

TO: Santa Clara Valley Water District Board of Directors **FROM:** Chair Linda J. LeZotte,
Vice Chair Nai Hsueh, and
Director Barbara Keegan

SUBJECT: Collaborative to Identify Sources of Revenue **DATE:** June 25, 2019
to Subsidize Agricultural Water Rates

Last year the three of us embarked upon a path, at the then Chair's direction, to identify ways to increase revenue options and sources for Santa Clara Valley Water District (Valley Water). As you know, the Open Space Credit has been part of our ongoing discussions, and on April 23, 2019 a majority of the Board voted to remove the discretionary portion of the Open Space Credit subsidy in its entirety in two years. The removal of this discretionary portion of the Open Space Credit still leaves in place the mandatory portion of the Open Space Credit, which is required so that the agricultural water rate can be set no higher than a maximum of 25 percent of the non-agricultural rate as provided for in the Valley Water Enabling Act.

For clarification, the Open Space Credit is a funding mechanism whereby some of Valley Water's non-rate related revenues are used to subsidize commercial farming operations. Removing the discretionary portion of the Open Space Credit will allow Valley Water to use these funds to support environmental restoration or enhancement projects, projects which provide for natural flood protection, or other infrastructure efforts which benefit Santa Clara County residents.

Valley Water has long been a supporter of the agricultural community. For example, Valley Water has provided grants to improve irrigation, funded a mobile lab to improve farm irrigation efficiency, and funded numerous non-profit agricultural programs that benefit both youth and seniors in our community.

During the May 14, 2019 Board meeting, the board assigned to the revenue working group the task of bringing back a recommendation about how to proceed forward in finding a way to replace the discretionary portion of the Open Space Credit subsidy through a community driven effort.

Our proposal is to encourage a collaborative effort as suggested below:

Collaborative to Identify Sources of Revenue to Subsidize Agricultural Water Rates

Collaborative Scope and Purpose: The scope and purpose of the Collaborative will be to identify, investigate and secure a permanent, and/or ongoing, funding source to replace the discretionary portion of the Valley Water Open Space Credit which is currently being utilized to subsidize commercial agricultural water rates. This funding source shall be a new source of funding which is not part of the current Valley Water portfolio.

Suggested Collaborative Membership: Director John Varela for Valley Water, and other external entities and individuals who may be interested in replacing the Open Space Credit, including but not limited to a coalition of agricultural interests, open space organizations, other governmental organizations, and environmental groups.

Progress Report: A public update on the progress of the Collaborative shall be provided to the Board of Directors approximately one year, (July 1, 2020), prior to the expiration of the Open Space Credit subsidy.

Chair Linda J. LeZotte, District 4

Vice Chair Nai Hsueh, District 5

Director Barbara Keegan, District 2