



Santa Clara Valley Water District

File No.: 18-0179

Agenda Date: 4/12/2018

Item No.: 2.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Continue Public Hearing - Annual Report on the Protection and Augmentation of Water Supplies - February 2018 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2018-2019 (FY 2018-19) (continued from April 10, 2018).

RECOMMENDATION:

- A. Continue the public hearing pursuant to Section 26.6 of the District Act to consider the District FY 2018-19 Annual Report on the Protection and Augmentation of Water Supplies, and direct staff to review such report with, and solicit comments from the District's advisory committees;
- B. Hear public comments from groundwater producers and any interested persons regarding such report; and
- C. Continue the public hearing regarding such report to the April 24, 2018 regular meeting, at 6:00 pm.

SUMMARY:

Section 26.6 of the District Act requires a public hearing regarding the Protection and Augmentation of Water Supplies report be held on or before the fourth Tuesday of April. This public hearing is conducted to inform the community of the activities performed by the District to ensure reliable water supply and the recommended groundwater production and other water charges to pay for those activities. The hearing provides opportunity for any interested person to submit comments to the Board. This year's rate setting process includes a formal protest procedure consistent with Board Resolutions 12-10 and 12-11 (See attachments 3 and 4). If written protests are filed by a majority of well owners or surface water operators, the groundwater production charge or surface water charge, respectively, cannot be increased.

Staff proposes a 9.7% increase in the North County (Zone W-2) Municipal and Industrial groundwater production charge. Staff recommends maintaining the treated water surcharge at \$100 per acre-foot and the non-contract treated water surcharge at \$50 per acre-foot. The average household in Zone W-2 would experience an increase in their monthly bill of \$3.92 or about 13 cents a day.

In the South County (Zone W-5), staff recommends a 7.7% increase in the M&I groundwater production charge. The average household in Zone W-5 would experience an increase in their

monthly bill of \$1.10 or about 4 cents per day.

Customers in both areas of North and South County may also experience additional charge increases enacted by their retail water providers.

The staff proposed increase to the agricultural groundwater production charge is 22.0% for both zones. An agricultural water user who pumps 2 acre-feet per acre per year would experience an increase of \$0.92 per month per acre.

Staff recommends a 7.7% increase to the surface water master charge. This increase results in a 9.6% increase in the overall North County municipal and industrial surface water charge and 7.7% increase in the overall South County municipal and industrial surface water charge. The overall agricultural surface water charge in either zone would increase by 13.9%. Due to the severity of the recent drought from 2012 to 2016, the water district suspended nearly all raw surface water deliveries in 2014. Now that the historic drought is over, the district has restored surface water for those who requested it.

For recycled water, staff recommends increasing the M&I charge by 8.0%. For agricultural recycled water, staff recommends a 11.3% increase. The increase maximizes cost recovery while concurrently providing an economic incentive to use recycled water. The pricing is consistent with the provisions of the "Wholesale-Retailer Agreement for Supply of Recycled Water Between Santa Clara Valley Water District and City of Gilroy."

The proposed increases in water charges are necessary to pay for critical investments in water supply infrastructure rehabilitation and upgrades, and the development of future drought-proof supplies. For example, the Anderson Dam Seismic Retrofit will help ensure public safety and bolster future water supply reliability. The cost projection for the Anderson Dam Seismic Retrofit project has increased since last year due to the discovery of additional vulnerabilities, which will require a near complete removal of the existing dam, and the determination that the dam's spillway needs to be fully replaced as it has some of the same weaknesses that Oroville Dam's spillway had. Also, the state's proposed plan for the California Water Fix is anticipated to improve the reliability of the infrastructure through which 40% of the county's water supply is delivered.

Staff recommends setting the State Water Project Tax at \$18 million for FY 2018-19. This translates to a property tax bill for the average single family residence of roughly \$27.00 per year. The recommended SWP tax is consistent with past practice. If the recommended FY 2018-19 State Water Project Tax is not approved, the M&I groundwater production charge would need to be increased by an additional \$98/AF in North County and \$21/AF in South County. The open space credit would increase by roughly \$525,000.

The District's Annual Report on the Protection and Augmentation of Water Supplies, among other information, contains a financial analysis of the District's water utility system and additional details about the above recommendations. This report can be found at www.valleywater.org

FINANCIAL IMPACT:

There is no financial impact associated with holding the hearing. If at a subsequent meeting, the

Board approves the recommended groundwater production and other water charges or obtains alternate funding mechanisms, the Water Utility should have sufficient funding for planned operations and capital improvement projects for fiscal year 2018-19.

CEQA:

The recommended action, the holding of a public hearing is not a project under CEQA. Further, establishment of groundwater production charges is not a project under CEQA. CEQA Guidelines Section 15273(a) reads as follows: CEQA does not apply to establishment or modification of charges by public agencies which the public agency finds are for the purpose of meeting operating expenses; purchasing or leasing supplies, equipment and materials; meeting financial reserve needs/requirements; and obtaining funds for capital projects needed to maintain service within existing service areas.

ATTACHMENTS:

Attachment 1: Staff Report
Attachment 2: PowerPoint
Attachment 3: SCVWD Resolution No. 12-10
Attachment 4: SCVWD Resolution No. 12-11

UNCLASSIFIED MANAGER:

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