



SANTA CLARA VALLEY WATER DISTRICT

NON-AGENDA

May 14, 2021

Board Policy EL-7 Communication and Support to the Board
The BAOs shall inform and support the Board in its work.

Page	<u>CEO BULLETIN & NEWSLETTERS</u>
	CEO Bulletin: None
3	May 2021 Water Tracker
	<u>BOARD MEMBER REQUESTS & INFORMATIONAL ITEMS</u>
6	BMR/IBMR Weekly Reports: 05/13/21
7	Memo from David Cahen, Risk Manager, to the Board of Directors, dated 5/11/21, regarding Risk Management Communication.
11	Memo from Michele King, COB, to the Board of Directors, dated 5/12/21, regarding 5/11/21 Board Meeting Public Communications Received after Distribution Cutoff.
	<u>INCOMING BOARD CORRESPONDENCE</u>
23	Board Correspondence Weekly Report: 05/13/21
24	Email from Kenneth Colson, to the Board of Directors, dated 5/7/21, regarding Water Rates and the Pacheco Reservoir (C-21-0054).
25	Email from Benjamin Ploederi, to Chair Estremera, dated 5/7/21, regarding Lower Penitencia Creek Improvement Projects (C-21-0055).
28	Email from Kathleen Cannui, to the Board of Directors, dated 5/12/21, regarding Pacheco Dam (C-21-0056).
	<u>OUTGOING BOARD CORRESPONDENCE</u>
30	Email from Chair Estremera, to Robert Sweeney, dated 5/10/21, regarding Water Rates (C-20-0050).

Board correspondence has been removed from the online posting of the Non-Agenda to protect personal contact information. Lengthy reports/attachments may also be removed due to file size limitations. Copies of board correspondence and/or reports/attachments are available by submitting a public records request to publicrecords@valleywater.org.

CEO BULLETIN

Outlook as of May 1, 2021

Most of Santa Clara County is in a Severe Drought per the U.S. Drought Monitor. However, the county’s water supply is adequate for 2021. Despite well below-normal local rainfall and statewide snow pack, end of 2021 groundwater storage is projected to remain in Stage 1 (Normal) of the Water Shortage Contingency Plan. This is due to Valley Water’s strategy to address dry-year risks by securing emergency water supplies to boost groundwater recharge and 2022 San Luis Reservoir supplies; increasing the Landscape Conversion Rebate from \$1 to \$2 per square foot starting July 1; and ramping up conservation outreach. On April 27, the Board of Directors also increased the call for voluntary water use reduction from 20% to 25% compared to 2013. Valley Water will rely more on imported water and water conservation in the next 10 years while Anderson Reservoir storage is unavailable due to the Federal Energy Regulatory Commission (FERC) order.

Weather

Rainfall in San José:

- Month of April, City of San José = 0.00 inches
- Rainfall year total = 5.79 inches or 41% of average to date (rainfall year is July 1 to June 30)

Snowfall in the Northern Sierra:

- May1 snowpack was 21% of normal for this date and 15% of April 1 average

Local Reservoirs

- Total May 1 storage = 26,786 acre-feet
 - » 26% of 20-year average for that date
 - » 16% of total unrestricted capacity
 - » 43% of restricted capacity (166,140 acre-feet total storage capacity limited by seismic restrictions to 62,362 acre-feet. The restricted capacity includes the added FERC dam safety restriction on Anderson Reservoir effective October 1, 2020)
- Approximately 750 acre-feet of imported water delivered into Calero Reservoir during April 2021.
- Approximately 230 acre-feet of water released from Anderson Reservoir during April 2021. Since the FERC order to drawdown Anderson Reservoir was issued on February 20, 2020, cumulative release from Anderson is approximately 29,880 acre-feet. Anderson has reached deadpool. Majority of released water was used for groundwater recharge and delivery to water treatment plants (based on preliminary hydrologic data). Current releases are for water supply and environmental purposes
- Total estimated releases to streams (local and imported water) during April was 4,580 acre-feet (based on preliminary hydrologic data)

Groundwater

- Current groundwater conditions are in the normal range, but water levels and storage have declined because of recent dry conditions. Total storage at the end of 2021 is projected to be in the lower part of Stage 1 (Normal) of Valley Water’s Water Shortage Contingency Plan

	Santa Clara Subbasin		Llagas Subbasin
	Santa Clara Plain	Coyote Valley	
April managed recharge estimate (AF)	3,500	1,200	1,500
January to April managed recharge estimate (AF)	12,400	4,200	5,150
January to April managed recharge, % of 5-year average	78%	76%	106%
March pumping estimate (AF)	5,800	760	2,600
January to March pumping estimate (AF)	16,100	1,900	6,600
January to March pumping, % of 5-year average	131%	89%	129%
Current index groundwater levels compared April levels of last year	Lower	Lower	Lower

AF = acre-feet

Imported Water

- 2021 State Water Project (SWP) and Central Valley Project (CVP) allocations:
 - » 2021 SWP allocation of 5%, which provides 5,000 acre-feet to Valley Water
 - » 2021 South-of-Delta CVP allocations are 55% for M&I and 5% for Agriculture, which provides 73,155 acre-feet to Valley Water. The U.S. Bureau of Reclamation announced that the Agricultural water service contractors South-of-Delta allocation is not available for delivery until further notice
- Statewide reservoir storage information, as of May 2, 2021:
 - » Shasta Reservoir at 50% of capacity (58% of average for this date)
 - » Oroville Reservoir at 42% of capacity (51% of average for this date)
 - » San Luis Reservoir at 50% of capacity (57% of average for this date)
- Valley Water's Semitropic groundwater bank reserves are at 94% of capacity, or 329,551 acre-feet, as of March 31, 2021
- Estimated SFPUC deliveries to Santa Clara County:
 - » Month of March = 3,525 acre-feet
 - » 2021 Total to Date: 9,344 acre-feet
 - » Five-year annual average = 48,700 acre-feet
- Board Governance Policy No. EL-5.3.3 includes keeping the Board informed of imported water management activities on an ongoing basis. No imported water agreements were executed under EL-5.3.3 since the last Water Tracker update

Treated Water

- Above average demands of 7,858 acre-feet delivered in April
- This total is 124% of the five-year average for the month of April
- Year-to-date deliveries are 24,556 acre-feet or 110% of the five-year average

Conserved Water

- Saved 74,198 acre-feet in FY20 from long-term program (baseline year is 1992)
- Long-term program goal is to save nearly 100,000 acre-feet by 2030 and 110,000 acre-feet by 2040
- The Board has called for a 25% reduction and a limit of three days per week for irrigation of ornamental landscape with potable water (resolution pending)
- Through April, achieved an 11% reduction in water use in calendar year 2021, compared to 2013

Recycled Water

- Estimated April 2021 production = 1,015 acre-feet
- Estimated year-to-date through April = 3,490 acre-feet or 100% of the five-year average
- Silicon Valley Advanced Water Purification Center produced an estimated 1.6 billion gallons (4,864 acre-feet) of purified water in 2020. Since the beginning of 2021, about 1,090 acre-feet of purified water has been produced. The purified water is blended with existing tertiary recycled water for South Bay Water Recycling Program customers

Alternative Sources

- As of December 10, 2019, Valley Water's wastewater contract right from Palo Alto/Mountain View remains at 10,000 acre-feet/year



CONTACT US

For more information, contact **Customer Relations** at **(408) 630-2880**, or visit our website at valleywater.org and use our **Access Valley Water** customer request and information system. With three easy steps, you can use this service to find out the latest information on district projects or to submit questions, complaints or compliments directly to a district staff person.





To get eNews, drop an email to: info@valleywater.org

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BOARD MEMBER REQUESTS and Informational Items

Report Name: Board Member Requests

Request	Request Date	Director	BAO/Chief	Staff	Description	20 Days Due Date	Expected Completion Date	Disposition
R-21-0003	04/14/21	Lezotte	Baker	Gin	Provide a report over the last 20 years listing the dates and acres feet when we lost the ability to store water during wet years.	05/04/21		05/07/21 Non-Agenda: Response submitted thru email by Melissa Fels to Michelle Critchlow on May 4, 2021 with attachment memo by Aaron Baker.



MEMORANDUM

FC 14 (02-08-19)

TO: Board of Directors

FROM: David Cahen
Risk Manager

SUBJECT: Risk Management Communication

DATE: May 11, 2021

The purpose of this memorandum is to update you regarding the Excess Liability Insurance policy renewal premium and the cost impact as a result of the current hard market.

Attached is a copy of the signed memorandum approving Risk Management’s recommendation to proceed with binding coverage. The memo explains the District’s liability insurance program, the current state of the insurance market, and the necessary increase in pricing as a result of the insurance market.

For additional information, please contact me at 408-630-2213.

DocuSigned by:

David Cahen

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David Cahen

Risk Manager



MEMORANDUM

FC 14 (08-21-19)

TO: Rick L. Callender

FROM: David W. Cahen

SUBJECT: Excess Liability Insurance

DATE: May 4, 2021

The purpose of this memo is to provide a recommendation for your approval for Excess Liability insurance coverage effective May 1, 2021, the expiration of our current coverage.

Recommendation: Due to the current hard market, the proposed recommendation is to replace the District's current program of four insurers with one of seven insurers, and to raise the District's Self-Insured Retention from \$2 Million to \$3 Million. The proposed insurers would be Allied Public Risk (the incumbent insurer) who would cover \$5 Million over the District's self-insured layer of \$3 Million; Gemini Insurance Company would cover the next \$5 Million (over Allied Public Risk's \$5 Million); Hallmark Specialty would cover the next \$5 Million (over \$10 Million), Lexington Insurance Company would cover the next \$5 Million (over \$15 Million); Great American Insurance Company would cover the next \$10 Million (over \$20 Million); Allied World National Assurance Company would cover the next \$10 Million (over \$30 Million); and Westchester Surplus Lines Insurance Company would provide the last \$10 Million (over \$40 Million.) The total premium would be \$995,222. A comparison of the expiring program compared to the proposed new program is noted below.

Authorized Related Policies: EL 6.1 Asset Management provides that a BAO shall "Not unnecessarily expose the organization, its Board and staff to claims of liability." Further, EL 6.6 states that a BAO shall "maintain adequate insurance." Lastly, BAO/CEO Interpretation to EL 6.6 states that the BAO shall "Maintain District Self-Insured Risk Retention for liability with appropriate insurance reserves funding at a level of 90% actuarial confidence and a policy or policies of insurance for not less than \$40 million coverage for Commercial General Liability."

Background: The District's current program has what is known as stacked limits. This means that the District currently has an initial \$2 Million Self Insured Retention (SIR) and then has \$50 Million in limits offered by several insurance companies whose policies are 'stacked' on top of each other. Currently, Allied Public Risk insures the first \$10 million over the self-insured limit of \$2,000,000, HDI Global Specialty SE insures the next \$10 Million while Great American insures the next \$15 million and Berkley National Insurance Company insures the top layer of \$15 million.

Renewal/Recommendation Rational: The insurance industry has entered what the industry calls a "hard" market. This hard market is caused by three factors. The first is social inflation, or nuclear jury verdicts. Over the past three to five years, insurers have seen a rise in jury verdicts that are out of proportion to the claim in question. Given the continued and growing public distrust of big business, insurers do not see this trend abating. The second factor is a rise in catastrophe losses, including storms, floods and wildfires. What used to be infrequent events are now becoming issues every year. The number of catastrophic events has caused losses that have been far higher than anticipated. The third factor causing a hard market is COVID-19. Many institutions and businesses, including higher education and retail, have faced lawsuits over their coronavirus responses. Continued uncertainty drives up pricing as the consequences of decisions made now may not affect the insurer for months or years.

The effect of the hard market is especially felt in California due to the legal environment, climate change and wildfires in the state, and a reluctance amongst the carriers regarding the desire to insure water districts at competitive pricing. Carriers are pulling out of the California market altogether or are reducing the amount of insurance they are willing to provide. At the same time, carriers are raising required SIRs and raising their prices sometimes double or triple what they charged a few years ago. Further, carriers

Rick L. Callender

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May 4, 2021

are limiting their exposure by cutting their capacity. As a result of this hardened market, no carrier would quote more than \$5,000,000 in coverage in the lower layers (first \$20,000,000) of coverage, and the first layer, Allied Public Risk (the incumbent) required that the District raise its SIR from \$2,000,000 to \$3,000,000.

The District's insurance brokers have accessed the General Liability insurance market to secure competitive quotes from carriers both admitted to do business in the State of California and those authorized to do business in California. As a result of the hardened market, much of the insurance program has been revised.

The proposed recommendation would substantially change the carriers involved in the District's program. However, all the insurers are either admitted or authorized to conduct insurance in California and meet the District's strict financial thresholds.

The overall quote represents a significant increase in premium over last year. Last year's premium was \$428,809, while this year's quote is \$995,222 an increase of \$566,413, or 132.09%. This amount is most likely above the Risk Management Unit's over-all budget and will likely eventually require a budget adjustment from the Board of Directors.

The above recommendation is made for the following reasons:

- While the quote represents a significant increase over the previous year, the insurance market has experienced a significant hardening over the past eighteen months, given to numerous factors including climate change and California wildfires. Public entities, particularly water districts, have become less desirable from an insurable risk point of view. The total increase is not out of line with what the broker is seeing across the industry.
- The coverage includes coverage for PFFC.
- While several carriers are not admitted in California, all carriers are authorized to do business in the State of California and have financial stability of at least A12, which is large, and acceptable by industry standards.

Expiring Program 2020-21			Proposed Program 2021-2022		
Name	Level	Premium	Name	Level	Premium
SIR	\$2M		SIR	\$3M	
Allied Public Risk	\$10M	\$160,015	Allied Public Risk	\$5M	\$235,560
	\$10M xs			\$5M xs	
HDI Global Specialty	\$10M	\$93,794	Gemini Insurance Co	\$5M	\$206,500
	\$15M xs			\$5M xs	
Great American Assurance	\$20M	\$105,000	Hallmark Specialty Insurance Co	\$10M	\$103,250
	\$15M xs			\$5M xs	
Berkley National Insurance	\$35M	\$70,000	Lexington Insurance Co	\$15M	\$87,762
				\$10M xs	
			Great American Assurance Co	\$20M	\$135,000
			Allied World National Assurance Co	\$10M xs	
				\$30M	\$123,900
			Westchester Surplus Lines Ins. Co.	\$10M xs	
				\$40M	\$103,250
Total Premium		\$428,809	Total Premium		\$995,222

Rick L. Callender
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May 4, 2021

Staff recommends that the District bind Excess Liability Insurance, effective May 1, 2021 to May 1, 2022 with the following insurers: Allied Public Risk (\$5 Million in coverage); Gemini Insurance Company (\$5 Million in coverage in excess of \$5 Million); Hallmark Specialty Insurance (\$5 Million in coverage in excess of \$10 Million); Lexington Insurance Company (\$5 Million in coverage in excess of \$15 Million); Great American Insurance Company (\$10 Million in excess of \$20 Million); Allied World National Assurance Company (\$10 Million in excess of \$30 Million); and Westchester Surplus Lines Insurance Company (\$10 Million in excess of \$40 Million) for a total insured limit of \$50 Million, over the District's SIR level of \$3 Million.

DocuSigned by:

David Cahen

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David W. Cahen
Risk Manager

Concur:

DocuSigned by:

Anthony Fulcher

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Anthony Fulcher
Interim District Counsel

Approve:

DocuSigned by:

Rick L. Callender

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Rick L. Callender, Esq.
Chief Executive Officer



MEMORANDUM

FC 14 (02-08-19)

TO: Board of Directors

FROM: Michele King, COB

SUBJECT: 5/11/21 Board Meeting Public
Communications Received after Distribution
Cutoff

DATE: 5/12/21

Attached are public communications for May 11, 2021 Board agenda items received after the 9:00am cutoff.

Michele King

Subject: FW: SCVWD Agenda Comment Form

From: system-generated@valleywater.org <system-generated@valleywater.org>

Sent: Tuesday, May 11, 2021 9:21 AM

To: Clerk of the Board <clerkoftheboard@valleywater.org>

Subject: SCVWD Agenda Comment Form

Submitted on Tue, 05/11/2021 - 9:20 AM

Submitted values are:

Name

Derek A. Tanguay

Address

808 Spindrift Street
San Jose, California. 95134

Telephone

(650) 784-4100

Email

dtanguay@gmail.com

Agency, Business or Group (if applicable)

Employees Association (EA)

Board Meeting Date

2021-05-11

Agenda Item Number

2.11 & 2.12

I would like to

Express Support

Comment Form

Chair Estremera and Valley Water Board of Directors,

I would like to voice my support to pass agenda items 2.11 (adoption of groundwater production and other water charges for fiscal year 2021-2022) and 2.12 (resolution adopting the fiscal year 2021-2022 budget). Delaying the adoption of these agenda items is just kicking the can down the road and will do more harm than good. We need to proactively face the challenges we face with the drought we face and projects in the coming years. Passing these items will aid with overcoming the challenges Valley Water faces.

Thank you!



CITY OF MILPITAS
OFFICE OF MAYOR RICH TRAN

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
PHONE: 408-586-3059, www.ci.milpitas.ca.gov

May 10, 2021

Honorable Tony Estremera
Chair of the Board of Directors
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3686

Re: Proposed Wholesale Water Rate Increases

Honorable Chair Estremera,

I am writing on behalf of the City of Milpitas and its residents urging that Santa Clara Valley Water District's Board (Board) not approve District staff's recommendation of a 9.6% groundwater production charge or wholesale water rate increase (rate increase) effective July 1, 2021. Instead, the Board should consider the impacts to our residents and businesses who are recovering from the unprecedented pandemic in its rate increase deliberations. Further, the annual 9.6% proposed rate increase over the next eight years, which is far in excess of historic annual inflation, more than doubles the cost of wholesale water by July 2028.

The City is not alone in its position on this matter. District staff recently presented information regarding the rate increase to the Santa Clara Valley Water Commission at the April 14, 2021 commission meeting, and Vice Mayor Montano along with eleven (11) other commissioners out of 18 commissioners, representing Cities from around the County voted to not recommend the rate increase to the District Board.

With numerous small businesses in Milpitas having to shut their doors and a peak unemployment rate of nearly 13% during the last 12 months, our community has not recovered from the economic impacts caused by the Pandemic. Additionally, the City in its role as a Community Water System (CWS) is accountable to our residents and businesses for providing drinking water which meets local, State and Federal safe drinking water standards. The City operates and maintains the system to ensure these standards are adhered to and advances a capital improvement program which, at a minimum, provides safeguards to meet a baseline level of service. The District's rate increase of 9.6% proposed for FY2021-22 and beyond makes it increasingly difficult for the City to meet our commitments to our residents and businesses.

We do recognize that no or a substantially lower rate increase may result in service level impacts including having to reduce Valley Water's proposed staffing level, delay some projects and implement other cost saving measures to make up for the reduction in revenue. Our City has taken such measures with most of our employee groups having agreed to wage concessions in order to reduce our projected expenditures for next year.

As you open your Public Hearing on May 11, 2021 to adopt groundwater production charges, we trust that the Board will take into account the best interests of the residents and businesses in our City and the County before enacting any rate increase.

If you would like to discuss further, please do not hesitate to contact me at (408) 586-3029 or rtran@ci.milpitas.ca.gov, or Steven G. McHarris, City Manager, at (408) 586-3059 or smcharris@ci.milpitas.ca.gov.

Sincerely,



Rich Tran, Mayor
City of Milpitas

C: Santa Clara Valley Water District Board of Directors
Milpitas City Council
Steve McHarris, City Manager
Walter C. Rossmann, Deputy City Manager
Tony Ndah, Public Works Director

Michele King

Subject: FW:

From: michelle szymanski <meeshs111@gmail.com>

Sent: Tuesday, May 11, 2021 12:38 AM

To: Office of Communications <CRU@valleywater.org>

Subject:

As a resident of Sean Jose I'm opposed to the large capital Pacheco dam project. Costs are already high in the Bay Area and we cannot afford large increases in our rates. Lower income families live paycheck to paycheck. Water is an essential resource and needs to be affordable too all residents. Please focus on infrastructure repair to support current water supplies.

Thank you.

Michele King

Subject: FW: Opposing \$2.5b Pacheco Dam

From: Al Hinkle <ahinkle@kiostar.com>

Sent: Tuesday, May 11, 2021 9:42 AM

To: mayoremail@sanjoseca.gov; Office of Communications <CRU@valleywater.org>

Subject: Opposing \$2.5b Pacheco Dam

Mayor,

Please continue to oppose the dam project. Please support calls for the Valley Water Board to reduce rate hikes by stopping wasteful spending. We can start with a wasteful \$2.5 billion dam--the Pacheco Reservoir Expansion--that the Water District's own experts publicly assert will provide "no new water supply," and "no long-term drought supply."

Urge Valley Water District to reduce the planned 9.6% rate increase by declining to include any part of the cost of the \$2.5 billion Pacheco Dam in this year's capital plan.

To the Board: We do NOT support this plan. The increases are completely inappropriate and the effort should be placed on reducing waste.

Regards,

- Al

Al Hinkle

ahinkle@kiostar.com

415-713-6148

Michele King

Subject: FW: Proposed Water Increase Hike

From: Daniel Onn <danielonn2002@yahoo.com>

Sent: Sunday, May 9, 2021 10:35 AM

To: Office of Communications <CRU@valleywater.org>; Regulatory Affairs <regulatoryaffairs@sjwater.com>; Public Advocates Office <publicadvocatesoffice@cpuc.ca.gov>; us Rishi Kumar us <rishi1@gmail.com>

Subject: Proposed Water Increase Hike

Water is a Basic necessity not at a whopping 246 percent increase. Individuals on Fixed Income, Senior Citizens and Young Executives and Children all rely on this basic source.

Look at Israel and other countries their prices are reasonable. No wonder people are leaving the Silicon Valley.

COVID puts a stress and the recent NBC Bay Area report about the proposed Water Price Hikes had my mouth dry out like the Sahara Desert.

We cannot survive without water nor collection bills due to non payment.

Who are these hooligans proposing these increases?

Please Cease and Desist this proposal. We demand fresh water that does not taste chlorinated. The taste of the Saratoga water is abysmal. Please give every resident free water purifiers.

Thanks,

Daniel ,Charles and Ann Malmuth-Onn
13770 Beaumont Ave.
Saratoga CA,95070

Michele King

Subject: FW: Dear Board of Directors SCVWD

From: Grzan Family <fam.grzan@charter.net>
Sent: Tuesday, May 11, 2021 9:19 AM
To: Office of Communications <CRU@valleywater.org>
Subject: Dear Board of Directors SCVWD

Dear Board Members:

I wrote the following letter to the Mercury News today, 5/11/21 after their editorial on the Pacheco Pass Water Project. The article is short sighted. I applaud the Water Board in this bold undertaking. The project is vital to California and our nation. I encourage approval and its pursuit.

Mark Grzan
Former Mayor Pro Tempore and Council Member
City of Morgan Hill

Dear Editor

The Mercury News conservative slide continues with the cost analysis of the Pacheco Dam. It is not that there are less costly alternatives. There all no alternatives. All of those projects, the construction new ground water holding systems, raising the height of Las Vaqueros Reservoir and a slew of others must ALL be done. Climate change is a destructor of a magnitude that cannot be imagined, and the drought we are experiencing might be the new normal or likely worse when the world faces famine, and waves of human migration that will threaten our national security. When that happens any investment in our water system will seem like a pittance. So please Merc Board, take that pencil and look elsewhere. You are missing the much bigger picture.

Mark Grzan

May 11, 2021

Valley Water Board of Directors
5750 Almaden Expy
San Jose, CA 95118

Re: Agenda Item 4.1

Dear Chair Estremera and Members of the Board,

I want to thank you for considering the request made by the San José City Council to include assistance for low-income rate payers as part of this year's budget and rate adjustment deliberations. However, I am deeply concerned that the proposed level of funding for the program, \$250,000, simply does not sufficiently address the incredible need in our most vulnerable communities, as they continue to struggle to make ends meet. I believe that a more appropriate level of funding would be closer to \$2.5 million, or a number that will substantially meet the needs of the community, including those who have been devastated by the economic impacts of this pandemic. Countywide, 37,305 households owe a staggering \$173.5 million in back rent. Of those, 22,269 low-income households owe \$84.3 million, averaging nearly \$3,800 per household. Many of these families have been forced to take on additional debt and are deferring and missing payments on medical bills and utility bills.

Valley Water has proven to be a strong and reliable partner with District Seven and the City throughout this challenging year, and again I extend my gratitude to the Board for recognizing this critical opportunity to provide much needed relief to our vulnerable rate payers. But I urge you to approve funding for this program at a level commensurate with the incredible level of need that our residents face. We are all in this recovery together, and I know each of you recognizes the role that your organization can play in fostering recovery and providing much-needed relief to so many of our residents.

Sincerely,



Councilmember, San José District Seven

TO: Board of Directors

FROM: Darin Taylor,
Chief Financial Officer

SUBJECT: Response to Pacheco comments from
member of public, submitted April 28, 2021

DATE: May 7, 2021

Regarding the Pacheco Reservoir project, Miss Katja Irvin suggests clarifying language on water reliability be incorporated into the FY 2021-22 Budget on two pages – page 17 of the Timeline year 2019, and on page 164 of the Water Utility Enterprise Fund Summary section on Significant Business Opportunities and Challenges.

Staff agrees that clarification on reliability can be added. Below are the language clarifications highlighted in yellow that will be incorporated into the FY 2021-22 Adopted Budget:

Page 19:

“2019: The California Water Commission awarded the Pacheco Reservoir Expansion Project \$484.55 million under Proposition 1, and approved Valley Water’s request for early funding of \$24.2 million to proceed with next steps, such as completing environmental documents and permit applications. The project would expand Pacheco Reservoir’s storage capacity to provide for increased emergency water supplies, **improved operational flexibility**, improved water quality, **additional water supply reliability**, and ecosystem benefits throughout our region and the Sacramento-San Joaquin Delta.”

Page 164:

“In conjunction with the San Benito County Water District and Pacheco Pass Water District, continuing to explore the possibility of expanding the existing Pacheco Reservoir on the North Fork Pacheco Creek in south-east Santa Clara County. The project is envisioned to expand the 5,500-acre-foot reservoir to 140,000-acre-feet, thereby **increasing water reliability by** reducing the frequency and severity of water shortages, increasing emergency water supplies, improving water quality, providing flood protection for disadvantaged communities, and protecting and growing the native steelhead population.”



MEMORANDUM

FC 14 (02-08-19)

TO: Board of Directors

FROM: Darin Taylor,
Chief Financial Officer

SUBJECT: Response to State Water Project comments
from member of public, submitted April 28,
2021

DATE: May 7, 2021

Regarding the State Water Project (SWP) Tax, Miss Katja Irvin raised one question and provided one comment. The question can be summarized as follows: What is driving the need to increase the State Water Project Tax collection from \$18 million in FY 2020-21 to \$26 million in FY 2021-22?

By way of background, total State Water Project costs are estimated to be \$27.6 million for FY 2021-22. Annual SWP costs include imported water contractual obligations; costs to build, operate, maintain and replace the project; and debt service related to the project. The Board has a many decade history of using the State Water Project tax to pay for 100 percent of SWP costs, as is true for several water districts around the State.

The SWP tax collection for FY 2021-22 is proposed at \$26 million, which represents an increase of \$8 million over the \$18 million in collections for FY 2020-21. This increase is driven by the fact that the FY 2020-21 SWP tax collection was held artificially low in order to utilize State Water Project Tax Reserve funds that had accumulated. Staff anticipates that the impact to the average household would be an increase of \$13 per year on the property tax bill.

The comment from Miss Irvin can be summarized as follows: The State Water Project costs should be funded by user fees as opposed to increasing reliance on property taxes.

The question of whether and to what degree the SWP tax is needed is to be determined in the sound discretion of the Board. Each year, prior to the approval of the budget for the forthcoming fiscal year, the Valley Water Board reviews its options in applying the SWP tax and makes a policy decision on whether to continue to apply the tax and in what amount.