

<b>WATER SUPPLY</b>	
<b>Goal 1:</b> Ensure current and future water supply for municipalities, industries, agriculture, and the environment is reliable	
<b>Strategy 1:</b> Finalize the Fisheries and Aquatic Habitat Collaborative Effort (FAHCE)	
<b>FY19 Focus:</b> Complete the planning, permitting and other actions necessary to finalize resolution of the complaint.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>• September 25, 2018 – Board approved contract amendment on</li> <li>• Board Updates: <ul style="list-style-type: none"> <li>○ July 16, 2018 – District fisheries efforts update (which included FAHCE) was presented to the Environmental and Water Resources Committee</li> <li>○ September 11, 2018 – update per Board’s request (Closed Session)</li> <li>○ October 15, 2018 – FAHCE update provided to the Environmental and Water Resources Committee</li> <li>○ October 24, 2018 – District fisheries efforts update (which included FAHCE) was presented to the Santa Clara Valley Water Commission</li> </ul> </li> </ul>
<b>FAHCE Committee Work/Staff Input</b>	<ul style="list-style-type: none"> <li>• Fish Habitat Restoration Plan (FHRP)</li> <li>• FAHCE Ad Hoc Committee holds regular meetings</li> </ul>
<b>Public Input</b>	FAHCE has been discussed in 3 separate public committee meetings in FY19 (see above), with a specific FAHCE update provided at the October 15, 2018 Environmental and Water Resources Committee; in October 2018, staff published an introductory blog post and plan to follow up with additional posts expounding on key issues and projects. Public sentiment, from those who have been engaged regarding FAHCE, includes frustration with the project scheduling/delays, and overarching concern regarding fish habitat and the health of fish species. Some of those concerns were mitigated via discussions of the numerous District efforts to improve these habitats.
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>• Challenge: EIR public draft deadline has shifted to spring 2019</li> <li>• Challenge: Modeling is complex and has required more time than anticipated</li> </ul>

	<ul style="list-style-type: none"><li>• Challenge: Overall program costs have escalated due to model and EIR complexity</li><li>• Opportunity: Expediting early implementation of feasibility studies, monitoring activities, planning and construction of various fish passage improvements identified in the FAHCE settlement agreement</li></ul>
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<b>WATER SUPPLY</b>	
<b>Goal 1:</b> Ensure current and future water supply for municipalities, industries, agriculture, and the environment is reliable	
<b>Strategy 2:</b> Actively Pursue Efforts to Increase Water Storage Opportunities	
<b>FY19 Focus:</b> Seek and secure funding sources and partnerships for the Pacheco Reservoir Project.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>• July 27, 2018 informal Board Member Request (iBMR) – Evaluated the possibility of raising the height of Calero Dam to expand Calero Reservoir’s storage capacity</li> <li>• September 18, 2018 iBMR – Provided the Water Storage Exploratory Committee (WSEC) information related to raising Sisk Dam (San Luis Reservoir) for additional water storage, including potential benefits to the District, and any possible interactions with Pacheco Reservoir Expansion Project</li> <li>• October 13, 2018 iBMR – Provided a project timeline/schedule for Pacheco Expansion Reservoir Project, (contracts)</li> <li>• Board Meeting Updates: <ul style="list-style-type: none"> <li>○ August 14, 2018 – Extended the Stantec agreement</li> <li>○ August 28, 2018 – Budget adjustment for new FTEs</li> <li>○ September 11, 2018 – Budget adjustment for new FTEs</li> <li>○ October 23, 2018 – Approved relocation of existing plaque</li> <li>○ November 20, 2018 – Approved the new consultant agreements</li> </ul> </li> </ul>
<b>Water Storage Exploratory Committee Work/Staff Input</b>	<p><b>Pacheco</b></p> <ul style="list-style-type: none"> <li>• October 17, 2018 – Project update to Treated Water Retailers -</li> <li>• District and United States Bureau of Reclamation (USBR) discuss the feasibility study for the San Luis Low Point Improvement Project (SLLPIP) (study expected June 2019)</li> </ul> <p><b>Sites</b></p> <ul style="list-style-type: none"> <li>• Other agencies and Sites JPA evaluate water supply benefits/costs</li> </ul>

	<p><b>Los Vaqueros</b></p> <ul style="list-style-type: none"> <li>• Webinar to review the results of the water resource model – available for review October 2018.</li> <li>• GM Meeting at November 2018 ACWA Conference – feedback on governance</li> </ul>
<b>Public Input</b>	<p>Most of the Santa Clara County federal and state legislative delegations sent letters of support for the Pacheco Project. There has also been a letter of support from Governor Brown designating the project as “state-led” to secure federal funding for the project. In communications with environmental stakeholders, there was strong interest in the wildlife and other environmental benefits of the project, but most preferred to wait for an environmental impact report before taking a position on the project.</p> <p>At the California Water Commission, numerous organizations expressed support for the project, including NAACP, La Raza, California Chamber and Local Chambers of Commerce, Bay Area Council, and Silicon Valley Leadership Group, as well as representatives of public agencies such as SLDMWA, San Benito County Water District, Santa Cruz County Zone 7 Flood Control District, etc.</p>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>• Opportunity: Exploring additional funding opportunities</li> <li>• Challenge: District’s role in governance on Sites project</li> <li>• Challenge: Funding to continue participation in feasibility and planning for all projects</li> <li>• Challenge: Federal authorization for Pacheco Reservoir Project</li> <li>• Challenge: Complex participation structure for Los Vaqueros</li> <li>• Opportunity: State partnership and regulatory support (CDFW) opportunities for Pacheco Reservoir Project</li> </ul>

	<ul style="list-style-type: none"><li>• Opportunity: The California Water Commission conditionally approved the District’s CA Prop 1 Water Storage Investment Program \$484.55M funding request as well as an early Funding award of \$24.2M</li><li>• Opportunity: Early Funding Agreement from the California Water Commission</li></ul>
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<b>WATER SUPPLY</b>	
<b>Goal 1:</b> Ensure current and future water supply for municipalities, industries, agriculture, and the environment is reliable	
<b>Strategy 3:</b> Actively Participate in Decisions Regarding the California WaterFix	
<b>FY19 Focus:</b> Continue to engage and negotiate financial arrangements to protect Santa Clara County's and the residents' interests through participation serving on the Delta Conveyance Design and Construction Authority (DCA). This Joint Powers Authority is charged with the management of design and construction of the WaterFix facilities.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>• August 14, 2018 – Approved/authorized CEO to execute Agreement (Advance contribution of funds (\$1,092,975) of to the DWR for Preconstruction Planning Costs</li> <li>• Appointed Director Tony Estremera, and alternate Director Barbara Keegan, to serve on the Board of Directors of the Design and Construction JPA for the first two years following formation. Director Estremera is Chair of the Board.</li> <li>• Board Updates:               <ul style="list-style-type: none"> <li>○ July 6, 2018 – Approved the Delta Conveyance Finance Authority Joint Powers Agreement (JPA); designated Director Kremen and alternate Director Hsueh to serve on the Board of Directors of the Delta Conveyance Finance Authority for the first two years following formation; and approved the Delta Conveyance Finance Authority JPA.</li> <li>○ August 14, 2018 – Received an update on the California WaterFix; and approved the CEO to execute the agreement for the District's funding contribution to the Department of Water Resources for preconstruction planning costs of the California WaterFix.</li> </ul> </li> </ul>
<b>Staff Input</b>	<ul style="list-style-type: none"> <li>• The DCA Requests for Proposals:               <ul style="list-style-type: none"> <li>○ <i>Engineering Design – August 29-30, 2018 (DCA selection made October 1, 2018)</i></li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ <i>Geotechnical – September 11, 2018</i></li> <li>○ <i>Real Estate – September 19, 2018</i></li> <li>● October 26, 2018 – DWR draft EIR available for public review (comments due December 10, 2018)</li> <li>● November 9, 2018 – The Delta Stewardship Council (DSC) released a draft determination that CA WaterFix is inconsistent with the delta plan</li> <li>● December 20-21, 2019 – Formal adoption of DSC final decision -</li> <li>● November 13, 2018 – Program Management Services consultant approved by DCA Board</li> </ul>
<b>Public Input</b>	<ul style="list-style-type: none"> <li>● The Board has held numerous public meetings regarding the California WaterFix and the public comments received have been extensive. They ranged from strong opposition to any tunnel project to strong concerns about the security of water supplies for Santa Clara County. There continues to be interest in various options such as desalination, recycled water, potable reuse, storm water capture, groundwater recharge, and continued water conservation.</li> </ul>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>● Change: From Governor Brown to Governor Newsom – January 1, 2019</li> <li>● Challenge: Concerns of how agriculture sector pays for their share of the project</li> <li>● Challenge: Multiple obstacles and legal hurdles preventing the project from moving forward</li> <li>● Opportunity: Board members are influential decision makers on the Design &amp; Construction Authority (DCA) and Finance Authority</li> <li>● Challenge: State’s decision on the water quality control plans will influence the future feasibility of the project</li> </ul>



<b>WATER SUPPLY</b>	
<b>Goal 1:</b> Ensure current and future water supply for municipalities, industries, agriculture, and the environment is reliable	
<b>Strategy 4:</b> Advance Recycled and Purified Water Efforts with the City of San Jose and Other Agencies	
<b>FY19 Focus:</b> Increase efforts to expand non-potable and advance purified water county-wide by engaging with all cities within the county to determine county-wide interest and prioritization. Work with City of San José to resolve identified issues of land, treated wastewater quality, and reverse osmosis concentrate management. Pursue a Public-Private Partnership (P3) delivery method for the program.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>• No FY19 items to date</li> </ul>
<b>Recycled Water Committee Work/ Staff Input</b>	<ul style="list-style-type: none"> <li>• September 12, 2018 –Recycled Water Committee meeting to discuss agreements with the City of Palo Alto for the expansion of purified water</li> <li>• November 14, 2018 – Staff presented the Conceptual Alternatives and completed deliverables of the Countywide Water Reuse Master Plan at the Board's Recycled Water Committee</li> <li>• Palo Alto/Mountain View/District Meetings to discuss future coordination regarding treated wastewater for purification (District can receive 9 million gallons per day of treated wastewater for purification)</li> </ul>
<b>Public Input</b>	<ul style="list-style-type: none"> <li>• Generally there is a positive sentiment regarding recycled and purified water; however concerns remain due to incomplete research regarding constituents of emerging concern (CECs)</li> </ul>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>• Challenge: Obtaining consensus from all cities on alternatives to Countywide Water Reuse Master Plan</li> <li>• Challenge: Getting commitments from cities on wastewater allocations</li> <li>• Challenge: Declining flows at wastewater treatment plants</li> <li>• Challenge: Monitoring and treating Constituents of Emerging Concern (CECs)</li> </ul>

	<ul style="list-style-type: none"><li>• Change: Recent rollout of regulatory requirements at state level regarding surface water augmentation</li><li>• Opportunity: Positive results on the Reverse Osmosis (RO) Concentrate management study</li></ul>
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<b>WATER SUPPLY</b>	
<b>Goal 2:</b> Ensure efficiency and reliability of our raw water transmission and distribution assets.	
<b>Strategy 1:</b> Advance Anderson Dam Seismic Retrofit Project	
<b>FY19 Focus:</b> Continue to work with appropriate regulatory agencies to review and obtain approval for all project design plans. Release for review and certify the Draft Environmental Report. Continue to inform the public and neighborhoods of the project progress and construction timeline.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>October 23, 2018 – Project update to the Board regarding construction sequencing for the four projects and environmental documentation and informal consultation process (no action taken)</li> </ul>
<b>CIP Committee Work/Staff Input</b>	<ul style="list-style-type: none"> <li>September 2018 – The Board of Consultants provided letter report with technical review comments for 60% design plans</li> <li>October 17 and 22, 2018 – District/Morgan Hill Meeting (construction impacts to City)</li> <li>October 24, 2018 – Environmental Permitting Interagency meeting (project schedule, geotechnical investigations, mitigation sites)</li> <li>October 24, 2018 – Public meeting with City of Morgan Hill</li> <li>November 7, 2018 –Conference call with the Federal Energy Regulatory Commission Division of Hydropower Administration and Compliance (FERC DHAC) and the Department of Safety of Dams (DSOD) (status of regulatory compliance and permitting)</li> </ul>
<b>Public Input</b>	<p>In meetings with federal, state, and local elected officials regarding the project, there is a sentiment for urgency, to expedite delivery of the project.</p> <p>At the October 24, 2018 project update public meeting, residents inquired about flood risk reduction efforts along Coyote Creek, the status of the dam project, its lengthy project timeline and its recreational impacts, such as boating. Project</p>

	<p>team members were available to respond to questions. Despite the project delays, negative feedback was minimal, with the exception of commentary from four San José residents, who experienced flooding from Coyote Creek in 2017 and wanted prioritization regarding work concerning that effort. Approximately 85 people attended the event, along with Facebook views reaching a high of 16.</p>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>• Challenge: Regulatory oversight into post-construction operations and permitting</li> <li>• Challenge: Sequencing of District's dam seismic retrofit projects</li> <li>• Challenge: Misaligned priorities with regulatory agencies</li> <li>• Challenge: Water supply reliability during construction</li> <li>• Opportunity: Global approach to permitting with FAHCE and Coyote Creek project</li> <li>• Opportunity: Incorporate lessons learned from SFPUC Calaveras Reservoir Retrofit Project</li> <li>• Opportunity: Exploring options for alternative finance mechanisms</li> </ul>

<b>Natural Flood Protection</b>	
<b>Goal 1:</b> Provide natural flood protection for residents, businesses, and visitors.	
<b>Strategy 1:</b> Provide for a Watershed-Wide Regulatory Planning and Permitting Effort	
<b>FY19 Focus:</b> At the federal level, expedite U.S. Fish and Wildlife Service permit process and streamline the permit review process. At the state level, continue to pursue legislation (SB 1301 [Beall] Expedited Permitting for Dam Safety and Flood Risk Reduction) to expedite permits for projects that meet certain life-safety criteria, such as projects located in high flood risk watersheds, projects to address high hazard dams with seismic restrictions, and high-risk tidal flood zones of national economic importance, among others.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>• September 28, 2018 – District-sponsored bill, SB1301 (Beall) Expedited Permitting for Flood Protection and Dam Safety vetoed by Gov. Brown (budget issues not resolved through legislative bill)</li> <li>• Ongoing – Staff and the Board continue to meet with the SFRWQCB to improve collaboration efforts and to facilitate District-wide regulatory permitting.</li> <li>• Board Updates:               <ul style="list-style-type: none"> <li>○ August 21, 2018 – Legislative support from the cities of Morgan Hill and Gilroy</li> </ul> </li> </ul>
<b>CIP Committee Work/Staff Input</b>	<ul style="list-style-type: none"> <li>• November 5, 2018 – Bay Restoration Regulatory Integration Team (BRRIT) MOA executed for District to support the funding for the initial year</li> <li>• Staff scheduled quarterly meetings to coordinate regulatory issues across Watershed and Water Utilities</li> <li>• Currently negotiating the Stream Maintenance Program II renewal</li> </ul>
<b>Public Input</b>	In SB 1301 meetings with numerous state elected officials, state agencies, and key stakeholders, the sentiments expressed ranged from concern the

	<p>safety risks created by delayed project delivery to concern that expediting permitting would compromise environmental protection.</p> <p>The Governor's office has expressed that they see permit processing delays as a budget issue that should not be resolved through a legislative bill such as SB 1301.</p> <p>Through the BRRIT, federal and state permitting agencies have acknowledged the problem of regulatory delay and are working on solutions, albeit only for multi-benefit wetland restoration projects around San Francisco Bay.</p> <p>Staff advocated with U.S. Fish and Wildlife officials and congressional offices for streamlined permitting.</p>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"><li>• Opportunity: Upper Berryessa litigation provides an opportunity to set expectations for future participation from SFRWQCB</li><li>• Opportunity: New discussions with incoming administration</li><li>• Opportunity: Support from other stakeholder groups and legislature for regulatory reform</li></ul>

<b>Natural Flood Protection</b>	
<b>Goal 2:</b> Reduce potential for flood damages.	
<b>Strategy 1:</b> Ensure Immediate Emergency Action Plans and Flood Protection are Provided for Coyote Creek	
<b>FY19 Focus:</b> Continue to pursue state and federal funding avenues for the Coyote Creek Flood Protection Project. Apply the Emergency Action Plan to other areas in San José and other cities throughout the county. Continue to raise awareness to property along creeks where the District does not have property rights and manage expectations/awareness of owners to the flood risks associated with encroachments, downed trees, etc.	
<b>Board Review/Input</b>	<b>Board Updates:</b> <ul style="list-style-type: none"> <li>• August 21, 2018 – Joint meeting with the cities of Morgan Hill and Gilroy (Emergency Services Coordination discussion)</li> <li>• September 5, 2018 – Joint meeting with the City of Santa Clara (Emergency Services Coordination discussion)</li> <li>• September 11, 2018 – Emergency Service and Security Update</li> <li>• November 5, 2018 – Approved staff recommendation to maintain 40 percent rule curve at Anderson Dam through 2018-2019 winter season due to seismic retrofit concerns</li> <li>• November 20, 2018 – Winter Preparedness Briefing</li> </ul>
<b>Coyote Creek Flood Risk Reduction Ad Hoc Committee Work/Staff Input</b>	<ul style="list-style-type: none"> <li>• Staff continues to work with the cities and county, along with retailers and other partners, to ensure that emergency preparedness efforts support each other</li> <li>• A Flood Emergency Action Plan (EAP) for Guadalupe River, and Canoas, West Little Llagas, Uvas, and Ross Creeks is in process</li> <li>• September 19, 2018 – City OES visited the District EOC to hold a joint planning meeting to discuss the agenda items for the October 1, 2018 Joint Management monthly meeting and schedule the November 5, 2018 exercise training and</li> </ul>

	<ul style="list-style-type: none"> <li>• October 1, 2018 – Joint planning table top exercise meeting with City of San José</li> <li>• October 28, 2018 – Final revisions to the Joint EAP with CSJ (includes the new Guadalupe, Canoas and Ross Creeks) provided to City’s consultant for Table Top exercise planning</li> <li>• November 5, 2018 – Staff from the City SJ and District met to test the Joint EAP (“Coyote EAP”) in a table top exercise</li> </ul>
<b>Public Input</b>	<p>There is strong public interest in the flood protection efforts at Coyote Creek, given the 2017 flooding. There is desire to expedite such work, specifically for neighbors in the Naglee Park and William Street areas, the mobile home park community near Old Oakland Road and the Rock Springs Community. Planned public meetings are being scheduled in early 2019 to provide updates.</p> <p>No formal public input on the flood EAPs yet for Uvas Creek in Gilroy or the Guadalupe River and Canoas and Ross creeks; however District social media posts have generated a significant number of comments from concerned residents.</p>
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>• Opportunity: Mid-Coyote Flood Risk Reduction Project Public Meeting in early 2019</li> <li>• Opportunity: Potential federal funding support for Mid-Coyote Project</li> <li>• Opportunity: Private participation in land development and flood protection projects</li> <li>• Challenge: Aligning the federal partnership timeline with Mid-Coyote Project with the need to provide flood protection while Anderson Dam is under construction</li> <li>• Challenge: Regulatory permitting</li> </ul>



	<ul style="list-style-type: none"><li>• Challenge: Affordability of maintenance on non-District owned properties</li><li>• Challenge/Opportunity: Updating the encroachment policy and implementation</li></ul>
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<b>ENVIRONMENTAL STEWARDSHIP</b>	
<b>Goal 1:</b> Protect and restore creek, bay, and other aquatic ecosystems.	
<b>Strategy 1:</b> Foster a Coordinated Approach to Environmental Stewardship Efforts	
<b>FY19 Focus:</b> At the federal level, expedite U.S. Fish and Wildlife Service permit process and streamline the permit review process. At the state level, expedite permits for projects that meet certain life-safety criteria, such as projects located in high flood risk watersheds, projects to address high hazard dams with seismic restrictions, and high-risk tidal flood zones of national economic importance, among others.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>Staff and Board members continue to meet with the SFRWQCB to improve collaboration efforts and to facilitate District-wide regulatory permitting.</li> </ul>
<b>Staff Input</b>	<ul style="list-style-type: none"> <li>Staff is updating the annual Stewardship Report to improve external awareness of the District's activities and accomplishments</li> <li>October 26, 2018 – District met with staff from Google pertaining to the Los Gatos Creek Restoration project joint effort to build a habitat restoration/flood protection project at Google's downtown campus along Los Gatos Creek</li> <li>November 19, 2018 – A new Assistant Officer in Watershed Stewardship and Planning on reports to the DOO of Watershed Stewardship &amp; Planning Division and will lead key watersheds stewardship activities and programs</li> </ul>
<b>Public Input</b>	Recent public surveys put a high value on climate change and environmental stewardship.
<b>Changes, Challenges, Opportunities</b>	<ul style="list-style-type: none"> <li>Change: Developing annual stewardship report in FY19</li> <li>Opportunity: Better communicate with constituents regarding what they want in regard to stewardship efforts</li> <li>Challenge: Funding to create multi-purpose projects</li> </ul>

<b>Business Management</b>	
<b>Goal 1:</b> Ensure a work environment that is diverse, inclusive, free of discrimination and harassment, and that provides equal opportunity employment.	
<b>Strategy 1:</b> Advance Diversity and Inclusion Efforts	
<b>FY19 Focus:</b> Develop performance reports on recruitment, hires and promotions. Benchmark with best practices in diversity and inclusion programs.	
<b>Board Review/Input</b>	<ul style="list-style-type: none"> <li>February 13, 2018 – D&amp;I Ad Hoc Committee formed</li> <li>October 2, 2018 (iBMR) – Staff to explore bolstering recruitment efforts for veterans</li> </ul>
<b>D&amp;I Ad Hoc Committee Work/Staff Input</b>	<ul style="list-style-type: none"> <li>September 10, 2018 – The Great Places to Work Survey (GPTW) closed on, and 73% of staff participated in the survey a 2% increase from the last GPTW survey in 2016). Results from the survey were discussed in detail at the 2018 All Employee Meeting</li> <li>Staff published a report on the District’s Certification as a GPTW</li> <li>September 27, 2018 – D&amp;I Ad Hoc Committee meeting to review HR staff reports on the District internship program and receive feedback regarding potential enhancements to the existing program</li> <li>Staff will be going over the Emerging Leaders Certificate Program D&amp;I Master Plan Project findings for best practices</li> </ul>
<b>Public Input</b>	Not applicable.
<b>Changes, Challenges, Opportunities</b>	Opportunity: Through external stakeholder research, the Emerging Leaders Certificate Program Capstone Project group found that the District’s D&I Program is at the forefront of similar, external programs, with a plan, established program, and budget for D&I activities

### June 8, 2018 — Board Leadership Study

**Work Study Goal:** Discuss how the Board can ensure effective representation for constituents as we provide safe, clean and affordable supply of water, construct natural flood protection projects, and deliver on our environmental and stream stewardship commitments to our community for a healthy life, environment and economy within our current funding constraints.

**Outcome:** *See June 8, 2018 Special Board Leadership Study Notes (Attachment A)*

The general outcome of the work study session was to identify opportunities to generate new revenue for the District.

The Board Chair formed a working group consisting of Directors Hsueh, LeZotte and Keegan to research opportunities and methods which the District could generate new revenue sources i.e. Special Parcel Tax, Benefit Assessments, Development Impact Fees, etc.

The working group provided Chair Santos with an October 31, 2018 memo summarizing months of research and discussion on the subject *(Attachment B)*.

### September 18, 2018 — Board Retreat

**Retreat Goal:** Opportunity for the Board, staff and public to idea share, discuss, give direction and make decisions on current and long-term issues, opportunities, and processes to better communicate and engage, and get results.

**Outcome:** *See September 28, 2018 Special Board Retreat Notes (Attachment C)*

Communication and teamwork are key in making progress on projects and resolving issues, engaging with and responding to the public, working collaboratively across the district as well as with outside agencies and the community, to ensure that we meet our goals.

Additional Board Requests July — November	
Discuss Succession Planning (Requested by Vice Chair LeZotte)	

## Santa Clara Valley Water District

Board of Directors Meeting: Special Board Leadership Study

Friday, June 8, 2018



### Summary of Item 2.1: Board Leadership Work Session

The Board, staff and members of the public engaged in a facilitated work session to discuss and brainstorm on how the Board could ensure effective representation for our constituents as we provide a safe, clean and affordable supply of water, construct natural flood protection projects, and deliver on our environmental and stream stewardship commitments to our community for a healthy life, environment and economy within our current funding constraints.

The discussion related to the following sub-topics:

1. Current and potential future demands on Watersheds Stream Stewardship Property Tax Revenue
2. Meeting District Commitments with the Safe, Clean Water Special Tax Revenue; and
3. Affordability of Water Charges.

The Leadership Study Work Session began with a financial overview presentation from the Chief Financial Officer on the strongest opportunities to generate new revenue and the financial status of each of the three funds that correspond with the three sub-topics.

### Strongest Opportunities to Generate New Revenue

(according to November 2017 Report by Financial Consultant, William C. Statler)

#### 1. Special Parcel Tax

- Similar to SCW measure passed by voters in 2012
- Would require two-thirds voter approval
- Largely an unrestricted revenue source

#### 2. Benefit Assessments

- Similar to existing flood protection benefit assessments
- Would require property owner majority voter approval
- Must be based on benefit per parcel per engineer's report

#### 3. Development Impact Fees

- Can only be used for capital improvements benefitting new development
- Typically collected by cities and counties along with building permit fees
- District's ability to collect contingent on cooperation of land use planning agencies

**Financial Status by Fund**

- **Watershed Stream Stewardship Fund** – Many potential future demands on \$50M FY 28 surplus reserves.
- **Safe Clean Water Fund** – Many potential future demands on \$12M FY 28 surplus reserves.
- **Water Utility Fund** – Financially healthy but projected rate increases are substantial.

The facilitated discussion focused on identifying the following for each of the sub-topics:

- **Givens** – Identify what is known and will not change, such as Board Priorities (FY19) and Board actions.
- **Strive to avoid** – Identify what we don't want to have to do and what our solutions will strive to avoid.
- **Consider pursuing** – Identify solutions for staff to analyze for the Board's consideration.

Participants in the discussion included the Board, staff and members of the public.

The tables enclosed are a summary of the discussion notes that were displayed during the meeting. The Board directed staff to further research for feasibility the ideas shown in the Consider Pursuing column. In addition, Board directed staff to pursue further analysis on feasibility of the three strongest opportunities to generate new revenue (Special Parcel Tax, Development Impact Fees, and Benefit Assessments) for each of the three sub-topics, summarized above, and requested a clear explanation of how each option works. The Board also directed staff to include interested stakeholders in the feasibility review process for Benefit Assessments for funding Water Utility capital projects and explore a water affordability and environmental stewardship tax or benefit assessment.



## Watersheds Stream Stewardship Property Tax Revenue

Givens	Strive to Avoid	Consider Pursuing
<p><b>Board Priorities (FY19):</b></p> <ul style="list-style-type: none"> <li>Provide for watershed-wide regulatory planning and permitting effort</li> <li>Foster a coordinated approach to environmental stewardship effort</li> <li>Immediate Emergency Action Plan and flood protection for Coyote Creek</li> </ul> <p><b>Board actions:</b></p> <ul style="list-style-type: none"> <li>Directed staff to look into feasibility of potential private funding for supporting Open Space Credit</li> <li>Board Homeless Encampment Ad Hoc Committee is scheduled to research potential funding sources for encampment cleanup beyond 2019</li> <li>Chair Santos assigned 3 Board members to research feasible revenue sources allowed by the District Act</li> </ul> <p><b>Group's additions:</b></p> <ul style="list-style-type: none"> <li>Board doesn't have control over the amount collected each year</li> <li>Board has control over how funds are spent</li> <li>Open Space Credit is funded by the 1% property tax</li> <li>When the Capital Improvement Program (CIP) projects are completed in the next 5-8 years, the operations and maintenance (O&amp;M) costs will increase</li> </ul>	<ul style="list-style-type: none"> <li>Negative public perception</li> <li>Avoid excessive permitting and mitigation requirements</li> <li>Legal challenges, such as California Environmental Quality Act (CEQA) lawsuits</li> <li>Conflicts with sister agencies, non-profits, environmental agencies</li> <li>Being distracted from our vision while being flexible and adaptable</li> <li>Avoid conflicts with property ownership; (e.g. encroachments)</li> <li>Misalignment of public's expectations with District priorities</li> <li>Providing unrealistic timelines</li> <li>Conflicts with non-profit and environmental agencies</li> </ul>	<p><b>Explore Tax Options</b></p> <ul style="list-style-type: none"> <li>Find out if the 1% ad valorem tax is based on all of the County taxes, including personal property, or only real property. If not, do we have authority for collection.</li> <li>If personal property is not included in the 1% ad valorem tax from the county, the District should explore other taxes, including personal property taxes on businesses</li> <li>Explore a process for the Board to be engaged in allocation of the property tax prior to the budget process (e.g. possibly using property tax to address Safe, Clean Water shortfalls)</li> </ul> <p><b>Open Space Credit Endowment Fund</b></p> <ul style="list-style-type: none"> <li>Explore working with a foundation to set up an endowment fund that would allow private companies contribute funds to help keep open space and agriculture alive and well.</li> <li>Explore business partnerships or sponsorships</li> </ul> <p><b>Water conservation credit and possible separation from groundwater charges</b></p> <ul style="list-style-type: none"> <li>Related to the endowment fund concept, consider disconnecting water conservation from water rates by moving the water conservation budget, including all of our landscaping rebate programs related to new developments and existing retrofits, out of from groundwater charges into some kind of a program that is based on a parcel tax or benefit area.</li> <li>Consider a water conservation credit that allows businesses who can't comply with "conservation as a way of life requirements" to pay for water conservation residential programs in lieu of making water use reductions</li> </ul>

		<p><b>Partnering to generate revenue &amp;/or reduce costs</b></p> <ul style="list-style-type: none"> <li>• Partner with county and Santa Clara Valley Transportation Authority (VTA) and Open Space Authority on trails projects and pursue funding together</li> <li>• Partner with other agencies to do stream stewardship in conjunction with parks and recreation projects. Consider pursuing the following: <ul style="list-style-type: none"> <li>○ Continue to engage other policy makers for partnership opportunities</li> <li>○ Explore a mix of local and county revenue sources</li> <li>○ Realize revenue together, with other agencies on integrated projects</li> <li>○ Use One Water as a vehicle to integrate stewardship, recreation, flood protection, and water supply. Currently it is forward looking, but it could look at existing projects for integration.</li> <li>○ To avoid spending funds on projects that are not critical to our mission, consider partnering with cities/county on a joint ballot measure that includes recreational items with a formula to split where the funds go, which could be more appealing to voters</li> </ul> </li> <li>• Explore partnering with the county on taxes they are able to implement that the District cannot (i.e. sales tax)</li> <li>• Partner with other agencies to pursue different revenue sources</li> <li>• Work with other agencies to identify resources to collectively address priorities outside of District's core mission areas (i.e. homeless encampments)</li> </ul>
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## Safe, Clean Water Special Tax Revenue

Givens	Strive to Avoid	Consider Pursuing
<p><b>Program Priorities:</b></p> <p><b>Priority A:</b> Ensure a safe, reliable water supply</p> <p><b>Priority B:</b> Reduce toxins, hazards and contaminants in our waterways</p> <p><b>Priority C:</b> Protect our water supply from earthquakes and natural disasters</p> <p><b>Priority D:</b> Restore wildlife habitat and provide open space</p> <p><b>Priority E:</b> Provide flood protection to homes, businesses, schools, and highways</p> <p><b>Other Givens:</b></p> <ul style="list-style-type: none"> <li>• Special tax sunsets in FY28</li> <li>• Commitment to deliver 38 projects</li> </ul> <p><b>Board actions:</b></p> <ul style="list-style-type: none"> <li>• Board Homeless Encampment Ad Hoc Committee is scheduled to research potential funding sources for encampment cleanup beyond 2019</li> <li>• Chair Santos assigned 3 Board members to research feasible revenue sources allowed by the District Act</li> <li>• Board CIP Committee is scheduled to develop some more robust prioritization criteria for stewardship capital projects for the Board's discussion</li> </ul> <p><b>Group's additions:</b></p> <ul style="list-style-type: none"> <li>• We are entering the second 5 years of the Program</li> <li>• Priorities A, C and E are on track</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid not delivering any Safe, Clean Water project</li> <li>• Avoid waiting too long to come to the Board to make key decision (esp. stewardship projects)</li> <li>• Avoid creating challenges in delivering stream stewardship projects (i.e. approach like CIP projects instead)</li> <li>• Avoid being short-sighted with how we manage this Program</li> <li>• Avoid creating conflicts for the FAHCE team as we engage on stream stewardship projects</li> </ul>	<p><b>Internal proactive effort to focus on delivery, prioritization and funding</b></p> <ul style="list-style-type: none"> <li>• Create a unit or team to support the ongoing effort to deliver the Safe, Clean Water Program and manage the following initiatives:             <ul style="list-style-type: none"> <li>◦ Review Priorities and funding to ensure all Priorities have sufficient funding to be accomplished under the Program</li> <li>◦ Develop a clear vision of the path forward in delivering current priorities and identifying future priorities for voter consideration</li> <li>◦ Maintain an adequate level of contingency based upon Program year to ensure sufficient funds are available to deliver the Program</li> <li>◦ Identify adjustments or modifications that may be required to address funding priorities</li> <li>◦ Identify potential issues and roadblocks to the delivery of Priorities B and D</li> <li>◦ Identify staff resources to plan, coordinate, and lead strategic communications for all stream stewardship projects, including Fisheries and Aquatic Habitat Collaborative Effort (FAHCE) projects</li> </ul> </li> </ul> <p><b>SCW alignment with FAHCE</b></p> <ul style="list-style-type: none"> <li>• Work internally and externally to ensure consistency with Fisheries and Aquatic Habitat Collaboration Effort (FAHCE) settlement</li> <li>• Explain the linkage between the Safe, Clean Water stewardship projects with FAHCE</li> </ul> <p><b>Board engagement on Watershed Stream Stewardship (WSS) Fund</b></p> <ul style="list-style-type: none"> <li>• Explore a process for the Board to be engaged in allocation of the property tax prior to the budget</li> </ul>

<ul style="list-style-type: none"> <li>• Priorities B and D (environmental stewardship projects) require more Board engagement</li> <li>• If we want to go out for another special parcel tax, we have to deliver</li> <li>• Assumptions made at the onset of the Program are causing challenges</li> <li>• Board has the authority to make changes to the Program</li> </ul>		<p>process (e.g. possibly using property tax to address Safe, Clean Water shortfalls)</p> <ul style="list-style-type: none"> <li>• Engage the Board on high level issues such as funding or land use when working with the county on stream stewardship projects</li> </ul> <p><b>Proactively engage cities and county in planning, partnerships, and regulatory lobbying</b></p> <ul style="list-style-type: none"> <li>• Be proactive when working with other agencies</li> <li>• Work with partners within the county to identify opportunities to lobby together (i.e. with regulatory agencies) on regulatory issues that are mutually beneficial</li> <li>• Review the feasibility of suggestions from Congresswoman Zoe Lofgren regarding implementing joint powers authorities (JPAs)</li> <li>• Establish a closer working relationship with the County moving forward, for example identifying joint principles and interests on various issues</li> <li>• Participate with other agencies when they develop their strategic plans</li> <li>• Request presentations from cities on their strategic plans to the Board</li> </ul> <p>Definition: "Other agencies" include cities, counties, retailers and NGOs.</p>
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**Water Charges**

Givens	Strive to Avoid	Consider Pursuing
<p><b>Board Priorities (FY19):</b></p> <ul style="list-style-type: none"> <li>• Make key decisions regarding the California (CA) Water Fix</li> <li>• Advance the Anderson Dam Seismic Retrofit Project</li> <li>• Advance recycled and purified water efforts</li> <li>• Finalize Fisheries and Aquatic Habitat Collaboration Effort (FAHCE)</li> <li>• Actively pursue efforts to increase water storage opportunities</li> </ul> <p><b>Additional:</b></p> <ul style="list-style-type: none"> <li>• Staff requested Proposition 1 funding for water storage projects</li> </ul> <p><b>Board actions:</b></p> <ul style="list-style-type: none"> <li>• Approved the P3 (public-private partnership) project delivery and financing for the Purified Water Program to ease the projected water charges</li> <li>• Chair Santos assigned 3 Board members to research feasible revenue sources allowed by the District Act</li> <li>• Board CIP Committee is studying feasibility of available methods, other than Water Charges, to fund capital projects</li> <li>• Board directed staff to research affordability for disadvantaged communities and bring back recommendations on how to implement a low income and senior resident water payment assistance program</li> </ul>	<ul style="list-style-type: none"> <li>• Unaffordable rates</li> <li>• Avoid increasing water rates</li> <li>• Avoid letting others establish the narrative for us</li> <li>• Avoid infrastructure failure and water shortage</li> <li>• Avoid community fatigue of rate increases</li> <li>• Avoid misuses of the rates</li> <li>• Avoid pitting the environment against water reliability</li> </ul>	<p><b>Strategic communications and coordination</b></p> <ul style="list-style-type: none"> <li>• Follow Government Relations lead with communications for politically sensitive topics</li> <li>• Spend more time strategically engaging with other agencies</li> <li>• Consider opportunities to use “plain English” to explain to the public</li> <li>• Create a simple, easy-to-understand explanation of how rates work so people understand</li> <li>• Coordinated communications with the cities regarding rates and water storage</li> </ul> <p><b>Additional opportunities for revenue</b></p> <ul style="list-style-type: none"> <li>• Explore water rights that are for sale and storage opportunities outside the county</li> <li>• If we have a water surplus, could we sell it and are there restrictions on those revenues?</li> <li>• Pursue external funding, such as grant funding and cost-share agreements</li> <li>• Explore opportunities for revenue generation through identifying alternative uses for District-owned properties</li> </ul> <p><b>Water Supply Master Planning</b></p> <ul style="list-style-type: none"> <li>• Explore additional opportunities to capture and store water</li> <li>• Engage Board in the 2040 Water Supply Master Plan</li> <li>• Pursue a connection to environmental stewardship by looking at how we operate our facilities to carry out the function of groundwater recharge and conveyance, as we have received a lot of comments and suggestions from environmental groups about how we look to the future and operate these facilities</li> </ul>

<p><b>Group's additions:</b></p> <ul style="list-style-type: none"> <li>• District has two groundwater charge zones</li> <li>• District also has four active zones and one inactive zone for flood-protection benefit assessments</li> <li>• Water rates are going up</li> <li>• Per capita usage is projected to go down</li> </ul>		<ul style="list-style-type: none"> <li>• While pursuing a balanced, multi-objective approach to operating our facilities, as referenced above, ensure compliance with the purposes for which groundwater production charges can be used</li> <li>• With the demonstrated water conservation by the community and the new legislation of "Conservation a California way of life", reaching a 20% Conservation goal on an ongoing basis does not seem unreachable. Therefore, a lower Level of Service Goal for future water supply should be evaluated as part of the 2040 Water Supply Master Plan.</li> <li>• Consider and plan for the effects of climate change</li> <li>• Pursue opportunities under the Water Bond</li> <li>• Explain how today's ideas are being considered in the 2040 Water Supply Master Plan at next Board meeting</li> </ul>
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### Next Steps

- Staff to summarize today's discussion and report an initial analysis to the Board, sooner rather than later.





# MEMORANDUM

FC 14 (01-02-07)

**TO:** Santa Clara Valley Water District Board Chairman,  
Richard P. Santos

**FROM:** Directors Linda LeZotte,  
Barbara Keegan, and Nai  
Hsueh

**SUBJECT:** Research of Feasible Revenue Sources  
allowed by the District Act

**DATE:** October 31, 2018

## Summary

Due to Water Utility capital needs to rehabilitate existing infrastructure, and the need to invest in new water supplies for the future, wholesale water charges are projected to more than double over the next 10 years. Such a projection has generated concerns of affordability from communities. In addition, the good news that the California Water Commission awarded \$484.55 million to support the Pacheco Reservoir Expansion Project, comes with a significant challenge in that the remaining cost of the project has not been included in the most recent 10-year wholesale rate projection.

With regard to flood protection and environmental stewardship, lack of funding has been a problem for decades. Today, the District has several hundreds of millions of dollars' worth of unfunded flood protection projects, an extensive list of deferred operations and maintenance activities, a rapidly escalating need for funding to address encampment issues, and the need for additional funding to meet stewardship commitments. In addition, the Board's Open Space Credit policy is projected to put more demand on the District's share of 1% ad valorem property tax revenue into the future, a revenue source that is relied upon to fund flood protection and stream stewardship activities.

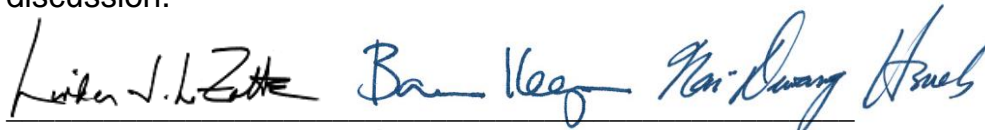
Consequently, you assigned the three of us to research feasible new revenue sources with respect to District Act authorities. Our analysis included a review of the report prepared by financial consultant, Bill Statler, titled "Revenue Options Assessment, November 2017," and incorporated additional research prepared by staff. Our recommendations are summarized directly below, with the remainder of this memo devoted to summarizing all of the revenue generating ideas that we analyzed.

## **Recommendations:**

- A. **Special Parcel Tax** – Conduct polling to determine whether a ballot measure based on a suite of projects (water storage projects for example) with the Pacheco Reservoir Expansion as the anchor project would be approved by voters.
- B. **Development Impact Fees, Water Utility** – Engage a consultant to undertake a comprehensive development impact fee study that would generate revenue for the development and expansion of the water supply system (anticipated cost is \$75k to \$100K). Begin campaign to reach out to land use agencies to gain their necessary cooperation.

- C. **Development Impact Fees, Flood Protection** – Engage a consultant to undertake a comprehensive development impact fee study (anticipated cost is \$75k to \$100K). Begin campaign to reach out to land use agencies to gain their necessary cooperation. Investigate opportunities for developers to pay for the impact of development via mitigation.
- D. **Benefit Assessment, Creekside Properties** – Work with community leaders to generate interest in a community or property-owner led effort to establish a benefit assessment zone for properties that back to a creek, which could fund District activities to remove debris, address encampments, and construct environmental enhancements for example.
- E. **Investigate the concept of fund raising via donations, and partnering with like-minded agencies to help preserve agricultural land or open space** – Staff to further research the feasibility of a donation funding concept and develop a roadmap of actions that could be taken to establish a program, including investigation of Corporate Social Responsibility funding sources. To facilitate receiving donations from philanthropic organizations and individuals, the District could pursue establishment of a “special projects fund” under the Silicon Valley Community Foundation (SVCF), which would distribute donated funds to the District on a periodic basis in the form of a grant, for agricultural/open space preservation efforts. The District would be responsible for fund raising, and Board members would likely need to take a lead role in fund raising efforts with staff providing technical support.
- F. **Evaluate potential state ballot measure that would refine Proposition 13** such that commercial and industrial property – but not homes and small businesses – would be regularly reassessed and taxed at their full property value. If passed, it is estimated that this change could bring \$20M per year incremental property tax revenue to the District, however this initiative could draw significant opposition from the business community.

If you would like to bring these recommendations for consideration to the full Board at an upcoming Board meeting, staff would prepare a PowerPoint presentation to facilitate the discussion.



Directors Linda LeZotte, Barbara Keegan, and Nai Hsueh



## **NEW REVENUE IDEAS**

### **1. Special Parcel Tax**

<b>Pros</b>	<b>Cons</b>
Largely unrestricted revenue source (can only be spent on activities defined in ballot measure)	Requires two-thirds voter approval (possible “no” vote)
Would reduce water charge projection	Staffing costs and election fees could total several million dollars
Seniors and low income property tax payers could be exempted	
Stable revenue source	

**Purpose:** Pay for Pacheco Reservoir Expansion or a suite of projects with the Pacheco Reservoir Expansion as the anchor project.

**District Authority to Implement?** Yes

**Next Steps:** Conduct polling to determine chance of success. Then begin developing a ballot measure targeting November 2020 election.

- A very similar alternative is to form a Community Facilities District (CFD) to establish a Mello-Roos special tax, which would have the same pros and cons as a special tax. In general, a special tax would be simpler to pursue because of the avoided work associated with establishing a CFD. However, if the District wanted to implement a tax for a subsection of the county (as opposed to a county-wide tax), then establishing a CFD would be an option. The District could also establish a special parcel tax for the common benefit of a participating “zone”, which would need to be supported by an engineering study of the costs to be borne by the participating zone.
- A CFD can also be established for new development areas. For new development, the amount generated by the Mello-Roos special tax would depend on the cost of the facilities needed to serve the new development and any ongoing operating and maintenance costs that the CFD would be responsible for. This alternative is generally more applicable to cities.

**Discussion:** Pursuit of a special tax is a viable alternative to fund the Pacheco Reservoir Expansion project.

**Recommend pursuing next steps for a Special Parcel Tax.**

### **2a. Development Impact Fees – Water Utility**

<b>Pros</b>	<b>Cons</b>
No voter approval requirement	District ability to collect contingent on cooperation of land use planning agencies
Would reduce water charge projection	Can only be used for capital improvements benefitting new development
“Growth pays for growth”	Unstable revenue source

**Purpose:** Generate revenue to support the development and expansion of the water supply system to serve new development.

**District Authority to Implement?** No, implementation would require cooperation from land use planning agencies

**Next Steps:** Engage a consultant to undertake a comprehensive impact fee study. Cost would range from \$75K to \$100K. Study would determine what percentage of water supply projects would benefit new development. Begin campaign to reach out to land use agencies to gain their cooperation.

- The Inland Empire Utilities Agency (IEUA) implemented a development impact fee in 2016 to pay for a \$91M capital program that included recycled water development and water conservation projects, which required the cooperation of the local agencies to administer. The fee collection procedure required local agencies to alert IEUA of a customer seeking to add or upgrade a water meter connection. The customer would then pay the fee directly to IEUA. This is a potential model that the District could follow.

**Discussion:** Although the District cannot impose a development impact fee for Water Utility purposes, this alternative has merit. It would address the inequity associated with investing in new water supplies to accommodate development while not charging those who would benefit. This alternative has a significant implementation hurdle in that it requires the cooperation of all land use planning agencies, however a motivating factor to cooperate would be a corresponding reduced water charge projection. Finally, the Inland Empire Utilities Agency, a wholesale water provider, has developed a procedure that the District could model to implement this fee in cooperation with land use planning agencies.

**Recommend pursuing next steps.**

## 2b. Development Impact Fees – Flood protection

Pros	Cons
No voter approval requirement	District ability to collect contingent on cooperation of land use planning agencies
Would provide supplemental funding for flood protection	Can only be used for capital improvements benefitting new development
“Growth pays for growth”	Unstable revenue source

**Purpose:** Generate revenue to support flood protection and storm water drainage projects driven by new development.

**District Authority to Implement?** Yes

**Next Steps:** Engage a consultant to undertake a comprehensive impact fee study. Cost would range from \$75K to \$100K. Study would determine what percentage of existing and/or future flood protection and storm water drainage projects would benefit new development. Begin campaign to reach out to land use agencies to gain their cooperation. Explore opportunities for developers to pay for the impact of new development via mitigation efforts.

- Zone 7 Water Agency implemented a flood protection and storm water drainage development impact fee in 2009. The Zone 7 program is intended to provide funding for any flood protection facilities required for new development. Funds are expended on the

planning design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

- Section 5.9 of the District Act authorizes the District to impose a development impact fee on new development to pay for storm drainage and flood protection improvements. The District would need to demonstrate that newly developed land has not already been charged its fair share as part of any other existing property tax assessment. And again, the District would need to arrange collection and remittance procedures with all land use planning agencies in the county.

**Discussion:** The District has the authority to impose a development impact fee for flood protection. An “incremental” development impact fee alternative is based on the concept that new development pays for the incremental cost of system capacity needed to serve new development. This alternative would be inconsistent with the District’s current business model, which is to construct flood protection projects for a fully developed community. However, the District could explore a “buy in” development impact fee alternative, which is based on the principle of achieving capital equity between new and existing customers. Although flood protection projects are quite expensive, other agencies have implemented development impact fees to collect less than 10% of the cost of the facilities needed to serve new development, with the remainder being funded by non-development impact fee sources.

There may be opportunity to have developers pay for the impact of new development via mitigation efforts instead of through a development impact fee, which the District could explore.

**Recommend pursuing next steps.**

### 3a. Benefit Assessment – Water Utility

Pros	Cons
Requires property owner majority voter approval, weighted by assessment (lower threshold than two-thirds voter approval for special tax)	Requires property owner majority voter approval, weighted by assessment (possible “no” vote)
Would reduce water charge projection	<b>Must be based on benefit per parcel; Engineer’s report required</b>
Stable revenue source	Cannot be used to fund projects that provide general countywide benefits
	Staffing, engineer’s report, and election costs could total several million dollars

**Purpose:** Pay for Pacheco Reservoir Expansion or a suite of Water Utility projects with the Pacheco Reservoir Expansion as the anchor project.

**District Authority to Implement?** Yes

**Next Steps:** Conduct polling to determine chance of success. Determine target Water Utility project(s). Then engage engineer to prepare Engineers report, which would describe the project and describe the method to apportion the costs among specific parcels based on benefit. It is possible that the existing groundwater charge zones of benefit (Zone W-2 and Zone W-5) could be leveraged for Water Utility benefit assessments.

- An idea is that the District could establish a benefit assessment zone or zones for the water conservation program (with the goal to remove the water conservation program from being funded by water charges).

**Discussion:** While this alternative appears simple enough, developing a nexus that would link the project benefits to each individual parcel in order to satisfy the stringent Proposition 218 requirements would be a significant challenge. None of the wholesale comparator agencies reviewed in the “Revenue Options Assessment, November 2017” Report prepared by Mr. Statler, have a benefit assessment for water supply projects.

**Recommend not pursuing.**

### 3b. Benefit Assessment – Flood protection

Pros	Cons
Requires property owner majority voter approval, weighted by assessment (lower threshold than two-thirds voter approval for special tax)	Requires property owner majority voter approval, weighted by assessment (possible “no” vote)
Would provide supplemental funding for flood protection	Must be based on benefit per parcel; Engineer’s report required
Stable revenue source	Cannot be used to fund projects that provide general countywide benefits
	Staffing, engineer’s report, and election costs could total several million dollars

**Purpose:** Pay for flood protection project(s) TBD.

**District Authority to Implement?** Yes

**Next Steps:** Conduct polling to determine chance of success. Determine target flood protection project(s). Then engage engineer to prepare Engineers report, which would describe the project and describe the method to apportion the costs among specific parcels based on benefit.

**Discussion:** This alternative is currently being used by the District. The District has 5 watershed zones, 4 of which currently have a benefit assessment in place to pay for debt obligations. The Uvas-Llagas Watershed is the only zone without a benefit assessment as the debt was paid off in FY 2012-13. The benefit assessments for the other 4 zones are not scheduled to be paid off until FY 2029-30. The District’s existing flood protection benefit assessments are based on land use categories and parcel size, which approximate the benefit of a flood protection project to that parcel relative to another parcel. However, since the passage of Proposition 218, nexus requirements are more stringent, which would likely mean that only those properties in a flood plain would directly benefit from a flood protection project. Since flood protection projects are very expensive, a new benefit assessment would likely be too expensive and therefore unviable.

**Recommend not pursuing.**

**3c. Benefit Assessment – Creekside Properties**

<b>Pros</b>	<b>Cons</b>
Requires property owner majority voter approval, weighted by assessment (lower threshold than two-thirds voter approval for special tax)	Requires property owner majority voter approval, weighted by assessment (possible “no” vote)
Would provide supplemental funding for District activities such as encampment clean up, debris removal, environmental enhancements, etc...	Must be based on benefit per parcel; Engineer’s report required
Stable revenue source	Cannot be used to fund projects that provide general countywide benefits
	Staffing, engineer’s report, and election costs could total several million dollars

**Purpose:** Pay for District activities to maintain and enhance creeks.

**District Authority to Implement?** Yes

**Next Steps:** Work with community leaders to generate interest in a community or property-owner led effort to establish a benefit assessment zone for properties that back to a creek. Conduct polling to determine chance of success. Determine target creekside activities that would be paid for by the benefit assessment. Then engage engineer to prepare Engineers report, which would describe the project and describe the method to apportion the costs among specific parcels based on benefit.

**Discussion:** This alternative could help address the issue of Creekside maintenance on non-District owned property. Ideally, this is something that the community would ask for. This alternative could be piloted in a particular area and then expanded if successful.

**Recommend pursuing next steps.**

**4. Silicon Valley Community Foundation**

<b>Pros</b>	<b>Cons</b>
Leverage philanthropic organizations and individuals to help support District mission related causes	Cost would likely be 5% of the donation in the beginning, moving to a flat fee as the workload associated with the program becomes known
Would potentially provide supplemental funding for District activities	Potentially unstable revenue source depending on how it is established.
District would not need to establish a 501(c)(3) (saves staff time)	
Maintains healthy separation between donor funds and the District	

**Purpose:** Establish a fund that would accept charitable donations and pass them on to the District (or to District customers or partners) for agricultural preservation (to potentially offset open space credit or purchase open space lands in partnership with other agencies), or trails and recreation, or to address homelessness for example.

**District Authority to Implement? Yes**

**Next Steps:** Staff to further research the feasibility of a donation funding concept and develop a roadmap of actions that could be taken to establish a program. Research partnership opportunities with agencies like the Santa Clara Valley Open Space Authority, Midpeninsula Regional Open Space District, Sierra Club, Greenbelt Alliance, and others. Pursue establishment of a “special projects fund” under the SVCF, which would receive donations from philanthropic organizations and individuals, and distribute the donations to the District on a periodic basis in the form of a grant. The District would be responsible for fund raising, and Board members would likely need to take a lead role in fund raising efforts with staff providing technical support.

**Discussion:** This alternative would not be easy, but may be feasible. SVCF does not solicit donors, that work would need to be done by the District. However, events could be organized for the purpose of raising money for causes, like agricultural preservation, encampment cleanup, and trails. This idea could be piloted for agricultural preservation and expanded to other worthy causes later if successful. There may be opportunity to partner with like-minded agencies on these efforts, which could enhance the feasibility of this option but which should be piloted first.

**Recommend pursuing next steps.**

## NEW REVENUE IDEAS THAT REQUIRE SPECIAL LEGISLATION

### 5. Sales Tax

Pros	Cons
Potential to leverage County authority to establish a sales tax	<b>Special legislation must be sought from the state legislature to enable the District to levy a sales tax</b>
Would provide supplemental funding for District activities	<b>Sales tax rates are at statutory limit for Cities of San Jose and Campbell</b>
	Requires two-thirds voter approval (possible "no" vote)

**Purpose:** Generate revenue to support water affordability and environmental stewardship.

**District Authority to Implement?** No, would require special legislation to allow District to adopt this tax. However, the District could potentially partner with the County to levy a tax.

**Next Steps:** Research statutory limits for sales taxes to determine if this is a viable option. If so, reach out to County officials to gauge interest in partnering on a tax measure. Conduct polling to determine chance of success.

**Discussion:** This alternative does not appear to be viable in light of the statutory limit. One could argue that a sales tax unfairly targets lower income persons.

**Recommend not pursuing.**

## 6. Employee Head Tax

Pros	Cons
Would shift funding burden from residential to business	<b>Special legislation must be sought from the state legislature to enable the District to levy a business license tax</b>
Would provide supplemental funding for District activities	Potential heavy opposition from business community
	Requires property owner majority voter approval (possible “no” vote)

**Purpose:** Generate revenue to support water affordability and environmental stewardship.

**District Authority to Implement?** No, would require special legislation to enable the District to levy a business license tax.

**Next Steps:** Conduct polling to determine chance of success. Engage in effort to obtain legislative authority to levy a business license tax.

**Discussion:** This alternative would not only require special legislation to be viable, it would spark heavy opposition from the business community, which would not bode well for the District’s potential efforts to solicit donations to pay for agricultural preservation, encampment cleanup etc...

**Recommend not pursuing.**

## 7. General Obligation Bond

Pros	Cons
Would provide supplemental funding for District activities	<b>Special legislation must be sought from the state legislature to enable the District to issue general obligation bonds</b>
	Requires two-thirds voter approval (possible “no” vote)
	Can only be used for capital improvements

**Purpose:** Generate revenue to support water utility and/or flood protection capital improvements.

**District Authority to Implement?** No, would require special legislation to enable the District to issue general obligation bonds.

**Next Steps:** Conduct polling to determine chance of success. Engage in effort to obtain legislative authority to issue general obligation bonds.

**Discussion:** The District has existing authority to levy a special tax upon achieving the same two-thirds voter approval threshold, and a special tax has fewer restrictions on the use of revenues.

**Recommend not pursuing.**



## OTHER NEW REVENUE OPPORTUNITIES

### 8. Potential State Ballot Measure that would Refine Proposition 13

Schools and Communities First, a wide-ranging group of community organizations, education advocates, unions and foundations is attempting to put an initiative on the November 2020 state ballot that would refine Proposition 13. The proposed ballot measure calls for a split tax roll that would require commercial and industrial property – but not homes and small businesses – to be regularly assessed and taxed at their full value. If passed, it is estimated that this change could bring \$20M per year incremental property tax revenue to the District.

Pros	Cons
The ballot measure could pass with little active effort from the District	Anticipated opposition from the business community
Would provide supplemental funding for District activities estimated at \$20M per year	

**Discussion:** This potential ballot measure could bring in substantial incremental revenue, but could draw significant opposition from the business community.

**Recommend evaluating the initiative.**



**Santa Clara Valley Water District  
Board of Directors Meeting: Special Board Retreat  
Tuesday, September 18, 2018**

The Board, staff and members of the public engaged in a Board Retreat. Below are notes summarizing the discussions of Items Agenda Items 2.2 through 2.9.

## **2.2 INTRODUCTIONS**

### Coastal Cleanup

Chair Santos, Director LeZotte and Rick Callender, Chief of External Affairs, provided the following information on the September 15, 2018 Coastal Cleanup event:

- This was the 34<sup>th</sup> annual cleanup event.
- There were 47 cleanup sites (3 Directors attended a total of 6 sites).
- There were 1,900 volunteers who participated.
- Total of 73 miles of creeks cleaned.
- There were 53,458 pounds of trash removed.
- The Board suggested investing in trash bags with handles and District logo.
- Consider providing additional outreach to the youth within the County.
- Chair Santos thanked all the volunteers for their work and the Board for funding the event.

### Great Places to Work Survey

Anil Comelo, Deputy Administrative Officer, provided a high-level report on the recent Great Places to Work survey and the Board and staff provided the following input:

- 73% of District employees participated (last survey, there was 71% participation).
- Overall, most staff (87% of those that took the survey) agreed that the District is a great place to work (last survey was 69%).
- The Board has heard from constituents that the District's Diversity and Inclusion program and union contracts are well received.
- There have been great gains in terms of projects and collaboration, which demonstrates that people are happier when there is clear direction from management and the Board. The Board thanks management and the unions for being part of that process.
- In the end, management needs to understand the value of staff and how they are making a lot of progress. State-wide, many organizations are seeing and recognizing the District's work and progress and innovation occurring amongst our staff. It takes a partnership with staff and management to make progress and the next generation of projects to happen.

How can the Board help management and staff get work done?

The following input was provided by the Board and staff on how the Board can help staff get work done:

- Lack of Resources
  - There are a lot of high priority projects occurring right now which places the District in a unique situation. Additional resources necessary to complete high priority projects impact rates, and requires more work than simply prioritizing tasks/projects.
- Board Work Plan
  - There is not enough bandwidth to make sure there is frequent monitoring to accomplish everything we want to accomplish. The Board work plan aims to address this and to prioritize work.
- Staff Perspective
  - Engineer's Society Union (ES) – when staff feels valued they do not mind extra work. The many high priority projects do compound into a bandwidth. It's necessary to strategically choose where resources are allocated.
  - There are additional priorities that come up on a rolling basis which staff need to promptly respond to (community requests/responses).
- Board Involvement with Community Requests
  - If staff shifts resources to address pressure from the community, and it's not a Board priority, management/staff should bring this to the Board's attention (Board Policy and Planning Committee).

Action Items

1. Consider holding a homeless summit to get all agencies together to discuss homeless encampment issues in the county.
2. Communicate to the Board when staff/management have conflicting priorities and must shift resources.
3. Provide the Board with more information on the Great Places to Work Survey results.

**2.3 LEGAL ISSUES**

District Counsel staff and the Board provided the following input on current and long-term legal issues the District is facing:

- FAHCE
  - The Board finds that the FAHCE Ad Hoc Committee has been very helpful.
  - The full Board will have a closed session soon on FAHCE.
- Responding to Sexual Harassment and #METOO Era
  - The District has not seen a notable increase in harassment complaints.
  - Public agencies are finding it harder to fight for their cases. The District set a case for trial for February of 2019 involving an alleged allegation (3-year-old case) and it will be tried during the #METOO era.

- District conducts legally mandated training. The MLT and LT were recently given a refresher training course.
- What costs to water supply should we apply to Groundwater Charges?
  - Concern – even though the supreme court says the District is no longer subject to Prop 218, we are subject to Prop 26. We have 13 cases ready to go and some are legacy cases.
  - Important to emphasize that when the Board deliberates cost of water supply, we must think about the impact that it can have on a single case.
  - Think about finding other funding sources in order to impact rates as little as possible.
  - Start thinking outside the box regarding water storage.

#### Action Items

1. Schedule sexual harassment case closed session update in November 2018.
2. Schedule FAHCE closed session soon.
3. Find other funding sources to impact rates as little as possible.
4. Look at other water agencies to partner with to offset costs.

## **2.4 COMMUNICATION**

The following input was provided by the Board and staff on how the District communicates and engages:

- District Signage
  - Staff is evaluating what signs we have, what needs to be replaced, and where we need more signs.
  - Staff is working on a process for implementing project signs and to update existing District signs throughout the county.
  - Staff is going to the Board in October 2018 to discuss signs and the branding of the District. Discussions will include identify what the District wants to look like to constituents. Staff will replace signs after a new logo and brand are selected. Staff will bring forward a new process for ribbon cutting ceremonies and informational sign placement.
- Government Relations
  - Board wants response communications to external officials/organization from government relations to be copied to the appropriate Board members.
  - Staff needs to know when Directors respond to communications so that efforts are not duplicated.
- Communications
  - Local training of staff in responding to Board communications (specifically in writing).
- Community Meetings
  - District presentations to communities need to more focused on recognizing what the needs of the community are and how the District can help.

- Considering providing apparel to employees working District-sponsored events for easy recognition and identification.

#### Action Items

1. Consider contracting out signage replacement.
2. Consider asking our creek cleanup volunteers to look at District signage in the areas they perform cleanup work.
3. Local training of staff in responding to Board communications (specifically in writing).
4. District presentations to communities need to be more focused on recognizing what the needs of the community are and how the District can help.
5. Consider providing apparel to employees working District-sponsored events.
6. Board wants response communications to external officials/organization from government relations to be copied to the appropriate Board members.

## **2.5 COMMUNITY ENGAGEMENT**

- Youth Commission
  - Need to ask this group of young people why they want to participate on the Youth Commission, and then design meetings around their interests.
  - Model should be like youth commissions at the cities.
  - Make their meeting agendas simple.
  - Try not to impose our regular Board meeting process as it may be too structured and may result in lack of engagement.

## **2.6 BOARD SUPPORT**

- Board noted that there has been a significant improvement in Board support and communication.

## **2.7 PERMIT PROCESS**

The following input was provided the by the Board and staff on permit process improvement:

- Consider creating a centralized process.
- Management and staff are currently looking to a variety of projects to develop an overall strategy on permitting; cross pollination of ideas between watersheds and water utility. An increase in management participation in the permitting process is resulting in an overall organizational strategy perspective.

## **2.8 CHALLENGES**

Staff identified the following short-term and long-term challenges facing the District:

- Increasing diversity of water supply support, i.e., completing Pacheco; stabilizing imported water; expanding purified water without significantly increasing water rates; water supply decisions need to incorporate climate change.

- What is the federal government going to look like after November 2018 elections? How will that structure affect how the District obtains funding for projects such as Shoreline and Upper Guadalupe?
- Increasing communication, including readership, and finding better ways to reach constituents in a culture where accessing information is ever-changing. Identifying methods to use to reach and inform the community in a way that the bay area receives information is key.
- Managing large volumes of work with lack of resources. We need to be flexible, efficient, and fast; all while being responsible, consistent, transparent, and accountable to the public.

## 2.9 SUMMARIZE RETREAT

The Board, staff and the public provided the following summary information:

- Communication amongst staff, management, and the Board is getting better.
- The Board will continue to look at the big picture and strategically address issues.
- Employees Association is proud to partner with the Board.
- This meeting format is an improvement that allows staff, management, and the Board to have an open and collaborative dialogue in a less formal environment.
- The District needs to look to regional solutions for future projects.
- This meeting illustrates the collaboration across the District at all levels of management, staff, bargaining units, and the Board.
- Staff represents the Board at ground level, so it is management's responsibility to relay information to staff, especially in responding to our community.
- Learning how to convey what/who we are to the community, what we want to be, and how we want to deal with challenges together.
- Engaging in deep discussion about Board priorities versus the community priorities helps us balance both.
- Teamwork amongst management and the Board is pertinent.
- Investing in public/private partnerships to continue providing water is important.

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