



City of Santa Clara

The Center of What's Possible

Handout 2.4-C
4/28/20
Mayor

Lisa M. Gillmor

Councilmembers

Raj Chahal
Debi Davis
Karen Hardy
Teresa O'Neill
Kathy Watanabe

April 24, 2020

Honorable Nai Hsueh
Chair of the Board of Directors
Valley Water
5750 Almaden Expressway
San Jose, CA 95118-3686

Re: Valley Water Proposed FY20/21 Rates for both Groundwater Production and Treated Water Charges

Dear Chair Hsueh:

The City of Santa Clara is a proud regional partner through collaboration with Valley Water and other public agencies ensuring water sustainability which is vital for the continued economic health, safety and quality of life for Santa Clara County.

The recent Novel Coronavirus (COVID-19) pandemic is causing economic hardship for many residents and commercial businesses in Santa Clara County including the City of Santa Clara. Our City is suddenly facing financial impacts from COVID-19, the General Fund and Enterprise revenues will certainly be negatively impacted. Santa Clara could see a decline in revenues of between \$8- \$10 million this year and potentially \$20+ million in FY 20/21. Currently, the City is reviewing and implementing cost saving and budget balancing measures to address projected fiscal impacts in the near and long term in order to gain control over our fiscal sustainability. Some of those cost saving measures already implemented include a hiring freeze, reducing expenditures, and pushing out some capital projects to future years.

Valley Water's proposed groundwater production rate increase of 8.6% is substantial, even in a good economy but certainly not expected in this unprecedented economic climate. Valley Water's proposed increase will cost an additional \$2,000,000 to the City and create additional financial burden on residents and commercial users. Additionally, water sales will most likely be reduced as a consequence of COVID-19 along with a potential near future drought which would result in additional downward pressure on Utility budgets due to further reductions in revenue.

The City has already taken steps to lessen impacts on its water customers by implementing suspension on service disconnections for non-payment, waving late fees, providing flexible payment plans, and reducing proposed rates. The City has also created a Small Business Assistance Program that provides grants to small businesses with 25 employees or less.

Our agencies' collective goal is providing safe, clean, reliable and cost-effective supply of water to our shared constituents and is one the City is committed to striving toward

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along with Valley Water as we aim to preserve the economic health and quality of life that is the foundation of the services we both provide.

I commend the Valley Water Board for considering budget, water rates, and capital improvement program alternatives in response to the COVID-19. I know that the next 6-12 months or longer will be challenging for all agencies.

I urge the Valley Board to reevaluate and lower the current 8.6% proposed rate increase. Please contact me directly, regarding the immediate need to lessen rate impacts for Santa Clara residents and businesses.

Sincerely,



Lisa Gillmor
Mayor

cc: Valley Water Board of Directors
City Council
Deanna J. Santana, City Manager
Manuel Pineda, Assistant City Manager
Gary Welling, Director of Water & Sewer Utilities