

Staff Report

In accordance with the District Act, District staff has prepared an annual report on the Protection and Augmentation of Water Supplies, which was filed with the Clerk of the Board on February 23, 2018.

The Report is the 47th annual report on the Santa Clara Valley Water District's (District) activities in the protection and augmentation of the water supplies. This Report is prepared in accordance with the requirements of the District Act, section 26.5. The Report provides information on water requirements and water supply availability, and financial analysis of the District's water utility system. The financial analysis includes future capital improvement and maintenance requirements, operating requirements, financing methods and staff's recommended groundwater production and other water charges by zone for fiscal year 2018–19.

The Rate Setting Process

According to Section 26.3 of the District Act, proceeds from groundwater production charges can be used for the following purposes:

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.

This year, as in past years, staff has carefully evaluated the activities that can be paid for by groundwater production charges. The work of the district is divided into projects. Every project has a detailed description including objectives, milestones, and an estimate of resources needed to deliver the project. To ensure compliance with the District Act, each project manager must justify whether or not groundwater production charges can be used to pay for the activities associated with their project. The financial analysis presented in the annual report is based on the financial forecasts for these vetted projects.

Resolution 99-21 guides staff in the development of the overall pricing structure based on principles established in 1971. The general approach is to charge the recipients of the various benefits for the benefits received. More specifically, pricing is structured to manage surface water, groundwater supplies and recycled water conjunctively to prevent the over use or under use of the groundwater basin. Consequently, staff is very careful to recommend pricing for groundwater production charges, treated water charges, surface water charges and recycled water charges that work in concert to achieve the effective use of available resources.

This year's rate setting process is being conducted consistent with Board Resolutions 99-21, 12-10 and 12-11. While recognizing the Supreme Court found Proposition 218 inapplicable to groundwater production charges, for Fiscal Year 2018-19 only, the groundwater production charge setting process and surface water charge setting process will mirror the process described in Proposition 218 for property-related fees for water services. The rate setting process is consistent with Proposition 26 requirements that the groundwater production and surface water charges are no more than necessary to cover reasonable costs and bear a fair or reasonable relationship to the rate payor's burdens on or benefits received from the groundwater and surface water programs.

As in the past, the Board will continue to hold public hearings and seek input from its advisory committees and the public before rendering a final decision on groundwater production and other water charges for FY 2018–19.

Staff Recommendations

Exhibit 1 shows the proposed groundwater production charges and other charges for FY 2018–19, which are slightly lower than the proposed maximums shown in the District’s Annual Report on the Protection and Augmentation of Water Supplies (PAWS). The proposed maximums allowed for uncertainties that have not materialized at the time of the writing of this report.

Exhibit 1
Summary of Charges
(Dollars Per Acre Foot, \$/AF)

	Dollars Per Acre Foot		
	FY 2016–17	FY 2017–18	Proposed Maximum FY 2018–19
Zone W-2 (North County)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	1,072.00	1,175.00	1,289.00
Agricultural	23.59	25.09	30.61
Surface Water Charge			
Surface Water Master Charge	27.46	33.36	35.93
Total Surface Water, Municipal & Industrial*	1,099.46	1,208.36	1,324.93
Total Surface Water, Agricultural*	51.04	58.45	66.54
Treated Water Charges			
Contract Surcharge	100.00	100.00	100.00
Total Treated Water Contract Charge**	1,172.00	1,275.00	1,389.00
Non-Contract Surcharge	50.00	50.00	50.00
Total Treated Water Non-Contract Charge***	1,122.00	1,225.00	1,339.00
Zone W-5 (South County)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	393.00	418.00	450.00
Agricultural	23.59	25.09	30.61
Surface Water Charge			
Surface Water Master Charge	27.46	33.36	35.93
Total Surface Water, Municipal & Industrial*	420.46	451.36	485.93
Total Surface Water, Agricultural*	51.04	58.45	66.54
Recycled Water Charges			
Municipal & Industrial	373.00	398.00	430.00
Agricultural	47.38	48.88	54.41

*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

The proposed increases in water charges are necessary to pay for critical investments in water supply infrastructure rehabilitation and upgrades, and the development of future drought-proof supplies, most notably purified water. The Anderson Dam Seismic Retrofit will help ensure public safety and bolster future water supply reliability. The cost projection for the Anderson Dam Seismic Retrofit project has increased to \$550 million since last year due to the discovery of additional vulnerabilities, which will require a near complete removal of the existing dam, and the determination that the dam's spillway needs to be fully replaced as it has some of the same weaknesses that Oroville Dam's spillway had. Additionally, the \$290 million Rinconada Water Treatment Plant upgrade is more than halfway complete, and will extend the plant's service life for the next 50 years as well as increase production capacity up to 25%. Roughly \$229 million is planned to be spent on the state's proposed plan for the California Water Fix, which is anticipated to improve the reliability of the infrastructure through which 40% of the county's water supply is delivered. Lastly, the District is moving forward to forge its first public-private partnership (P3) on a \$1 billion investment for recycled and purified water expansion that would bring up to 45,000 AF of new water supply to the county each year.

Given the financial needs summarized above, staff proposes a 9.7% increase in the North County (Zone W-2) Municipal and Industrial groundwater production charge from \$1,175/AF to \$1,289/AF. Staff recommends maintaining the treated water surcharge at \$100/AF, and maintaining the non-contract treated water surcharge at \$50/AF. The proposal equates to a monthly bill increase for the average household of \$3.92 or about 13 cents a day.

In the South County (Zone W-5), staff proposes a 7.7% increase in the M&I groundwater production charge from \$418/AF to \$450/AF. The proposal equates to a monthly bill increase for the average household of \$1.10 or about 4 cents per day.

Customers in both areas of North and South County may also experience additional charge increases enacted by their retail water providers.

Staff recommends a 22.0% increase in the agricultural groundwater production charge in both zones from \$25.09/AF to \$30.61/AF. The staff recommendation equates to a \$0.92 increase per month per acre for an agricultural water user who pumps 2 acre-feet per acre per year.

Staff recommends a 7.7% increase to the surface water master charge from \$33.36/AF to \$35.93/AF to bring revenues in line with costs related to managing, operating and billing for surface water diversions. This increase results in a 9.6% increase in the overall North County municipal and industrial surface water charge and 7.7% increase in the overall South County municipal and industrial surface water charge. The overall agricultural surface water charge in either zone would increase by 13.9%. Due to the severity of the recent drought from 2012 to 2016, the water district suspended nearly all raw surface water deliveries in 2014. Now that the historic drought is over, the district has restored surface water for those who requested it.

For recycled water, staff recommends increasing the M&I charge by 8.0% to \$430/AF. For agricultural recycled water, staff recommends a 11.3% increase to \$54.41/AF. The increase maximizes cost recovery while concurrently providing an economic incentive to use recycled water. This pricing is consistent with the provisions of the "Wholesale-Retailer Agreement for Supply of Recycled Water Between Santa Clara Valley Water District and City of Gilroy."

Staff recommends setting the State Water Project Tax at \$18 million for FY 2018–19. This translates to a property tax bill for the average single family residence of roughly \$27.00 per year. The District incurs an annual indebtedness to the State of California pursuant to its Water

Supply Contract dated November 20, 1961. Such indebtedness is proportional to the District's allocation of water from the State Water Project and pays for construction, maintenance and operation of state water project infrastructure and facilities. Staff anticipates that the District's contractual indebtedness to the State under the State Water Supply Contract for FY 2018–19 will be at least \$21 million. Staff's recommendation regarding the State Water Project tax is consistent with the District's past practice and with the approach of other water districts and agencies that maintain State water supply contracts.

Projections

Exhibit 2 shows actual and projected District-managed water use. FY 2016–17 water usage came in at roughly 207,000 AF. For the current year, FY 2017–18, staff estimates that water usage will be approximately 217,000 AF or flat to the FY 2017-18 budget, and roughly a 24% reduction versus calendar year 2013. For FY 2018–19, total District-managed water use is projected at 226,000 AF, which is a 4% increase relative to the FY 2017-18 estimated actual, and consistent with post-drought usage patterns after the last drought that occurred between 2007 and 2011. The FY 2018-19 water usage estimate represents a 21% reduction relative to calendar year 2013. Water use is projected to ramp up to 251,000 AF by FY 2023-24.

Exhibit 2
District-managed Water Use Projection (1,000's AF)

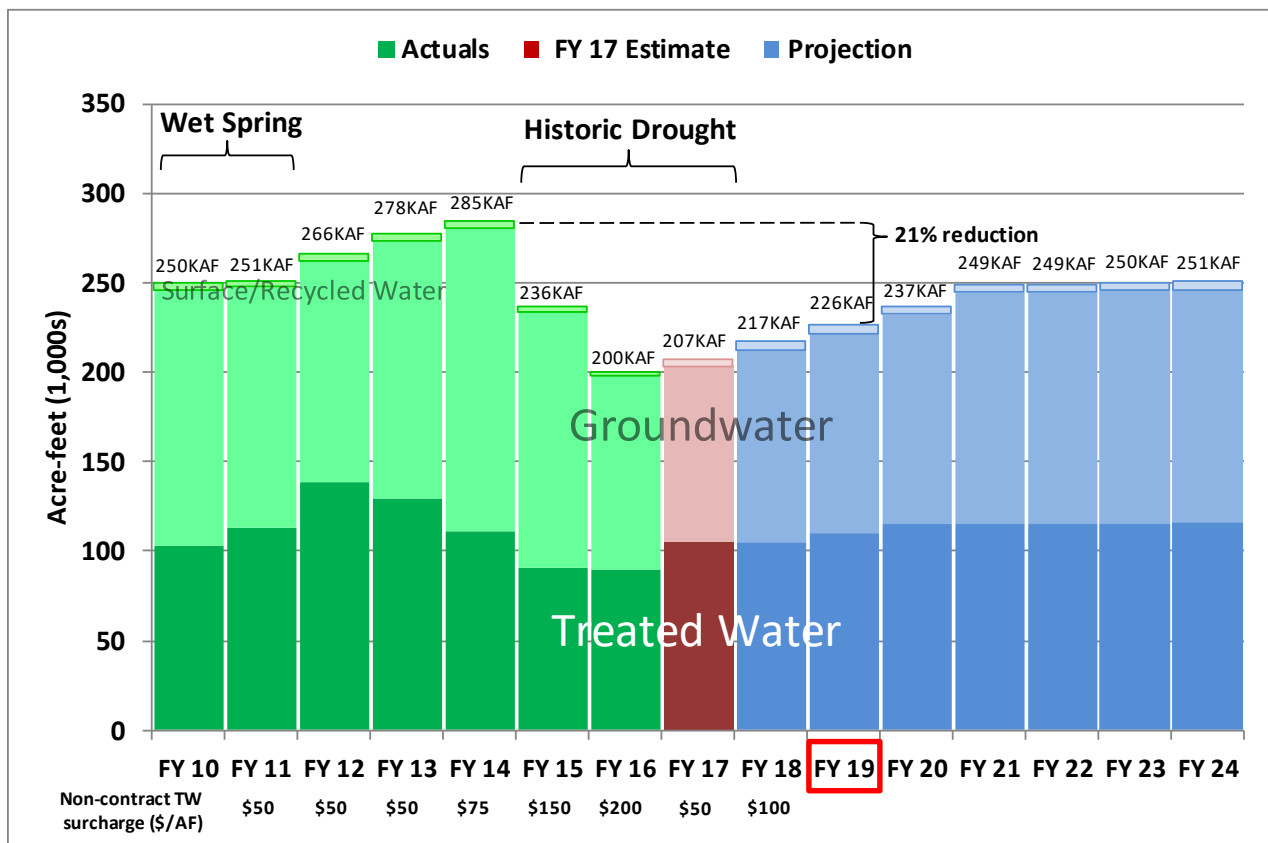


Exhibit 3 shows key financial indicators with staff's recommendation projected to FY 2024-25. The debt service coverage ratio, which is a ratio of revenue less operations expenses divided by annual debt service, is targeted at 2.0 or better which helps to ensure financial stability and continued high credit ratings keeping cost to borrow low.

Exhibit 3
5 Year Charge and Financial Indicator Projection

Base Case	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
No. County (W-2) M&I GWP charge (\$/AF)	\$1,175	\$1,289	\$1,414	\$1,551	\$1,702	\$1,867	\$2,048	\$2,246
Y-Y Growth %	9.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
So. County (W-5) M&I GWP charge (\$/AF)	\$418	\$450	\$485	\$522	\$562	\$606	\$652	\$703
Y-Y Growth %	6.4%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Ag GWP charge (\$/AF)	\$25.09	\$30.61	\$32.97	\$35.51	\$38.24	\$41.19	\$44.36	\$47.77
Y-Y Growth %	6.4%	22.0%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
Operating & Capital Reserve	\$45,117	\$35,459	\$45,828	\$50,377	\$53,626	\$60,021	\$61,781	\$71,758
Supplemental Water Supply Reserve (\$K)	\$14,677	\$15,077	\$15,477	\$15,877	\$16,277	\$16,677	\$17,077	\$17,477
Sr. Lien Debt Svc Cov Ratio (1.25 min)	2.56	2.39	2.92	2.77	2.60	2.41	2.36	1.98
South County (Deficit)/Reserves (\$K)	\$11,507	\$8,444	\$10,896	\$11,735	\$13,120	\$15,450	\$10,767	\$8,109

A portion of the projected increases in the groundwater production charge are driven by the capital improvement program as shown in Exhibit 4. Over \$2.0 billion in capital investments, primarily to repair and rehabilitate aging infrastructure, are planned for the next 10 years. FY 2018–19 operations and operating project costs are projected to increase by 5.1% versus the FY 2017–18 adjusted budget, due primarily to the costs associated with the Pacheco Reservoir Feasibility Study Project offset by reduced imported water costs. On a longer term basis, operating outlays are projected to increase an average of 8.9 per year for the next 10 years driven by: 1) the start of Water Service Agreements payments in FY 25 to the District's P3 (Public-Private Partnership) partner upon completion of the Expedited Purified Water Facilities and commencement of the new water supply; 2) the ramp up of anticipated payments associated with the California WaterFix; and 3) inflation. Debt service is projected to rise from \$42 million in FY 2018–19 to \$116.5 million in FY 2027–28 as a result of periodic debt issuances to fund the capital program.

Exhibit 4
Cost Projection by Cost Center (\$M)

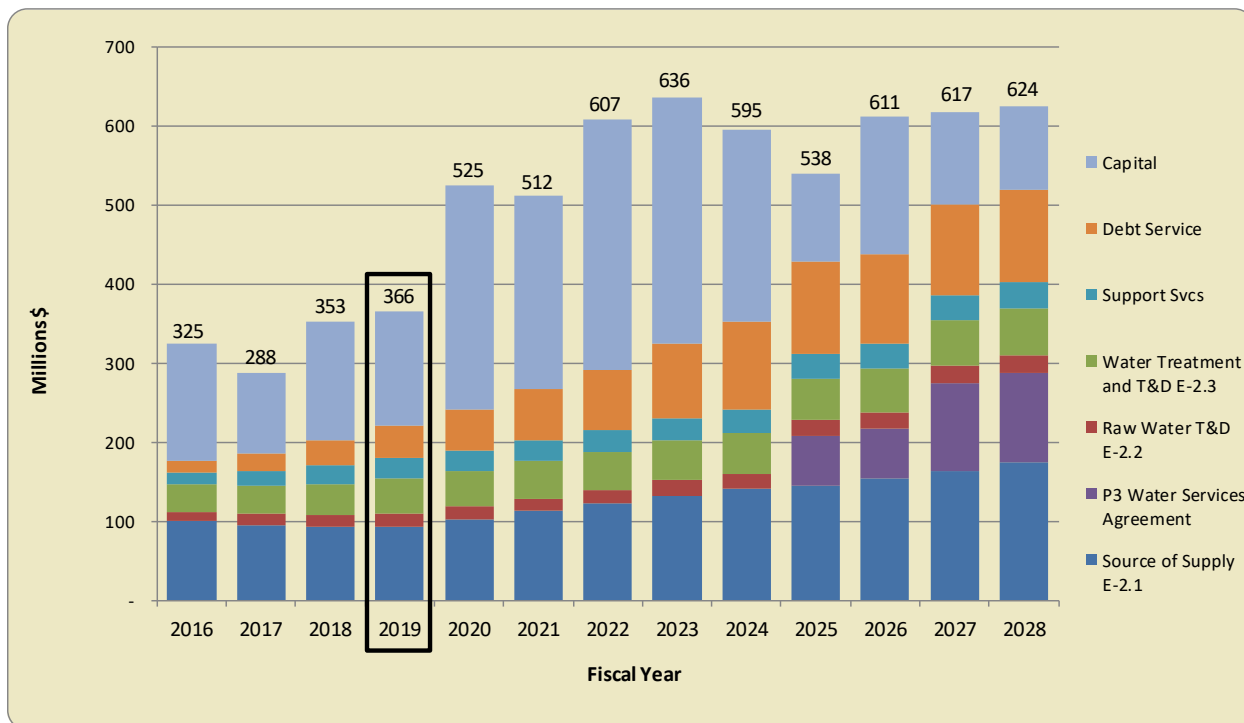


Exhibit 5 shows the groundwater production charge projection for the next 10 years and assumes a continuation of the level of service provided in FY 2017–18 and funding of the preliminary FY 2019-2028 Capital Improvement Program (CIP). Note that there are initiatives and potential uncertainties that could result in the identification of additional capital or operations projects that are not reflected in projection.

Exhibit 5
10 Year Groundwater Charge Projection

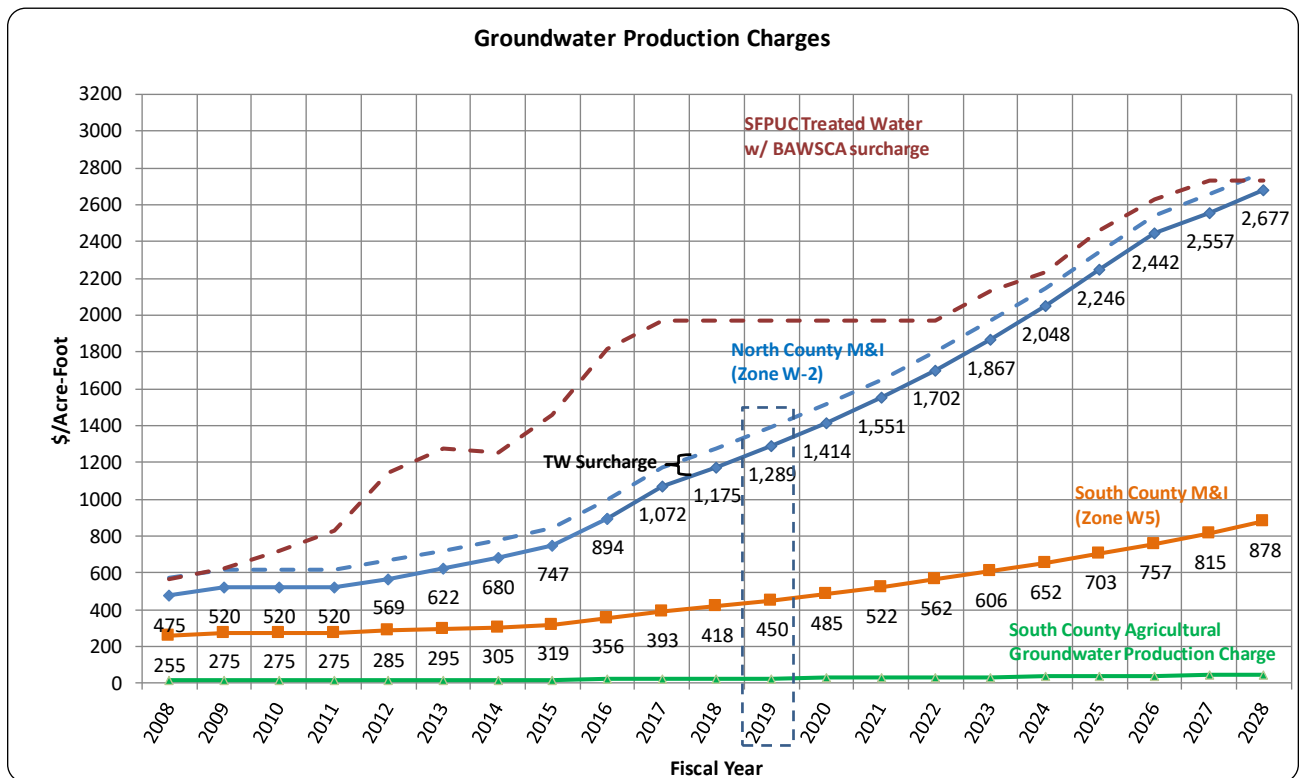


Exhibit 6 shows a comparison of the adjusted proposed groundwater production and treated water charges relative to the anticipated increases for the following similar agencies: Metropolitan Water District, Orange County Water District, San Diego County Water Authority, San Francisco PUC (Hetch Hetchy), and Zone 7.

Exhibit 6
Anticipated FY 2018–19 Water Charge Increases for Similar Agencies

	FY 16	% inc. '16 to '17	FY 17	% inc. '17 to '18	FY 18	Projection FY 19 ³
SCVWD North W-2 (Groundwater prdctn per AF)	\$894	20%	\$1,072	10%	\$1,175	9.7%
SCVWD North W-2 (Treated Water per AF)	\$994	18%	\$1,172	9%	\$1,275	8.9%
Metropolitan WD (Untreated Water per AF) ¹	\$706	8%	\$762	4%	\$795	4.0%
Metropolitan WD (Treated Water per AF) ¹	\$1,054	2%	\$1,075	4%	\$1,115	2.7%
Orange County WD (Groundwater per AF)	\$322	25%	\$402	11%	\$445	TBD
San Diego County WA (Treated Water per AF) ¹	\$1,519	1%	\$1,531	4%	\$1,594	TBD
San Francisco PUC (Treated Water per AF) ²	\$1,634	9%	\$1,786	0%	\$1,786	0.0%
Zone 7 (Treated Water per AF) ¹	\$1,372	15%	\$1,575	-13%	\$1,367	TBD

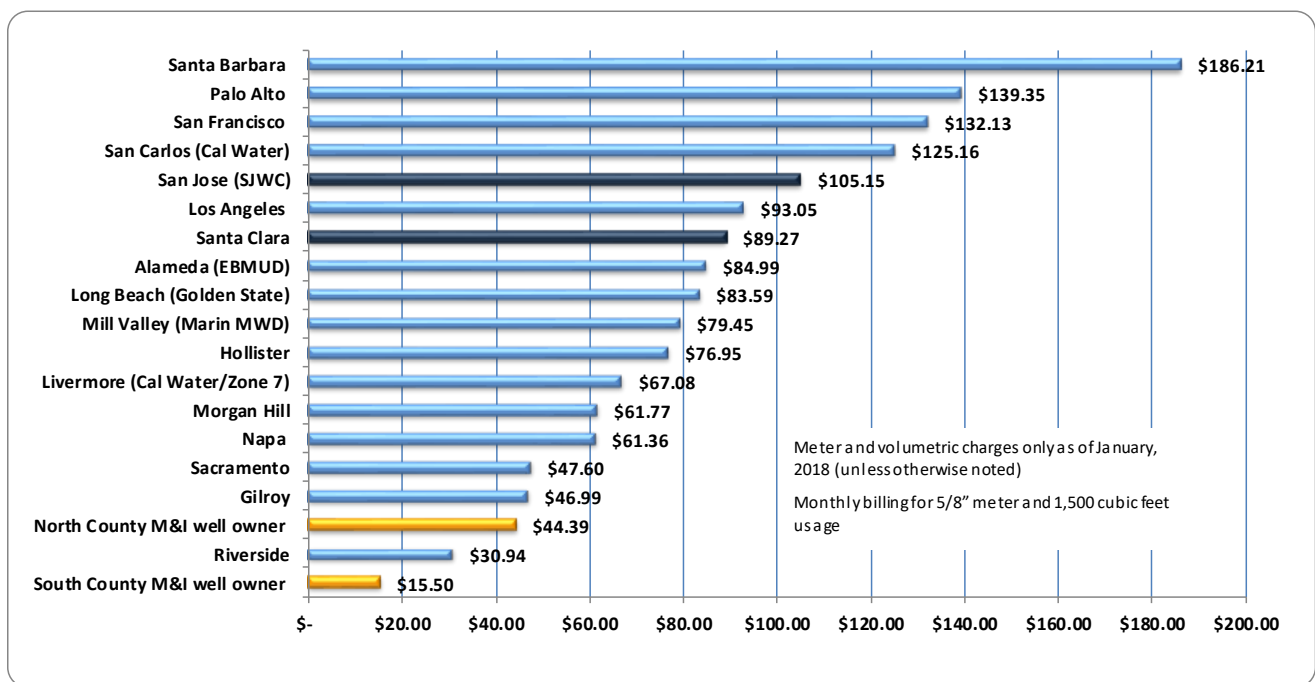
1) MWD, SDCWA and Zone 7 rates based on calendar year (i.e. 2018 rate would be effective on 1/1/2018)

2) SFPUC rate excludes BAWSCA bond surcharge

3) SCVWD FY 19 projection includes staff proposed adjustments to proposed maximum

Exhibit 7 shows a comparison of the average monthly bill for several of the District's retail customers (e.g. SJWC, City of Santa Clara, City of Morgan Hill, and City of Gilroy) relative to the District's perennial list of retail agency comparators across the state. SCVWD retailer rates shown include the SCVWD proposed increase for FY 2018-19. North County and South County well owner rates are also shown, which exclude pumping costs (e.g. electricity) and well maintenance costs.

Exhibit 7 Retail Agency Benchmarks



Cost of Service

The cost of service analyses for FY 2018–19 is shown in Exhibit 8 for North County and Exhibit 9 for South County. The exhibits are laid out in a format that follows six industry standard rate making steps.

1. Identify utility pricing objectives and constraints
2. Identify revenue requirements
3. Allocate costs to customer classes
4. Reduce costs by revenue offsets or non-rate related funding sources
5. Develop unit costs by customer class or net revenue requirements by customer class
6. Develop unit rates by customer class

Step 2 includes identifying and segregating Water Utility Fund costs from Watershed and Administrative Funds and allocating Water Utility costs between zones W-2 (North) and W-5 (South) according to benefit provided. Step 3 involves allocating costs by customer class either directly or based on water usage. Steps 4 and 5 result in unit costs by customer class after applying non-rate related offsets.

Step 6 includes two adjustments. The first adjustment is the application of fungible revenue, in this case 1% ad valorem property taxes, to offset the costs of agricultural water in accordance with Board Resolution 99-21. For FY 2018-19, staff is proposing a \$553K transfer of 1% ad valorem property taxes from the General Fund and \$553K from the Watershed Stream Stewardship Fund as sources for this adjustment also known as the “Open Space Credit.”

The second adjustment involves reallocating a portion of the cost of treated water (or recycled water in the case of South County) to groundwater and surface water users. Treated and recycled water offsets the need to pump groundwater and therefore increases the volume of stored groundwater and improves reliability. The reallocation of a portion of the treated water cost for example represents the value of treated water to groundwater and surface water users and facilitates a pricing structure that prevents the over use of the groundwater basin. Preventing over use not only preserves groundwater for use in times of drought, but also prevents land subsidence or sinking of the land, which can cause serious infrastructure issues.

Another aspect of the second adjustment is related to setting the basic user charge for surface water equal to the groundwater production charge. Surface water use is effectively in-lieu groundwater use permitted by the District to help preserve the groundwater basin. As such, the costs related to preserving the groundwater basin provide value to surface water users because it makes available District surface water, which otherwise would only be used for groundwater recharge. Similarly, the costs related to providing surface water benefit groundwater users because surface water usage helps preserve the groundwater basin. The second adjustment reallocates costs between surface water and groundwater customers in order to set the basic user charge for surface water equal to the groundwater production charge in recognition of this conjunctive use relationship, and in accordance with board policy. A 2015 study was conducted by Raftelis Financial Consultants, Inc (RFC) that confirms the reasonableness of such an adjustment. The report titled “Report Documenting the Reasonableness of the Conjunctive Use Benefit of Surface Water and Recycled Water to Groundwater Customers” documents the support and justification for the water district’s cost of service methodology and can be found on the District’s website.

Exhibit 8
Cost of Service North County Zone W-2 (\$K)

	FY '19 Projection (\$K)	Zone W-2					Total W-2
		GW		TW	SW		
		M&I	AG	M&I	M&I	Ag	
1	Operating Outlays						
2	Operations/Operating Projects	35,683	373	102,630	999	24	139,708
3	SWP Imported Water Costs	5,111	54	15,670	254	6	21,095
4	Debt Service	9,703	103	31,818	130	3	41,758
5	Total Operating Outlays	50,496	531	150,118	1,382	34	202,561
6							
7	Capital & Transfers						
8	Operating Transfers Out	1,875	20	3,376	46	1	5,318
9	Capital Outlays excl. carryforward	19,190	204	91,807	439	11	111,651
10	Total Capital & Transfers	21,065	224	95,183	485	12	116,969
11	Total Annual Program Costs	71,561	755	245,301	1,867	45	319,530
12		Step 3 - Allocate costs to customer classes					
13	Revenue Requirement Offsets						
14	Capital Cost Recovery	(2,033)	(22)	(3,661)	(50)	(1)	(5,767)
15	Debt Proceeds	(9,727)	(103)	(46,534)	(222)	(5)	(56,592)
16	Inter-governmental Services	(357)	(4)	(643)	(9)	(0)	(1,013)
17	SWP Property Tax	(4,099)	(44)	(12,569)	(204)	(5)	(16,920)
18	South County Deficit/Reserve	(387)	(4)	(697)	(10)	(0)	(1,098)
19	Interest Earnings	(382)	(4)	(687)	(9)	(0)	(1,083)
20	Inter-zone Interest	35	0	63	1	0	100
21	Capital Contributions	(494)	(5)	(890)	(12)	(0)	(1,402)
22	Other	(983)	(10)	(900)	(14)	(0)	(1,908)
23	Reserve Requirements	10,818	(7)	55,481	247	(0)	66,540
24	Adjusted Revenue Requirement (FY 19)	63,952	552	234,265	1,586	32	300,387
25	Adjusted Revenue Requirement (FY 16 adj)	(10,153)	(264)	(57,095)	976	(20)	(66,555)
26	Total Adjusted Revenue Requirement	53,799	288	177,170	2,562	12	233,831
27	Volume (KAF)	61.1	0.7	110.0	1.5	0.0	173.3
28							
29	Revenue Requirement per AF	\$ 881	\$ 443	\$ 1,611	\$ 1,708	\$ 331	
30		Step 5 - Develop unit costs by customer class					
31	Adjustments for Agricultural Preservation						
32	Allocate WU 1% Ad Valorem Prop Tax	-	(268)	-	-	(10)	(277)
33	Transfer GF 1% Ad valorem Prop Tax	-	-	-	-	-	-
34	Transfer WS 1% Ad Valorem Prop Tax	-	-	-	-	-	-
35	Revenue Requirement per AF	\$ 880.5	\$ 30.6	\$ 1,611	\$ 1,708	\$ 66.5	
36							
37	Adjustments to Facilitate Conjunctive Use						
38	Reallocate TW/SW/RW costs	24,957	-	(24,382)	(575)	-	(0)
39	Charge per AF	\$ 1,289	\$ 30.6	\$ 1,389	\$ 1,325	\$ 66.5	
40	Total Revenue (\$K)	\$78,756	\$20	\$152,788	\$1,987	\$2	\$233,554

Exhibit 9
Cost of Service South County Zone W-5 (\$K)

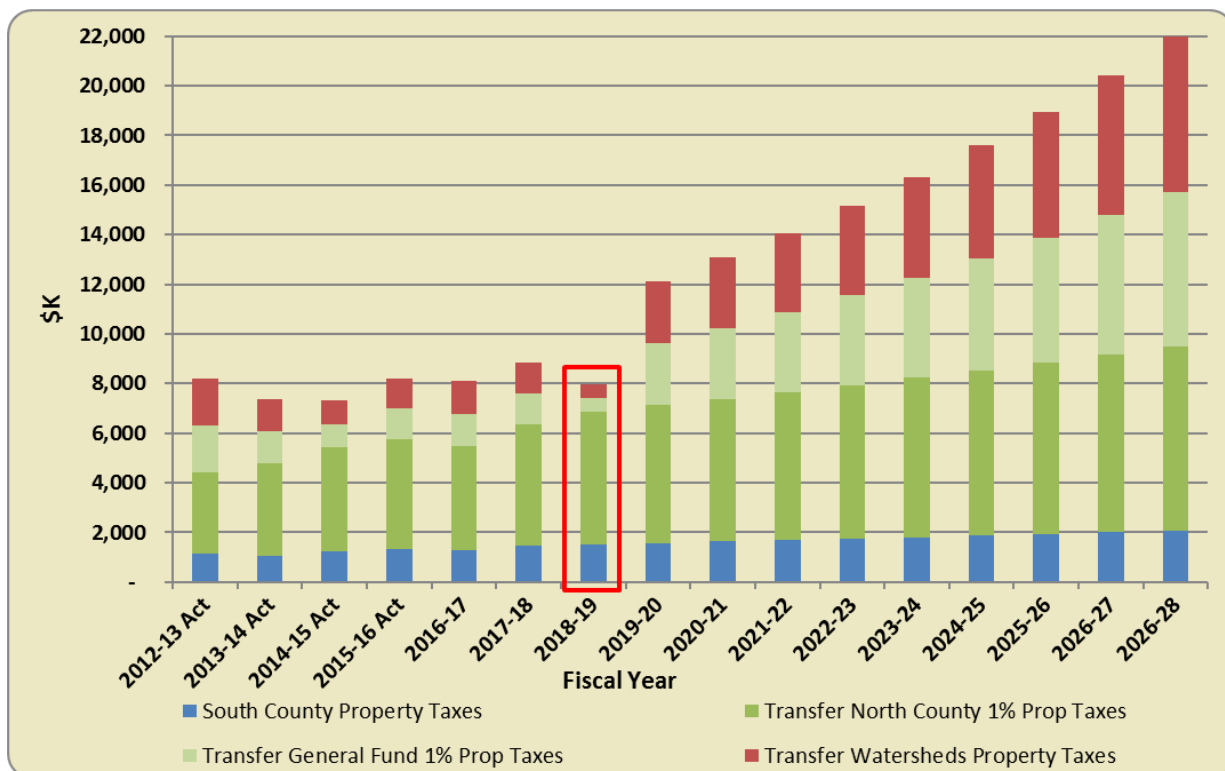
	FY '19 Projection (\$K)	Zone W-5						
		GW		SW		RW		Total W-5
		M&I	AG	M&I	AG	M&I	AG	
1	Operating Outlays							
2	Operations/Operating Projects	9,116	8,866	215	550	130	112	18,989
3	SWP Imported Water Costs	-	-	-	-	-	-	-
4	Debt Service	-	-	-	-	-	-	-
5	Total Operating Outlays	9,116	8,866	215	550	130	112	18,989
6								
7	Capital & Transfers							
8	Operating Transfers Out	-	-	-	-	-	-	-
9	Capital Outlays excl. carryforward	-	-	-	-	-	-	-
10	Total Capital & Transfers	-	-	-	-	-	-	-
11	Total Annual Program Costs	9,116	8,866	215	550	130	112	18,989
12		Step 3 - Allocate costs to customer classes						
13	Revenue Requirement Offsets							
14	Capital Cost Recovery	2,249	2,249	45	117	595	510	5,767
15	Debt Proceeds	-	-	-	-	-	-	-
16	Inter-governmental Services	(67)	(67)	(1)	(4)	-	-	(140)
17	SWP Property Tax	(508)	(508)	(10)	(26)	(14)	(12)	(1,080)
18	South County Deficit/Reserve	1,270	159	(76)	8	(266)	4	1,098
19	Interest Earnings	-	-	-	-	-	-	-
20	Inter-zone Interest	(47)	(47)	(1)	(2)	(1)	(1)	(100)
21	Capital Contributions	-	-	-	-	-	-	-
22	Other	(68)	(68)	(1)	(2)	-	-	(138)
23	Reserve Requirements	-	-	-	-	-	-	-
24	Adjusted Revenue Requirement (FY 19)	11,945	10,584	170	641	444	613	24,397
25	Adjusted Revenue Requirement (FY 16 adj)	(1,111)	(2,288)	79	(393)	271	(286)	(3,727)
26	Total Adjusted Revenue Requirement	10,834	8,297	250	247	715	327	20,670
27	Volume (KAF)	25.0	25.0	0.5	1.3	0.7	0.6	53.1
28								
29	Revenue Requirement per AF	\$ 433	\$ 332	\$ 500	\$ 190	\$ 1,021	\$ 545	
30		Step 5 - Develop unit costs by customer class						
31	Adjustments for Agricultural Preservation							
32	Allocate WU 1% Ad Valorem Prop Tax	-	(6,881)	-	-	-	-	(6,881)
33	Transfer GF 1% Ad valorem Prop Tax	-	(553)	-	-	-	-	(553)
34	Transfer WS 1% Ad Valorem Prop Tax	-	(98)	-	(161)	-	(294)	(553)
35	Revenue Requirement per AF	\$ 433	\$ 30.6	\$ 500	\$ 66.5	\$ 1,021	\$ 54.4	
36								
37	Adjustments to Facilitate Conjunctive Use							
38	Reallocate TW/SW/RW costs	420	-	(7)	-	(414)	-	-
39	Charge per AF	\$ 450	\$ 30.6	\$ 486	\$ 67	\$ 430	\$ 54.4	
40	Total Revenue (\$K)	\$11,255	\$765	\$243	\$87	\$301	\$33	\$12,683

Open Space Credit

The District Act limits agricultural groundwater production charges to a maximum of 25 percent of the M&I groundwater production charges. Current board policy adds an “open space” credit to agricultural revenues. The purpose of the credit is to preserve the open space benefits provided by agricultural lands by keeping agricultural groundwater production charges low. While the Supreme Court recently found Proposition 218 inapplicable to groundwater production charges, the Court determined that Proposition 26 does apply, which means that in order for the groundwater production charge to qualify as a nontax fee, costs to end users must be proportional such that one class of users is not subsidizing another.

The recommended agricultural groundwater production charge for FY 2018–19 is \$30.61 per acre foot, which is 6.8 percent of the proposed M&I groundwater production charge in South County. To comply with the current agricultural groundwater production charge setting policy, staff recommends the open space credit received by South County be \$8.0 million in FY 2018-19 (funded by 1 percent ad valorem property taxes). This includes an adjustment that reconciles FY 2015–16 actuals against what was projected. The \$8.0 million is comprised of a \$5.4 million transfer from North County Water Utility 1% ad valorem property taxes, a \$1.5 million contribution from South County Water Utility 1% ad valorem property taxes, a \$553 thousand transfer of 1% ad valorem property taxes from the General Fund and \$553 thousand from the Watershed Stream Stewardship Fund. As shown in Exhibit 10, the Open Space Credit is projected to grow to \$22 million by FY 2027-28.

Exhibit 10
Open Space Credit Trend



Hearings and Meetings Schedule

Exhibit 11 presents the schedule for the annual groundwater production charge setting process.

Exhibit 11 Hearings and Meetings Schedule – 2018

Date	Hearing/Meeting
January 9	Board Meeting on Preliminary Groundwater Production Charge Analysis
February 23	Mail notice of public hearing and file PAWS report
March 21	Water Retailers Meeting
April 2	Agricultural Water Advisory Committee Meeting
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