



MEMORANDUM

FC 14 (01-02-07)

TO: Board of Directors

FRO Santa Clara Valley Water
Commission

SUBJECT: Santa Clara Valley Water Commission
Meeting Summary for January 27, 2021

DATE February 9, 2021

This memorandum summarizes agenda items from the regular meeting of the Santa Clara Valley Water Commission held on January 27, 2021.

Attendees:

Commission members in attendance were: Hon. Susan M. Landry, Hon. Hung Wei, Hon. Peter Leroe-Muñoz, Hon. Lynette Lee Eng, Hon. Lisa Schmidt, Hon. Matthew Hudes, Hon. Carmen Montano, Hon. Liz Lawler, Hon. Rich Constantine, Hon. Lucas Ramirez, Hon. Greg Tanaka, Hon. Pam Foley, Hon. Kathy Watanabe, Hon. Rishi Kumar, Hon. Omar Din, Hon. Mike Wasserman, Hon. Mike Flaughner, and Hon. Jed Cyr.

Board members in attendance were: Director Tony Estremera (Board Representatives) and Director Gary Kremen (Board Alternate).

Staff members in attendance were: Jennifer Abadilla, Aaron Baker, Glenna Brambill, Chelsea Busick, Domingo Candelas, Leonardo Foster, Rachael Gibson, Vincent Gin, Andrew Gschwind, Stacy Klopfer, Marta Lugo, Carmen Narayanan, Heath McMahon, Linda Nguyen, Melanie Richardson, Donald Rocha, Kirsten Struve, Darin Taylor, and Warren Whitlock.

Guests in attendance were: Christopher Hoem (Santa Clara County Board of Supervisors), Karla Dailey (City of Palo Alto), Brendan McCarthy (City of Santa Clara), Mansour Nasser (City of Sunnyvale), Tony Ndah (City of Milpitas), Hon. Maria Ristow (Town of Los Gatos), and Gary Welling (City of Santa Clara).

Public in attendance was: Katja Irvin.

AGENDA ITEM:

4.1 ELECTION OF CHAIR AND VICE CHAIR

The Santa Clara Valley Water Commission took the following action:

The Commission by roll call and unanimous vote elected Hon. Pam Foley as Chair and Hon. Lynette Lee Eng as Vice Chair.

4.2 REVIEW AND APPROVE 2020 ANNUAL ACCOMPLISHMENTS REPORT FOR PRESENTATION TO THE BOARD (COMMITTEE CHAIR)

Ms. Glenna Brambill gave an overview of the following.

Summary from Meeting Agenda Memo:

The Accomplishments Report summarizes the committee's discussions and actions to prepare Board policy alternatives and implications for Board deliberation throughout 2020. The Committee Chair, or designee, presents the Accomplishments Report to the Board at a future Board meeting.

The Committee may provide feedback to the Committee Chair, at this time, to share with Board as part of the Accomplishments Report presentation pertaining to the purpose, structure, and function of the Committee.

BACKGROUND:

Governance Process Policy-8:

The District Act provides for the creation of advisory boards, committees, or commissions by resolution to serve at the pleasure of the Board.

Accordingly, the Board has established Advisory Committees, which bring respective expertise and community interest, to advise the Board, when requested, in a capacity as defined: prepare Board policy alternatives and provide comment on activities in the implementation of the District's mission for Board consideration. In keeping with the Board's broader focus, Advisory Committees will not direct the implementation of District programs and projects, other than to receive information and provide comment.

Further, in accordance with Governance Process Policy-3, when requested by the Board, the Advisory Committees may help the Board produce the link between the District and the public through information sharing to the communities they represent.

The Santa Clara Valley Water Commission took the following action:

The Commission by roll call and unanimous vote approved the Santa Clara Valley Water Commission's 2020 Accomplishments Report. Due to COVID 19, the Commission was limited in fully engaging in 2020.

4.3 REVIEW AND COMMENT TO THE BOARD ON THE FISCAL YEAR 2021-22 PRELIMINARY GROUNDWATER PRODUCTION CHARGES

Mr. Darin Taylor gave an overview of the following.

Summary from Meeting Agenda Memo:

Summary of Groundwater Production Charge Analysis

Staff has prepared the preliminary FY 2021-22 groundwater production charge analysis, which includes two scenarios for Board review. Staff is seeking Board input on the preliminary analysis to incorporate into the development of the groundwater production charge recommendation.

The groundwater production charge reflects the benefit of Valley Water activities to protect and augment groundwater supplies and is applied to water extracted from the groundwater basin in Zones W-2, W-5, W-7, and W-8. Zone W-2 encompasses the Santa Clara groundwater subbasin north of Metcalf Road or the North County. Zone W-5 overlays the Llagas subbasin from northern Morgan Hill south to the Pajaro River. Zone W-7 overlays the Coyote Valley south of Metcalf Road to northern Morgan Hill, and W-8 encompasses the area below Uvas and Chesbro Reservoirs.

The groundwater production charge recommendation will be detailed in the Annual Report on the Protection and Augmentation of Water Supplies that is planned to be filed with the Clerk of the Board on February 26, 2021. The public hearing on groundwater production charges is scheduled to open on April

13, 2021. It is anticipated that the Board would set the FY 2021-22 groundwater production charges by May 11, 2021, that would become effective on July 1, 2021.

The FY 2021-22 groundwater production charge and surface water charge setting process will be conducted consistent with the District Act, and Board resolutions 99-21 and 12-10.

Water Use Assumptions

Valley Water managed water use for FY 2019-20 is estimated to be approximately 232,000 acre-feet (AF), roughly 7,000 AF lower than budgeted, but 16,000 AF higher than prior year, due to a dry winter and dry spring. If the dry winter and dry spring were to repeat for the current year FY 2020-21, then there would be a 2,000 AF water usage excess versus budget, which would translate to an estimated \$3.2M in revenue. The current projection for FY 2021-22 is 232,000 AF, which is flat compared to the FY 2019-2020 estimate.

Staff will continue to carefully monitor monthly water use actuals and work closely with the water retailers during the upcoming rate setting process to modify the water usage forecast as necessary.

Groundwater Production Charge Projection Scenarios

Staff has prepared two preliminary groundwater production charge projection scenarios for Board review. The increase in the North County Zone W-2 Municipal and Industrial (M&I) groundwater production charge ranges from 9.5% to 9.8% for FY 2021-22 depending on the scenario. In the South County, for FY2021-22 and depending on the scenario, increases in the M&I groundwater production charge ranges from 3.8% to 4.6% for Zone W-5; from 8.1% to 10.3% for Zone W-7; and is projected at 4.4% for Zone W-8.

Depending on the scenario, the proposed FY2021-22 North County Zone W-2 M&I groundwater production charge per acre-foot ranges from \$1,505 to \$1,509. In the South County, depending on the scenario for FY2021-22, proposed groundwater production charges per acre-foot range from \$485 to \$488 in Zone W-5; from \$520 to \$531 in Zone W-7; and is projected at \$341 in Zone W-8. The agricultural rate for all 4 zones ranges from \$34.14 to \$85.35 per acre-foot.

The overall impact of the preliminary analysis scenarios for FY 2021-22 to the average household would be an increase ranging from \$4.50 to \$4.64 per month in North County and from \$0.61 to \$0.74 per month in South County Zone W-5, from \$1.34 to \$1.71 in Zone W-7, and by \$0.50 in Zone W-8.

Staff proposes to increase the Contract Treated Water Surcharge from \$100/AF to \$115/AF to be more aligned with the cost that retailers would incur to pump water from their wells. Based on information gathered from retailers, staff believes that setting the Contract Treated Water Surcharge at \$115/AF would be closer to the point of neutrality where a retailer would be indifferent in the short term as to whether to pump water from the ground or take treated water.

Staff has prepared the following scenarios for Board consideration:

Scenario 1) Baseline:

This scenario includes the following projects and assumptions:

- Baseline Projects according to the WSMP strategy #1 to Secure Existing Supplies and Infrastructure;
- Delta Conveyance (State side only; participation at 3.23%);
- Potable Reuse Phase 1 to produce between 9,000-12,000 AF delivered via Public-Private Partnership (P3) (assume operations start in FY 28);
- Transfer-Bethany Pipeline;
- FY 2021-22 Agricultural Charge at 25% of the Zone W-8 M&I Charge; and,
- Pacheco Reservoir Expansion (assumes \$485M Proposition 1 grant, WIFIA loan for 49% of project cost and 20% Partnerships).

- Master Plan Project Placeholder – Assumes \$346M in anticipated costs from FY 22 to FY 31 for new pipelines, pipeline rehabilitations, treatment plant upgrades and SCADA implementation projects.

Scenario 2) Baseline no Pacheco:

Includes the same projects and assumptions as Scenario 1 except as follows:

- Excludes Pacheco Reservoir Expansion project; and,
- FY 2021-22 Agricultural Charge at 10% of the Zone W-8 M&I Charge

Staff can model additional scenarios for the Board as needed.

Other Assumptions

All scenarios assume the continued practice of relying on the State Water Project (SWP) Tax to pay for 100% of the SWP contractual obligations. Pursuant to Water Code Section 11652, Valley Water, whenever necessary, is required to levy on all property in its jurisdiction not exempt from taxation, a tax sufficient to provide for all payments under its SWP contract with the California Department of Water Resources (DWR). All scenarios assume an increase in the SWP Tax for FY 2021-22, setting it at \$26M. The SWP Tax for the average household in Santa Clara would increase to about \$40 per year.

A Drought Reserve was established in FY 2015-16 and was budgeted at \$10M for FY 2020-21. No further funding for this reserve is included in the preliminary analysis. The purpose of this reserve would be to help minimize rate impacts during the next drought and would complement the Supplemental Water Supply Reserve. The preliminary analysis does not include unfunded capital projects or additional unfunded operations cost needs identified by staff.

All scenarios assume Water Utility operations cost of \$224.4M in FY 2021-22 versus the FY 2020-21 adopted budget of \$200.6M.

Summary of Groundwater Production Charge Analysis Issues

Staff is seeking Board direction on the following issues to be incorporated into the Report on Protection and Augmentation of Water Supplies (PAWS) scheduled to be filed with the Clerk of the Board on February 26, 2021:

- Agricultural Groundwater Charge for FY 22
- Pacheco Reservoir Expansion
- Treated Water surcharge increase to \$115/AF
- Master Plan Project Placeholder
- Other?

The Santa Clara Valley Water Commission (Hon. Carmen Montano, Hon. Mike Wasserman, Hon. Greg Tanaka, Hon. Rishi Kumar, Hon. Susan Landry, Hon. Kathy Watanabe, Hon. Pam Foley, Hon. Liz Lawler, Hon. Peter Leroe-Muñoz, and Hon. Mike Flaughner) discussed the following: water usage, North/South Zones costs, keeping the agricultural rates low, water basin, recharge, wells, Pacheco Reservoir, fees increase, Anderson Dam, water supply/demand, assist low-income areas, do not increase rates, monthly impact, lot size comparison, capital improvement projects, planning for future/infrastructure and continuing to provide clean drinking water.

Mr. Mansour Nasser explained the City of Sunnyvale's water system and usage.

Director Tony Estremera, Mr. Aaron Baker and Mr. Donald Rocha were available to answer questions.

The Santa Clara Valley Water Commission took no action.

INFORMATION ITEMS:

5.1 STANDING ITEMS REPORT

Ms. Glenna Brambill gave an overview of the following.

Summary from Meeting Agenda Memo:

The Santa Clara Valley Water Commission was established to assist the Board with policy review and development, provide comment on activities in the implementation of the District mission, and to identify Board-related issues.

On August 2020, the Board of Directors approved aligning the Board Advisory Committees' agendas and work plans with the Board's yearly work plan.

The new agenda format will allow regular reports on the Board's priorities from the Board's committees and/or Board committee representative and identify subjects where the committees could provide advice to the Board on pre-identified subjects in a timely manner to meet the Board's schedule and distribute information/reports that may be of interest to committee members.

The Santa Clara Valley Water Commission took no action.

5.2 UPDATE ON VALLEY WATER'S CREATION OF NEW OFFICE OF RACIAL EQUITY, DIVERSITY & INCLUSION AND BOARD ADOPTION OF A RESOLUTION ADDRESSING SYSTEMIC RACISM AND PROMOTING EQUITY

Ms. Linda Nguyen gave an overview of the following.

Summary from Meeting Agenda Memo:

In July, Chief Executive Officer Rick Callender announced the creation of a new Office of Racial Equity, Diversity, and Inclusion (REDI) under the External Affairs Division. The new office will encompass the existing Diversity and Inclusion Program, with an expanded charge to break down organizational barriers that enable systemic racism, and instead promote a culture of equity and environmental justice. This office will ensure that racial equity, diversity and inclusion practices are reflected both internally and externally to better serve all communities within Valley Water's service area.

On August 27, 2020, REDI staff presented a resolution "Addressing Systemic Racism and Promoting Equity" to the Board of Directors' Diversity and Inclusion Ad Hoc Committee. The resolution was developed consistent with Valley Water's core values and the principles used in accomplishing Valley Water's mission. Specifically, the purpose and intent of the resolution is to establish Valley Water's response to individual and systemic racism and its commitment to taking meaningful action, internally and externally, to address the impacts of acts of prejudice, abuse of power, racial bias, gender or gender identity bias, racism, and barriers to diversity, equity and inclusion. The Committee recommended the resolution go to the Board of Directors for adoption and recommended that staff present the resolution to other Board Advisory Committees.

During the September 22, 2020 Board Meeting, REDI staff presented the resolution to the Board of Directors for adoption. The Board voted to adopt the resolution and directed staff to present the resolution to all Board Advisory Committees. The resolution is included as Attachment 1.

The Santa Clara Valley Water Commission took no action.

The Santa Clara Valley Water Commission's next regularly scheduled meeting is Wednesday, April 14, 2021, 12:00 p.m.

If you have any questions or concerns, you may contact me at, gbrambill@valleywater.org or 1.408.630.2408.

Thank you.

Glenna Brambill, Management Analyst II,
Board Committee Liaison
Office of the Clerk of the Board