



# Santa Clara Valley Water District

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**File No.:** 19-0322

**Agenda Date:** 4/9/2019

**Item No.:** 2.6.

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## BOARD AGENDA MEMORANDUM

### **SUBJECT:**

Public Hearing - Annual Report on the Protection and Augmentation of Water Supplies - February 2019 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2019-2020 (FY 2019-20).

### **RECOMMENDATION:**

- A. Conduct a public hearing pursuant to Section 26.6 of the District Act to consider the District FY 2019-20 Annual Report on the Protection and Augmentation of Water Supplies, and direct staff to review such report with, and solicit comments from Valley Water'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 11, 2019 special meeting, at 7:00 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 Valley Water 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 groundwater production charge setting process is being conducted consistent with the District Act, and Board Resolution 99-21. The raw surface water charge setting process includes a formal protest procedure consistent with Board Resolution 12-10 (See attachment 3). If written protests are filed by a majority of surface water operators, the surface water charge cannot be increased.

Staff proposes a 6.6% 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 \$2.93 or about 10 cents a day.

In the South County (Zone W-5), staff recommends a 6.9% increase in the M&I groundwater production charge. The average household in Zone W-5 would experience an increase in their

monthly bill of \$1.07 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 19.3% for both zones. An agricultural water user who pumps 2 acre-feet per acre per year would experience an increase of \$0.87 per month per acre.

Staff recommends a 4.4% increase to the surface water master charge. This increase results in a 6.5% increase in the overall North County municipal and industrial surface water charge and 6.7% increase in the overall South County municipal and industrial surface water charge. The staff recommended overall agricultural surface water charge in either zone would increase by 10.8%. 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 permitted users who requested it.

For recycled water, staff recommends increasing the M&I charge by 7.2%. For agricultural recycled water, staff recommends a 9.6% increase. The recommended increases would maximize cost recovery while concurrently providing an economic incentive to use recycled water as opposed to potable 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. Those investments include the Pacheco Reservoir Expansion project, which would provide emergency water supply, the Rinconada Water Treatment Plant Upgrade, which will extend the plant's service life for the next 50 years, the Anderson Dam Seismic Retrofit, which will help ensure public safety and bolster future water supply reliability, and a \$650M investment for recycled and purified water expansion that would bring up to 24,000 AF of new water supply to the county each year.

Staff recommends maintaining the State Water Project Tax at \$18 million for FY 2019-20. 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 2019-20 State Water Project Tax is not approved, the M&I groundwater production charge would need to be increased by an additional \$92/AF in North County and \$19/AF in South County. The open space credit would increase by roughly \$523,000.

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](http://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 2019-20.

**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 12-10
- \*Handout 2.6-A, AWAC Memo
- \*Handout 2.6-B, Paul Jensen Letter
- \*Handout 2.6-C, Dhruv Khannan and Cirigin Cellars

**UNCLASSIFIED MANAGER:**

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