



Santa Clara Valley Water District

File No.: 19-0066

Agenda Date: 1/14/2019

Item No.: 2.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Follow-up discussion of the Preliminary Fiscal Year (FY) 2019-20 Groundwater Production Charge Analysis. (Continued from January 8, 2019)

RECOMMENDATION:

Discuss and provide direction on the preliminary FY 2019-20 Groundwater Production Charge analysis prepared by staff.

SUMMARY:

This agenda memo is a follow-up to the January 8, 2019 Work Study Session on Preliminary Fiscal Year (FY) 2019-20 Groundwater Production Charges and the District's Capital Improvement Program, and Board Consideration to Approve the District's Fiscal Years 2020-24 Preliminary Capital Improvement Program (CIP) (Item 5.3). This item specifically focuses on the preliminary FY 2019-20 groundwater production charge analysis and includes additional scenarios for Board consideration. Staff is seeking Board input on the preliminary analysis to incorporate into the development of the groundwater production charge recommendation.

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 22, 2019. The public hearing on groundwater production charges is scheduled to open on April 9, 2019. It is anticipated that the Board would set the FY 2019-20 groundwater production charges by May 14, 2019, that would become effective on July 1, 2019.

Groundwater Production Charge Projections Presented on January 8, 2019

Staff presented 5 preliminary groundwater charge scenarios on January 8, 2019 for Board review. For North County Municipal and Industrial (M&I) groundwater production, the scenarios ranged from an increase of 4.7% to 8.1% for FY 2019-20, and from 5.7% to 7.7% for South County M&I groundwater production depending on the scenario.

The overall impact of the 5 preliminary analysis scenarios for FY 2019-20 to the average household would be an increase ranging from \$2.09 to \$3.60 per month in North County and from \$0.88 to \$1.19 per month in South County.

For references purposes the projects and assumptions included in the original 5 scenarios are listed below:

Scenario 1) Water Supply Master Plan (WSMP) 90% Level of Service

This scenario includes the following projects and assumptions:

- Baseline Projects (according to the WSMP);
- California WaterFix (CWF) (State and Federal side);
- No Regrets Package projects;
- Potable Reuse Phase 1 to produce 24,000 AF (assume operations start in FY 28);
- Pacheco Reservoir Expansion (assumes \$485 M Proposition 1 grant);
- Transfer-Bethany Pipeline;
- South County Recharge (assume facilities built beyond FY 2028-29);
- \$200M warranty placeholder cost for dams and treatment plant upgrades;
- The Board's CWF Guiding Principle #5.

Scenario 2) Water Supply Master Plan 80% Level of Service (LOS)

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

- CWF Federal side is excluded;
- Transfer-Bethany Pipeline is excluded;
- Pacheco Reservoir Expansion is paid for by a special tax, not water charges.

Scenario 3) Water Supply Master Plan 80% LOS, Reduce Potable Reuse

Includes the same projects and assumptions as Scenario 2 except as follows:

- Potable Reuse Phase 1 capital costs are reduced by 50%, with the remaining 50% assumed to be spent beyond FY 2028-29; the District "pay as you go" contribution is reduced from 30% to 15%; and the Public-Private Partnership (P3) reserve grows to \$10 M by FY 2027-28 instead of \$20 M;
- Transfer-Bethany Pipeline is included.

Scenario 4) Water Supply Master Plan 80% LOS, Reduce Potable Reuse, No CWF

Includes the same projects and assumptions as Scenario 3 except as follows:

- CWF State side is excluded

Scenario 5) Water Supply Master Plan 80% LOS, Reduce Potable Reuse, Add Los Vaqueros and Sites Reservoirs

Includes the same projects and assumptions as Scenario 4 except as follows:

- CWF State side is included;
- Sites and Los Vaqueros Reservoirs are included.

Board Member Comments on January 8, 2019

Staff captured the following Board member comments on January 8, 2019 in no particular order:

- Scenario 4 should be eliminated as it does not meet the 80% level of service goal (does not meet 80% of average annual water demand in drought years)

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- The potential investments in Sites and Los Vaqueros reservoirs should be separated for purposes of the scenarios (include most viable option only)
 - Little support for reducing the investment in potable reuse prior to FY 2028-29 and delaying the remaining investment to beyond FY 2028-29
 - Support indicated for Scenario 1, which would achieve the 90% level of service goal, although there was also general support indicated for looking at scenarios that would achieve the 80% level of service goal

Additional Scenarios

Scenario 6) Water Supply Master Plan 90% LOS, Pacheco paid by Other Sources

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

- Pacheco Reservoir Expansion is paid for by other sources, not water charges.

Scenario 7) Water Supply Master Plan 80% LOS, Pacheco paid by Other Sources

Includes the same projects and assumptions as Scenario 6 except as follows:

- CWF Federal side is excluded.

Scenario 8) Water Supply Master Plan 80% LOS, Pacheco paid by Other Sources, Add Los Vaqueros Reservoir

Includes the same projects and assumptions as Scenario 7 except as follows:

- Includes investment in Los Vaqueros Reservoir.

Scenario 9) Water Supply Master Plan 80% LOS, Pacheco with \$250M WIIN funding, WIFIA loan & Partners Pay 20%

Includes the same projects and assumptions as Scenario 8 except as follows:

- Excludes investment in Los Vaqueros Reservoir;
- Pacheco Reservoir Expansion funding includes \$250M Water Infrastructure Improvements to the Nation Act (WIIN) funds, a Water Infrastructure Finance and Innovation Act (WIFIA) loan, partner agencies assumed to pay for 20% of project, remaining balance paid for by water charges or other District revenue sources

For North County Municipal and Industrial (M&I) groundwater production, scenarios 1, 6, 7, 8 and 9 range from an increase of 5.9% to 8.1% for FY 2019-20, and from 6.4% to 7.7% for South County M&I groundwater production depending on the scenario.

The overall impact of Scenarios 1, 6, 7, 8 and 9 for FY 2019-20 to the average household would be an increase ranging from \$2.62 to \$3.60 per month in North County and from \$0.99 to \$1.19 per month in South County.

FINANCIAL IMPACT:

This preliminary analysis of the groundwater production charges does not have any direct financial

impact, however, the adopted groundwater production charges will affect the future finances of the Water Utility Enterprise.

CEQA:

CEQA Guidelines Section 15273: CEQA does not apply to establishment or modification of water rates.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

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