SCVWD Finances and Rate Setting Process
Water 101 Academy Ambassador Program

Darin Taylor, Chief
Financial Officer

February 20, 2019
SCVWD Finances organized by “fund”

- **Water Utility**: Accounts for activities to ensure a reliable water supply (as the principal water wholesaler for the County)

- **Safe Clean Water (SCW)**: Accounts for a 15-year program approved by voters in November 2012

- **Watershed & Stream Stewardship**: Accounts for flood protection and watershed management activities

- **Administration**: Accounts for administrative and strategic support services that are provided to the other funds (Legal, HR, Finance, IT, etc...)

Water charge revenue is only used to pay for the cost of providing water service. State Water Project override tax pays for imported water from State Water Project.
## SCVWD Revenue Breakdown

### Adopted FY19 Revenue by Category

**TOTAL: $447.9 Million**

The Safe Clean Water special tax and Benefit Assessments can be used only for voter approved purposes. 1% Ad Valorem Property Taxes are general purpose taxes that are primarily used for flood protection, but can be used for any purpose authorized by the District Act.

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue (in $ millions)</th>
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<tbody>
<tr>
<td>Treated Wtr</td>
<td>$152.8</td>
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<tr>
<td>1% Prop. Taxes</td>
<td>$93.9</td>
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<tr>
<td>Groundwater</td>
<td>$90.7</td>
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<td>Spec. Parcel</td>
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<td>Cap. Reimb.</td>
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<tr>
<td>SWP Tax</td>
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<td>Ben. Assessmt</td>
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<tr>
<td>Interest</td>
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<tr>
<td>Other</td>
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<td>Surface/Recycled</td>
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<td>Intergov.</td>
<td>$0.6</td>
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</table>

Data in $ millions

Watershed Stream Stewardship and SCW fund Financial Resources
SCVWD Revenue Breakdown

Adopted FY19 Revenue by Category

TOTAL: $447.9 Million

Capital Reimbursements, Interest, Other & Inter-Governmental services are revenue sources generated across all funds

Data in $ millions

All Fund Financial Resources Depending on Where Generated
Why do well owners pay SCVWD to pump water from the ground?

- Local rainfall cannot sustain Santa Clara County water needs
- Planning in early 1900’s called for construction of reservoirs to capture rainwater to percolate into the ground
- Groundwater Production Charge is a reimbursement mechanism
  - pays for efforts to protect and augment water supply

CONSTRUCTION AT ANDERSON RESERVOIR, 1951

$560M Seismic Retrofit under way at Anderson
A comprehensive, flexible water system serves 1.9 million people

- 10 Reservoirs
- 393 acres of recharge ponds
- 142 miles of pipelines
- 3 water treatment plants
- 1 water purification center
- 3 pump stations
- $7.1B system replacement value
Many activities ensure safe, reliable groundwater supplies

- Plan & construct improvements to infrastructure
- Operate & maintain local reservoirs
- Purchase imported water
- Operate & maintain raw & recycled water pipelines
- Monitor & protect groundwater from pollutants

Completed Penitencia WTP Delivery Main and Force Main Seismic Retrofit ($33 Million)

Beginning 10-Year Pipeline Rehabilitation ($125M)
Pricing policy maximizes effective water use

- Groundwater charges are levied within a zone for benefits received.
- All water sources and water facilities contribute to common benefit within a zone regardless of cost, known as “pooling” concept.
  - Helps maximize effective use of available resources.
- Agricultural water charge shall not exceed 10% of M&I water charge.

Zone of Benefit Study in progress
Infrastructure differences drive different groundwater production charges in each zone

- **North County**
  - 3 water treatment plants
  - Reservoirs – Almaden, Calero, Guadalupe, Lexington, Stevens Creek, Vasona
  - Silicon Valley Advanced Water Purification Center
  - Imported Water – State Water Project

- **South County**
  - Reservoirs – Chesbro, Uvas
  - SCRWA Recycled Water System

- **Shared**
  - Reservoirs – Anderson & Coyote
  - Imported Water – Central Valley Project
“Revenue Requirements” approach used to determine revenue required from water charges

Revenue Requirements (Cost of Service)
- Capital
- Operations
- Debt Service

Funding Sources
- Debt Proceeds
  - Provides up-front funding for capital projects
  - Paid back with Water Charges over time
- Revenue Required from Water Charges
- Grants, Int, Other
- Taxes
  - 1% ad valorem & voter approved

Non-water charge funding sources

Reserves
- North Zone W-2
- South Zone W-5
Water Usage (District Managed)

Note: FY 20 refers to fiscal year 2019-20
Key Water Supply Projects Driving Water Rates

- RWTP Reliability Improvements ($295 Million)
- Expedited Purified Water Program ($690M via P3)
- Dam Seismic Retrofits/Improvements ($865 Million)
Key Water Supply Projects - Pacheco Reservoir

Funding strategy for $1.345B Project:
- Received $485M WSIP Prop 1 funding
  - Including $24.2M early funding
- Pursuing $250M federal funding under WIIN Act
- Contemplating WIFIA loan
- SBWD will partner up to 10%
- Other agencies may partner
- Considering Special Tax Measure
- Water Charges
Groundwater Production Charge Projection

($ in millions)

Water Utility Enterprise Fund

Note: This projection does not account for impacts associated with the Bay Delta Water Quality Control Plan
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<td><strong>No. County M&amp;I Groundwater Charge Y-Y Growth %</strong></td>
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Financial Analysis: Preliminary Water Supply Investment Scenarios

No. County Increase per Month per Avg Household*

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<tr>
<th>FY</th>
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<td>$4.72</td>
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<td>$1.38</td>
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<td>$1.60</td>
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<td>$1.82</td>
<td>$1.95</td>
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* Calculated based on groundwater production charge (assumes 1,500 cubic feet of water usage per month)
  Does not include any increase that a retail provider may layer on top
FY 2019-2020 Schedule

✓ Jan 8  Board Meeting: Preliminary Groundwater Charge Analysis
✓ Jan 16 Water Retailers Meeting: Preliminary Groundwater Charge Analysis
✓ Jan 23 Water Commission Meeting: Prelim Groundwater Charge Analysis

Feb 12  Board Meeting: Review draft CIP & Budget development update
Feb 22  Mail notice of public hearing and file PAWS report

Mar 20  Water Retailers Meeting: FY 20 Groundwater Charge Recommendation

Apr 1   Ag Water Advisory Committee
Apr 2   Landscape Committee Meeting
Apr 9   Open Public Hearing
Apr 10  Water Commission Meeting
Apr 11  Continue Public Hearing in South County
Apr 23  Conclude Public Hearing
Apr 24-26 Board Meeting: Budget work study session

May 14  Adopt budget & groundwater production and other water charges
Q&A Summary

Q: Why don’t water rates ever go down?
A: Water is a rising cost industry as a result of:
   - Need to invest in infrastructure;
   - Inflation impact on operations and maintenance costs

Q: Shouldn’t water be free?
A: The Water Utility is a service provider, not a commodity provider
   - Groundwater Production Charge is reimbursement mechanism to pay for cost to serve

Q: My water rates went up during drought, I feel like I was punished for conserving water.
A: Water Utility revenue is highly variable, cost structure is highly fixed
   - Decreasing water usage causes upward rate pressure - the classic utility dilemma
   - Water rates may rise in short term due to drought, however conservation will help minimize need for investments in new water supplies over long term
   - Conservation lowers your water bill, so make conservation a way of life!