

Michele King

From: Michelle Critchlow on behalf of Board of Directors
Sent: Monday, November 8, 2021 11:31 AM
To: Michele King
Subject: FW: November 9, 2021, Agenda Item 7.1
Attachments: Pacheco rate impact comments 110821.pdf

Follow Up Flag: Follow up
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For the board meeting.

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From: Jeffrey Michael <jmichael@PACIFIC.EDU>
Sent: Monday, November 8, 2021 10:54 AM
To: Board of Directors <board@valleywater.org>
Cc: Clerk of the Board <clerkoftheboard@valleywater.org>
Subject: November 9, 2021, Agenda Item 7.1

Thank you for the opportunity to comment. I urge you to provide more accurate and complete information before making such a large funding commitment. See attached document for my full comments.

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Amid Cost-of-Living Crisis, Santa Clara Valley Water District Deceives the Public About Massive Rate Increases that would be Needed to Finance Pacheco Dam

Comments of Dr. Jeffrey Michael

November 8, 2021

Santa Clara County's Cost-of-Living Crisis

- Total monthly bills for Santa Clara County residents are the highest in the United States.ⁱ
- Overall cost of living in San Jose is estimated to be 215% above the U.S. average.ⁱⁱ
- A record 56% of Silicon Valley residents say they plan to leave in the next few years with 84% citing the cost of living as the main reason they plan to move.ⁱⁱⁱ
- As of October 2020, nearly 16,000 Santa Clara Valley households were delinquent on their water bills according to data from the State Water Resource Control Board. San Jose reports unpaid water bills are 18 times higher than they were in 2019, affecting thousands of households in San Jose alone.

Against this backdrop, lowering the cost of living should be the primary focus of every public official in Santa Clara County. Instead, Valley Water is considering committing billions of ratepayer dollars to a dam its own staff describes as the costliest and riskiest option in Valley Water's master plan.^{iv}

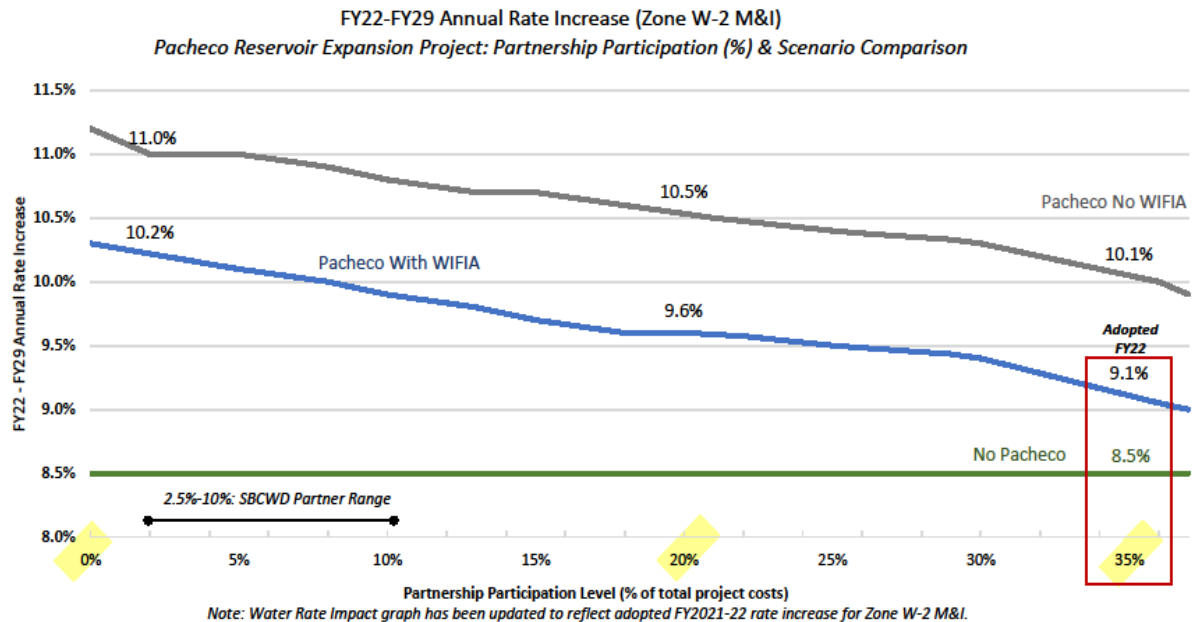
Valley Water's Rate Increase Graphic Is Deceptive, and Does Not Include Most Pacheco Dam Costs

- Valley Water is using just one rate impact graph to support a massive financing commitment.^v
- It shows the estimated impact on average rate increases from FY 2022 to 2029, but Pacheco construction is expected to run from 2025 to 2032. Thus, this average calculation includes many pre-construction years with near zero costs, and only extends through half of the construction period.
- The rate increase graphic suggests a 0.6% annual rate increase over 7 years (4.2% cumulative) assuming high partnership participation and low-cost WIFIA financing and a worst-case scenario of 2.5% annual rate increases (19% over 7 years) results from constructing Pacheco reservoir. These small rate increases are clearly insufficient to support this financing commitment.
- Valley Water District's most recent Comprehensive Annual Financial Report shows the district had \$500 million in long-term debt, and water rate revenue of \$267 million in 2020.^{vi} Financing an estimated 75% of Pacheco's \$2.2 billion cost would more than triple the long-term debt and require rate increases several times larger than Valley Water claims in the rate increase graphic.

It should also be noted that Valley Water has not yet released the feasibility study for Pacheco Dam, making any vote on financing commitment premature. In addition, while Valley Water counts on State grants and Federal financing to lower costs, it should be noted that these tools are all taxpayer financed. Taxpayers and ratepayers are the same people. Relying on other taxpayer-funded subsidies to lower water rates shifts costs from one taxpayer pocket to the other.

In conclusion, Valley Water's sole exhibit illustrating the potential rate impacts of Pacheco Dam is highly misleading, and it excludes the years that would likely see the largest rate increases. It is clearly insufficient to support a funding commitment of this scale.

Water Rate Impact



Attachment 2
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ⁱ <https://www.doxo.com/insights/regional-bill-comparison/>

ⁱⁱ https://www.bestplaces.net/cost_of_living/city/california/san_jose.

ⁱⁱⁱ <https://jointventure.org/images/stories/pdf/sv-poll-2021-report.pdf>

^{iv} SCVWD October 22, 2021 Special Meeting, Agenda item 4.

^v SCVWD November 9, 2021 meeting, Agenda item 7.1, attachment 2.

^{vi} https://www.valleywater.org/sites/default/files/2021-02/FY2020-CAFR_0.pdf

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