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FY 2019/2020 Notice of Proposed Groundwater Production Charges

SOUTH COUNTY

Contact Us

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Visit our website at www.valleywater.org to use our
Access Valley Water online customer service center.

SOUTH COUNTY

FY 2019/2020 Notice of Proposed Groundwater Production Charges

Important Dates

April 9, 2019

1 p.m. Open public hearing
Santa Clara Valley Water District
Board Room
5700 Almaden Expressway, San Jose

April 11, 2019

6 p.m. Open house and
7 p.m. Public hearing continue
Morgan Hill City Council Chambers
17555 Peak Ave., Morgan Hill, CA 95037

April 23, 2019

6 p.m. Conclude public hearing
Santa Clara Valley Water District
Board Room
5700 Almaden Expressway, San Jose

Si habla español y tiene preguntas sobre el contenido de este mensaje por favor de comunicarse con José Villarreal al JVillarreal@ValleyWater.org o (408) 6
Nếu bạn nói tiếng Việt và có thắc mắc về nội dung của thông báo này, xin vui lòng liên hệ với Ngọc Nguyen tại NNguyen@ValleyWater.org hoặc (408) 630-26
如果你說中文並對上述訊息有疑問 請聯繫 Sarah Young 電郵 SYoung@valleywater.org 或者電話: (408) 630 2468



February 22, 2019

Dear Well Owner, Operator or Property Owner,

This notice officially opens the Santa Clara Valley Water District's, now known as Valley Water, public process for setting its fiscal year (FY) 2019/2020 (July 1, 2019—June 30, 2020) groundwater production charges. The FY 2019/2020 rate-setting process is scheduled to conclude on **April 23, 2019**.

As Santa Clara County's primary water wholesaler, Valley Water strives to make sure there is enough clean, safe water to sustain the region's economic vitality and quality of life. Water charges pay for the infrastructure and services required to deliver clean, safe drinking water to South County residents and businesses.

The rate-setting process includes a series of opportunities for the public to provide input at an open house and public hearings in April. The details of these meetings are listed in the **Important Dates** section of this notice. While the rate-setting process no longer includes a formal protest procedure for groundwater rates, we still welcome feedback on the proposed increase from well owners, operators, and owners of land upon which a well is located. More information can be found in the **We want to hear from you** section to this notice. Revenue from groundwater production charges may be used to pay for and incur debt for activities associated with infrastructure, water quality and water supply. Examples of these activities are listed in the **Valley Water activities** section of this notice.

According to our 2040 Water Supply Master Plan, investments in large infrastructure, public safety, and reliability are of critical importance to our water supply and help to prepare us for future droughts. Inside, you will find more information about some of those investments including the Pacheco Reservoir Expansion Project and The California WaterFix, a \$17 billion state infrastructure project Valley Water is helping plan. Water is one of our most precious resources, and we strive to manage it responsibly by utilizing the public's money wisely. The historic drought of 2012 to 2016 may be over, but drought conditions could return at any time. Valley Water Board of Directors continues to remind everyone to make conservation a way of life. The proposed maximum charges will allow Valley Water to make the necessary investments to help ensure a reliable water supply as we face uncertain and extreme climate changes.

I invite you to join us at one of our public hearings or visit our website at www.valleywater.org, for more information.

Sincerely,

Nina Hawk
Chief Operating Officer
Water Utility Enterprise

SOUTH COUNTY

How will rates change?

Valley Water is proposing **up to a 6.9 percent** rate increase for groundwater, an average household increase of **\$1.07 per month**.

The agricultural water rate shown below is a placeholder, not a recommendation, that reflects the maximum allowed per the District Act to allow the District's Board of Directors flexibility as it deliberates its policy on agricultural water pricing.

Current charges 2018/2019

Non-agricultural
\$450.00/acre-foot
Agricultural water
\$27.02/acre-foot

Proposed maximum charges 2019/2020*

Non-agricultural
\$481.00/acre-foot
Agricultural water
\$120.25/acre-foot

*Effective July 1, 2019.

South County (Zone W-5) is generally defined as the portion of Santa Clara County south of Metcalf Road.

Why increase rates now?

Valley Water’s proposed maximum increase is driven by vital infrastructure needs and supply reliability. Public safety and reliability are our highest priorities, which is driving the need to invest \$110 million in the next few years for the South County portion of the Anderson Dam Seismic Retrofit. In addition, almost \$21 million is earmarked for the expansion of drought-proof recycled water supplies that will help ensure reliable water supply in the future.

\$15.3 million is planned over the next 10 years for the California WaterFix to improve the reliability and water quality of supplies conveyed through the Bay Delta. Finally, \$3.5 million is planned for pipeline inspection and rehabilitation efforts to help prevent a repeat of a catastrophic failure like the one that occurred in August 2015 to the 8 foot diameter Santa Clara Conduit near Highway 152.

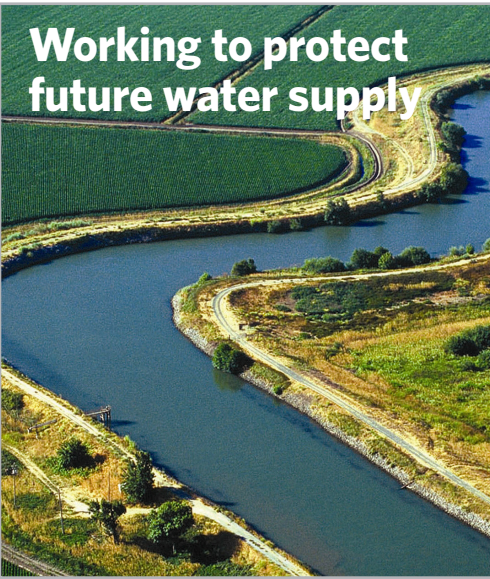
The maximum rate shown represents a 6.9 percent increase for Municipal and Industrial water (M&I). The Agricultural rate is currently shown at the maximum allowed per the District Act as a placeholder to allow the Board flexibility as it deliberates its policy on agricultural water pricing.

Water Supply Master Plan

In addition to managing a majority of Santa Clara County’s current water supplies, Valley Water is continuously planning for its future water needs. The next Water Supply Master Plan is in development to address the county’s water needs through 2040. This plan looks at how our water needs and supply may change with a growing population, climate change, severe drought and aging water infrastructure. It also looks at how we diversify our portfolio and determine the appropriate level of investment in future water supplies, which includes local supplies and imported supplies, groundwater, surface water and re-used water. Water conservation, also known as demand reduction, is a major part of the plan. Programs like lawn replacement rebates are a cost-effective way of reducing future needs.

When we reduce our demands, we don’t need to spend as much on other water supplies. The hope is to invest in enough water supplies to meet everyone’s water demands all the time, but that may be impossible—or at best, extremely costly—in an extended drought. When water is scarce, it’s important we cut back on our water demand. As we look to the future, we are also committed to securing our existing supplies and infrastructure, expanding water conservation and reuse efforts, and optimizing our water infrastructure systems.

The next steps in the planning process will include the development of an implementation schedule through 2040. This spring, the public will have the opportunity to comment on a draft plan, with the goal of adopting a final plan in June. If you would like to be included in our stakeholder mailing list, send a request to mrichert@valleywater.org.



Working to protect future water supply

As much as 40 percent of the water Santa Clara County uses each year comes through the Sacramento-San Joaquin Delta, but the sustainability of that water supply is continually threatened by earthquakes, climate change and sea-level rise amidst decreasing deliveries from the Delta. The earthen levees that make up the state’s water distribution system in the Delta are 50 years old and not engineered to withstand earthquakes. Experts warn that a large earthquake could collapse this system and put our water supply at risk.

That’s why it’s important for Valley Water to participate and invest in infrastructure projects like The California WaterFix. The California WaterFix is a \$17 billion infrastructure project to bring water from north of the Delta underground to users south of the Delta, including Santa Clara County. Valley Water’s participation includes an anticipated \$650 million share of the project costs and a leadership role on the joint powers authority that will govern the design and construction of the project. This body is called the Delta Conveyance Design and Construction Authority, or DCA, and will include representation by Valley Water board members.

Pacheco Reservoir Expansion Project

The Pacheco Reservoir Expansion Project will increase the capacity of the existing Pacheco Reservoir from 5,500 to up to 140,000-acre feet, enough water to supply 1.4 million residents for a year. Studied and vetted extensively for over ten years, this project could provide a number of benefits. These include a sustainable water supply to support our growing population, the reduction of water shortages, increased emergency water supplies, and improved water quality. Furthermore, the additional capacity could help to provide flood protection for disadvantaged communities. This project will provide ecosystem benefits throughout our region and the Sacramento-San Joaquin Delta, while protecting and growing the native steelhead population.

In July 2018, the project secured \$484.55 million of conditional funding through the California Water Commission’s Proposition 1 Water Storage Improvement Program. Valley Water continues to explore additional state and federal funds to facilitate construction of this project. Pacheco Reservoir is located 60 miles southeast of San Jose and sits north of Highway 152. Its expansion is being planned in conjunction with the San Benito County Water District (SBCWD) and Pacheco Pass Water District (PPWD).

Valley Water activities supported by water rates

Infrastructure upgrades and maintenance

- Plan, construct and retrofit infrastructure such as dams, pipelines, recharge ponds, injection wells and pump stations to help sustain the groundwater basin
- Operate and maintain pipelines, recharge ponds and pumping plants to help sustain the groundwater basin

Water quality and water supplies

- Monitor and protect groundwater from pollutants and saltwater intrusion
- Ensure proper construction and destruction of wells to help prevent contaminants from infiltrating the groundwater basin
- Operate and maintain local reservoirs to capture water and fill recharge ponds to replenish the groundwater basin
- Purchase imported water and develop local water supplies to replenish the groundwater basin

We want to hear from you

In late 2017, the State Supreme Court found that Proposition 218 is not applicable to groundwater production charges. In light of this ruling Valley Water will no longer conduct a formal protest process as part of its groundwater production charge setting process. However, Valley Water encourages anyone wishing to speak to the Board of Directors on this topic to attend one of the three (3) public hearings

scheduled in April, or to send correspondence to the Board at the following address:

**Santa Clara Valley Water District
Clerk of the Board
5750 Almaden Expressway
San Jose, CA 95118**