

Public Hearing

Groundwater Production & Other Water Charges

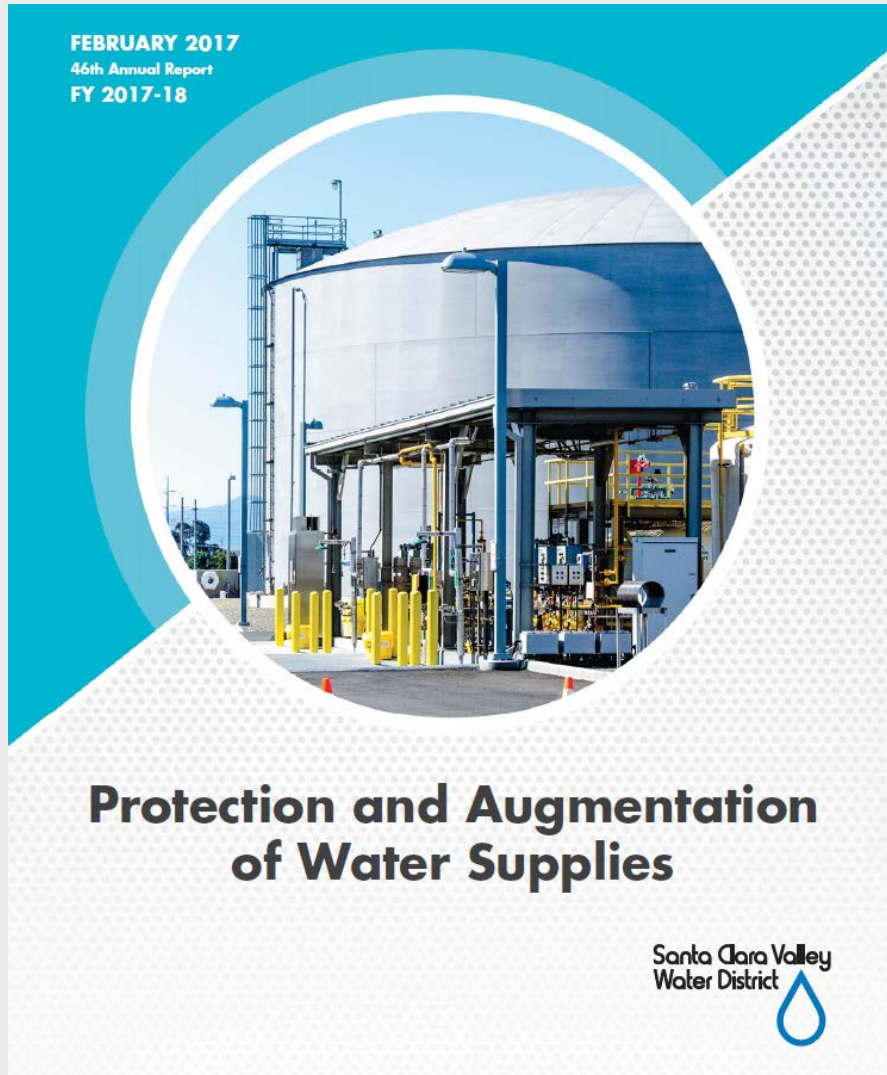
April 13, 2017



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

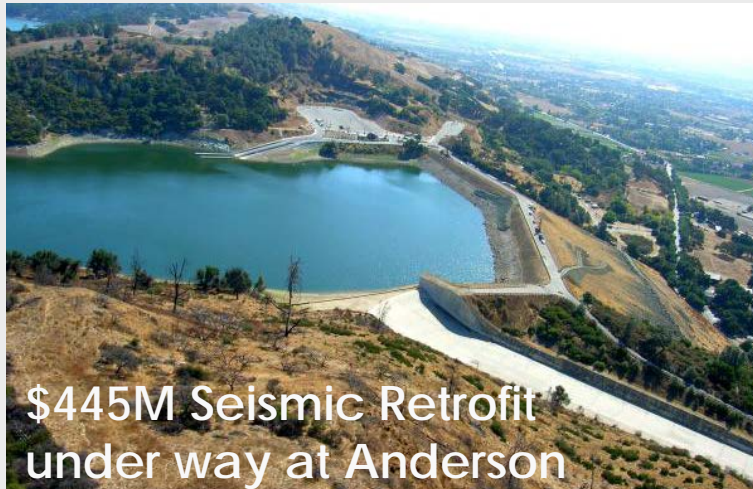


2017 Protection and Augmentation of Water Supplies Report

www.valleywater.org

Why do well owners pay SCVWD to pump water from the ground?

CONSTRUCTION AT ANDERSON
RESERVOIR, 1951



\$445M Seismic Retrofit
under way at Anderson

- ▶ Local rainfall cannot sustain South County water needs
- ▶ Planning in early 1900's called for construction of reservoirs to capture rainwater to percolate into the ground
- ▶ Groundwater Production Charge is a reimbursement mechanism
 - ▶ pays for efforts to protect and augment water supply
 - ▶ Fee for service, not a tax

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

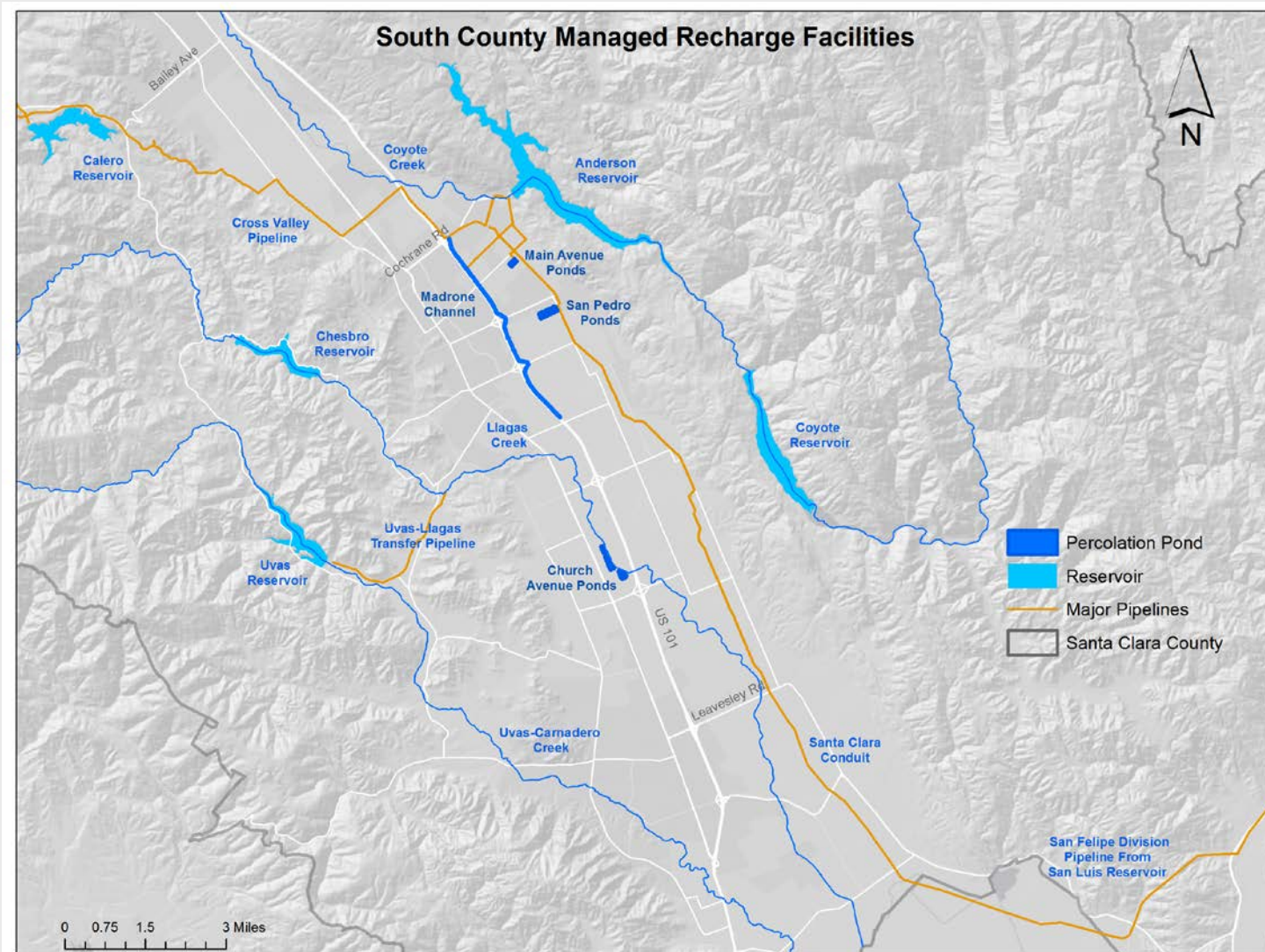
1 water purification center

3 pump stations

\$7.1B system replacement value



South County facilities help ensure reliability



**Main Avenue
Recharge Ponds**



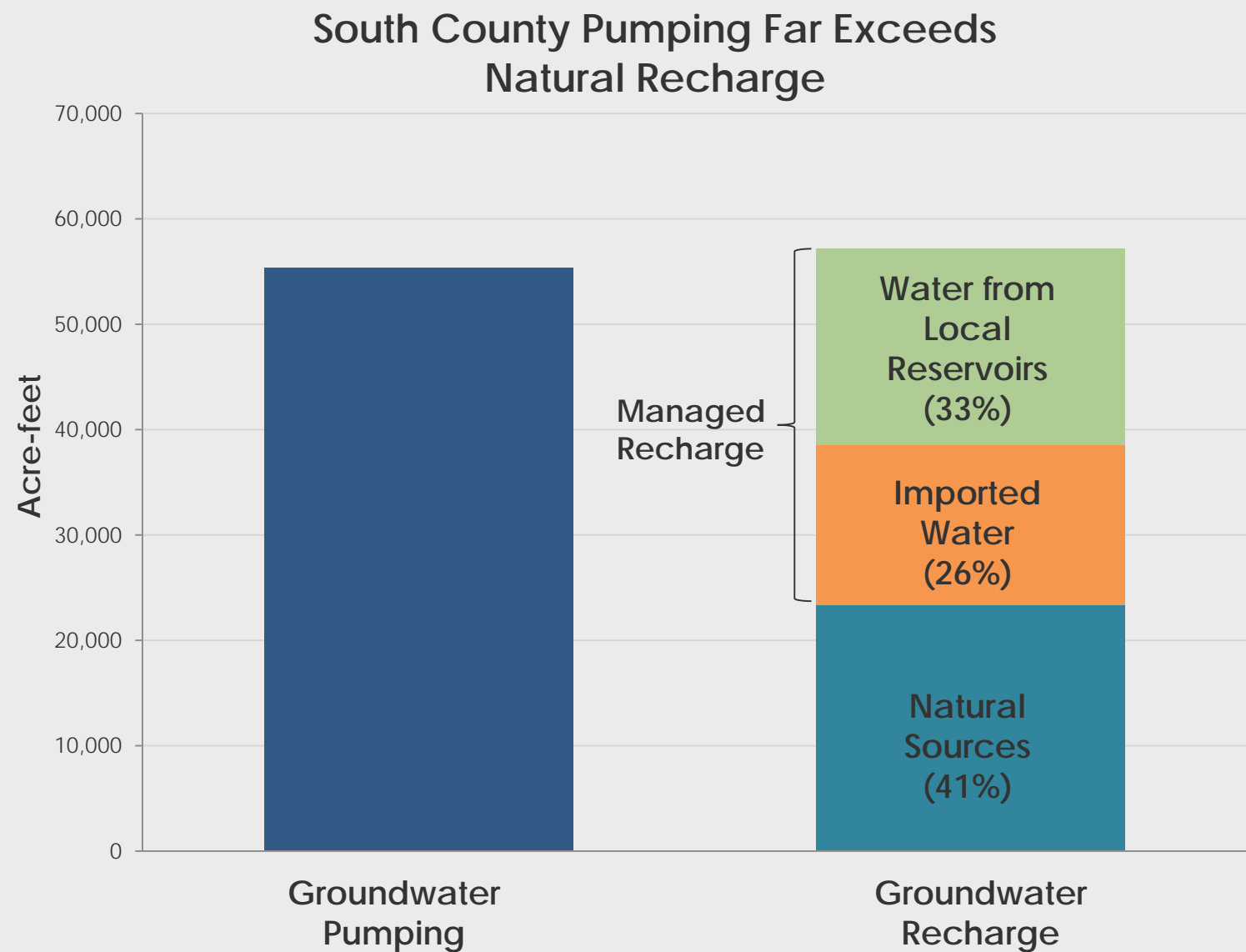
Madrone Channel

Many activities ensure safe, reliable groundwater supplies

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



Recharge needed to offset groundwater pumping



Based on average annual data from 2005 to 2015

Topics For Today's Public Hearing

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

Rate Setting Process

Rate Setting Process is consistent with Prop 218

District rate setting process is transparent

- Annual report on Protection and Augmentation of Water Supplies (PAWS) published on Feb 24, 2017
- Public hearing provides opportunity for comments to Board

Proposition 218 passed by voters in 1996

- Applicability to groundwater production charge has been unsettled for many years, however...

SCVWD formalized a protest procedure in 2010

- To increase openness and transparency of water charge-setting process
- Notices to well owners were mailed on Feb 24, 2017

Protest Procedure Specifics

Protest procedure conforms to Article XIII D section 6 of the California Constitution

Protest Requirements

- Must be signed with original signature
- Must be delivered by mail or in person to District in sealed envelope
- Envelope must have address or APN
- Must be submitted between 2/24/17 and 4/25/17

Invalid Protests

- Protest is not signed with original signature of record owner
- Protest not delivered to District in sealed envelope
- Protest is submitted by email
- Envelope does not include address or APN
- Protest arrives outside of 2/24/17 to 4/25/17 window
- Duplicates

Groundwater production charges
About the protest procedure

What is the process used to provide input to the groundwater production charges?

The Santa Clara Valley Water District Act includes provisions relating to public notice and opportunity to be heard regarding establishment of groundwater production charges, including the opportunity to contest increases to such charges.

Proposition 218, adopted on November 6, 1996, added Articles XII C and XII D to the California Constitution which impose certain procedural and substantive requirements with respect to new or increased property-related fees and charges as described in the issues below.

This process is consistent with Proposition 218's requirements for establishing a property related fee for water services.

The Board of Directors believes it to be in the best interest of the community to align its practices with respect to the establishment of annual groundwater production charges under the District Act with the requirements for property related fees for water services set out in Article XII D section 6, including the majority protest procedures.

In Resolution 12-11, the Board of Directors adopted notice, hearing, and majority protest procedures that are consistent with Article XII D section 6 of the California Constitution and with the Proposition 218 Creditable Implementation Act codified at California Government Code section 53750 and following. To the extent that the requirements of Article XII D section 6 supersede the requirements set forth in the District Act, the requirements of Article XII D section 6 are intended to prevail.

Who is subject to the charge and how are they notified?

The Record Owners of existing water producing wells including water supply and extraction/environmental wells, whether currently active or not, are subject to this charge. Record Owners include all well owners and operators as well as persons who own land upon which a well is situated. The parcel owners will be determined from the last expiring property tax roll and the water district's records. If the property tax roll indicates more than one owner, each owner will be sent the notice. Where well operators are directly liable to pay the charge to the water district, they will be provided with notice. Failure of any person to receive this notice will not invalidate the proceedings.

Are there restrictions on what the charges can cover?

Yes. The proposed charges must comply with the following substantive requirements: revenues derived from the charges will not be used for any purpose other than that for which the charge is imposed; revenues derived from the charges will not exceed the direct and indirect costs required to provide the service; the amount of the charges will not exceed the proportional cost of the services attributable to the property; no charge will be imposed for a service unless the service is actually used by, or immediately available to, the Record Owner; and no charge will be imposed for general governmental services where the service is available to the public at large in substantially the same manner as it is to Record Owners.

How can I, as a Record Owner of a well, protest a rate change?

- Written protests must be forwarded to the Santa Clara Valley Water District Clerk of the Board by mail or in person, sealed in an envelope which contains the contents, with the return address and Assessor's Parcel Number (APN) or well identification number written on the outside of the envelope. To be counted, protests must be received no later than the conclusion of the public hearing scheduled for April 26, 2016.
- A protest must be signed under penalty of perjury for protests with more than one Record Owner, no more than one protest per category (property owner or well owner/operator/tenant) will be counted for any given parcel or well.
- To maintain the integrity of the process, only protests with original signatures will be accepted. Photocopied signatures will not be accepted. Protests will not be accepted via email. Protests must be submitted in sealed envelopes identifying the property on which the well is located, and include the legibly printed name of the signator. Protests not submitted as required will not be counted.
- Written protests will remain sealed until the tabulation of protests commences at the conclusion of the public hearing. A written protest may be submitted, or changed, or withdrawn by the person who submitted the protest prior to conclusion of the public testimony on the proposed charges at the public hearing.

continued

Protest Procedure Specifics continued...

Protest Tabulation – Parcel Count

- Multiple parcel owners – if any one owner protests, one protest is counted for that one parcel
- Majority protest = valid protests received for 50% + 1 of parcels on which a well is located within a zone

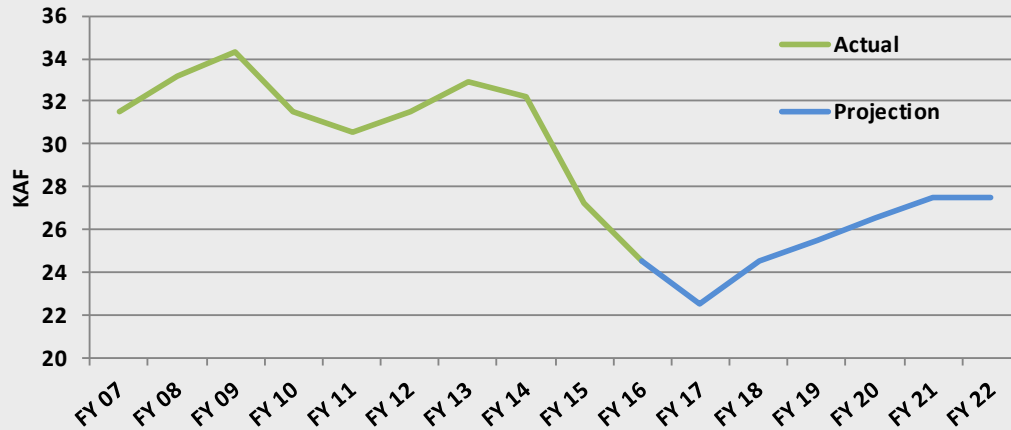
Protest Tabulation – Well Count

- Multiple well owners/operators – if any one owner/operator on District record liable to pay the groundwater production charge protests, one protest is counted for that one well
- Majority protest = valid protests received for 50% + 1 of total wells within a zone

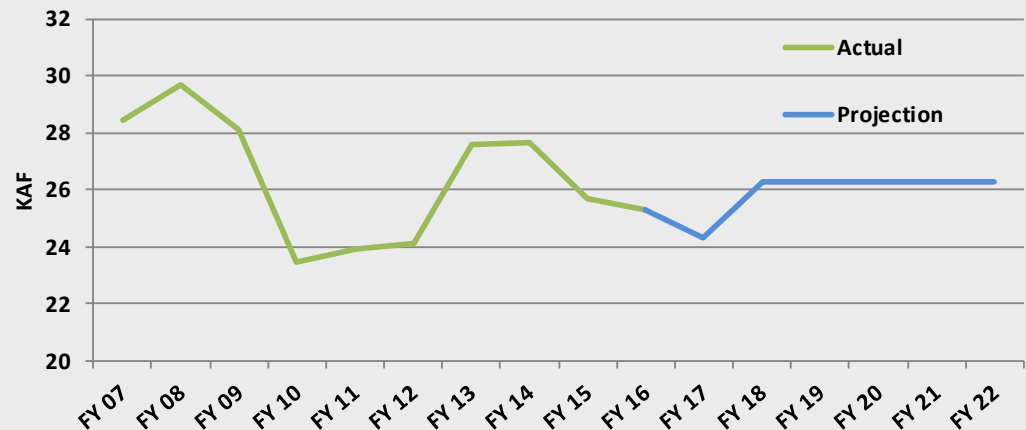
FY 18 Financial Analysis and Projections

District Managed Water Usage drives revenue projection

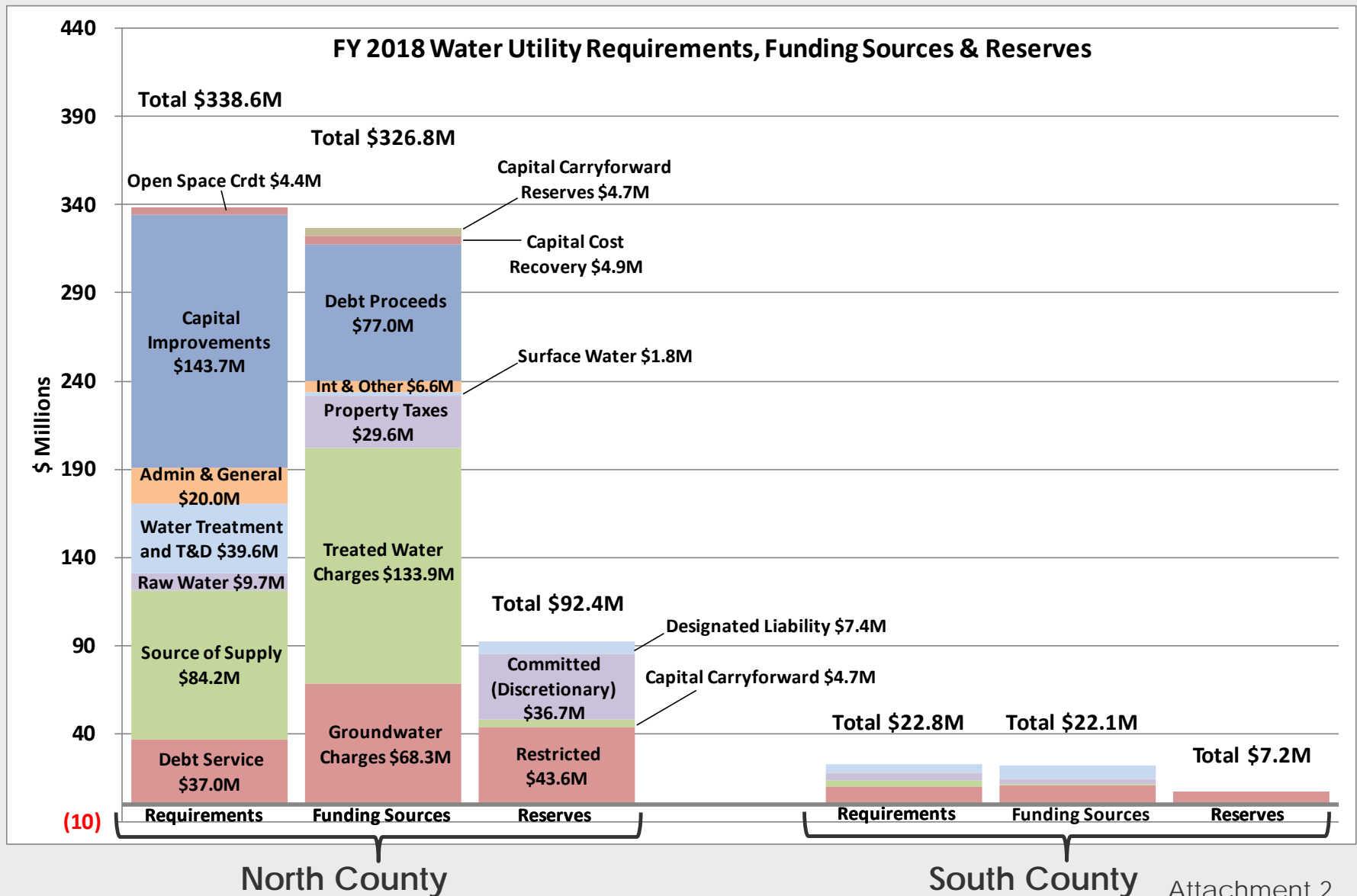
South County M&I Water Usage



South County Ag Water Usage

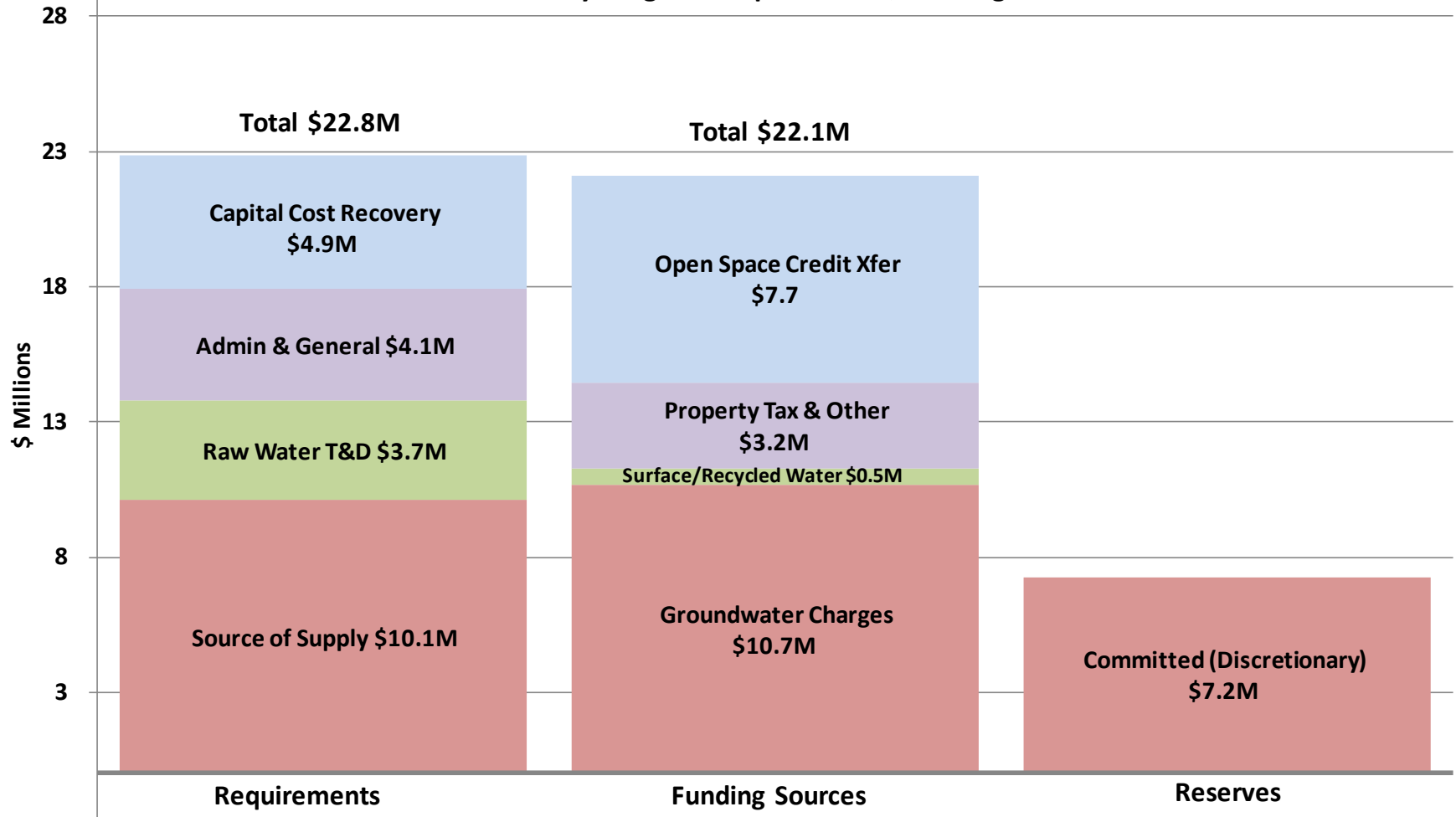


FY 2017: Requirements, Sources & Reserves



FY 2017: Requirements, Sources & Reserves - South County

FY 2018 South County Program Requirements, Funding Sources & Reserves



(2)

Financial Analysis: Key Capital project funding FY 18 thru FY 27

- Anderson Dam Seismic Retrofit (\$413M)
 - \$66M (15% of total \$445M project) to be reimbursed by Safe Clean Water Measure
- Recycled Water Pipeline Expansion (\$3.4M)



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)

Proposed Maximum Groundwater Production Charges

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

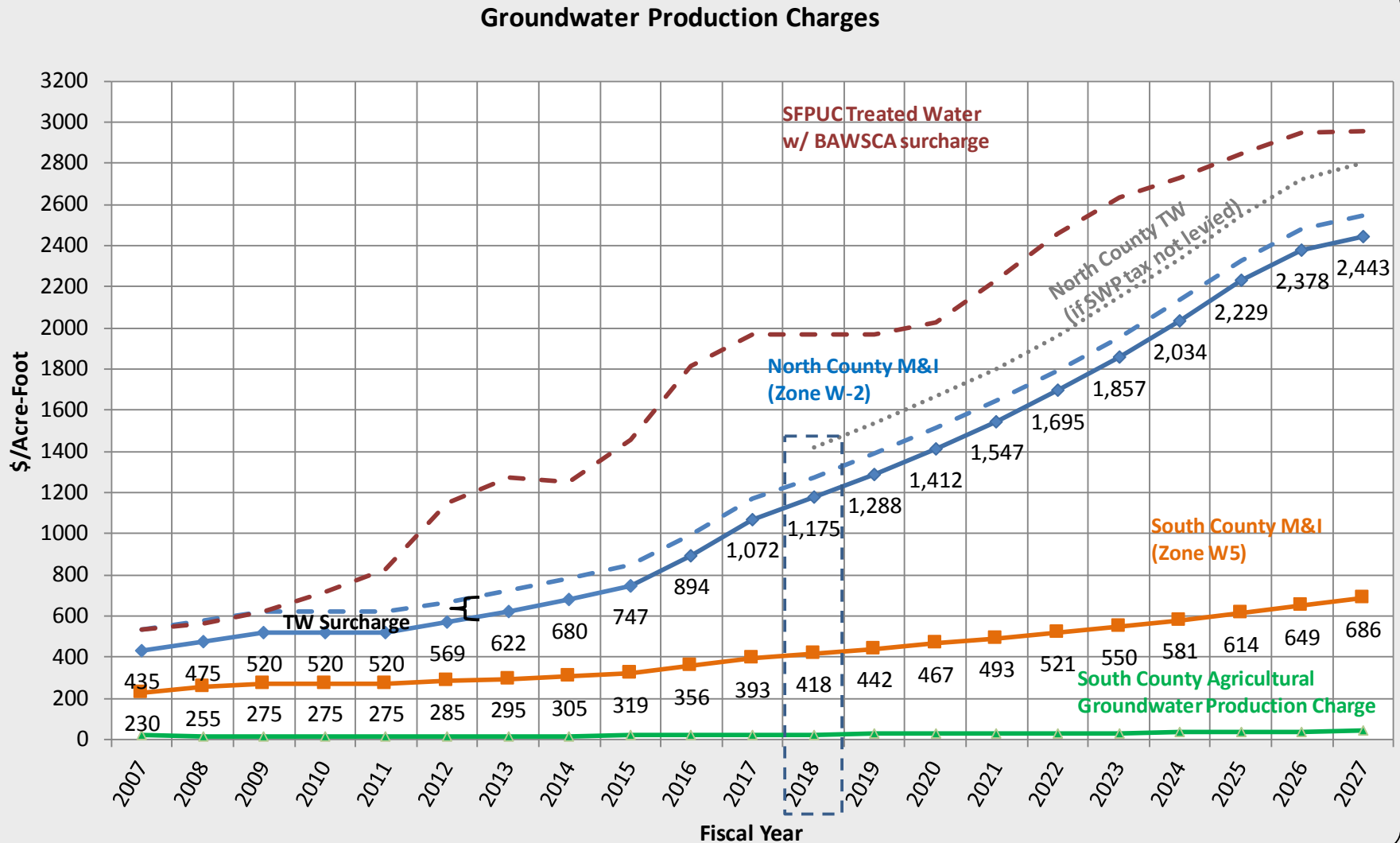
*Note: The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

**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



Benchmarks

Comparison of FY 17 proposed increase with similar agencies

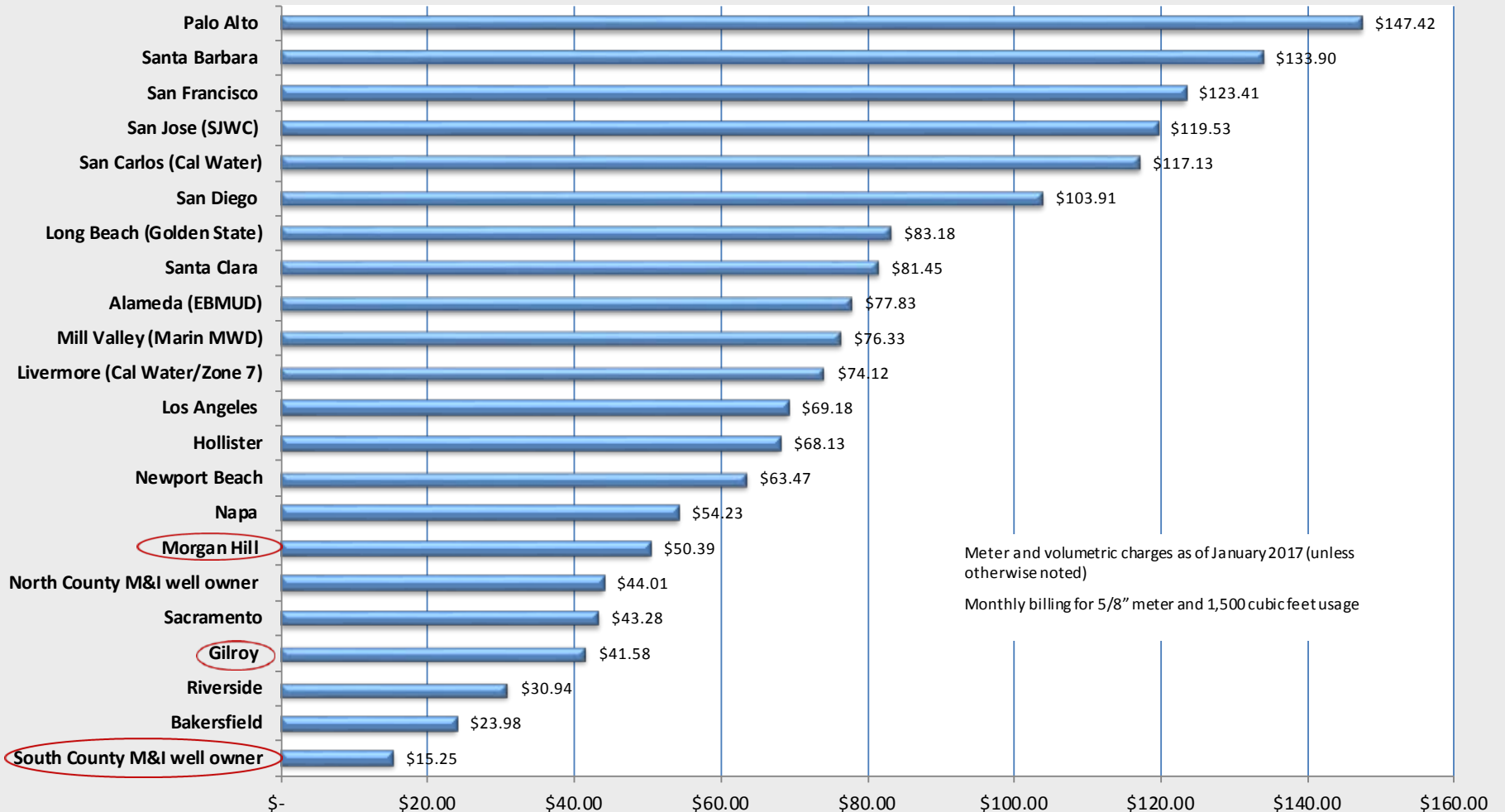
	% inc. '14 to '15	% inc. '15 to '16	% inc. '16 to '17	FY 17	Projection FY 18 ³
SCVWD North W-2 (Groundwater prdctn per AF)	10%	20%	20%	\$1,072	9.6%
SCVWD North W-2 (Treated Water per AF)	9%	17%	18%	\$1,172	8.8%
SCVWD South W-5 (Groundwater prdctn per AF)	5%	12%	10%	\$393	6.4%
Metropolitan WD (Untreated 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



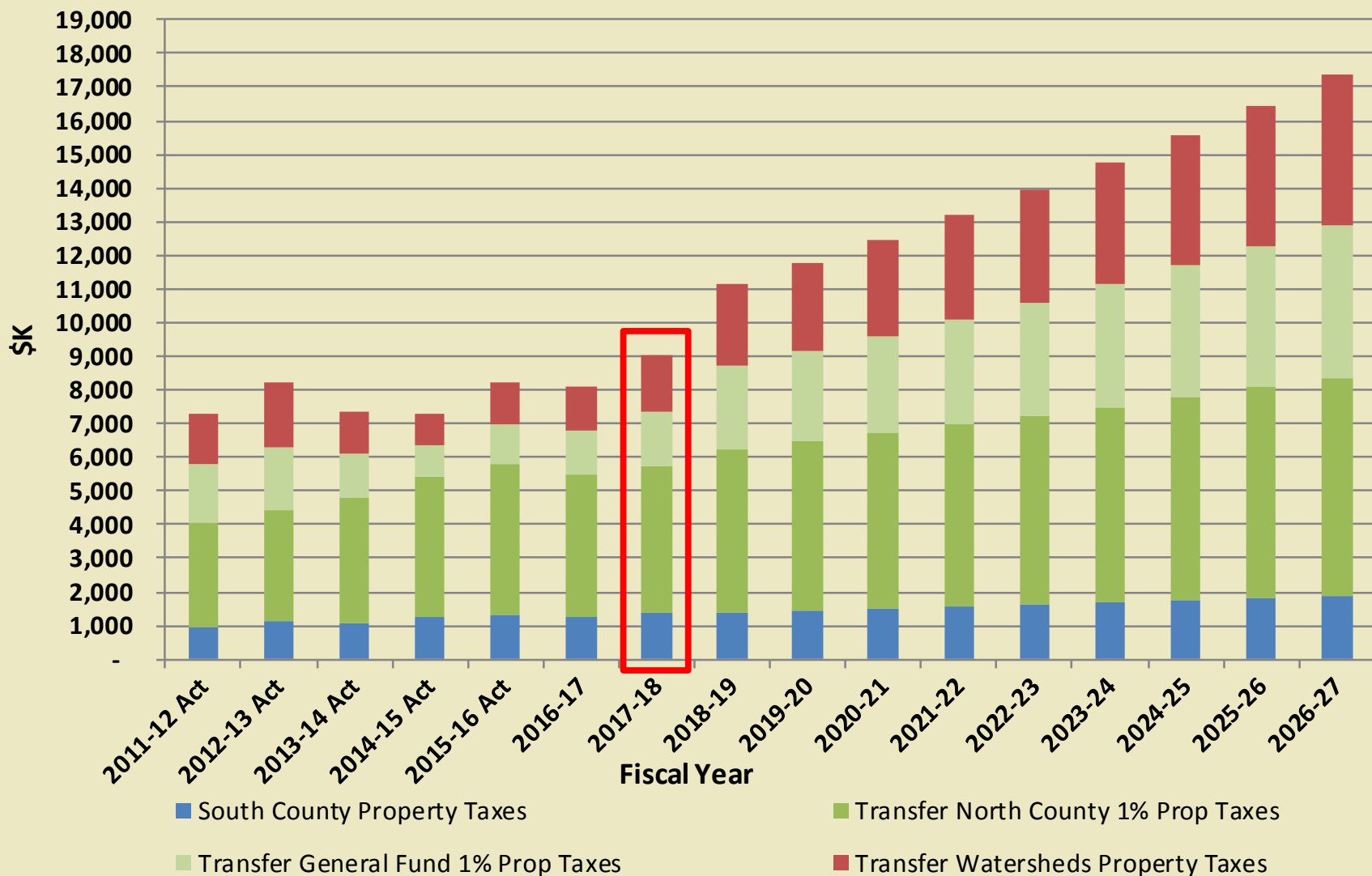
Notes:

- 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

Agricultural Benchmarks

Agency (As of March 2017)	Ag \$/AF	Non-Ag \$/AF	Ag as % of Non-AG
San Benito Groundwater (Quality issues)	\$6.45	\$24.25	27%
Modesto ID Untreated SW (\$2/AF for first 2 AF)	\$2.00 to \$40.00	N/A	
SCVWD South Groundwater	\$23.59	\$393.00	6%
Merced ID Untreated SW	\$33.00	N/A	
SCVWD South Untreated SW	\$51.05	\$420.46	12%
Merced ID Groundwater	\$225.00	N/A	
Lost Hills Untreated SW	\$139.40 to \$218.55	N/A	
Zone 7 Untreated SW	\$113.00	N/A	
Westlands WD Pressurized	\$315.28	\$1,100.19	29%
San Benito Pressurized	\$349.90	\$440.90	79%

Open Space Credit



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)

Summary and Next Steps

Summary

- ▶ FY 18 increase driven by vital infrastructure rehabilitation, upgrades, and investments

Next Steps

- ▶ Obtain Feedback from Water Commission and Environmental & Water Resources Committee
- ▶ Continue Hearing to April 25 at District Headquarters