



Santa Clara Valley Water District

File No.: 21-0503

Agenda Date: 5/11/2021
Item No.: 2.10.

BOARD AGENDA MEMORANDUM

SUBJECT:

Adoption of Groundwater Production and Other Water Charges for Fiscal Year 2021-2022.

RECOMMENDATION:

- A. Adopt a Resolution DETERMINING GROUNDWATER PRODUCTION CHARGES FOR FISCAL YEAR 2021-2022; and
- B. Adopt a Resolution DETERMINING SURFACE WATER, TREATED WATER, AND SOUTH COUNTY RECYCLED WATER CHARGES FOR FISCAL YEAR 2021-2022.

SUMMARY:

Resolutions will be provided via supplemental agenda item on May 7, 2021.

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 13, 2021, the Board opened the public hearing on the groundwater production charges for fiscal year 2021-22, 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 2021 Report on the Protection and Augmentation of Water Supplies, which can be found online at www.valleywater.org.

Staff recommends that the Board adopt by resolution the following proposed Fiscal Year (FY) 2021-

22 groundwater production and other water charges, outlined below and in Attachment 1:

1. In the North County (Zone W-2), staff proposes a maximum 9.6% increase in the Municipal and Industrial (M&I) groundwater production charge from \$1,374/Acre-Foot (AF) to \$1,506/AF. Staff recommends increasing the treated water contract surcharge to \$115/AF and maintaining the treated water non-contract surcharge at \$200/AF. The average household in Zone W-2 would experience a monthly bill increase of \$4.55 to \$5.06 or about 15 to 17 cents per day.
2. In the Llagas Subbasin (Zone W-5), staff recommends a maximum 4.6% increase in the M&I groundwater production charge from \$467/AF to \$488.50/AF. The average household in Zone W-5 would experience an increase in their monthly bill of \$0.74 or about 2 cents per day.
3. In the Coyote Valley (Zone W-7), staff recommends a maximum 10.3% increase in the M&I groundwater production charge from \$481/AF to \$530.50/AF. The average household in Zone W-7 would experience an increase in their monthly bill of \$1.70 or about 6 cents per day.
4. In the foothills below the Uvas and Chesbro Reservoirs (Zone W-8), staff recommends a maximum 4.4% increase in the M&I groundwater production charge from \$327/AF to \$341.50/AF. The average household in Zone W-8 would experience an increase in their monthly bill of \$0.50 or about 2 cents per day.
5. Following Board direction, staff recommends setting the agricultural groundwater production charge at 25% of M&I for Zone W-8, increasing from \$28.86/AF to \$85.38/AF. This is consistent with Board direction received on April 23, 2019 to eliminate use of the discretionary portion of the Open Space Credit Policy. An agricultural water user who pumps 2 AF per acre per year would experience an increase of up to \$9.41 per month.
6. Staff recommends a maximum 9.6% increase to the surface water master charge from \$37.50/AF to \$41.10/AF to align the charge with the with the costs related to managing, operating and filling for surface water diversion. The adjustment results in a maximum 5.0% increase to the Zone W-2 (North County) M&I surface water charge, from \$1,411.50/AF to \$1,547.10/AF. For Zone W-5 (Llagas Subbasin) the adjustment results in a maximum 5.0% increase to the overall M&I surface water charge, from \$504.50/AF to \$529.60/AF. For Zone W-7 (Coyote Valley) the adjustment results in a maximum 10.2% increase to the overall M&I surface water charge, from \$518.50/AF to \$571.60/AF. For Zone W-8 (foothills below the Uvas and Chesbro Reservoirs) the adjustment results in a maximum 5.0% increase to the overall M&I surface water charge, from \$364.50/AF to \$382.60/AF. The adjustment results in the overall agricultural surface water charge in any zone increasing up to 90.6% from \$66.36/AF to \$126.48/AF.
7. For recycled water supplied by the South County Regional Wastewater Authority Facility at Gilroy, staff recommends increasing the M&I charge up to 4.8% from \$448/AF to \$468.50/AF. For agricultural recycled water, staff recommends a maximum 100.5% increase from \$56.26/AF to \$112.78/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."

The resolutions (to be provided via supplemental agenda item) would officially establish water charges for FY 2021-22, which would become effective July 1, 2021.

The staff recommended rates are necessary to pay for emergency water purchases in preparation for drought, investments in water supply infrastructure rehabilitation and upgrades, and new water supply reliability investments. The need to purchase emergency water is driven by the fact that the next drought appears to be on our doorstep, coupled with the recent lowering of water levels at Anderson Reservoir. A key infrastructure rehabilitation investment includes the Anderson Dam Seismic Retrofit, which is a \$650 million project that will help ensure public safety and bolster future water supply reliability. A key water supply reliability investment is the Pacheco Reservoir Expansion project, estimated to cost roughly \$2.5 billion, would provide an additional 80,000 acre-feet of water storage capacity.

Staff also recommends setting the State Water Project (SWP) tax at \$26 million for FY 2021-22. The proposed \$26 million SWP tax translates to a property tax bill for the average single-family residence of approximately \$40.00 per year. If the recommended FY 2021-22 SWP tax is not approved, the impact translates to \$139/AF in terms of the M&I groundwater production charge in North County and \$27/AF in terms of South County M&I groundwater production charge for Zone W-5, \$27/AF for Zone W-7 and \$35/AF for Zone W-8. The open space credit would increase by roughly \$503,000 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 2021-22 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 FY 2021-22.

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: Maximum Proposed FY22 Water Charges

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