

Valley Water Overview

Valley Water (Santa Clara Valley Water District) is the largest multi-purpose water supply, watershed stewardship and flood management special district in California. Valley Water serves nearly 2 million people in Santa Clara County by:

- Providing a reliable and safe supply of water.
- Enhancing streams and watersheds through creek restoration and habitat protection.
- Providing flood protection for homes, schools and businesses.
- Partnering with other agencies to provide trails, parks and open space for community recreation.

Valley Water's role as a multi-purpose agency enables it to use a comprehensive regional approach to water resources management and environmental protection that would not be possible if these services were fragmented among several agencies.

Located at the southern end of the San Francisco Bay, Santa Clara County is home to Silicon Valley. As the county's primary water resources agency, Valley Water serves 15 cities and towns, including Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga and Sunnyvale. Valley Water also serves the county's unincorporated areas.

Collaboration with the community we serve is not only important but has proven to result in more successful outcomes. By seeking public input, Valley Water is respecting the fact that our operations and projects have a direct impact on people's lives.

Community action created Valley Water, when farmers and business representatives formed the Santa Clara Valley Water Conservation Committee in the 1920s.

At that time, groundwater supplies were being over-pumped, causing the land to subside or sink. The committee pursued creation of an organization to manage and replenish groundwater supplies, and the resulting Santa Clara Valley Water Conservation District later constructed reservoirs throughout the county to conserve water. The 1929 Santa Clara Valley Water District Act gives Valley Water its authority to operate as a state special district, with jurisdiction throughout Santa Clara County.

The District Act authorizes Valley Water to "...provide comprehensive water management for all beneficial uses and protection from flooding within Santa Clara County. Valley Water may take action to carry out all of the following purposes:

(a) to protect Santa Clara County from flood and storm waters of the district, including tidal flood waters and the flood and storm waters of streams that have their sources outside the district, but flow into the district;

(b) to protect from those flood or storm waters the public highways, life and property in the district, and the watercourses and watersheds of streams

flowing within the district;

(c) to provide for the conservation and management of flood, storm, reclaimed, or recycled waters, or other waters from any sources within or outside the watershed in which the district is located for beneficial and useful purposes, including spreading, storing, retaining, and causing the waters to percolate into the soil within the district;

(d) to protect, save, store, recycle, distribute, transfer, exchange, manage, and conserve in any manner any of the waters;



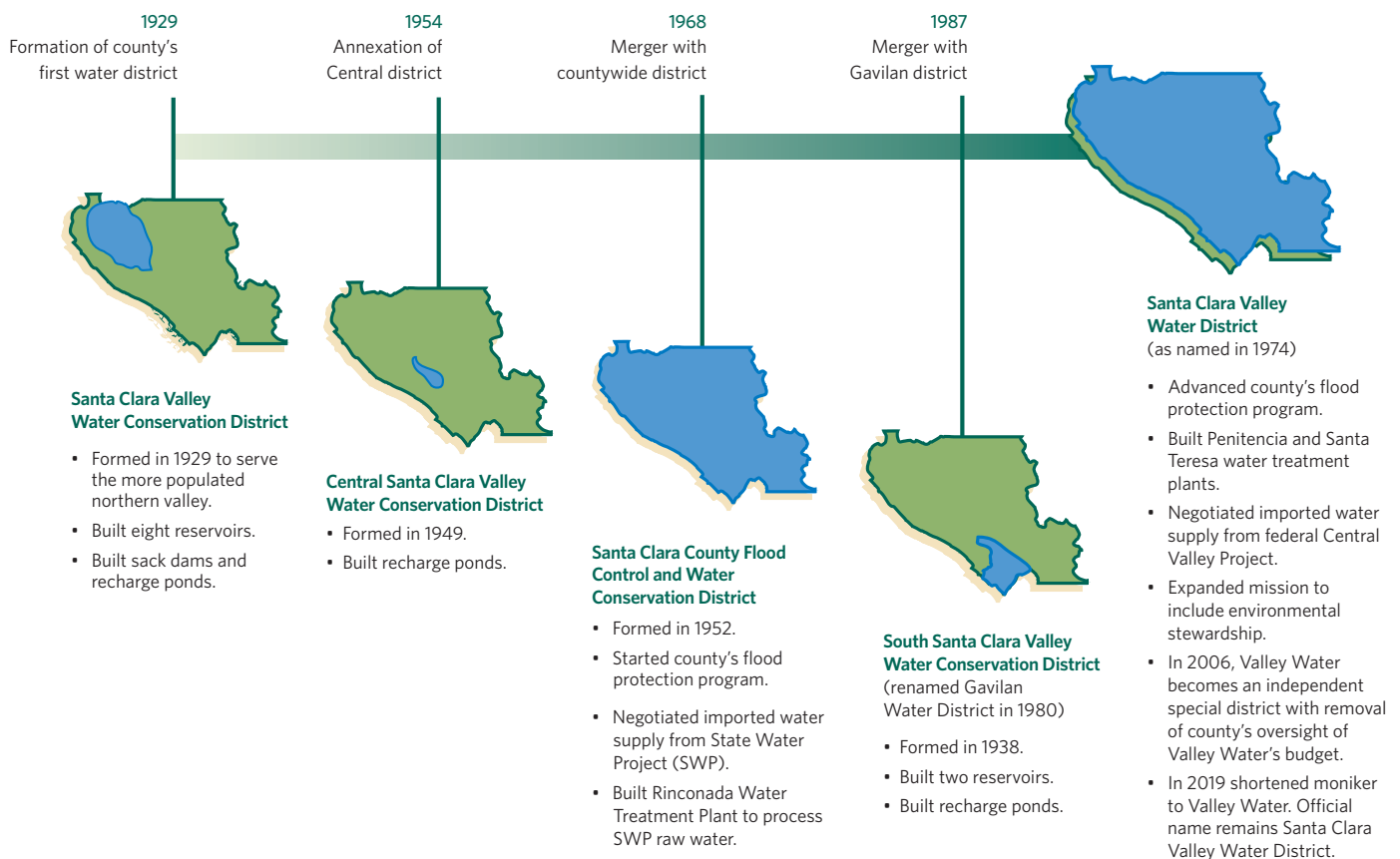
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(e) to increase, and prevent the waste or diminution of, the water supply in the district;

(f) to obtain, retain, reclaim, protect, and recycle drainage, storm, flood waters or treated wastewaters, or other waters from any sources, within or outside the watershed in which Valley Water is located for any beneficial uses within the district;

(g) and to enhance, protect, and restore streams, riparian corridors, and natural resources in connection with carrying out the objects and purposes set forth in this section.”

Evolution of Valley Water



Today's Santa Clara Valley Water District is the result of the consolidation of four agencies over time, as shown above. Valley Water's products and services have grown along with its increased levels of responsibility for critical water resource and environmental management functions.

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Local Economy

While the COVID-19 pandemic continues to affect every aspect of the country's economy and community, employment in the local economy is back to pre-pandemic levels.

The local area's January unemployment rate was 3.4%, up from a revised 2.9% in December 2021, and below the estimate of 6.2% a year ago. This is lower than the unadjusted unemployment rate of 5.5% for California and 4.4% for the United States during the same period.³

As of mid-December 2021, approximately 42,500 people in Silicon Valley's labor force remained unemployed, a decrease of nearly 3,900 since mid-November, and a drop of approximately 38,300 since the beginning of 2021. The total number of unemployed workers was lower than the 42,900 pre-pandemic (in March 2020).⁴

The February 2022 Bay Area Consumer Price Index (CPI), a measure of price of a "market basket" of goods and services such as energy, transportation and housing, increased by 1.4% over the past two months, and 5.2% over the past year.²

Annual inflation in the U.S. climbed in February to 7.9%, a 40-year high, suggesting upward pressure on consumer prices. This surge in the cost of living in the past 12 months is the biggest since January 1982. In response, the Federal Reserve is expected to raise interest rates in March 2022 for the first time in four years.^{5,6}

According to the U.S. Bureau of Economic Analysis' (BEA) second estimate released for the fourth quarter of 2021 on February 24, 2022, the real gross domestic product (GDP) increased at an annual rate of 7.0% in the fourth quarter of 2021. This increase reflected the continued restrictions and disruptions in the operations of establishments in some parts of the country due to the COVID-19 pandemic. Government assistance payments in the form of forgivable loans to business, grants to state and local governments, and social benefits to households all decreased as provisions of several federal programs expired.¹

The San Francisco Bay Area's COVID-19 vaccination rate is high compared to elsewhere, with 88% of the population over age five fully vaccinated. However, several areas of the region have particularly low vaccination rates, including San Martin (84% of residents ages 12+).

Cumulative COVID-19 cases in Santa Clara and San Mateo Counties reached nearly 399,900 in early February 2021. COVID-19 deaths totaled 2,639 as of February 2022.

While survival rates for ages 70+ improved in 2021, reaching 90% (from 73% in 2020), the death rate was also disproportionately high for Hispanic or Latino and African American residents in 2020, even after adjusting for differences in age distribution.⁴

The region's population declined for the first time in more than a dozen years. This is due to a combination of declining birth and increasing mortality rates, low levels of foreign immigration, and the movement of residents at rates not seen since after the dot.com bust.

Thousands have died from COVID-19, and foreign immigration is lower than any year on record, back to 1991 (including fewer refugee arrivals due to the former administration's suspension of the U.S. refugee program and subsequent lowering of admission ceilings).

At this rate of outmigration, the region is turning over around 5% of its population annually. While the number of jobs lost during the pandemic were gained back by mid-2021 there is now a smaller share in low-skill/low-wage. Estimates for the second half of the year suggest jobs will exceed pre-pandemic totals.

Although the tech industry typically accounts for a quarter of the region's employment, gains over the past two years have led to an increased share to 29%. Most of the tech jobs are concentrated in a few companies, with 13% at Google and Apple, and nearly one-third at the largest 15 companies. In contrast, other industries such as Arts, Entertainment & Recreation, Personal Services, Accommodation & Food Services, Transportation, Warehousing and Storage, Nonprofits, and Retail, remain below pre-pandemic levels.

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At \$138,100, median household income in the area remained around 1.7 times higher than in California overall (\$83,060), and more than twice the national figure in 2020 (\$67,300).

However, income disparity remains high in the area, with the median wage for Tier 1 (high-wage/high skill) workers at \$135,600 in 2021 – three times more than Tier 3 workers, or a gap of \$85,700; this compares to a gap of \$53,300 between the same two groups nationwide.

The local area's housing availability and affordability are closely linked to recent population declines and outmigration. In 2021, 32% of Santa Clara County potential first-time homebuyers could afford a median-priced home, which was \$1.32 million in 2021 (\$119k more than the prior year, before adjusting for inflation).

This percentage share of first-time homebuyers is much smaller than California (47%) or the entire nation (67%). The total number of homes sold also spiked in 2021 to 34,200 (up by 48%) – more than any other year since 2006. Rising median home sale prices and a shift toward the sale of more high-end homes support outmigration showing that most leaving the local area are moving to the outskirts and neighboring regions, possibly to maintain ties to their current employers. Additionally, average multifamily rents have also decreased, likely a factor keeping some renters in the area.⁴

Although commercial leasing volume has rebounded, the total amount of commercial space under construction has steadily decreased to 11.59 million square feet (down 45% in comparison to the pre-pandemic high of 20.9 million square feet in Q1 2020). Apple, Google, and Meta (formerly Facebook) have led leasing volume for the year, each committing over half a million square

feet of commercial space. However, many of these leases have been for renewals (with relocations and expansions continuing to be relatively few), indicating many companies are still on pause due to the COVID-19 pandemic, and continue to gather information about the future of work.⁴

Meanwhile, local government agencies adjusted budgets in response to pandemic-related revenue losses (reducing them by an estimated 13% in FY 2020-21, in aggregate).

Pandemic-related revenue declines were expected to lead to more than \$200 million in city budget shortfalls regionally in FY 2020-21. The county of Santa Clara's financial statement for FY 2020-21 indicated a \$155 million loss in net position.⁴

This FY 2022-23 and 2023-24 Biennial Budget represents Valley Water's transition to a rolling biennial budget, which allows us to plan for the upcoming fiscal years 2023 and 2024. It also provides improved transparency to the public regarding Valley Water's future plans and helps maintain our financial strength.

Valley Water will continue to prudently plan for projects that we are committed to deliver, as we navigate through the statewide drought emergency, the changes in our local economy, as well as global political and environmental changes.

¹ U.S. Bureau of Economic Analysis (BEA), 2/24/2022 News Release

² US BLS (Bureau of Labor Statistics), March 10, 2022 Release – CPI February 2022

³ State of California Employment Development Department (EDD), March 11, 2022 labor market info

⁴ Joint Venture Silicon Valley Institute for Regional Studies, 2022 Silicon Valley Index

⁵ MarketWatch, March 10, 2022

⁶ US Inflation Calculator (February 2022)

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Governance and Board of Directors

The District Act outlines the structure, function and operations of Valley Water's Board of Directors, which governs Valley Water and directs the board appointed officers. Valley Water's Board of Directors is comprised of seven members each elected from equally-divided districts drawn through a formal process. The purpose of the board, on behalf of Santa Clara County, is to provide Silicon Valley safe, clean water for a healthy life, environment and economy. The directors serve overlapping four-year terms, a structure created pursuant to the adoption of the District Act. Elections are held in November of even number years. The Valley Water Board of Directors elects a new chair and vice chair annually in January.

The Board sets direction for Valley Water through its policy governance structure. Through adopted policies, the Board determines Valley Water's mission, goals,

and outcomes to be achieved for the good of the public. Specifically, the Board's Ends policies are the outcomes expected to be achieved by the organization for its customers. These include ensuring a safe, reliable and affordable source of water; natural flood protection; water resources stewardship; and climate change mitigation and adaptation. The CEO dedicates resources to implement programs and projects that achieve the Board's Ends policies.

In meeting the Board's Ends policies, the CEO and other Board Appointed Officers (BAOs) are solely accountable to the Board for organizational performance, which is monitored quarterly. The Board regularly reviews and updates Ends and Executive Limitations policies to ensure they reflect the Board's collective values and perspectives. The Board's Policies can be viewed at:

<https://www.valleywater.org/how-we-operate/board-governance-policies>.

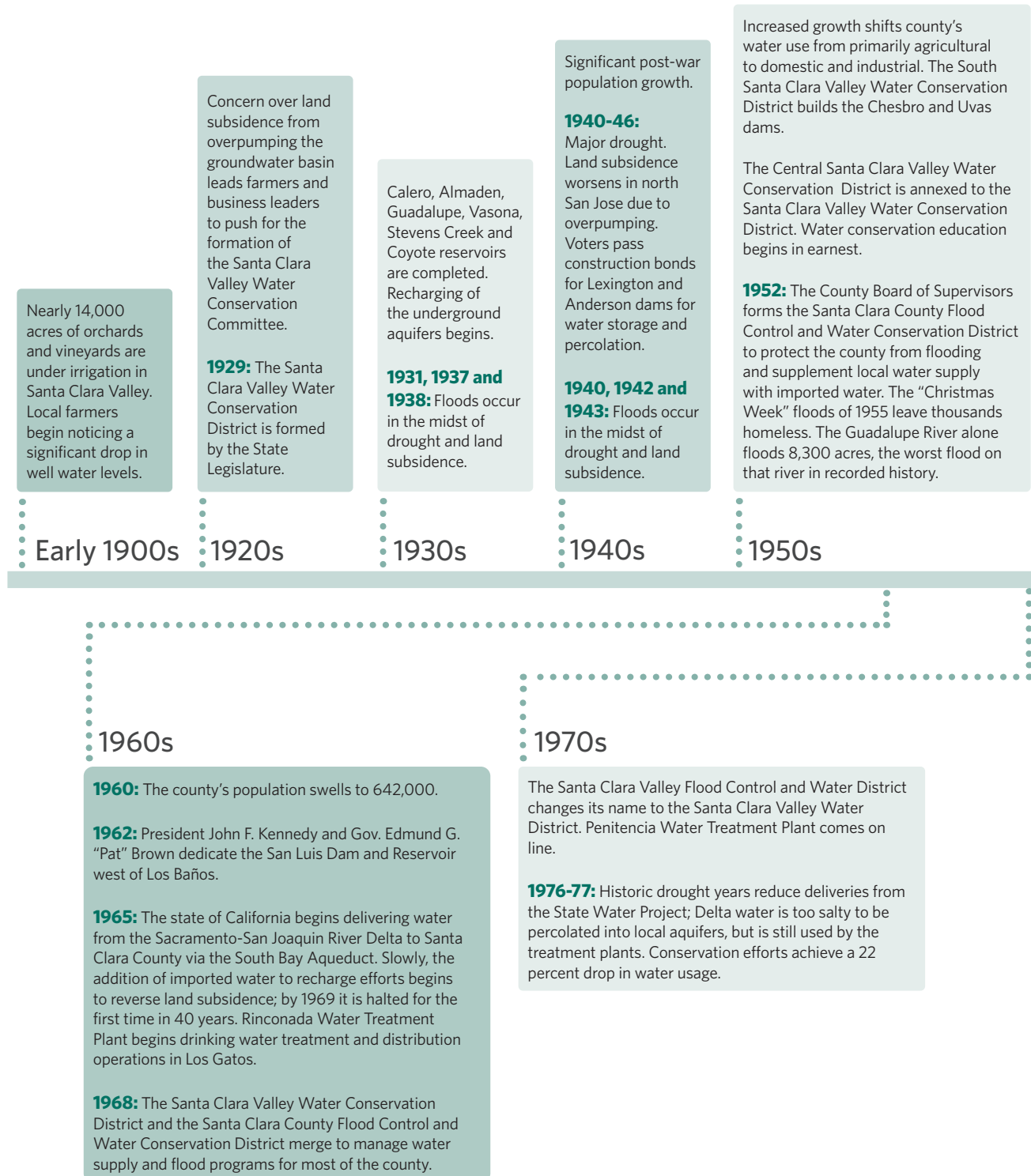
Board directorial districts



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History Timeline

For 92 years, Valley Water has improved and expanded its products and services to meet the growing needs of Santa Clara County residents.



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Environmental concerns are addressed as part of every construction project. Underground storage tanks are discovered leaking and potentially contaminating drinking water. The Santa Teresa Water Treatment Plant begins operation. Severe flooding occurs; voters approve funding for much-needed flood protection projects through benefit assessments.

1980: The South Santa Clara Valley Water Conservation District is renamed the Gavilan Water District.

1987: South county voters approve annexing Gavilan Water District to the Santa Clara Valley Water District. The federal Central Valley Project, San Felipe Division, begins delivery of imported water to the county from San Luis Reservoir just as the valley enters a seven-year drought period. The county's population nears 1.7 million.

1980s

Valley Water takes a lead role in the fight against MTBE water contamination, addresses perchlorate contamination of more than 1000 South County wells and partners with local wastewater agencies to increase recycling. The first phase of the WTIP is completed and the second phase launched.

2000: County voters approved the Clean, Safe Creeks and Natural Flood Protection Plan (Measure B) and approve a special tax to ensure continuity of flood protection and stream stewardship services for 15 more years.

2005: The 15-year, \$346 million Downtown Guadalupe Flood Protection Project is completed, protecting an estimated 95,000 people from flooding and restoring critical endangered species habitat.

2006: Santa Teresa Water Treatment Plant delivers Valley Water's first ozonated water, providing customers better-tasting, more healthful tap water.

2007: Assembly Bill 2435 is enacted, ending county oversight of Valley Water's budget and other procedural holdovers from the 1968 merger. Penitencia Water Treatment Plant begins delivering ozonated water to customers.

2009: Valley Water Board calls for 15% mandatory conservation in response to continuing water shortage; recession drives significant Valley Water budget reductions.

2010: Assembly Bill 466 enacted, increasing the boundaries for the Board of Directors from five to seven districts.

2012: 74% of county voters approve the Safe, Clean Water (Measure B), a special tax to ensure continuity of flood protection, dam maintenance and stream stewardship services for 15 more years.

2014: The Silicon Valley Advanced Water Purification Center is completed, producing 8 million gallons a day of purified recycled water to enhance the quality of recycled "purple pipe" water used for non-potable purposes and demonstrating technologies that can be used to purify water to augment drinking water supplies.

2015: Entering the fourth year of drought, the Board adopted a resolution calling for a countywide water use reduction of 30% compared to 2013. Valley Water began a large-scale modernization of the Rinconada Water Treatment Plant, the second-largest of Valley Water's plants.

The 1987-93 drought drives Valley Water to seek new sources of water through recycling, water banking and aggressive water conservation.

1995: Flooding in the county highlights the need for flood protection, especially on the Guadalupe River in downtown San Jose.

1997: Valley Water completes the IWRP long-term water supply planning process and initiates the Water Treatment Improvement Project (WTIP) to address increasingly stringent state and federal water quality standards. Coyote Creek flooded several sites between Morgan Hill and San José, causing damage to homes and businesses.

1998: Flooding occurs on San Francisquito Creek and in the county. Changing community priorities, a growing commitment to staff diversity, strict state and federal regulations and an evolving environmental ethic lead Valley Water into the 21st Century.

1990s

2000-2021

2016: Mid-year, the Board voted to reduce the water use reduction target to 20%. The implementation of fluoridation was completed in December 2016 for South, East and North San Jose, and Milpitas.

2017: In January, the Board adopted a resolution continuing the 20% water use reduction target and three day per week watering restriction.

2018: After a 2017 flood impacted neighborhoods along Coyote Creek, the Board approved changes to Anderson Reservoir operations to reduce the risk of flooding downstream. Crews completed short-term flood protection improvements in the Rock Springs neighborhood before the winter began. The Board and the City of San Jose approved a new Emergency Action Plan to prepare for and respond to flooding on Coyote Creek.

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.

2020: In November, Santa Clara County voters overwhelmingly approved Measure S, a renewal of Valley Water's Safe, Clean Water and Natural Flood Protection Program that will continue to provide the funding for local projects that support Valley Water's mission. Beginning in October, Valley Water lowered water levels in Anderson Reservoir in response to an order by the Federal Energy Regulatory Committee to reduce the risk to the public should the dam fail during a large earthquake. Anderson Reservoir will be unavailable for a decade as Valley Water builds a new, larger outlet tunnel and retrofits the dam.

2021: As Santa Clara County endures a second year of drought, the Valley Water Board declares a drought emergency in June and calls for 15% mandatory conservation. Valley Water releases the draft Environmental Impact Report for the proposed expansion of Pacheco Reservoir in south Santa Clara County. In July, Valley Water held a groundbreaking ceremony for the Anderson Dam Tunnel Project.

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Board Committees

Committees are made up of board members that advise the Board on an ongoing basis for an assigned subject purpose.

Board Policy and Planning Committee: Provides support to the Board in areas of:

1. Board planning process.
2. Board Committees' principles and structures.
3. Board and organization performance monitoring.
4. Other tasks as assigned by the Board.

Board Audit Committee: Assist the Board, consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.

Board Ethics and Conduct Committee: Consider initiation of investigation of allegations against a Board member in accordance with Board Governance Policy GP-6.

Capital Improvement Program (CIP) Committee: Provide a venue for more detailed discussions regarding capital project validation, including recommendations on prioritizing, deleting, and/or adding projects to the CIP, as well as monitoring implementation progress of key projects in the CIP.

Climate Adaptation and Sustainability Committee: Plan for the future of Valley Water with respect to undeniable climate change; reduce Valley Water carbon footprint and accurate accounting of such; and investigation of an ecological footprint accounting for Valley Water in addition to financial accounting.

Diversity and Inclusion Ad Hoc Committee: Work on Board and Director identified diversity and inclusion issues.

Environmental Creek Cleanup Committee: Discuss homelessness and encampment issues and bring discussion and recommendations back to the Board.

Recycled Water Committee: Develop a long-term proposal for how Valley Water can work together with other local agencies on recycled water opportunities within Valley Water boundaries, to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Stream Planning and Operations Committee (SPOC): Track progress of Initialing Parties of the FAHCE Settlement Agreement in completing requirements enabling dismissal of water rights complaint and commencement of restoration program. Identify/recommend Board actions to ensure expeditious completion of requirements defined in Purpose 1, including engagement with appointed boards and senior officials of other Initialing Parties. Identify/track progress of District and non-District activities that may affect the FAHCE Settlement Agreement and implementation.

Water Conservation and Demand Management Committee: Support the Board in achieving its policy to provide a reliable water supply to meet current and future water usage by making policy recommendations related to demand management.

Water Storage Exploratory Committee: Receive and discuss information on issues related to additional water storage options.

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Board Advisory Committees

Committees made up of constituents/elected officials that are formed and managed in accordance with Board resolution.

Agricultural Water Advisory Committee: To assist the Board with policies and issues pertaining to agricultural water supply and use, and in the annual review of groundwater production charges.

Environmental and Water Resources Committee: To assist the Board with policies and issues pertaining to water supply, flood protection and environmental stewardship.

Santa Clara Valley Water Commission: To assist the Board with policies and issues pertaining to water supply, flood protection and environmental stewardship, as well as in the annual review of groundwater production charges.

Santa Clara Valley Water District Youth Commission: Assist the Board with policy review and development, provide comment on activities in the implementation of Valley Water's mission for Board consideration, and to identify Board-related issues pertaining to public policy education, outreach, and all matters impacting Santa Clara County youth and Valley Water.

Joint Committees

Committees made up of board members and other agency staff that are formed to advise the Board and or in accordance with agreements, contracts, etc.

Joint Recycled Water Advisory Committee with the City of Sunnyvale: Develop a long-term proposal for how Valley Water and City of Sunnyvale can work together on recycled water opportunities, to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Joint Recycled Water Policy Advisory Committee with the City of San Jose/Santa Clara/TPAC: Required per term in the City-Valley Water 40-year Integration Agreement. The Committee shall tender its advice to Valley Water's Board of Directors and the City Council of the City of San José with respect to policy matters relating to the production, distribution and use of recycled water from facilities under administration by these agencies.

Joint Recycled Water Policy Committee with the Cities of Palo Alto, East Palo Alto, and Mountain View:

Develop a long-term proposal for how Valley Water and the Palo Alto Regional Water Quality Control Plant (RWQCP) partner agencies, other stakeholders, and interested parties, can work together on recycled water opportunities, to advance common interest, and to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Joint Water Resources Committee with the Cities of Morgan Hill and Gilroy:

Advance common South County water interests and receive input from stakeholders and interested parties when undertaking the following:

1. Reviewing current practices and future needs for groundwater management in the Llagas groundwater sub-basin.
2. Facilitating policy discussion and sharing of technical information on water supply planning for South County.
3. Identifying the current and future demand for recycled water as well as jointly identifying funding sources for implementation of the South County Recycled Water Master Plan.

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4. Facilitating policy discussion and sharing of technical information on furthering development and use of recycled water in South County.
5. Facilitating policy discussion and sharing of socio-economic information on homelessness in South County.

San Felipe Division Reach One Committee: Discuss the Initial Asset Evaluation Report, attempt to reach a joint recommendation for a Condition Level, and discuss policy issues.

Board Working Groups

Board Working Groups are made up of board members that advise the Board on an assigned subject/purpose, limited in scope and duration.

Delta Conveyance Authority Group: Information sharing.

Financial Sustainability Group: Review organizational financial sustainability factors.

External Monitoring Committee

Committee made up of members of the community nominated by the Directors.

Safe, Clean Water Independent Monitoring Committee: Annually reviews the implementation of the intended results of the program and reports its findings to the Board, which makes the Committee report available to the residents and voters of Santa Clara County.

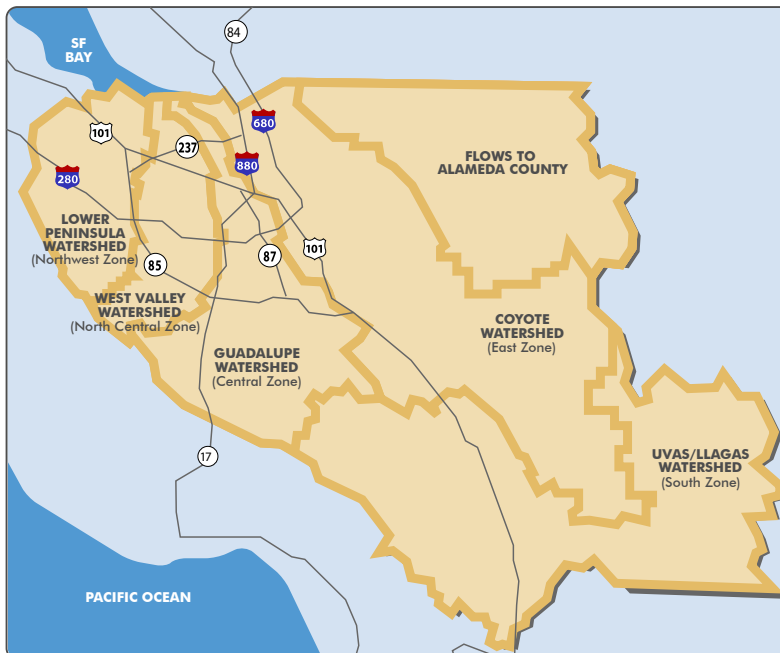
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Groundwater Benefit Zones in Santa Clara County



As part of Valley Water's core water supply function, four distinct groundwater benefit zones form the basis for establishing District water charges. Zone W-2 roughly encompasses the Santa Clara Subbasin north of Metcalf Road. Zone W-5 encompasses the valley floor of the Llagas Subbasin from approximately East Main Avenue in Morgan Hill south to the Pajaro River. Zone W-7 encompasses the Coyote Valley south of Metcalf Road to just north of East Main Avenue. Zone W-8 encompasses portions of the outlying areas south of the Uvas and Chesbro reservoirs, west of Santa Teresa Boulevard, and generally north of Hecker Pass Highway. Water charges are set separately for each zone, reflecting Valley Water activities benefiting each zone.

Watershed Areas and Flood Control Zones of Santa Clara County



More than 800 miles of creeks flow through Santa Clara County. Valley Water works to protect both the natural attributes of these waterways and the communities that surround them as part of its watershed stewardship core function. Sixty-eight years of working for flood protection has reduced the intensity and frequency of flooding in Santa Clara County.

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