



Santa Clara Valley Water District

File No.: 20-0419

Agenda Date: 4/28/2020

Item No.: *2.4.

BOARD AGENDA MEMORANDUM

SUBJECT:

Annual Report on the Protection and Augmentation of Water Supplies - February 2020 and Recommended Groundwater Production and Other Water Charges for Fiscal Year 2020-2021 (FY 2020-21).

RECOMMENDATION:

- A. Conduct a public hearing pursuant to Section 26.6 of the District Act to consider the District FY 2020-21 Annual Report on the Protection and Augmentation of Water Supplies;
- B. Hear public comments from groundwater producers and any interested persons regarding such report; and
- C. Close the public hearing.

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 Santa Clara Valley Water District (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.

On October 8, 2019 the Board directed staff to pursue modifying the existing groundwater benefit zones W-2 and W-5, and to create two new zones W-7 (Coyote Valley) and W-8 (below Uvas and Chesbro Reservoirs), which if approved by the Board, would go into effect July 1, 2020. The Annual Report on the Protection and Augmentation of Water Supplies (PAWS) assumes that Valley Water's Board will adopt the proposed changes to the groundwater benefit zones. Should the Board decide not to adopt the new and modified groundwater benefit zones, the existing zones would remain in effect. As a backup, staff has also prepared proposed rate changes for the existing groundwater benefit zones.

Staff proposes an 8.6% increase in the North County (modified Zone W-2) Municipal and Industrial (M&I) groundwater production charge. Staff recommends maintaining the treated water surcharge at

\$100 per acre-foot and the non-contract treated water surcharge at \$200 per acre-foot, which would maintain the financial incentive for retailers to take 100% of their contracted amount of treated water. This recommendation differs from the PAWS report due to a recent change in conditions, namely the directive from the Federal Energy Regulatory Commission (FERC) on February 20, 2020 to begin draining Anderson Reservoir beginning on October 1, 2020. The most effective use of that drained water would be to send it to the treatment plants. The average household in the modified Zone W-2 would experience an increase in its monthly bill of \$4.06 or about 14 cents a day.

For South County modified Zone W-5 (Llagas Subbasin), staff recommends a 2.9% decrease in the M&I groundwater production charge. The average household in Zone W-5 would experience a decrease in its monthly bill of \$0.48 or about 2 cents per day.

For South County new Zone W-7 (Coyote Valley), staff recommends a 9.4% increase in the M&I groundwater production charge. The average household in Zone W-7 would experience an increase in its monthly bill of \$1.55 or about 5 cents per day.

For South County new Zone W-8 (Foothills below Uvas/Chesbro Reservoirs), staff recommends a 32.0% decrease in the M&I groundwater production charge. The average household in Zone W-8 would experience a decrease in its monthly bill of \$5.30 or about 18 cents per day.

Customers in all 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 5.2% for all zones. An agricultural water user who pumps 2 acre-feet per acre per year would experience an increase of \$0.25 per month per acre.

Staff recommends a 4.4% increase to the surface water master charge. This increase results in an 8.5% increase in the overall North County M&I surface water charge. In the South County, for modified Zone W-5, staff recommends a 2.4% decrease to the M&I surface water charge. For new Zone W-7, staff recommends a 9.0% increase. And for new Zone W-8, staff recommends a 29.4% decrease. The staff recommended overall agricultural surface water charge in all zones would increase by 4.7%.

For recycled water, staff recommends decreasing the M&I charge by 3.0%. For agricultural recycled water, staff recommends a 2.7% increase. The recommended changes 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 changes 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, and the Anderson Dam Seismic Retrofit Project, which will

help ensure public safety and bolster future water supply reliability.

Staff recommends maintaining the State Water Project (SWP) tax at \$18 million for FY 2020-21. This translates to a property tax bill for the average single family residence of roughly \$28.00 per year. The recommended SWP tax is consistent with past practice. If the recommended FY 2020-21 SWP tax is not approved, the M&I groundwater production charge would need to be increased by an additional \$98 per acre-foot in North County and \$19 per acre-foot in South County. The open space credit would increase by roughly \$478,000.

The PAWS Report contains a financial analysis of Valley Water's water utility system and additional details about the above recommendations, as well as other information. This report can be found at www.valleywater.org <<http://www.valleywater.org>>.

Attachment 2 contains alternative rate scenarios for Board consideration as requested by the Board on April 6, 2020 in response to the COVID-19 Pandemic.

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 2020-21.

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 2.4-A, Stanford
- *Handout 2.4-B, Sunnyvale
- *Handout 2.4-C, Santa Clara
- *Handout 2.4-D, CSJ
- *Handout 2.4-E, CSJ Councilmembers

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UNCLASSIFIED MANAGER:

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