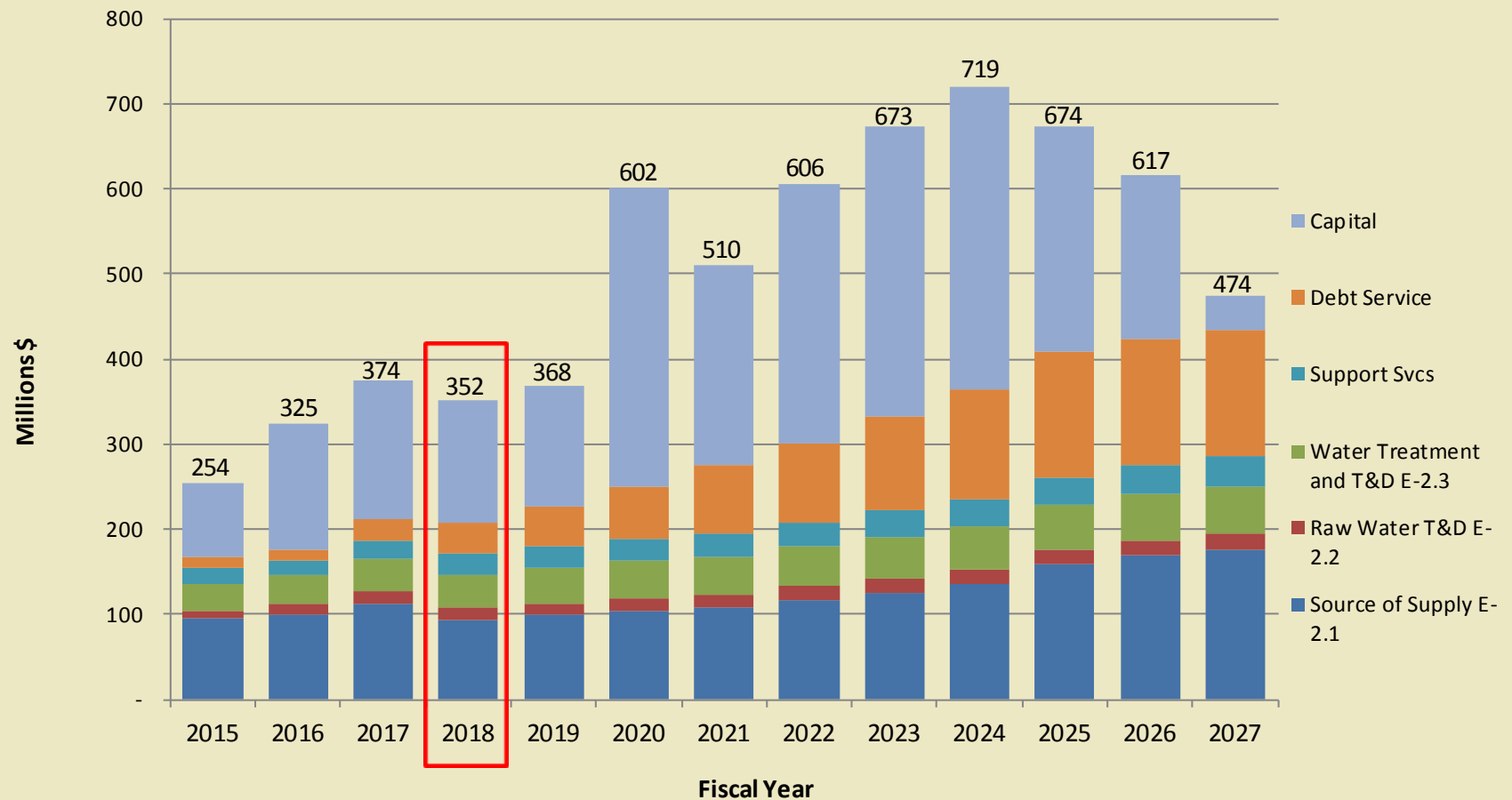
Salary Savings:

- ▶ Included in FY 18 (\$1.5M)

District Managed Water Usage drives revenue projection



Adjusted Cost Projection



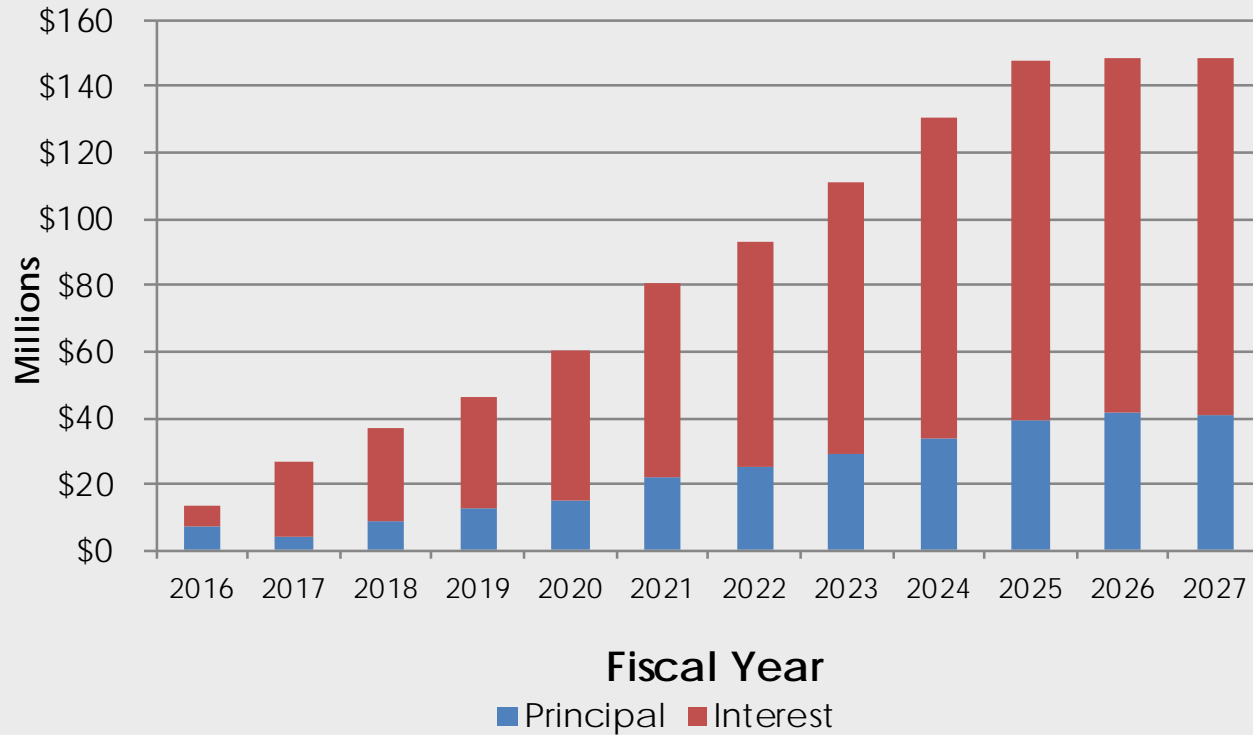
Key Capital project funding FY 18 thru FY 27

- Expedited Purified Water Program (\$966M)
- Rinconada Reliability Improvement (\$174M)
- Anderson Dam Seismic Retrofit (\$413M)
 - \$67M (15% of total \$445M project) to be reimbursed by Safe Clean Water Measure
- FAHCE Implementation Fund (\$145M placeholder)
- Calero & Guadalupe Dams Seismic Retrofit (\$133M)
- 10 Year Pipeline Rehabilitation (\$97M)
- Almaden Dam Improvements (\$47M)
- Vasona Pumping Plant Upgrade (\$20M)

Some projects cannot be funded without higher future charges

- Dam Seismic Stability at 2 Dams – Unfunded portion (\$89.5M)
- SCADA Small Capital Improvements (\$19.6M)
- South County Recycled Water Reservoir Expansion (\$7.0M)
- Land Rights – South County Recycled Water Pipeline (\$5.8M)
- Alamitos Diversion Dam Improvements (\$3.2M)
- Coyote Diversion Dam Improvements (2.5M)

Financial Analysis: Implementation of CIP results in debt service increases

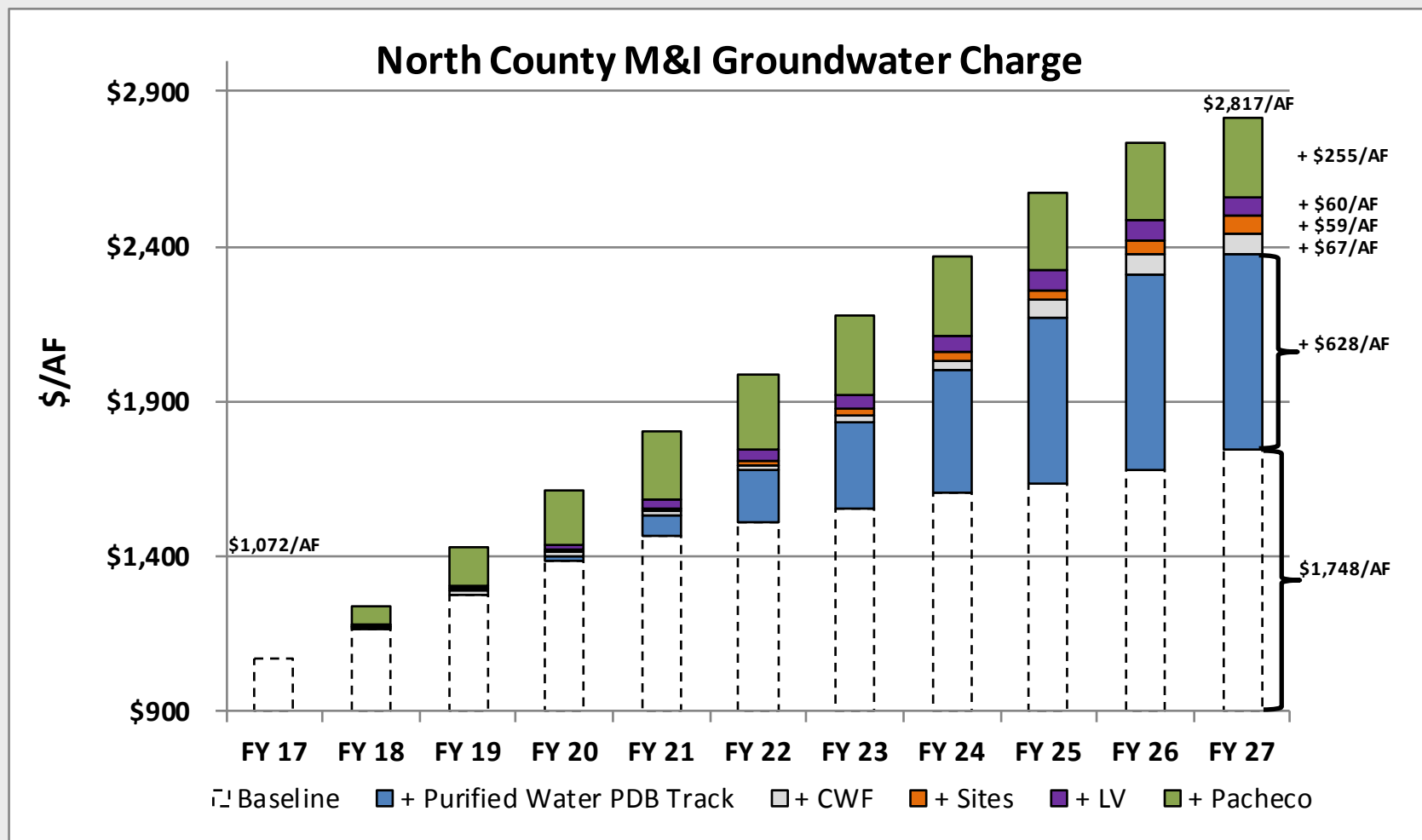


\$37.0M in FY 2017-18

\$148.6M in FY 2026-27

- **Debt service coverage ratio targeted at 2.0 helps ensure financial stability and high credit ratings**

Financial Analysis: Preliminary Water Supply Investment Scenarios



Notes:

- Water Supply alternative costs are based on staff estimates, and are subject to change
- CWF and Purified Water PDB track are included in the current projection

Proposed Maximum Groundwater Production Charges & Staff Proposed Adjustments

FY 2018: North County Proposed Maximum Charges

9.6% ~~9.9%~~ increase for M&I groundwater production
 8.8% ~~9.0%~~ increase for contract treated water
 9.9% ~~10.2%~~ increase for M&I surface water & 14.5% for Ag surface water
 6.4% increase for Ag groundwater production

Staff proposed adjustments as of 3/15/17

		Dollars Per Acre Foot		
		FY 2015-16	FY 2016-17	Proposed Maximum FY 2017-18
Zone W-2 (North County)				
Basic User/Groundwater Production Charge				
Municipal & Industrial		894.00	1,072.00	1,178.00
Agricultural		21.36	23.59	25.09
Surface Water Charge				
Surface Water Master Charge		22.60	27.46	33.36
Total Surface Water, Municipal & Industrial*		916.60	1,099.46	1,211.36
Total Surface Water, Agricultural*		43.96	51.05	58.45
Treated Water Charges				
Contract Surcharge		100.00	100.00	100.00
Total Treated Water Contract Charge**		994.00	1,172.00	1,278.00
Non-Contract Surcharge		200.00	50.00	50.00
Total Treated Water Non-Contract Charge***		1,094.00	1,122.00	1,228.00

1,175.00

1,208.36

1,275.00

100.00

1,275.00

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

**Note: The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge

***Note: The total treated water non-contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the non-contract surcharge

\$3.55

~~\$3.65~~ per month average household increase

FY 2018: South County Proposed Maximum Charges

6.4% increase for M&I & Ag groundwater production

7.3% increase for M&I surface water & 14.5% for Ag surface water

6.7% increase for M&I recycled water & 3.2% for Ag recycled water

	Dollars Per Acre Foot		
	FY 2015–16	FY 2016–17	Proposed Maximum FY 2017–18
Zone W-5 (South County)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	356.00	393.00	418.00
Agricultural	21.36	23.59	25.09
Surface Water Charge			
Surface Water Master Charge	22.60	27.46	33.36
Total Surface Water, Municipal & Industrial*	378.60	420.46	451.36
Total Surface Water, Agricultural*	43.96	51.05	58.45
Recycled Water Charges			
Municipal & Industrial	336.00	373.00	398.00
Agricultural	45.16	47.38	48.88

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

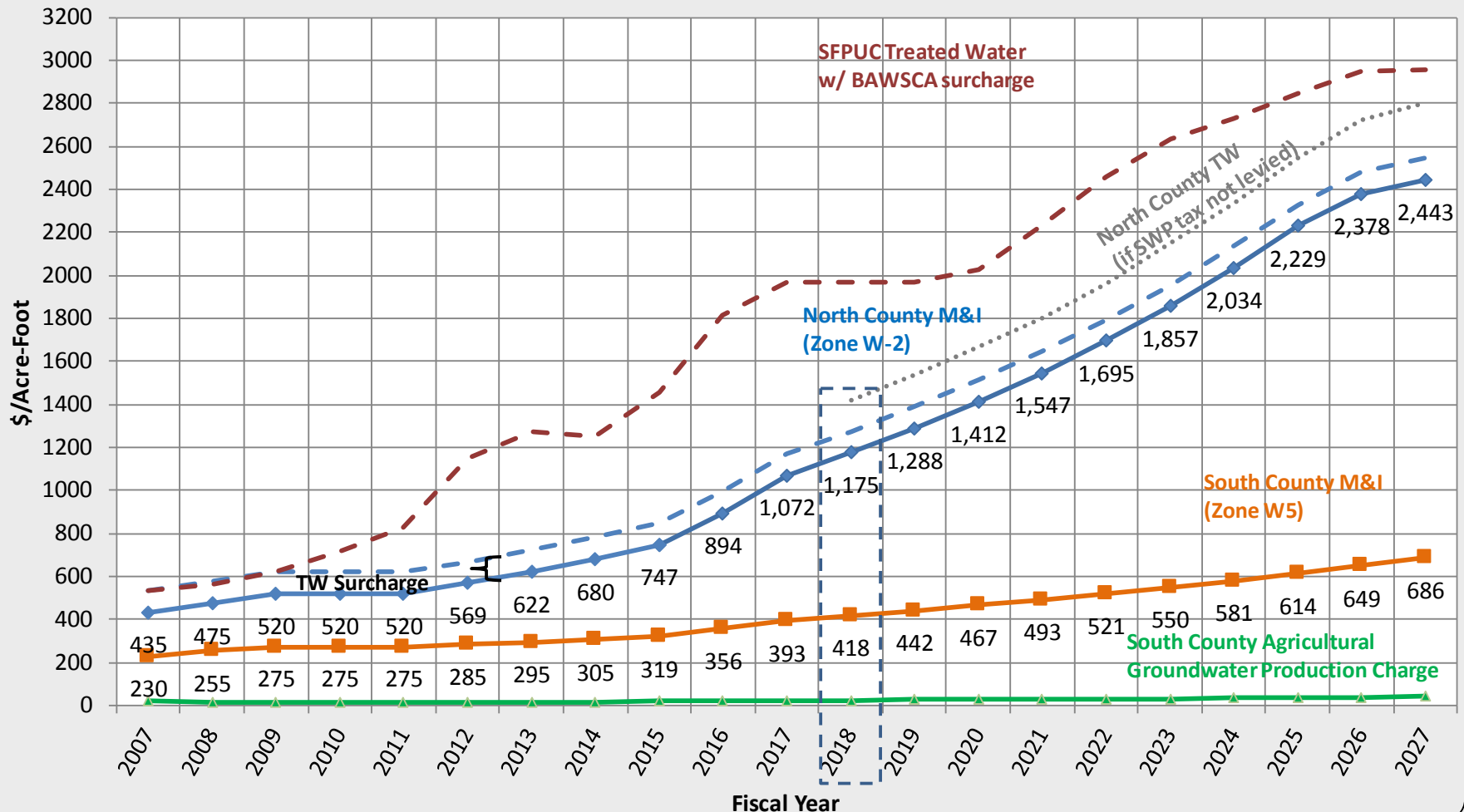
**Note: The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge

***Note: The total treated water non-contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the non-contract surcharge

\$0.86 per month average household increase

Groundwater Production Charges Adjusted Projection

Groundwater Production Charges



Impact on Multi-Year Groundwater Production Charge Projection

Proposed Maximum

Proposed Maximum	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
No. County (W-2) M&I GWP charge (\$/AF)	\$1,072	\$1,178	\$1,306	\$1,449	\$1,607	\$1,782
Y-Y Growth %	19.9%	9.9%	10.9%	10.9%	10.9%	10.9%
So. County (W-5) M&I GWP charge (\$/AF)	\$393	\$418	\$442	\$467	\$494	\$522
Y-Y Growth %	10.4%	6.4%	5.7%	5.7%	5.8%	5.7%

Staff Proposed Adjustments

Adjusted Proposed Maximum	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
No. County (W-2) M&I GWP charge (\$/AF)	\$1,072	\$1,175	\$1,288	\$1,412	\$1,547	\$1,695
Y-Y Growth %	19.9%	9.6%	9.6%	9.6%	9.6%	9.6%
So. County (W-5) M&I GWP charge (\$/AF)	\$393	\$418	\$442	\$467	\$494	\$522
Y-Y Growth %	10.4%	6.4%	5.7%	5.7%	5.8%	5.7%

Note: Staff Proposed Adjustments reflect schedule extension for Expedited Purified Water Program

Benchmarks

Comparison of FY 17 proposed increase with similar agencies

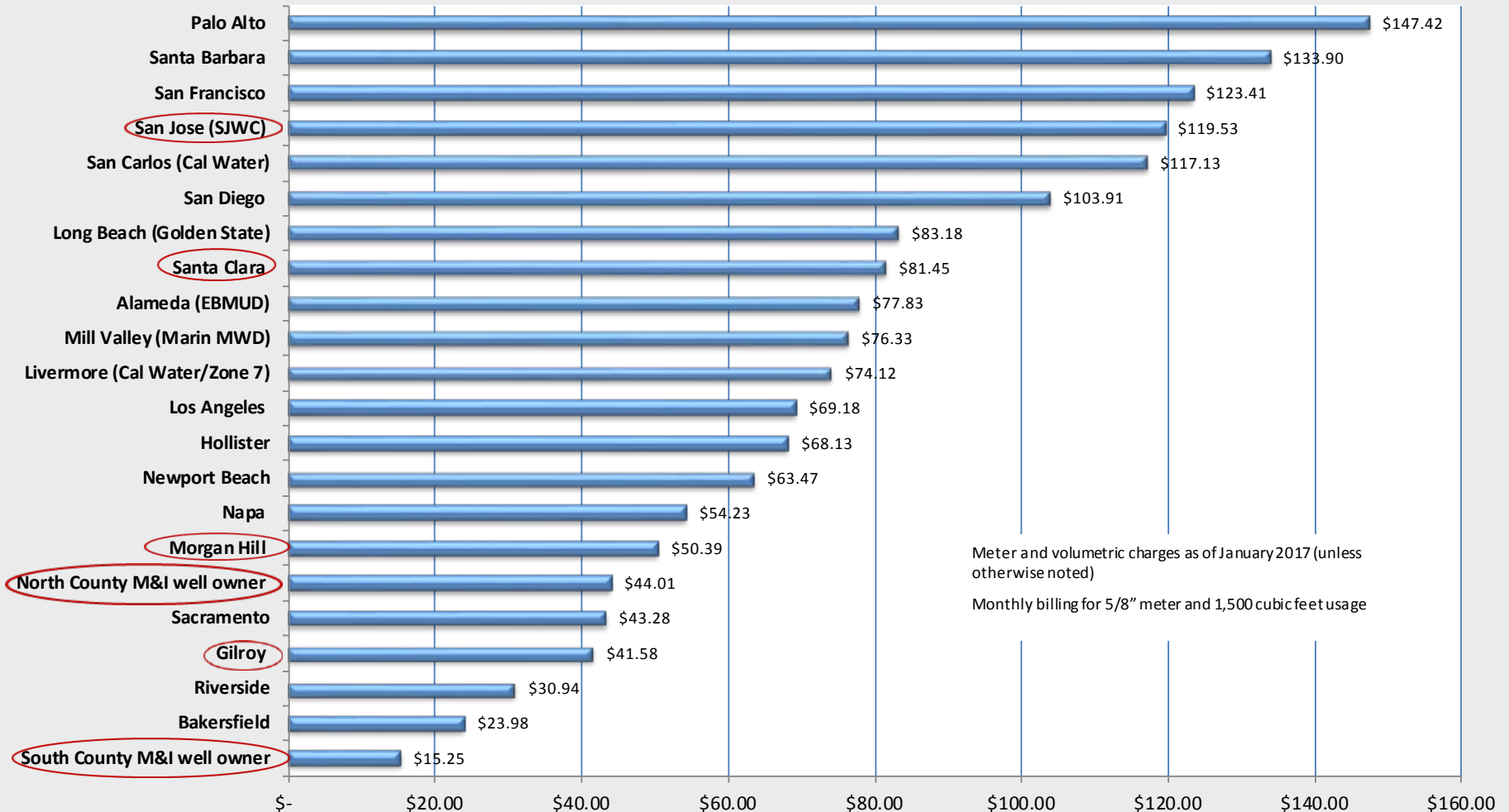
	% inc. '14 to '15	% inc. '15 to '16	% inc. '16 to '17	FY 17	Projection FY 18 ³
SCVWD North W-2 (Groundwater prdctn per AF)	10%	20%	20%	\$1,072	9.6%
SCVWD North W-2 (Treated Water per AF)	9%	17%	18%	\$1,172	8.8%
SCVWD South W-5 (Groundwater prdctn per AF)	5%	12%	10%	\$393	6.4%
Metropolitan WD (Untreated Water per AF) ¹	-1%	1%	8%	\$762	4.4%
Metropolitan WD (Treated Water per AF) ¹	3%	1%	2%	\$1,075	3.8%
Orange County WD (Groundwater per AF)	7%	10%	25%	\$402	TBD
San Diego County WA (Treated Water per AF) ¹	3%	6%	1%	\$1,531	TBD
San Francisco PUC (Treated Water per AF) ²	17%	25%	8%	\$1,969	0.0%
Zone 7 (Treated Water per AF) ¹	3%	37%	15%	\$1,575	-13.2%

1) MWD, SDCWA and Zone 7 rates based on calendar year (i.e. 2018 rate would be effective on 1/1/2018)

2) SFPUC rates include BAWSCA bond surcharge estimate of \$183/AF

3) SCVWD FY 18 projection includes staff proposed adjustments to proposed maximum

Retail Agency Benchmarks



Notes:

- SCVWD retailer rates shown include SCVWD proposed adjusted increase for FY 2017-18, but do not include increases that retailers may impose
- Well owner rates exclude pumping costs (e.g. electricity) and well maintenance costs

State Water Project Tax Recommendation

- ▶ Staff recommends decreasing the SWP tax from \$33M to \$26M
- ▶ The SWP tax bill for the average single family residence would increase from \$55.00 to \$44.00/year.

Impact if SWP tax not approved:

- \$148/AF in terms of North County M&I groundwater production charge
- \$31/AF in terms of South County M&I groundwater production charge
- \$755,000 in terms of Open space credit

LIMITED (PRIMARY) VALUES				PRIMARY	COMPARATIVE 2003 AMT	2004 DISTRIBUTION		OFFICE USE ONLY
TYPE	LIMITED	%	ASSESSED			RATE / 100	2004 AMT DUE	
LAND/BLDG PERSONAL EXEMPTION	76000	10.0	7600	COUNTY-EDUC-EDUAL CITY-SCHOOL CO-EDUC COMM-COL	86.57 33.73 339.44 67.28 -117.58 409.44	12108 04560 44898 9211 CREDIT 70575	92.02 34.98 339.70 70.00 -117.14 419.24	PRTKEY-MORTG SEQ- MTG- LOAN#
PRIM. TOT.	76000		7600	STATE AID SUBTOTAL				FIRST HALF TAX AMOUNT
ARPA CODE 041004				SECONDARY				316.58
FULL CASH (SECONDARY) VALUES				SECONDARY				
TYPE	FULL CASH	%	ASSESSED					
LAND/BLDG PERSONAL EXEMPTION	76000	10.0	7600	FLOOD CAWCS OVERIDES FIRE DIST. ASST. LIBRARY BONDS -COUNTY -CITY -SCHOOLS -COMM COL SUBTOTAL	18.10 9.12 78.16 64 3.96 5.32 104.59 10.45 228.24	2119 1200 9571 2088 0521 12477 1181 27118	16.10 9.12 72.74 52 3.96 84.82 8.82 206.08	SECOND HALF TAX AMOUNT
SEC. TOT.	76000		7600	DIST#	7600 7600	1032	7.84	316.58
SPECIAL DISTRICT (VALUE/ACRES/SQ FT) = ASSESSED				TOTAL		645.10	\$633.16	
HOSPITAL DISTRICT NO 1 EAST VALLEY INSTITUTE TECH								
IF NOT PAID BY DELINQUENT DATES, CALL OR WRITE FOR INTEREST AMOUNT								
INTEREST ON LATE PAYMENT IS 18% PER YEAR PRORATED MONTHLY AS OF THE FIRST DAY OF THE MONTH. AHS § 42-18003								
KEEP THIS PORTION FOR YOUR RECORDS								

Schedule & Wrap Up

2017 schedule for hearings and meetings

- ✓ Dec 13 Board Workshop: Planning for FY 18 Groundwater Prod. Charges
- ✓ Jan 10 Board Meeting on Preliminary Groundwater Prod. Charge Analysis
- ✓ Feb 24 Mail notice of public hearing and file PAWS report
- ✓ March 15 Water Retailers Meeting
- ✓ April 3 Ag Water Advisory Committee
- ✓ April 4 Landscape Committee Meeting
- April 11 Open Public Hearing
- April 13 Continue Public Hearing in Morgan Hill (Informational Open House)
- April 17 Environmental & Water Resources Committee
- April 19 Water Commission Meeting
- April 25 Conclude Public Hearing
- May 9 Adopt budget & groundwater production and other water charges

Note: Protests may be submitted between the date the notice was mailed (February 24) and the conclusion of the hearing (April 25)

Feedback from Advisory Committees and Community

- ▶ Water Retailers
- ▶ Ag Advisory
- ▶ Landscape Committee
- ▶ Public Phone Calls

Summary and Next Steps

Summary

- ▶ FY 18 increase driven by vital infrastructure rehabilitation, upgrades, and investments
- ▶ Staff proposed adjustments would reduce the FY 2017-18 groundwater production charge increase relative to the proposed maximum

Next Steps

- ▶ Obtain Feedback from Water Commission and Environmental & Water Resources Committee
- ▶ Continue Hearing to April 13 in Morgan Hill