



Santa Clara Valley Water District

File No.: 20-0420

Agenda Date: 5/26/2020

Item No.: 2.12.

BOARD AGENDA MEMORANDUM

SUBJECT:

Adoption of Groundwater Production and Other Water Charges for Fiscal Year 2020-2021.

RECOMMENDATION:

- A. Adopt a Resolution DETERMINING GROUNDWATER PRODUCTION CHARGES FOR FISCAL YEAR 2020-2021; and
- B. Adopt a Resolution DETERMINING SURFACE WATER, TREATED WATER, AND SOUTH COUNTY RECYCLED WATER CHARGES FOR FISCAL YEAR 2020-2021.

SUMMARY:

The Santa Clara Valley Water District (Valley Water) annually considers adjusting water charges necessary to provide the revenue for the service of providing water supply to Santa Clara County. Pursuant to Section 26.6 and 26.7 of the District Act, an annual public hearing is held before the Board on or before the fourth Tuesday of April to consider whether or not to levy a groundwater charge. The rate setting process for surface water charges includes a formal protest procedure consistent with Board Resolution 12-10. If written protests are filed by a majority of surface water operators/property owners, the surface water charge, for that zone, will not be increased.

On April 28, 2020, the Board opened the public hearing on the groundwater production charges for fiscal year 2020-21, accepted public comments, and closed the public hearing before adjourning the board meeting. Following the close of the public hearing, the process to validate and tabulate all protests received began. With the following parameters outlined in Resolution 12-10, Valley Water's Clerk of the Board has reported that Valley Water received no surface water protests in North County (Zone W-2), Llagas Subbasin (Zone W-5), Coyote Valley (Zone W-7), or the foothills below the Uvas and Chesbro Reservoirs (Zone W-8).

Since no valid protests were received for Zone W-2, Zone W-5, Zone W-7 and Zone W-8 from surface water operators, and respective parcel owners, there is no impediment to proceeding with the water charges that are at or below those proposed in the February 2020 Report on the Protection and Augmentation of Water Supplies, which can be found online at www.valleywater.org.

The following staff recommendations reflect Board direction given at the April 28th, 2020 board meeting in response to the COVID19 Pandemic. This direction is intended to minimize impacts to the

retailers and ultimately the community. Staff recommends that the Board adopt by resolution the following proposed Fiscal Year (FY) 2020-21 groundwater production and other water charges, outlined below and in the accompanying table:

1. In the North County (Zone W-2), staff proposes a 0% increase in the Municipal and Industrial (M&I) groundwater production charge thus retaining the existing \$1,374/Acre-Foot (AF). Staff recommends maintaining the treated water contract surcharge at \$100/AF and maintaining the treated water non-contract surcharge at \$200/AF, which will encourage retail customers to continue taking treated water at current levels as surface water supplies are projected to be adequate. The average household in Zone W-2 would not experience any adjustment in their monthly bill.
2. In the Llagas Subbasin (modified Zone W-5), staff recommends a 2.9% decrease in the M&I groundwater production charge to \$467/AF. The average household in Zone W-5 would experience a decrease in their monthly bill of \$0.48 or about 2 cents per day.
3. In the Coyote Valley (new Zone W-7), staff recommends a 0% increase in the M&I groundwater production charge thus retaining the existing \$481/AF. The average household in Zone W-7 would not experience any adjustment in their monthly bill.
4. In the foothills below the Uvas and Chesbro Reservoirs (new Zone W-8), staff recommends a 32.0% decrease in the M&I groundwater production charge to \$327/AF. The average household in Zone W-8 would experience a decrease in their monthly bill of \$5.30 or about 18 cents per day.
5. Staff recommends a 0% increase to the agricultural groundwater production charge thus retaining the existing \$28.86/AF in all zones, which would maintain the agricultural groundwater production charge at 6% of the existing FY 2019-20 South County Municipal and Industrial groundwater production charge of \$481/AF. This is consistent with Board direction received on April 23, 2019 to maintain the Open Space Credit Policy as is for the next two years. An agricultural water user who pumps 2 AF per acre per year would not experience any adjustment in their monthly costs.
6. Staff recommends a 0% increase to the surface water master charge thus retaining the \$37.50/AF. This increase results in a 0% increase to the Zone W-2 (North County) M&I surface water charge, keeping it to \$1,411.50/AF. For Zone W-5 (Llagas Subbasin) the adjustment reflects a 2.7% decrease to the overall M&I surface water charge, bringing it to \$504.50/AF. For Zone W-7 (Coyote Valley) the adjustment reflects a 0% increase to the overall M&I surface water charge, keeping it to \$518.50/AF. For Zone W-8, located in the foothills below the Uvas and Chesbro Reservoirs, the adjustment reflects a 29.7% decrease to the overall M&I surface water charge, bringing it to \$364.50/AF. The overall agricultural surface water charge in any zone would increase by 0% thus retaining the existing \$66.36/AF rate.
7. For recycled water supplied by the South County Regional Wastewater Authority Facility at Gilroy, staff recommends decreasing the M&I charge by 3.0% to \$447.00/AF. For agricultural

recycled water, staff recommends a 0% increase thus retaining the existing \$56.26/AF. The pricing remains consistent with the provisions of the "Wholesale-Retailer Agreement for Supply of Recycled Water Between Santa Clara Valley Water District and City of Gilroy."

		Dollars Per Acre Feet	Revised Proposed
	FY 2013	FY 2019	FY 2020
Modified Zone W-2 (North County)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	1,289.00	1,374.00	1,374.00
Agricultural	27.02	28.86	28.86
Surface Water Charge			
Surface Water Master Charge	35.93	37.50	37.50
Total Surface Water, Municipal & Industrial	1,324.93	1,411.50	1,411.50
Total Surface Water, Agricultural*	62.94	66.36	66.36
Treated Water Charges			
Contract Surcharge	100.00	100.00	100.00
Total Treated Water Contract Charge**	389.00	1,474.00	1,474.00
Non-Contract Surcharge	50.00	200.00	200.00
Total Treated Water Non-Contract Charge**	339.00	1,574.00	1,574.00
Modified Zone W-5 (Llagas Subbasin)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	450.00	481.00	467.00
Agricultural	27.02	28.86	28.86
Surface Water Charge			
Surface Water Master Charge	35.93	37.50	37.50
Total Surface Water, Municipal & Industrial	485.93	518.50	504.50
Total Surface Water, Agricultural*	62.94	66.36	66.36
Recycled Water Charges			
Municipal & Industrial	430.00	461.00	447.00
Agricultural	54.41	56.26	56.26
New Zone W-7 (Coyote Valley)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	450.00	481.00	481.00
Agricultural	27.02	28.86	28.86
Surface Water Charge			
Surface Water Master Charge	35.93	37.50	37.50
Total Surface Water, Municipal & Industrial	485.93	518.50	518.50
Total Surface Water, Agricultural*	62.94	66.36	66.36
New Zone W-8 (Uvas/Chesbro)			
Basic User/Groundwater Production Charge			
Municipal & Industrial	450.00	481.00	327.00
Agricultural	27.02	28.86	28.86
Surface Water Charge			
Surface Water Master Charge	35.93	37.50	37.50
Total Surface Water, Municipal & Industrial	485.93	518.50	364.50
Total Surface Water, Agricultural*	62.94	66.36	66.36

*Note: The total surface water charge is the sum of the basic user charge (which equals the

**Note: The total treated water contract charge is the sum of the basic user charge (which equals the

***Note: The total treated water non-contract charge is the sum of the basic user charge (which equals the

The attached resolutions would officially establish water charges for fiscal year 2020-21, which would become effective July 1, 2020. The staff recommended rates 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 continued planning of the proposed 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 \$640M investment for recycled and purified water expansion that would bring up to 10,000 AF of new water supply to the county each year.

Staff also recommends setting the State Water Project (SWP) tax at \$18 million for FY 2020-21. The proposed \$18 million SWP tax translates to a property tax bill for the average single family residence of roughly \$28.00 per year. If the recommended FY 2020-21 SWP tax is not approved, the impact translates to \$98/AF in terms of the M&I groundwater production charge in North County, \$19/AF in the South County region, and \$478,000 in terms of the open space credit to recoup lost tax revenue. Staff's recommendation regarding the SWP tax is consistent with the Valley Water's past practice and with the approach of other water districts and agencies that maintain State water supply contracts. The resolution to set the SWP tax is one of the resolutions included in the agenda item to adopt the FY 2020-21 Budget.

FINANCIAL IMPACT:

If the Board approves the recommended groundwater production and other water charges, the Water Utility should have sufficient funding for planned operations and capital improvement projects for fiscal year 2020-21.

CEQA:

The recommended action, 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: Resolution, GW Charges

Attachment 2: Resolution, SW, TW, RW Charges

UNCLASSIFIED MANAGER:

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