



Santa Clara Valley Water District

File No.: 21-0084

Agenda Date: 2/9/2021

Item No.: 8.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Adopt Recommended Sponsorship of State Legislation: Santa Clara Valley Water District Act: Financing for Capital Projects; and Adopt Recommended Positions on Other Legislation Which May Require Urgent Consideration for a Position by the Board.

RECOMMENDATION:

- A. Adopt a Position of "Sponsor" on: Santa Clara Valley Water District Act: Financing for Capital Projects; and
- B. Direct staff to develop bill and seek a state legislator to author.

SUMMARY:

Santa Clara Valley Water District Act: Financing for Capital Projects

Position Recommendation: Sponsor

Priority: 1

The Santa Clara Valley Water District Act (Chapter 1405 of the California Statutes of 1951) is the primary state law governing the Valley Water Board's authority and the agency's operations. This proposal for Valley Water-sponsored legislation would do the following.

1. Authorize Valley Water to issue general obligation bonds backed by ad valorem property taxes with voter approval and authorize revenue bonds backed by net revenues of the Water Utility Enterprise;
2. Address a sunset date of December 31, 2023, that applies to a Board member compensation limitation; and
3. Clean up certain provisions of the District Act to delete obsolete language and improve clarity for those implementing the Act and for the public.

Reduce the Cost of Borrowing for Capital Projects

Section 17 of the District Act limits the sources of revenue that may be used to pay bonds to the revenue proceeds derived from an annual tax or assessment, levied in compliance with other provisions of the District Act. This bill proposal would amend that section to allow bonds to be paid by the revenue proceeds from an ad valorem property tax which would also require approval by voters (general obligation bonds). In addition, this bill would create a new section of the District Act that

would exempt Valley Water from provisions of the Revenue Bond Law of 1941, thereby allowing bonds to be paid from net revenues (instead of gross revenues) of the Water Utility Enterprise, and from funds allocated to Valley Water from the County's 1% property tax.

Address Sunset of Compensable Meeting Days Limitation

Subdivision (c) of Section 33 of the District Act regulates the compensation for Board member attendance at meetings related to Valley Water business. This provision was amended in 2018 to allow compensation for not more than 15 meetings per month and that limitation will sunset on December 31, 2023. Considering that the sunset was intended to determine if meeting data shows that 15 days is the appropriate number of compensable meetings, and considering that the COVID-19 pandemic has limited the number of community meetings Board members have attended in 2020 and 2021, this sunset date should be reconsidered to determine if more time is needed to collect meeting data or if the determination may be made by other means.

Clean Up Obsolete Provisions and Grammar for Clarity

There are numerous provisions in the District Act that, like all statutes, need to be cleaned up over time. Some subdivisions of the Act have become obsolete. For example, provisions related to the historical configuration of the Board and its transition to its current seven elected members can be deleted. Other provisions could be made clearer with minor grammatical changes.

Importance to Valley Water

Agricultural Region Now Major Metropolitan Area

The current version of the District Act was enacted in 1951 and has been amended numerous times to accommodate the changing needs of Santa Clara County regarding water resources management, flood protection, and stream stewardship. Since the District Act was first enacted, Valley Water has merged with other agencies, become an independent special district with its own elected Board, and witnessed the region's transformation from a county of 290,000 people with a largely agricultural economy, to one of the state's largest metropolitan areas with a population of 2 million that is home to the nation's technology economy.

Antiquated Limits on Bonding Drive Unnecessary Costs

Valley Water now builds some of the largest water infrastructure projects in the state and has outgrown the provisions of the District Act limiting the use of water revenue to pay for revenue bonds and without the use of general obligation bonds. These limitations increase the cost of borrowing on large projects by millions of dollars per year. Were these limitations removed, over a 30-year period, that extra cost would be reduced, resulting in substantial savings for Valley Water.

The intent of these bond related provisions is to create more flexibility in how Valley Water

may finance capital projects and to lower the cost of financing. A voter approval threshold of 2/3 would apply to levy ad valorem property taxes to secure general obligation bonds. General obligation bonds have high investor demand and lower borrowing costs, which would result in cheaper financing for Valley Water and the people of Santa Clara County.

Pandemic Impacts Board Meeting Days Data

The level of Board member compensation impacts who can afford to serve on the Valley Water Board of Directors. Residents of more modest means or of more diverse backgrounds may not be able to devote the extensive amount of time required of a Board member if the number of compensable meeting days is set too low. The intent of this legislation would be to ensure that this important determination is made using an appropriate means and in consideration of the actual time devoted to meetings for Valley Water purposes.

Non-Substantive Changes to Clarify the District Act

Cleanup of the District Act is needed to remove obsolete provisions, clarify outdated phrasing, or to make grammatical corrections. None of these clean up items is intended to make a substantive change, but instead will make the District Act more understandable for those implementing the Act and for the public.

Staff recommends that the Board adopt a position of "Sponsor" on this proposed state legislation and that the Board direct staff to develop legislative language and seek a bill author.

Pros

- Reduces the cost of borrowing for Valley Water capital projects.
- Helps ensure socioeconomic diversity on the Valley Water Board.
- Clarifies the District Act for those implementing the Act and for the public.

Cons

- General obligation bonds need 2/3 voter approval, requiring the Board to request placement on the ballot and appropriate funds for an election, albeit for much larger savings in capital costs.

FINANCIAL IMPACT:

Creates more flexibility in how Valley Water may finance capital projects. To the extent that revenue bonds paid by Water Utility Enterprise net revenues are used or that general obligation bonds are approved by the voters, this legislation could lower the cost of financing for large capital projects by millions of dollars per year. Over the life of a 30-year bond, these savings could be substantial for Valley Water.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

None

UNCLASSIFIED MANAGER:

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