

Public Hearing

Groundwater Production & Other Water Charges

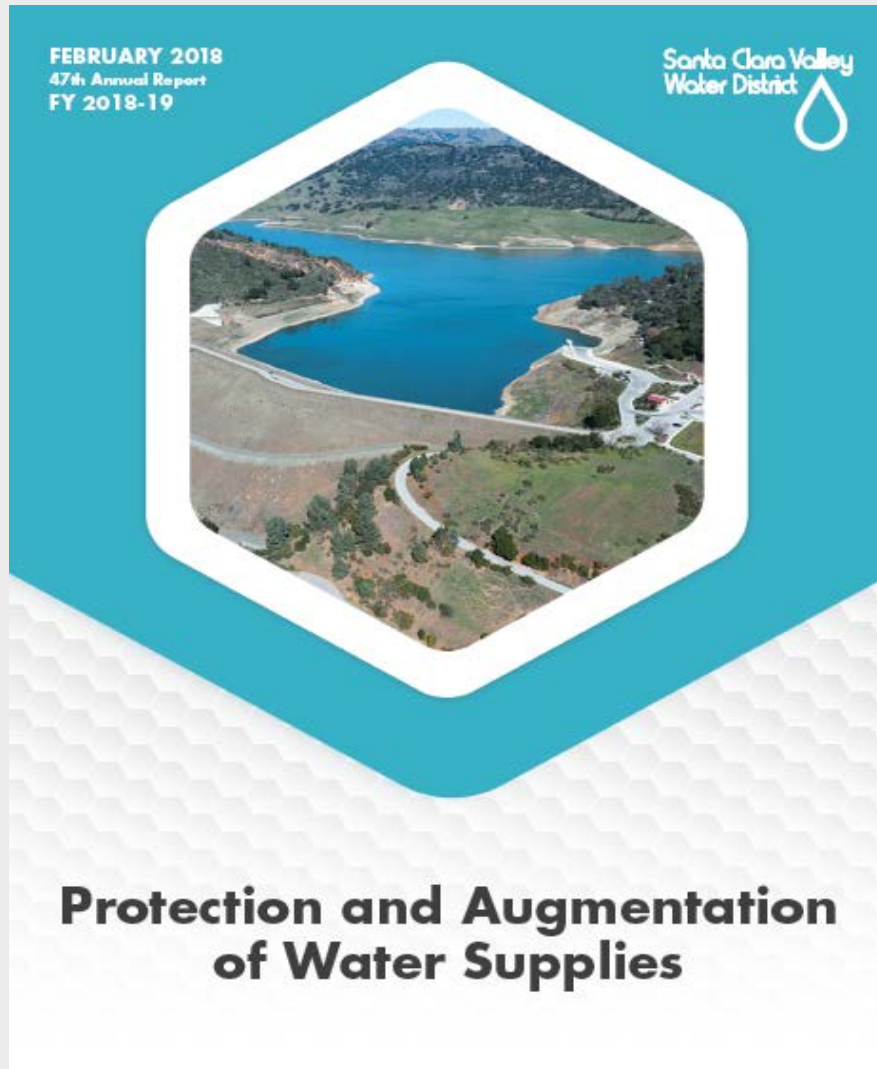
April 12, 2018



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 2018-19

47th Annual Report Provides Information, Accountability

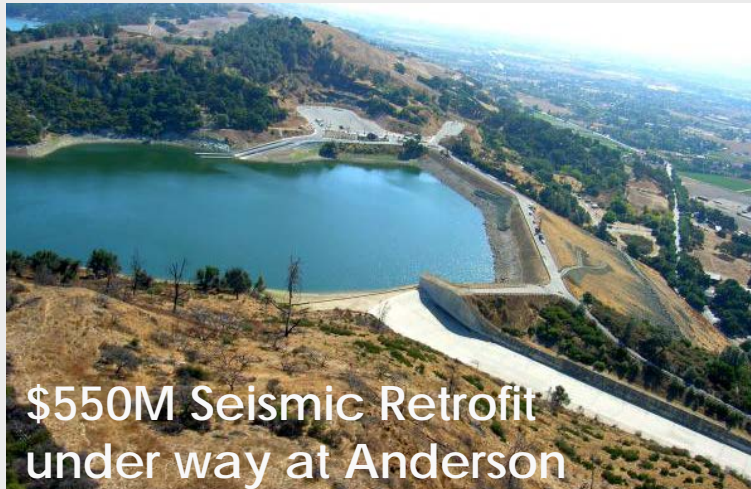


2018 Protection and Augmentation of Water Supplies Report

www.valleywater.org

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

Construction at Anderson Reservoir, 1951



\$550M 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

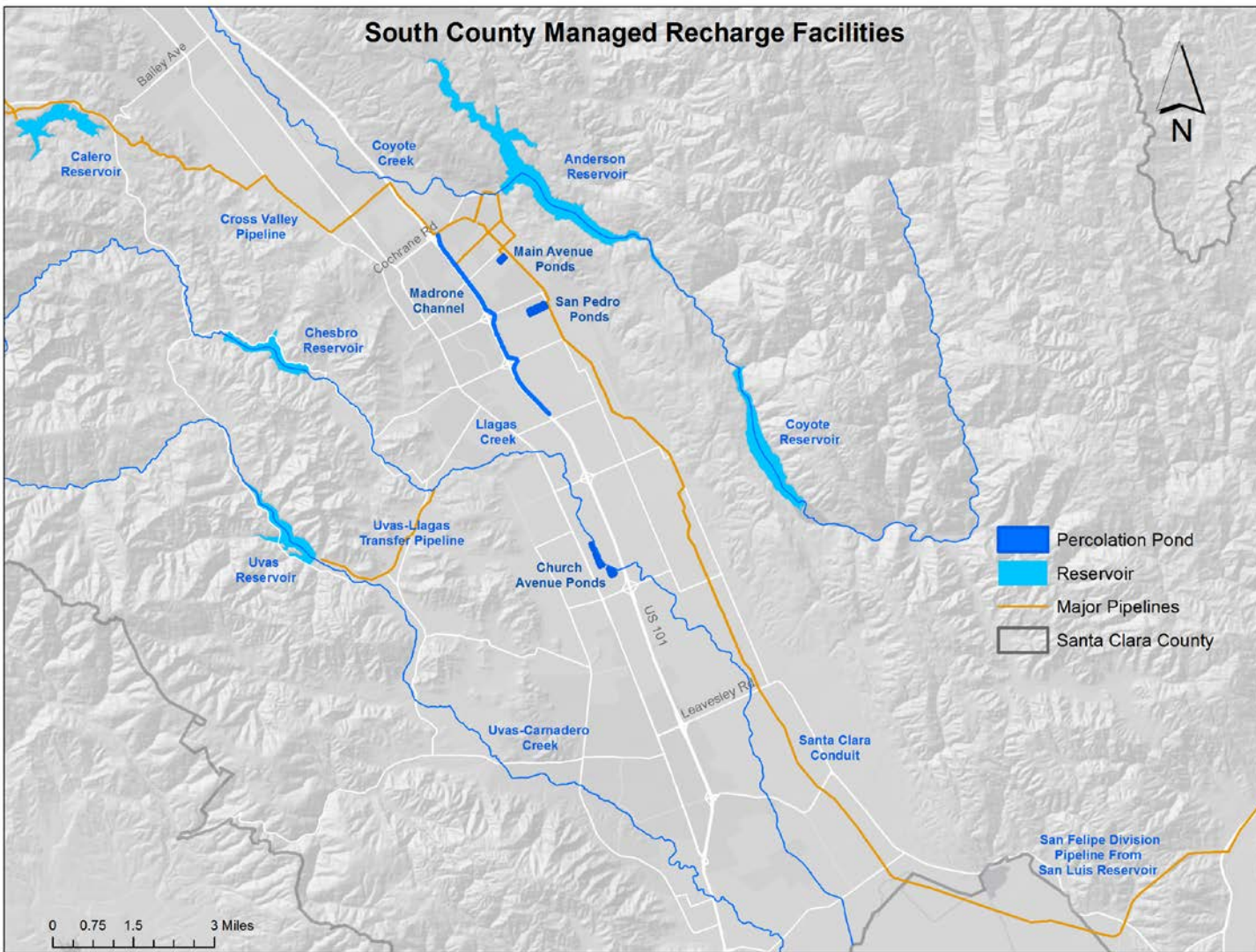
1 water purification center

3 pump stations

\$7.1B system replacement value



South County facilities help ensure reliability



**Main Avenue
Recharge Ponds**



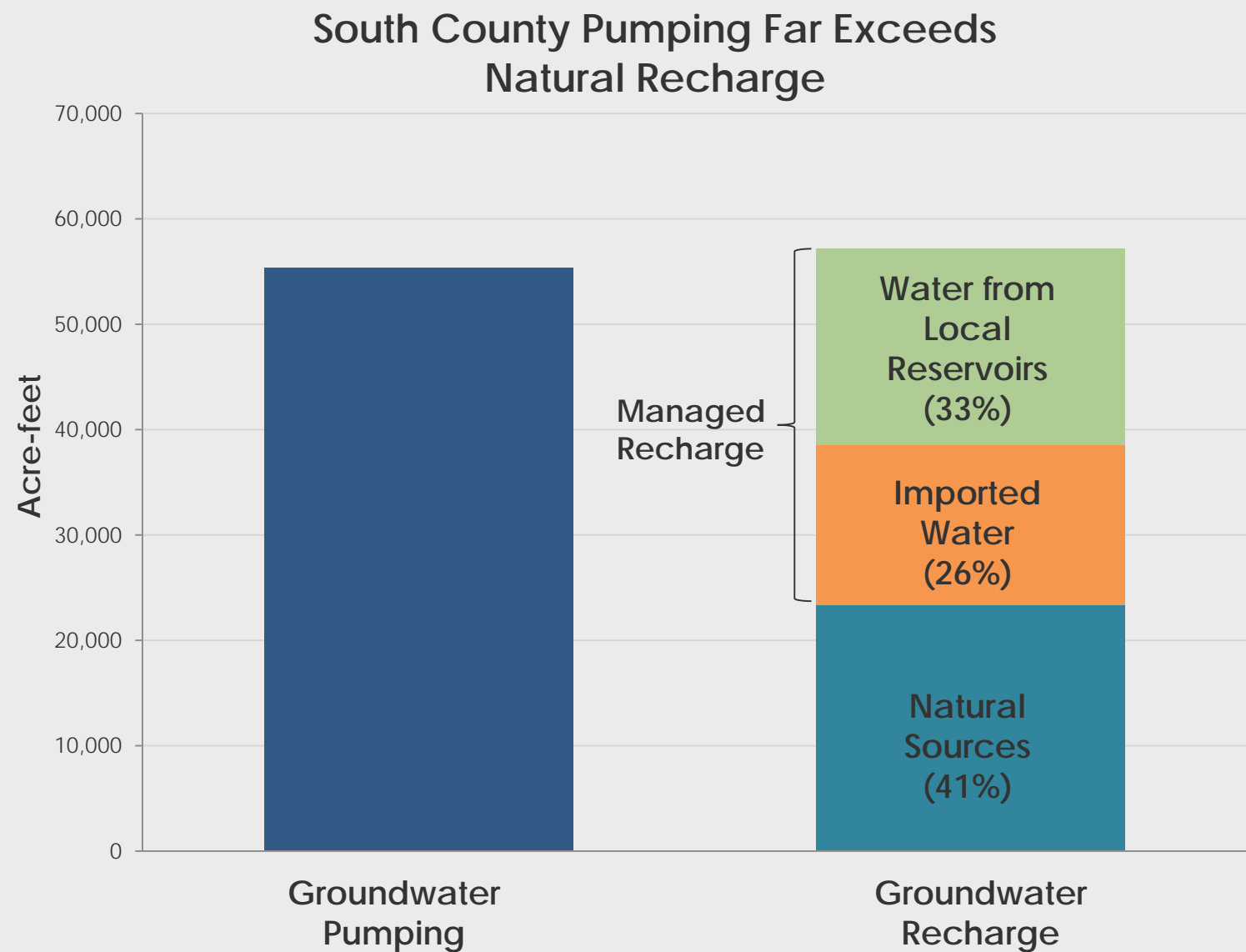
Madrone Channel

Many activities ensure safe, reliable groundwater supplies

- ▶ Plan & construct improvements to infrastructure
- ▶ Purchase imported water
- ▶ Operate & maintain raw & recycled water pipelines
- ▶ Operate & maintain local reservoirs
- ▶ 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 19 financial analysis and projections
 - ▶ Water Usage
 - ▶ Cost Projection
 - ▶ Proposed Maximum Groundwater Production Charges & Staff Proposed Adjustments
- ▶ Schedule/Wrap up

Rate Setting Process

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 = <1.1% for GW, 0% for SW
 - ▶ Prior Year Results South County = <0.6% for GW, 0% for SW

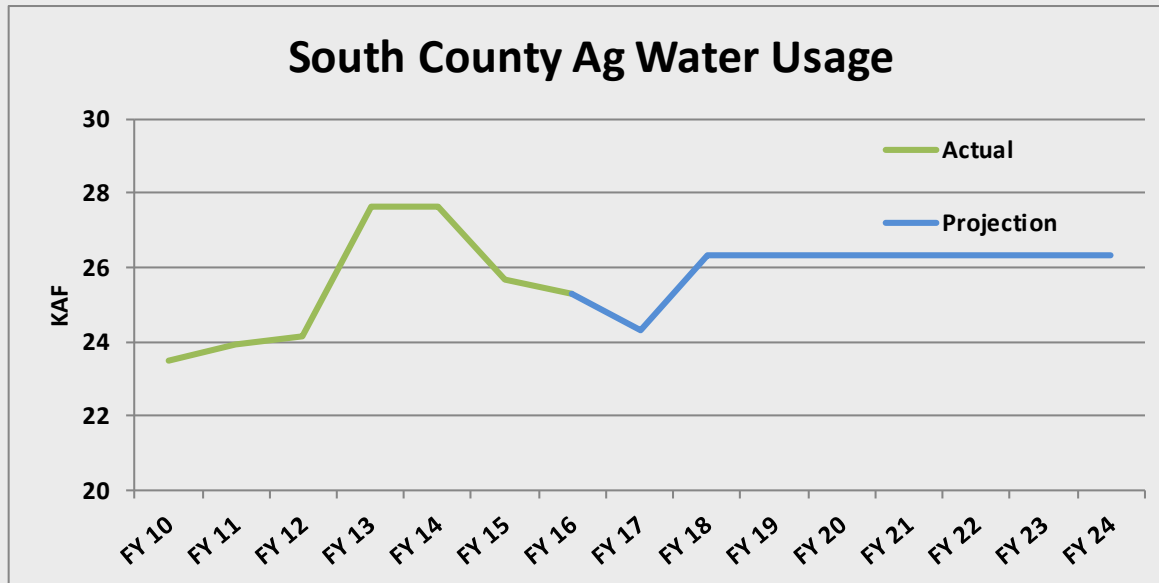
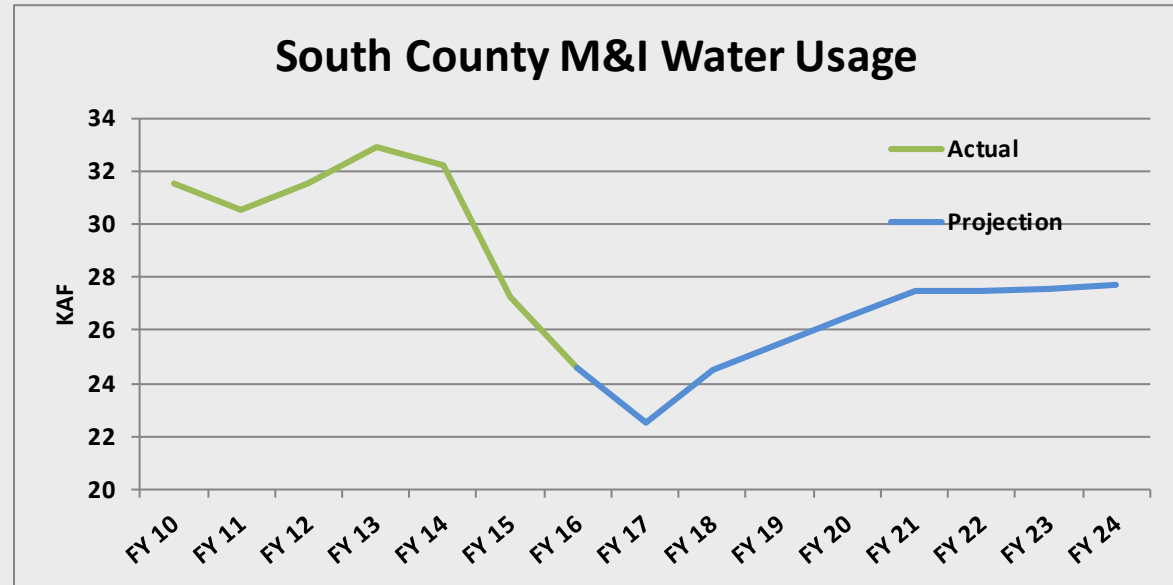
In December 2017, the California Supreme Court concluded that groundwater pumping charges are not subject to the substantive and procedural requirements of Proposition 218.

FY 19 Financial Analysis and Projections

Water Usage Trend South County

Water Usage

(Groundwater & Surface Water)



Key South County Capital project funding FY 19 thru FY 28

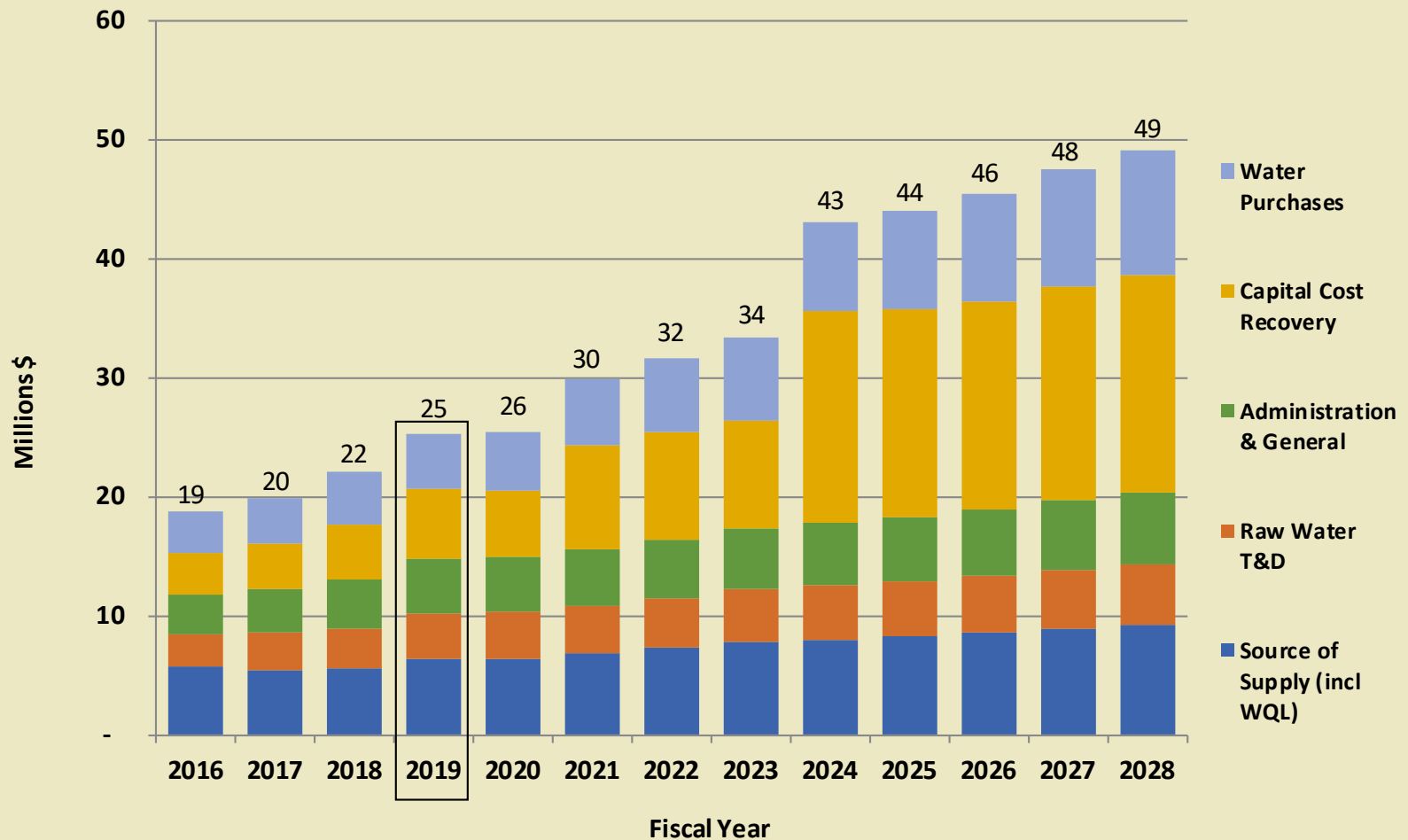
- Anderson Dam Seismic Retrofit (\$510M)
 - \$67M (12% of total \$550M project) to be reimbursed by Safe Clean Water Measure
- Recycled Water Pipeline Expansion (\$19.5M)



Financial Analysis: Unfunded WUE Capital

Project Name	Estimated Total Cost (\$M)
Pacheco Reservoir Expansion Project	1,179
Dam Seismic Retrofit at Chesbro and Uvas	90
SCADA Small Capital Improvements	20
So. County Recycled Water Reservoir Expansion	7
Land Rights - South County Recycled Water PL	6
Alamitos Diversion Dam Improvements	3
Coyote Diversion Dam Improvements	2
Total	1,307

South County Cost Projection



Proposed Maximum Groundwater Production Charges & Staff Proposed Adjustments

FY 2019: South County Proposed Maximum Charges

~~7.7%~~ ~~7.9%~~ increase for M&I & ~~22.3%~~ for Ag groundwater production 22.0%
~~7.7%~~ ~~7.9%~~ increase for M&I surface water & ~~14.1%~~ for Ag surface water 14.0%
~~8.0%~~ ~~8.3%~~ increase for M&I recycled water & ~~22.3%~~ for Ag recycled water 22.0%

Staff proposed adjustments as of 3/14/18

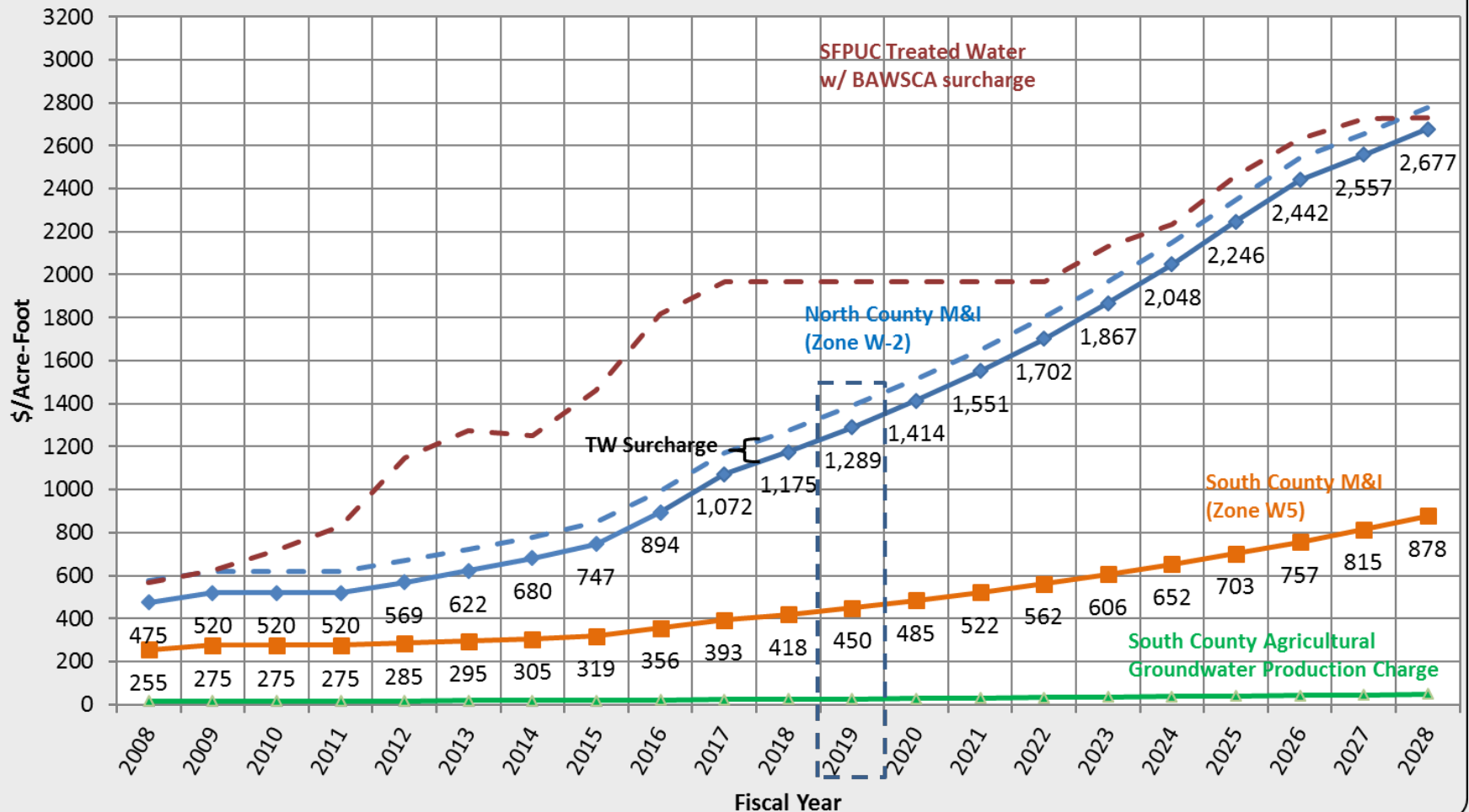
		Dollars Per Acre Foot		
		FY 2016–17	FY 2017–18	Proposed Maximum FY 2018–19
Zone W-5 (South County)				
Basic User/Groundwater Production Charge				
	Municipal & Industrial	393.00	418.00	451.00 450.00
	Agricultural	23.59	25.09	30.67 30.61
Surface Water Charge				
	Surface Water Master Charge	27.46	33.36	36.00 35.93
	Total Surface Water, Municipal & Industrial*	420.46	451.36	487.00 485.93
	Total Surface Water, Agricultural*	51.04	58.45	66.67 66.54
Recycled Water Charges				
	Municipal & Industrial	373.00	398.00	431.00 430.00
	Agricultural	47.38	48.88	54.46 54.41
<p>*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</p> <p>**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</p> <p>***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</p>				

\$1.10

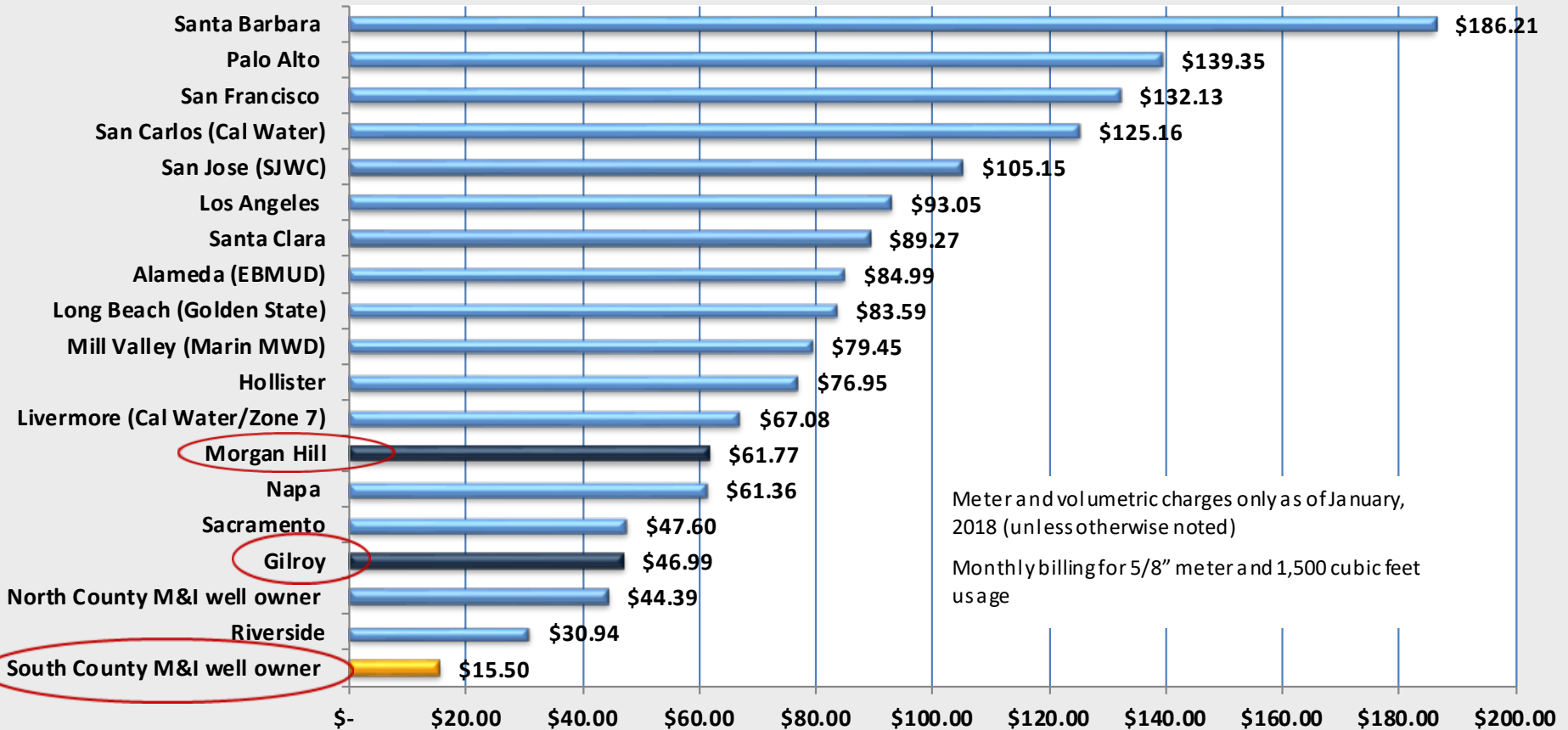
~~\$1.14~~ per month average household increase

Groundwater Production Charges

Groundwater Production Charges



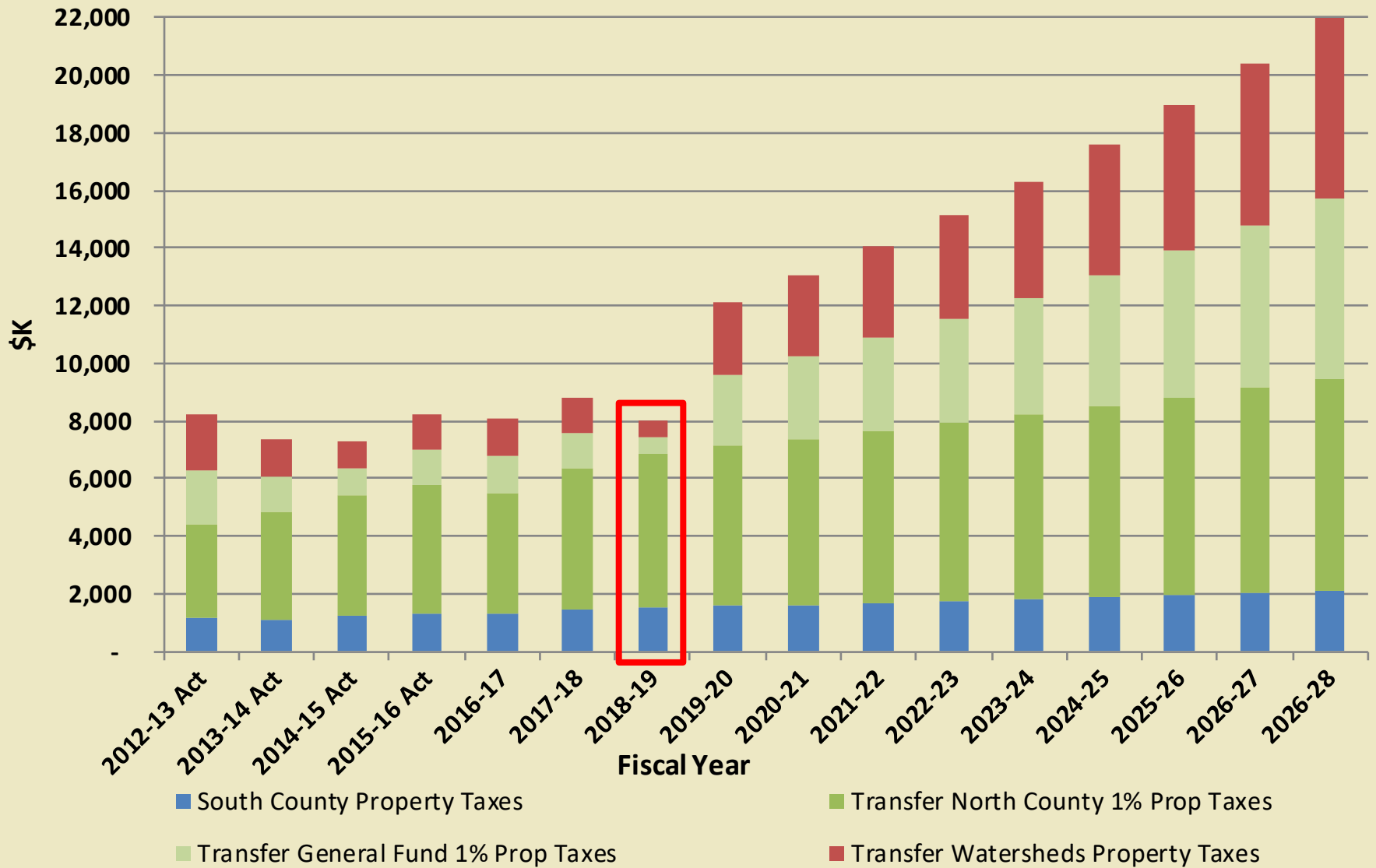
Retail Agency Benchmarks



Notes:

- SCVWD retailer rates shown include SCVWD proposed adjusted increase for FY 2018-19, but do not include increases that retailers may impose
- Well owner rates exclude pumping costs (e.g. electricity) and well maintenance costs

Open Space Credit



Recent OSC Policy Discussions

- 2013
 - ▶ Staff completes extensive OSC policy review and stakeholder engagement process
 - ▶ Board maintains OSC policy as is
 - ▶ South County Ag charge maintained at 6% of M&I
- 2014 - 2016
 - ▶ Board confirms direction to maintain OSC policy as is
- 2017
 - ▶ Presidents Day Flood occurs, CIP Committee requests staff to explore OSC reductions to free up funding for flood protection projects
- Feb 2018
 - ▶ Special Ag Advisory Committee meeting convened to discuss OSC Policy
- Mar 2018
 - ▶ Board Follow-up Discussion on OSC

Schedule & Wrap Up

2018 schedule for hearings and meetings

- ✓ Jan 9 Board Meeting on Preliminary Groundwater Prod. Charge Analysis
- ✓ Feb 24 Mail notice of public hearing and file PAWS report
- ✓ March 21 Water Retailers Meeting
- ✓ April 2 Ag Water Advisory Committee
- ✓ April 3 Landscape Committee Meeting
- ✓ April 10 Open Public Hearing
- ✓ April 11 Water Commission Meeting
- April 12 Continue Public Hearing in Gilroy (Informational Open House)
- April 16 Environmental & Water Resources Committee
- April 24 Conclude Public Hearing
- May 8 Adopt budget & groundwater production and other water charges

Note: Protests may be submitted between the date the notice was mailed (February 23) and the conclusion of the hearing (April 24)

Summary and Next Steps

Summary

- ▶ FY 19 increase driven by critical investments in the water supply infrastructure, and investments in future supplies
- ▶ Proposed FY 19 Groundwater Production Charge increase equates to an increase of \$1.10 per month in South County to average household

Next Steps

- ▶ Obtain Feedback from Water Commission and Environmental & Water Resources Committee
- ▶ Continue Hearing to April 24 at District Headquarters

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