



Santa Clara Valley Water District

File No.: 19-1068

Agenda Date: 11/12/2019

Item No.: 5.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Next Steps for the Untreated Surface Water Program (Continued From October 22, 2019).

RECOMMENDATION:

Review Board Policy and Planning Committee's recommendation to seek stakeholder input on the future of the Untreated Surface Water Program, including the recommendation to sunset the Program.

SUMMARY:

On April 12, 2016, in response to significant issues that had been identified with the current Untreated Surface Water Program (Program), the Board directed staff to update the 1974 Rules and Regulations (Rules) for the Service of Surface Water and provided guidance by approving eight principles for the revision of the Program. See Attachment 1.

During the process of revising the Rules to meet the Board approved guiding principles, staff identified that a Program where Valley Water directly sells water to a select set of customers may not be sustainable. In multiple discussions with the Board Policy and Planning Committee (Committee), a recommendation was made for an eventual sunseting of the Program instead of revision of the Rules.

A six-step process is recommended by staff to gather stakeholder input on the future of the Program for consideration by the Committee and then the Board.

BACKGROUND:

The Program is predominantly used by customers for irrigation. The cost of Valley Water's untreated surface water is 5 to 20 times less than what the major retailers in the county charge for potable water. This leads to many instances where one business or neighbor will be paying significantly less for irrigation with Valley Water's water than the next-door neighbor or business that uses the same amount of water. The program currently has 73 customers meaning the Program is currently only used by less than 0.01% of the households and businesses in Santa Clara County.

The operation of the raw water system has become more complex in the last decades, and surface water deliveries have had a greater impact on the ability of Valley Water to manage water efficiently and effectively. Surface water deliveries account for only around two percent of the County's total

use; however, at times Valley Water has had to modify its pumping operation or reduce groundwater recharge in order to maintain surface water deliveries and pressures. Particularly during times of facility outages or limited supplies, the water used by surface water customers can impact operations as control valves cannot be remotely controlled and staff must isolate each turnout by hand. In addition, surface water diversions from creeks can impact the ability of Valley Water to manage the regulated creeks to meet environmental flow requirements.

The Program's water use has hovered around 2,000 acre-feet. With the community's continuing water use reduction after the recent drought, the Program's water use dropped to 1,800 acre-feet in Fiscal Year (FY) 2018. The total revenue generated from the Program was approximately \$890,000 during FY 2018. Table 1 shows the surface water usage and revenue for each of the two groundwater charge zones in FY 2018.

Table 1: Annual Surface Water Usage and Revenue for FY 2018

	Zone W2	Zone W5	Total
Annual Usage	600 acre-feet	1,200 acre-feet	1,800 acre-feet
Annual Revenue	\$670,000	\$220,000	\$890,000

Source: SW_AF \$_FY18_Revenue Mgt Summary

COMMITTEE UPDATE:

Staff met with the Committee to discuss the issues identified with the Rules and the future of the Program. In November 2018, the Committee developed recommendations for consideration by the full Board.

No New Surface Water Permits -Due to the significant issues with the current Rules and the negative impact of the untreated surface water users on the Raw Water System, the Committee recommends that no new surface water permits be issued unless approved by the Board.

Sunset the Surface Water Program - One of the significant drivers discussed by the Committee is the desired future of the surface water program and its purpose going forward. The program has changed significantly from its original purpose of in-lieu groundwater recharge. As agricultural land has been taken out of production and developed, surface water has become a more affordable alternative source of water for residential landscaping or a convenient supply to support activities where other water sources may not be as readily available. This has led to reliance on surface water as a primary water supply, instead of the interruptible alternative to groundwater pumping that it was originally intended to be.

The Committee agreed that Valley Water's role as the County's water wholesaler takes precedence over providing retail raw water service. To the extent that providing surface water impacts Valley Water's ability to meet its responsibility for providing wholesale water supply, recharging the groundwater basin and/or meeting its environmental obligations, the program should be revised or curtailed. And to the extent that the program continues, the Committee agreed that the program should be fair and equitable to all water users and should provide an overall public benefit.

The Committee considered the long-term purpose, need and value of the surface water program. While the future of the program could take many forms, it should be consistent with the primary role of Valley Water as the wholesale water provider for Santa Clara County and the groundwater sustainability agency for the Santa Clara and Llagas subbasins. Some of the key concerns considered by the Committee include:

- The program's impact on raw water operations and environmental stream flows;
- Providing surface water deliveries within a retail service area;
- Surface water usage for non-agricultural landscaping; and
- Overall public benefit.

In consideration of the above, the Committee is recommending that the Board consider the following Program recommendations be taken to the customers and stakeholders for their input and feedback to assist with revising the program:

- A. The Board sunset the existing untreated surface water program for all private water users. Existing private users be removed from the surface water program as soon as possible and all private accounts be terminated by December 31, 2030.
- B. Provide adequate time to existing surface water users to transition to an alternative water supply.
- C. In recognition that surface water deliveries to a public agency may provide public benefits, requests by public agencies for surface water delivery will be considered by the Board on a case-by-case basis.

NEXT STEPS:

For Board consideration, staff is requesting direction on the following six-step strategy to seek public input on the future of the Program:

1. No new permits will be issued or turnouts constructed. This includes no transfers, expansions of service, or appeals.
2. Staff will meet with Board members individually to brief them on upcoming public meetings (see Attachment B -- map).
3. Conduct three public meetings in FY20 for North County and South County Program customers and stakeholders.
4. Prepare a Board agenda memo on the future of the Program following public input.
5. Discuss the future of the Program and draft agenda memo recommendations with the Committee.
6. Return to the Board in FY20 with recommendations for the future of the Program.

Staff will prepare a short PowerPoint presentation for display at the Board meeting. The purpose of the presentation is to more clearly consolidate the eight Board-approved principles of April 12, 2016, which are contained in Attachment A, the Committee's three Program recommendations, and staff's proposed six-step strategy, contained herein.

FINANCIAL IMPACT:

No significant financial impact of seeking public input on the Committee's recommendations is expected. The transition of customers from surface water to alternative supplies is not anticipated to reduce overall water usage or revenue. Should the Board approve the Committee's recommendations, long-term reduction of the Program should reduce overall Valley Water administrative and operational costs.

CEQA:

Section 15378 of the CEQA Guidelines defines a "project" as the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Discussion of potential revisions to the surface water program does have the potential of physically changing the environment. Staff is seeking policy direction from the Board as it develops a proposed update to the surface water program. As part of its development of the proposed updated surface water program, staff will ensure compliance with CEQA. The proposed updated surface water program will be presented to the Board for its consideration at a future Board meeting.

ATTACHMENTS:

Attachment 1: Valley Water 032216 Board Item 5.2

Attachment 2: Map, Untreated Surface Water Users by District

*Handout 5.1-A, PowerPoint

UNCLASSIFIED MANAGER:

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