



SANTA CLARA VALLEY WATER DISTRICT

NON-AGENDA

April 19, 202

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

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4	CEO Bulletin: 04/18/24
	<u>BOARD MEMBER REQUESTS & INFORMATIONAL ITEMS</u>
9	BMR/IBMR Weekly Reports: 04/19/24
10	Memo from Ryan McCarter, Deputy Operating Officer, to Katja Irvin and Molly Culton, Sierra Club, dated 04/12/24, providing a response to the Sierra Club, Loma Prieta Chapter comment letter dated 02/12/24 regarding the 02/13/24 Board presentation on Pacheco Reservoir Expansion Project.
24	Memo from Darin Taylor, Chief Financial Officer, to the board, dated 04/15/24, providing answers to questions ask during the 04/09/24 PAWS Public Hearing.
	<u>INCOMING BOARD CORRESPONDENCE</u>
55	Board Correspondence Weekly Report: 04/19/24
62	Email from Katja Irvin to Ryan McCarter, copied to the board, dated 04/14/24, providing acknowledgement of and additional comments to the 04/12/24 memo regarding Pacheco Reservoir Expansion Project. C-24-0088
64	Email from Brigitte Rince to the board, dated 04/14/24, regarding unsheltered stealing water from home on Chynoweth Avenue. C-24-0089
66	Email from Mary Ardestani to Director Beall, dated 04/12/24, regarding unsheltered encampments near Hampton Falls Place. C-24-0090
70	Email from James Rogers to the board, dated 04/15/24, expressing opposition to the Pacheco Dam project. C-24-0091
71	Email from Rea Freedom to the board, dated 04/15/24, expressing opposition to the Pacheco Dam project. C-24-0092
72	Email from Pete Andresen to the board, dated 04/16/24, expressing opposition to the Pacheco Dam Project. C-24-0093
73	Email from Rae Knapp to the board, date 04/16/24, providing information on the Keep Coyote Creek Beautiful May events. C-24-0094
77	Email from Karin Alvarez to the Director Keegan, dated 04/17/24, regarding encampment of unsheltered people along Willow Street and Lelong Street. C-24-0095
	<u>OUTGOING BOARD CORRESPONDENCE</u>
82	Email from Chair Hsueh to Branton Curt, dated 04/10/24, responding to concerns for terminating the lease for the SJB daycare center.

84		Email from Chair Hsueh to Dhruv Khanna, dated 04/12/24, regarding his suggested use of the Stanford Golf Course as a detention basin to reduce impacts of flooding along San Francisquito Creek.
86		Email from Chair Hsueh to Mike Michtaka, dated 04/15/24, regarding California Assembly Bill 1755.
88		Letter from Chair Hsueh to Dhruv Khanna, President, Santa Clara County Farm Bureau, dated 04/15/24, regarding groundwater in the Palo Alto-Stanford area.

CEO BULLETIN



To: Board of Directors
From: Rick L. Callender, CEO

Weeks of April 5 – April 18, 2024

Board Executive Limitation Policy EL-7:

The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

Item	IN THIS ISSUE
<u>1</u>	Bay-Delta Plan Update: Healthy Rivers and Landscapes Program
<u>2</u>	Safe, Clean Water Mini-Grant Closeout: Marshmallow Minds’ A Tough Trek – Salmon Migration in a Warm Planet Project
<u>3</u>	Safe, Clean Water Refill Station Grant Closeout: Sunnyvale Congregational Christian Church of American Samoa’s Valley Water Refill Station Project
<u>4</u>	Tamien Nation Training Conducted for the South San Francisco Bay Shoreline Phase 1 Project
<u>5</u>	U.S. Environmental Protection Agency Finalizes Drinking Water Regulations for Six PFAS
<u>6</u>	<u>Keegan</u> Director Keegan requested staff to provide the Board with a complete list of agreements, associated dollar amounts, and the selection process that was used for consultant AECOM Technical Services Inc. R-24-0007

1. Bay-Delta Plan Update: Healthy Rivers and Landscapes Program

New information regarding the Healthy Rivers and Landscapes Program has been posted for the California State Water Resources Control Board (State Board) to review ahead of a 3-day workshop planned for April 24-26, 2024. These materials are being provided to support the State Board's process for updating the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta (Bay-Delta Plan). The recent submittal, a significant milestone, will be used by the State Board to develop a program of implementation and further evaluate the Healthy Rivers and Landscapes Program.

Valley Water will review the new materials and tune into the State Board's workshop to follow the dialogue regarding the Healthy Rivers and Landscapes Program. The State Board has stated that they plan to adopt updates to the Bay-Delta Plan in late 2024 or early 2025.

For background, last September 2023, the State Board released a draft staff report to comply with the California Environmental Quality Act and inform the public of the proposed updates to the Bay-Delta Plan. The draft staff report identifies year-round inflow requirements on the Sacramento River and its tributaries as one implementation pathway. It also identified the Voluntary Agreement proposal, now called the "Healthy Rivers and Landscapes Program," as an alternative implementation pathway. This alternative includes flow commitments from each tributary, habitat restoration projects, and a science program. It has been under development by water agencies, State agencies, and the U.S. Bureau of Reclamation for several years.

The workshop notice can be viewed here:

https://www.waterboards.ca.gov/board_info/calendar/docs/2024/mar/notice_vaworkshop_030824.pdf

For further information, please contact Vincent Gin at (408) 630-2633.

2. Safe, Clean Water Mini-Grant Closeout: Marshmallow Minds' A Tough Trek – Salmon Migration in a Warm Planet Project

In Fiscal Year 2023, Valley Water awarded Marshmallow Minds (Grantee) a \$5,000 Safe, Clean Water Program F9 Mini-Grant for their A Tough Trek – Salmon Migration in a Warm Planet Project. The Grantee completed the Project on January 15, 2024 and submitted the final invoice items on January 31, 2024, allowing for grant closeout.

Marshmallow Minds is a nonprofit 501(c)(3) organization that provides accessible and engaging education to school-aged children from under-resourced communities. Grant funds were used to implement a pilot environmental STEAM (science, technology, engineering, art and math) education program for elementary school-aged children from Title-1 schools in Santa Clara County. The Grantee, in collaboration with graduate students from the University of California, Santa Barbara, designed a lesson plan with content that educated students about the effects of temperature on marine organisms. The Grantee also assembled STEAM kits provided by Family Giving Tree, a nonprofit organization, for the students to use for hands-on classroom activities. Students and teachers participated in self-reflection surveys at the end of each lesson.

Key Outcomes:

- Engaged a total of 84 students from four Title-1 classrooms in Franklin-McKinley School District.
 - Conducted eight hours of lessons for two weeks.
- Assembled 100 STEAM kits.
- Reported more than 80% of the students shared that they learned Design Thinking, a problem-solving process, through the pilot program from Marshmallow Minds.

For further information, please contact Donald Rocha at (408) 630-2338.

3. Safe, Clean Water Refill Station Grant Closeout: Sunnyvale Congregational Christian Church of American Samoa's Valley Water Refill Station Project

In Fiscal Year 2024, Valley Water awarded the Sunnyvale Congregational Christian Church of American Samoa (Grantee) a \$5,000 Safe, Clean Water Program F9 Valley Water Refill Station Grant for their Valley Water Refill Station Project at Sunnyvale Congregational Christian Church of American Samoa. The Grantee completed the Project on January 21, 2024 and submitted the final invoice items on February 18, 2024, allowing for grant closeout.

The Sunnyvale Congregational Christian Church of American Samoa is a faith-based nonprofit organization located in Sunnyvale. Grant funds were used to purchase and install a new water bottle refill station at the church where both church members and community members have access to during church hours and events hosted by the Grantee.

Key Outcomes:

- Installed one new water bottle refill station at Sunnyvale Congregational Christian Church of American Samoa.
- Saved over 100 plastic water bottles within a month of installation.
- Promotes the use of reusable water bottles and reduces the amount of plastic water bottle waste generated.

For further information, please contact Donald Rocha at (408) 630-2338.

4. Tamien Nation Training Conducted for the South San Francisco Bay Shoreline Phase 1 Project

On March 19, 2024, Chairwoman Quirina Geary of Tamien Nation, conducted training for 12 staff members from the U.S. Army Corps of Engineers, State Coastal Conservancy, and Valley Water for the South San Francisco Bay Shoreline Phase 1 Project (Project). The cultural sensitivity training provided insight into Tamien Nation traditional cultural practices and what to look for during construction/excavation on the Project, and procedures to be taken when potential tribal cultural resources/remains are discovered. For context, construction of Shoreline Phase I Project, Reaches 1-3 began in December 2021 and is anticipated to be completed in Summer 2025. No cultural artifacts have been found at the site since start of construction.

For further information, please contact Bhavani Yerrapotu at (408) 630-2735.

5. U.S. Environmental Protection Agency Finalizes Drinking Water Regulations for Six PFAS

On April 10, 2024, the U.S. Environmental Protection Agency (EPA) established Maximum Contaminant Levels (MCLs) for six per- and polyfluoroalkyl substances (PFAS). MCLs are enforceable drinking water standards. Individual MCLs were set to 4 parts per trillion (ppt) for PFOA and PFOS and 10 ppt for PFNA, PFHxS, and GenX. The rule also regulates combined amounts of four PFAS chemicals (PFNA, PFHxS, PFBS, and GenX) via a calculated Hazard Index. A Hazard Index greater than 1 is considered an MCL exceedance.

Public water systems need to test their water supply for these six PFAS by 2027 and include the results in Consumer Confidence Reports. Starting in 2029, water systems that detect these six PFAS above the established limits must implement solutions to ensure drinking water delivered to customers does not exceed these limits. Water systems must also notify the public if levels of regulated PFAS exceed these new standards.

Valley Water conducted voluntary quarterly monitoring from 2020 to 2021, at its three drinking water treatment plants, which serve seven local water retailers. None of the six PFAS regulated under the new EPA rule were detected in Valley Water's treated water. Water supplied by Valley Water continues to meet all federal and state regulatory requirements, including the new PFAS drinking water limits, and is safe to drink. Currently, Valley Water does not anticipate a significant impact to its treatment plant operations.

PFOA and PFOS have been detected at and just above the MCL in two of three wells in Valley Water's Campbell Well Field. However, water from these emergency supply wells has never been delivered to retailers or the public. We continue to closely monitor PFAS at the Campbell Well Field.

Some water retailer wells are expected to be impacted by this EPA rule and may need to implement treatment or other actions to decrease PFAS below the MCLs.

Valley Water will continue to collaborate with regulatory agencies and water retailers to assess impacts to local supplies and to evaluate potential sources and treatment technologies. Valley Water will also continue to provide timely, transparent communication to customers and the public.

For further information, please contact Vincent Gin at (408) 630-2633.

6. Keegan

**Director Keegan requested staff to provide the Board with a complete list of agreements, associated dollar amounts, and the selection process that was used for consultant AECOM Technical Services Inc.
R-24-0007**

The response to BMR R-24-0007 is included in the board's April 12, 2024 Non-Agenda package.

For further information, please contact Tony Ndah at (408) 630-2208.

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
I-24-0002	04/10/24	Santos	Hakes	Bourgeois Collins	Director Santos requests the following regarding Soap Lake: Who owns Soap Lake? What is the history of the lake? Can the water from Soap Lake be used for recycling or flood prevention? What are the environmental issues with Soap Lake? Does it contribute to flooding and if Pacheco Dam were in operation, would the water be stored at Soap Lake?	05/01/24		
I-24-0003	04/18/24	Keegan	Yoke	Ndah	Provide Director Keegan with follow up information on the composition of the selection panels utilized for the contracts that we have awarded to AECOM.	05/08/24		
R-24-0008	04/09/24	Eisenberg	Baker	Penilla	Provide a breakdown of Safe, Clean Water fund and the projects with funds allocated.	05/06/24		



MEMORANDUM

FC 14 (02-08-19)

TO: Katja Irvin, Sierra Club Loma Prieta Chapter
Molly Culton, Sierra Club California

FROM: Ryan McCarter
Deputy Operating Officer,
Dam Safety and Capital
Delivery Division

SUBJECT: Responses to Sierra Club, Loma Prieta
Chapter Comment Letter Dated 2/12/2024

DATE: April 12, 2024

Santa Clara Valley Water District (Valley Water) received a letter from the Sierra Club, Loma Prieta Chapter regarding the presentation prepared for the Valley Water Board of Directors on February 13, 2024. Below are responses to each comment raised in the letter from the Sierra Club, Loma Prieta Chapter. As discussed below, the information included in the presentation was based on numerical modeling of water operations, physical processes (e.g., reservoir and stream temperatures), and biological modeling conducted for the Draft Environmental Impact Report (EIR) released for public comment in November 2021 and Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project submitted to and reviewed by the California Water Commission.

Sierra Club Comment #1

This presentation describes very little about how the reservoir will be operated. Parameters and triggers for storage to and release from the reservoir need to be defined for both water supply storage and for the habitat storage reserve. Criteria for pumping water to Pacheco Reservoir rather than storing it in San Luis Reservoir or in the groundwater basins need to be described.

The Draft EIR, Chapter 2, Section 2.3.3.1, "Operations" describes the proposed long-term operations of the expanded reservoir. Additional information on the proposed long-term operations of the expanded reservoir is provided in Chapter 3, Section 3.4.1, "Operations" of the Alternatives Development and Project Description Appendix to the Draft EIR.

Comment # 2:

The staff report mentions a “flow release schedule was developed with National Marine Fisheries Service” but no details are provided about this. More information is needed to understand how the flow release schedule will fit into Project operations.

The Draft EIR, Chapter 2, Section 2.3.3.1, “Operations” describes the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir. As described in this section, monthly baseflows and pulse flow targets would vary by water year type, as defined by the Pacheco Reservoir Inflow Index using unimpaired inflow to the expanded reservoir. These monthly baseflows and pulse flow targets were developed in a series of workshops as part of a collaborative process between Valley Water and stakeholder agencies, including but not limited to national Marine Fisheries Services, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife (CDFW), and the California Water Commission. Additional information on the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir is provided in Chapter 3, Section 3.4.2.1, “Releases to North Fork Creek” of the Alternatives Development and Project Description Appendix to the Draft EIR.

Comment # 3

Staff should provide a schedule for development of complete operational parameters and scenarios so the Board can plan for another presentation when enough information is available to understand and evaluate Project operations.

Valley Water is currently updating the water operations, physical processes (e.g., reservoir and stream water temperature, sediment), and biological modeling for the Recirculated Draft EIR and Draft EIS. The anticipated public release date for the Recirculated Draft EIR is July 2025. Valley Water is currently meeting with resource agencies, including National Marine Fisheries Service, California Water Commission, California Department of Fish and Wildlife, and the U.S. Fish and Wildlife Service, to enhance the suite of numerical modeling tools used to assess various operational scenarios and refine operational parameters for the expanded reservoir.

Comment # 4:

The staff report claims that Valley Water will have “... 100,000 acre-feet of additional storage ...” This does not add up considering 35% partnerships and 35,000 acre-feet for habitat storage. We calculate storage for Valley Water will be about 60,000 AF.

The Draft EIR presented operations for 14,000 acre-feet (i.e., 10 percent of storage volume) for partner San Benito County Water District. Other potential partnership storage operations have not been modeled or considered in the cost-benefit analysis. The 35% partnership goal only applies to the projected financing costs.

As described in the Draft EIR, Chapter 2, Section 2.3.3.1, "Operations," Valley Water and San Benito County Water District would make releases from stored natural inflows to meet the identified scheduled flow releases to North Fork Pacheco Creek required under the Variable Flow Schedule. As described in this same section, a 35,000-acre-foot habitat storage reserve would also be maintained to provide suitable flows and water temperatures for steelhead in the North Fork and mainstem of Pacheco Creek during multi-year droughts. However, this is not a separate storage account, rather an operational limitation for releases into Pacheco Conduit from the expanded Pacheco Reservoir. Additional information on this topic is provided in Chapter 3, Section 3.4.1.1, "Natural Inflow and Integrated Water Management Operations," and Section 3.4.1.2, "Releases to North Fork Pacheco Creek" of the Alternatives Development and Project Description Appendix to the Draft EIR.

Comment # 5:

The main benefit of this Project is emergency water supply, previously estimated at 5,000 to 6,000 acre-feet per year. However, it appears that environmental benefits negotiated through the Water Supply Investment Program (water supplied to the refuges and water for fish flows) will take away from water supply. This needs to be explained.

As described in Chapter 2 of the Draft EIR, the primary Project objectives include:

- Increase water supply reliability and system operational flexibility to help meet municipal and industrial (M&I) and agricultural water demands in Santa Clara and San Benito Counties during drought periods and emergencies, or to address shortages due to regulatory and environmental restrictions
- Increase suitable habitat in Pacheco Creek for federally threatened South-Central California Coast (SCCC) steelhead through improved water temperature and flow conditions

Detailed numerical modeling was conducted to estimate potential project benefits described in Chapter 2, "Project Description and Alternatives to the Proposed Project," of the Draft EIR and Chapter 4, "Estimated Project Benefits and Costs" of the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project. The numerical modeling performed to quantify identified benefits is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. Additional detail on the methodology and approach to quantifying emergency water supply benefits is described in Chapter 4, "Emergency Response" in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

Presentation Slide 2 Needs Addressed by Pacheco Reservoir Expansion Project

- *Restore Federally Threatened Steelhead Fish Habitat*
 - *There is no guarantee that the proposed additional flows and restored habitat will result in any recovery of the Steelhead. Operational parameters for the 35,000 acre-foot habitat storage reserve need to be provided in order to have a meaningful discussion of overall reservoir operations.*

The Draft EIR, Chapter 2, Section 2.3.3.1, “Operations” describes the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir. This variable flow schedule was developed with input from biologists from both federal and state agencies over the course of 18 months preceding the issuance of the Draft EIR. Additional information on the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir and the associated habitat storage reserve topic is provided in Chapter 3, Section 3.4.1.1, “Natural Inflow and Integrated Water Management Operations,” and Section 3.4.1.2, “Releases to North Fork Pacheco Creek” of the Alternatives Development and Project Description Appendix to the Draft EIR.

- *Improve Delta Watershed Wetlands*
 - *More information is needed to quantify the benefits of providing water in one specific water year type (below normal).*

Detailed numerical modeling was conducted to estimate potential project benefits, including ecosystem improvements – San Joaquin River watershed, described in Chapter 2, “Project Description and Alternatives to the Proposed Project,” of the Draft EIR and Chapter 4, “Estimated Project Benefits and Costs” of the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project. The numerical modeling performed to quantify identified benefits is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. Additional detail on the methodology and approach to quantifying ecosystem improvements – San Joaquin River watershed benefits is described in Chapter 3, “Ecosystem Improvement – Delta Watershed” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

- *Eliminate Water Quality Issues from San Luis Reservoir*
 - *This graphic should be updated to say “reduce” rather than “eliminate” to align with slide 12.*

The updated slide in the February 2024 Valley Board presentation was revised in consideration of comment to “*Reduces San Luis Low Point Water Quality Issues.*”

- *Reduction of Downstream Flooding*
 - *As requested in previous public comments, reduction of flooding has not been identified as a benefit of this project and should not be included here.*

As stated in Valley Water’s Proposition 1, Water Storage Investment Program (WSIP) Application for Pacheco Reservoir Expansion Project (See Q.1 – Flood Control Benefits), “*The Pacheco Reservoir Expansion Project (Project) will provide flood control benefits by reducing flows in Pacheco Creek downstream from the reservoir during flood events; however, the Project will not be operated specifically for flood control purposes.*” The California Water Commission’s technical review of the Valley Water’s WSIP Application concluded the following:

“For Flood Control, the applicant discussed its proposed Flood Control benefit in depth and provided supporting documentation for its claim. Staff concurs with the following items: a) the project provides incidental flood benefits through the utilization of available surcharge reservoir storage when the reservoir is operating at the full operating pool level/elevation; b) the flood benefit is incidental and should not be monetized; and c) additional flood benefits may be achieved when additional reservoir storage is available and a flood event occurs before the reservoir is full.

Accordingly, flood control benefits are recognized as an incidental benefit of the expansion of Pacheco Reservoir, but have not been monetized.

Presentation Slide 4 Numerical Modeling Framework for Water Operations

- *What does all this modeling mean for actual operations, especially for the habitat storage reserve?*

The Draft EIR, Chapter 2, Section 2.3.3.1, “Operations” describes the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir. Additional information on the proposed variable flow schedule for releases to Pacheco Creek from the expanded reservoir and the associated habitat storage reserve topic is provided in Chapter 3, Section 3.4.1.1, “Natural Inflow and Integrated Water Management Operations,” and Section 3.4.1.2, “Releases to North Fork Pacheco Creek” of the Alternatives Development and Project Description Appendix to the Draft EIR. Detailed numerical modeling was conducted to estimate potential project benefits, including ecosystem improvements – Pacheco Creek, described in Chapter 2, “Project Description and Alternatives to the Proposed Project,” of the Draft EIR and Chapter 4, “Estimated Project Benefits and Costs” of the Supplemental Feasibility Documentation, Water

Storage Investment Program, Pacheco Reservoir Expansion Project. The numerical modeling performed to quantify identified benefits, including operational assumptions, is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. Additional detail on the methodology and approach to quantifying ecosystem improvements – Pacheco Creek benefits is described in Chapter 2, “Ecosystem Improvement – Pacheco Creek” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

Presentation Slide 5 Expanded Reservoir Water Sources

- *This graph should be updated to provide more complete and up-to-date information as follows.*
 - *The graph should show data through 2022 to enable analysis of more recent conditions.*

Modeling performed for the Draft EIR utilized the best available tools, including CalSim II to represent Central Valley Project (CVP) and State Water Project (SWP) operations. The graph presented on Slide 5 represents the standard CalSim II model simulation period from 1922 to 2003. As described in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR, a WEAP model was utilized to evaluate operations of an expanded Pacheco Reservoir. As CVP and SWP allocations are integral to Valley Water’s water supplies, the WEAP simulation period matches the CalSim II period (1922-2003). Valley Water is currently updating the water operations, physical processes (e.g., reservoir and stream water temperature, sediment), and biological modeling that will be available to support future design and analysis efforts with ongoing input from federal and state agencies for incorporation into the Recirculated Draft EIR and Draft EIS. CalSim 3 is anticipated to be utilized and includes an extended simulation period to either 2015 or 2021, depending on the available version from the U.S. Department of Interior, Bureau of Reclamation (Reclamation) or California Department of Water Resources.

- *It is not clear that this graph is showing model outputs based on 2030 climate change projections to alter historic data.*

The updated slide in the February 2024 Valley Water Board presentation was revised in consideration of comment and included a footnote indicating “*Results from Proposed Project for 2030 conditions (including climate change).*”

- *The graph should show what would have been stored based on the hydrology and project deliveries that occurred in these years. Then*

the difference between the actual historic numbers and climate change projected values can be evaluated and discussed.

Numerical modeling performed for the Draft EIR was performed for both existing conditions and future conditions as described in the Water Resources and Fisheries Numerical Modeling Appendix. In Chapter 3, Environmental Setting, Impacts, and Mitigation, of the Draft EIR, for water-based resources associated with CVP) and SWP operations (i.e., Delta and San Luis Reservoir water resources, water quality, fisheries, and aquatic resources), impacts were evaluated by comparing the effects of the Proposed Project and four action alternatives to the No Project alternative using both an existing conditions baseline and a future conditions baseline with the best available tools at the time. Water-based resources include hydrology and water management (e.g., San Luis Reservoir and Delta hydrology/water operations, Pacheco Creek and Pajaro River hydrology); water quality, and biological resources (e.g., terrestrial/wildlife and aquatic/fisheries). The future conditions 2030 baseline includes increased water demand and future projects that could affect Delta water supply and/or water quality through changes in CVP and SWP operations.

- *The data points shown here are annual, so the meaning of “monthly storage” on the y-axis should be explained in that context.*

The data presented in the graph are from the WEAP model which utilizes a monthly time step. Accordingly, the values presented are monthly values. Due to the number of data points, years are used on the y-axis for presentation purposes.

Presentation Slide 7 Long-Term Storage of Expanded Reservoir

- *The graph should show data through 2022 to enable analysis of more recent conditions.*

Numerical modeling performed for the Draft EIR utilized the best available tools, including CalSim II to represent Central Valley Project (CVP) and State Water Project (SWP) operations. The CalSim II model standard simulation period is from 1922 to 2003. As described in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR, a WEAP model was utilized to evaluate operations of an expanded Pacheco Reservoir. As CVP and SWP allocations are integral to Valley Water’s water supplies, the WEAP simulation period matches the CalSim II period (1922-2003). Valley Water is currently updating the water operations, physical processes (e.g., reservoir and stream water temperature, sediment), and biological modeling for the Recirculated Draft EIR and Draft EIS. CalSim 3 is anticipated to be utilized and includes an extended simulation period (either 2015 or 2021 depending on available version

from the U.S. Department of Interior, Bureau of Reclamation (Reclamation) or California Department of Water Resources).

- *The graph does not show water stored for fish. This part of project operations should be included.*

The graph reflects operations of the expanded reservoir under future conditions, including releases from Valley Water and SBCWD storage for Pacheco Creek fisheries purposes. The numerical modeling performed to simulate operations of the expanded reservoir, including operational assumptions, is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. As described in the Draft EIR, Chapter 2, Section 2.3.3.1, "Operations," Valley Water and San Benito County Water District would make releases from stored natural inflows to meet the identified scheduled flow releases to North Fork Pacheco Creek required under the Variable Flow Schedule. As described in this same section, a 35,000-acre-foot habitat storage reserve would also be maintained to provide suitable flows and water temperatures for steelhead in the North Fork and mainstem of Pacheco Creek during multi-year droughts. However, this is not a separate storage account, rather an operational limitation for releases into Pacheco Conduit. Additional information on this topic is provided in Chapter 3, Section 3.4.1.1, "Natural Inflow and Integrated Water Management Operations," and Section 3.4.1.2, "Releases to North Fork Pacheco Creek" of the Alternatives Development and Project Description Appendix to the Draft EIR.

- *The graph does not show water moved through Pacheco Reservoir to alleviate water quality issues in San Luis Reservoir. This part of project operations should be included.*

The graph reflects operations of the expanded reservoir under future conditions, including operations related to water quality issues in San Luis Reservoir. The numerical modeling performed to simulate operations of the expanded reservoir, including operational assumptions, is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. As described in the Draft EIR, Chapter 2, Section 2.3.3.1, "Operations," Valley Water and San Benito County Water District would reduce CVP deliveries during San Luis Reservoir low point events and increase withdrawals from the expanded reservoir into Pacheco Conduit during these events. Additional detail on these operations is provided in Chapter 3, Section 3.4.1.1, "Natural Inflow and Integrated Water Management Operations," of the Alternatives Development and Project Description Appendix to the Draft EIR.

Presentation Slide 9 The Project will Enhance Water Supply

Maximum water supply increase of 24,000 acre-feet during critical year; limited by demand"

The commentor mischaracterized the text on the slide; the slide text included “Maximum water supply increase of 24,000 acre-feet during critical year; limited by Valley Water demand.”

- *Additional water supply is not included above as a benefit provided by the Project. Much more information is needed to understand how this new benefit has come about.*
- *Previous reports have said there will be no increase in water supply other than emergency supply, and this project has been categorized as optimizing the system, not providing additional supply.*

Expansion of Pacheco Reservoir would provide water supply benefits. Water supply benefits, in addition to emergency water supplies, has been detailed in multiple documents including:

- Chapter 2, Section 2.3.5, “Ability to Address Project Objectives/Benefits” of the Draft EIR
- Chapter 4, “Estimated Project Benefits and Costs” of the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project. Additional detail on the methodology and approach to quantifying water supply benefits is described in Chapter 5, “Municipal and Industrial Water Supply” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

In addition, Valley Water’s Proposition 1, Water Storage Investment Program (WSIP) Application for Pacheco Reservoir Expansion Project included municipal and industrial water supply benefit. This benefit was acknowledged by California Water Commission technical staff during the review, evaluation, and scoring of Valley Water’s application.

- *How is water supply increase limited by demand during a critical year? This does not make sense.*

As described in Chapter 5, “Municipal and Industrial Water Supply” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project, for Valley Water, M&I water supply is comprised of a variety of sources, including natural groundwater recharge, local surface water, recycled water, SFPUC Hetch Hetchy supplies, and Delta-conveyed supplies (i.e., CVP/SWP deliveries). For each year of the WEAP simulation of the No Project, Proposed Project and action alternatives, Valley Water individual supply sources were totaled into a single value that is the available M&I water supply. This volume represents the amount available to Valley Water during a year from all supply sources. However, during many years, supplies

exceed demands. The demand in Valley Water service areas during a year is projected for the 2030 future condition. Therefore, to properly determine the M&I supply benefits for Valley Water due to the Project, the available M&I water supply was capped at the respective demands for the 2030 future condition.

Presentation Slide 10 San Luis Reservoir Low Point Water Quality Issues

“Spikes in taste and odor measuring times normal levels, which cause problems in today’s domestic supply”

The commentor mischaracterized the text on the slide; the slide text included “Spikes in taste and odor measuring 10 times normal levels, which cause problems in today’s domestic supply.”

- *These water quality issues have been mitigated to date using other methods. These other methods are surely more cost effective than building this new dam.*

Through appraisal and feasibility-level studies over a nearly 20-year period, Reclamation has evaluated a range of alternatives to address low point issues at San Luis Reservoir. In Reclamation’s 2019 Draft Feasibility Report, four action alternatives were formulated and evaluated in detail, including lowering San Felipe intake within San Luis Reservoir, water treatment plant upgrades, and expansion of Pacheco Reservoir to allow for modifying Valley Water delivery patterns from San Luis Reservoir to avoid or significantly reduce low point issues. Of these four action alternatives, the Pacheco Reservoir Expansion Alternative was the only alternative to be found feasible (i.e., benefit/cost ratio over 1.0).

Presentation Slide 12 Reduces San Luis Low Point Water Quality Issues

- *Thank you to staff for changing “eliminates” to “reduces” after public comments made to the Water Storage Exploratory Committee. This should also be changed in the graphic on slide 2.*

Comment noted.

- *What is the analysis period used to determine 97% reduction in water quality issues?*

The analysis period is 82 years (1922 to 2003). The numerical modeling performed to simulate operations of the expanded reservoir, including operational assumptions, is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR.

- *97% reduction of water quality issues seems unlikely and needs to be explained.*

Chapter 4, “Estimated Project Benefits and Costs” of the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project explains water quality benefits related to San Luis Reservoir low point issues for the expanded Pacheco Reservoir. Additional detail on the methodology and approach to quantifying water quality is described in Chapter 6, “Municipal and Industrial Water Quality” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

- *Nutrients will enter the reservoir from the Pacheco watershed and will also contribute to water quality issues.*

The inlet/outlet works at the expanded Pacheco Reservoir will include multiple adits at different elevations, allowing withdrawal of water to Pacheco Conduit from lower portions of the reservoir typically not impacted by algae production. Detailed discussion of water quality effects of the expanded reservoir is provided in Chapter 3, Section 3.20, Water Quality, of the Draft EIR.

Presentation Slide 14 Improved Releases from Expanded Reservoir

- *What is “no project”? Does it include the expansion of San Luis Reservoir? More information is needed to understand and evaluate the no project alternative.*

The No Project Alternative is described in Chapter 2, Section 2.5, “No Project Alternative” of the Draft EIR. Raising of B.F. Sisk Dam with expansion of San Luis Reservoir was not included in the No Project Alternative due to uncertainty at the time of Draft EIR production. However, raising of B.F. Sisk Dam Raise with expansion of San Luis Reservoir was included in the cumulative impact analysis discussions included in Chapter 3, Environmental Setting, Impacts, and Mitigation, of the Draft EIR.

- *The graph shows several hundred additional acre-feet of water released every month on average. Where is the water coming from? How much from the Delta? How much from the watershed?*

The Draft EIR, Chapter 2, Section 2.3.3.1, “Operations” describes the capture of natural inflows (e.g., inflows from Pacheco Creek watershed) in the expanded reservoir and proposed variable flow schedule for release of these natural inflows from the expanded reservoir into to Pacheco Creek. Additional information on this topic is provided in Chapter 3, Section 3.4.1.1, “Natural Inflow and Integrated Water Management Operations,” and Section 3.4.1.2, “Releases to North Fork Pacheco Creek” of the Alternatives Development and Project Description Appendix to the Draft EIR. From a water accounting perspective, no imported water supplies would be released from the expanded reservoir to Pacheco Creek.

Presentation Slide 15 Supports Federally Threatened Steelhead Recovery

“Contributes to the development of an independent population in the Pajaro River watershed” and “Increases South Central California Coast Steelhead cohort score between 147%”

- *Thank you to staff for changing “enables” to “supports” after public comments made to the Water Storage Exploratory Committee.*

Comment noted.

- *Who has verified the 147% increase in cohort score? In Draft EIR comments, NMFS questioned how the objectives for water supply reliability/operational flexibility and for increasing habitat for steelhead via improved flow and water temperature conditions will be managed during drought periods. This should be discussed.*

During the review of Valley Water’s Water Storage Investment Program Application for the Pacheco Reservoir Expansion Project, California Department of Fish and Wildlife conducted a detailed review of the fisheries modeling used to support fishery benefit estimates. Since that time, Valley Water has conducted over 20 interagency workshops with potential funding agencies (e.g., California Department of Fish and Wildlife, California Water Commission) and regulatory agencies (e.g., National Marine Fisheries Service, U.S. Fish and Wildlife, State Water Resources Control Board, U.S. Army Corps of Engineers) to refine water operations, including

those for Pacheco Creek fisheries purposes, and the numerical modeling tools used to assess benefits. Valley Water is continuing to coordinate with these funding and regulatory agencies through both interagency meetings and agency-specific meetings to further refine numerical modeling tools and methodologies as well water operations for the expanded reservoir.

Detailed numerical modeling was conducted to estimate potential project benefits, including ecosystem improvements – Pacheco Creek, described in Chapter 2, “Project Description and Alternatives to the Proposed Project,” of the Draft EIR and Chapter 4, “Estimated Project Benefits and Costs” of the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project. The numerical modeling performed to quantify identified benefits, including operational assumptions, is documented in the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR. Additional detail on the methodology and approach to quantifying ecosystem improvements – Pacheco Creek benefits is described in Chapter 2, “Ecosystem Improvement – Pacheco Creek” in the Public and Non-Public Monetized Benefits Appendix to the Supplemental Feasibility Documentation, Water Storage Investment Program, Pacheco Reservoir Expansion Project.

- *How does a 147% increase in cohort score translate to the number of fish?*

As described in Pacheco Creek Steelhead Habitat Suitability Model Attachment to the Water Resources and Fisheries Numerical Modeling Appendix to the Draft EIR, the Pacheco Creek Steelhead Habitat Suitability Model (PCSHSM) integrates reservoir operations strategies with models of reservoir and stream physical conditions, including reservoir temperature, stream temperature, stream surface-groundwater interactions, and habitat-discharge relationships to estimate habitat suitability in Pacheco Creek on a mean monthly time step over an 82-year time horizon. Reservoir operating strategies and their potential effects on fish populations are assessed using an annual South-Central California Coast (SCCC) steelhead cohort score metric that quantifies passage and habitat suitability conditions associated with SCCC steelhead life stages that occur during a 14-month freshwater life cycle in Pacheco Creek. The PCSHSM does not explicitly estimate fish populations.

Presentation Slide 17 Enhances Bay-Delta Ecosystem

“Dedicates 2,000 acre-feet for wetlands in below-normal water years”

- *Additional analysis is needed. How much would have been supplied between 2012 and 2022 using actual hydrology for those years?*

Numerical modeling performed for the Draft EIR utilized the best available tools, including CalSim II to represent CVP and SWP operations, which simulates the period from 1922 to 2003. During this period, under future conditions modeling, Valley Water would have provided 34,000

AF of Incremental Level 4 refuge water supply across 17 below normal water years. Between water year 2012 and 2021, a total of 3 below normal water years occurred. Using the same modeling assumptions, Valley Water would have delivered a total of 6,000 AF of Incremental Level 4 refuge water supply across those three years.

- *With climate change, there will be more dry and wet years and fewer years in the middle, so this benefit is likely to be less in the future. This needs to be accounted for.*

Numerical modeling of water operations, physical processes, and biological responses (e.g., Pacheco Creek fisheries) performed for the No Project, Proposed Project and action alternatives and presented in the Draft EIR was conducted for both existing conditions and future conditions as described in the Water Resources and Fisheries Numerical Modeling Appendix. Future conditions modeling incorporated anticipated climate change including changes in precipitation, runoff, temperature, and sea level rise (affected Delta exports).

Presentation Slide 19 Reduces Flooding in Downstream Communities

“Reservoir expansion can reduce peak flood flows by up to 46% in Pacheco Creek”

- *As previously noted, flood protection is not officially a benefit of this project and is purely incidental. To continue highlighting flood benefits is misleading.*

As described above, the flood control benefits were identified in the Valley Water’s Proposition 1, Water Storage Investment Program (WSIP) Application for Pacheco Reservoir Expansion Project. The California Water Commission conducted a technical review of the Valley Water’s WSIP Application and recognized that expansion of Pacheco Reservoir would provide downstream flood control benefits.

- *If Valley Water wants to continue highlighting incidental flood benefits, it should always be made clear that the reservoir will not be operated for flood control.*

Valley Water acknowledges the importance of clarifying the distinction between Project operations and Project benefits.



MEMORANDUM

FC 14 (01-25-23)

TO: Board of Directors

FROM: Darin Taylor

SUBJECT: Follow Up from April 9, 2024 Board Meeting,
Item 23-1065.

DATE: April 15, 2024

On April 9, 2024 the Board held a public hearing on the February 2024 Annual Report on the Protection and Augmentation of Water Supplies and Recommended Increases in Groundwater Production Charges, Surface Water Charges, and Recycled Water Charges for Fiscal Year 2024-25.

After hearing the staff presentation, members of the Board posed several questions. Staff has prepared responses in the attached question and answer (Q&A) document. The Q&A document also includes responses to related questions received from members of the public.

DocuSigned by:

Darin Taylor

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Darin Taylor

Chief Financial Officer

Office of the Chief Executive Officer

CC: R. Callender, A. Baker, S. Bogale, L. Penilla, J. Collins, V. Gin, K. Struve, C. Narayanan
CN

Memo_4-9-2024_Board_FollowUp

1. How are costs allocated across groundwater production zones, and are the allocations equitable?

- A: Valley Water employs an integrated approach to manage a sustainable water supply through conjunctive management and use of surface water and groundwater resources to maximize water use efficiency. Water utility costs are allocated between the 4 groundwater production zones based upon benefits received. Benefits received within each zone are based on the infrastructure used and activities undertaken to provide a reliable water supply to each zone.

Groundwater Benefit Zones:

In 2020 a comprehensive Zone of Benefit Study was completed. Beginning in 2014, the scientific study focused on Valley Water's groundwater benefit zones and is based on up-to-date geologic studies, local groundwater data, and the services Valley Water provides. In 2020 Valley Water Board of Directors adopted changes to update the zones based on the study results. There was extensive community outreach as part of this study. The current zones ensure ratepayers are grouped in a way that reflects the most recent and relevant data regarding services and benefits received by well users, including retailers.

Cost Allocations:

In general, costs are driven by infrastructure that provides benefit to a zone, and shared infrastructure costs are allocated to zones primarily based on the amount of water delivered to each zone by that infrastructure. While water rates differ from zone to zone, they are equitable in that a water user only pays for benefits provided to that zone.

The FY 2024-25 PAWS report (<https://www.valleywater.org/your-water/current-water-charges/proposed-water-charges>) provides details for the Basis of Cost Allocations between North and South Zones for operating projects (see Appendix B). Appendix C provides capital cost recovery details for completed capital projects benefiting the 3 South County Zones.

2. What portion of water rate increases are driven by capital investments?

- A: Over the next ten years, on average, 63% of total rate increases are driven by the Capital Improvement Program (CIP). It is important to note that due to the South County zone's capital cost recovery mechanism (i.e., once a capital project is completed, the portion benefiting a South County zone is amortized over 30 years), the portion of CIP costs driving annual rate increases will vary. Of note, over the next ten years, Operations & Maintenance (O&M) costs increase by 3.7% per year, on average.

3. How has inflation impacted the water rate projection? Is it a major cost driver of the rate projection?

- A: The U.S. experienced severe inflation in 2021 and 2022 due to global events related to COVID-19, supply chain issues, and the Russian invasion of Ukraine. In fact, the U.S. CPI peaked in June 2022 at 9.1% year over year. Since June 2023, the U.S. CPI has ranged between 3% and 4% year over year each month. Nevertheless, the impact of that severe inflation surge is felt today in the prices for labor and goods and services.

The construction cost escalation factors for VW's Capital Projects ranges between 7% and 4.8% from FY25 to FY30, which is a significant contributor to the total project cost of capital projects.

4. What inflation factors are being used for Water Utility projects?

A: Valley Water uses several inflation factors. Prior year actuals and current and future year projections are shown in the table below. Construction cost inflation factors are provided to Valley Water by O'Connor Construction Management, Inc. (OCMI) who conducted a San Jose Market Study for the Construction Cost Escalation Rate (CCER) to be used in the FY 2024-25 planning cycle. The OCMI Market Study is attached to this memo.

Valley Water Cost Inflation Factors	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Supplies & Services Inflation*	1.6%	3.2%	6.8%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Construction Cost Inflation**	5.4%	3.4%	14.1%	0.1%	12.0%	7.0%	5.5%	5.5%	5.5%	5.0%	4.8%	4.8%	4.8%	4.8%	4.8%

* Actual supplies and services inflation based on the San Francisco-Oakland-Hayward Consumer Price Index for all urban consumers as of June 2023
 ** Actual construction cost inflation based on the City Cost Index of Engineering News Record results for the San Francisco Bay Area as of June 2023

5. How much is the Water Utility spending on imported water?

A: The cost of Valley Water’s imported water supplies are competitive with other sources of supply. The unit cost of our contractual supplies from the State Water Project (SWP) and Central Valley Project (CVP) is approximately \$450 per acre-foot based on average annual hydrology. However, these unit costs would be greater in dry years and lower in wet years. Current 2024 water allocations are 30% for SWP and 75% M&I / 35% Ag for CVP, equating to approximately 140,000 AF of supply for Valley Water which is more than half of the water delivered in the County.

In the upcoming biennial budget, total imported water supply costs are close to \$80 million in FY 2024-25 and \$84 million in FY 2025-26, excluding supplemental water transfers and new water supply and storage project costs. CVP contract costs include U.S. Bureau of Reclamation costs for CVP water deliveries and San Felipe Division capital costs, as well as San Luis & Delta-Mendota Water Authority costs. SWP contract costs include all costs for delivery of SWP water, including costs related to the South Bay Aqueduct. Semitropic Groundwater Banking includes annual O&M and water banking activity costs and San Felipe Reach costs include Valley Water’s internal capital and O&M costs for the San Felipe Division.

Imported Water Supply Costs	FY 2024-25	FY 2025-26
Imported Water Contract Costs (Central Valley Project, State Water Project & Semitropic Groundwater Bank)	\$69.9 M	\$72.5 M
San Felipe Reach Capital and O&M Costs	\$ 9.7 M	\$11.3 M
TOTAL	\$79.6 M	\$83.8 M

Potential imported water supply-related project costs are shown in the following table. These projects are being evaluated as part of the Water Supply Master Plan 2050. Updates on each of these projects are being planned for future Water Supply and Demand Management Committee meetings.

Imported Water Supply-Related Projects	FY 2024-25	FY 2025-26
Delta Conveyance ¹	\$5.8 M	\$8.0 M
B.F. Sisk Dam Raise at San Luis Reservoir ²	\$10.0 M	\$5.0 M
Los Vaqueros Reservoir Expansion ³	\$ 4.0 M	\$4.5 M
TOTAL	\$19.8 M	\$17.5 M

1. Delta Conveyance costs reflected as an Operations Project. Ten-year total investment approximately \$94M.
2. B.F. Sisk Dam Raise costs reflected as an Operations Project. Ten-year total investment approximately \$225M.
3. Los Vaqueros Reservoir Expansion costs reflected as an Operations Project. Ten-year total investment approximately \$130M.

6. When will an analysis on the elasticity of water usage and water rates be available?

- A: Staff has engaged a consultant for a *Study on Water Use Demand, Elasticity and Rate Affordability*. This study is kicking off this Spring and the Board can expect staff to bring the project scope for review and discussion at an upcoming Water Conservation and Demand Management Committee meeting. Staff anticipates the study to take a year or so to complete, and is hopeful it will be informative to the FY 2025-26 rate setting cycle.

8. Are conservation savings factored into the water use projection? Is water conservation cost effective and how much is budgeted?

A: Yes, Water conservation is reflected in District-managed water use for FY 2023-24 adopted budget (207,000 acre-feet) and future projections (222,000 in FY 2024-25). If it were not for the conservation efforts achieved by residents and businesses in Santa Clara County, District-managed water use projections would otherwise be higher, all things being equal. That said, staff anticipates a post-drought water use rebound similar to what has been observed after previous droughts. Next year's water rate setting cycle will be informed by the summer 2024 water usage and by the consultant study results. The water use projection will be adjusted accordingly.

In 2023 an estimated 84,000 acre-feet of water was conserved in Santa Clara County. Valley Water has a robust conservation program that consists of various rebates and resources for residents and businesses in Santa Clara County, available [through over 20 programs](#). Prior year spending and current year budget is highlighted in the table below.

Programs & Projects	FY 21	FY 22	FY 23	FY 24
Drought Emergency	\$ -	\$ 4.1	\$ 4.8	\$ -
Water Conservation Program	\$ 4.6	\$ 7.8	\$ 11.6	\$ 12.1
TOTAL (millions) =	\$ 4.6	\$ 11.9	\$ 16.4	\$ 12.1

Water conservation is cost effective on a per acre-foot cost for new water supply and it saves residents and businesses money when implementing conservation. At the same time, water conservation results in less revenue to the Water Utility.

The Water Supply Master Plan analysis has shown that investment beyond conservation and recycling is needed for a reliable water supply in the future, even with the most aggressive possible conservation targets. In order to meet the Board's current water conservation targets, drought level participation must be maintained even in non-drought years. The water conservation targets are already included in the demand projections and therefore the portfolios being analyzed for the Water Supply Master Plan. While water conservation is a cost-effective new supply, depending on climate change impacts on demands, water conservation may not be sufficient to ensure a reliable supply in the future.

More information can be found online at www.watersavings.org.

9. Is the San Jose direct potable purified water project funded?

A: The San Jose Direct Potable Reuse (DPR) Phase 1 Demonstration Facility is validated, funded and included in the included in the CIP Draft FY 2025-29 Five-Year Plan. Preliminary cost projections for the San Jose DPR Phase 2 Full-Scale Facility are included in water utility rate projections in FY 2028-29 and beyond, although not included in the CIP Draft FY 2025-29 Five-Year Plan at this time.

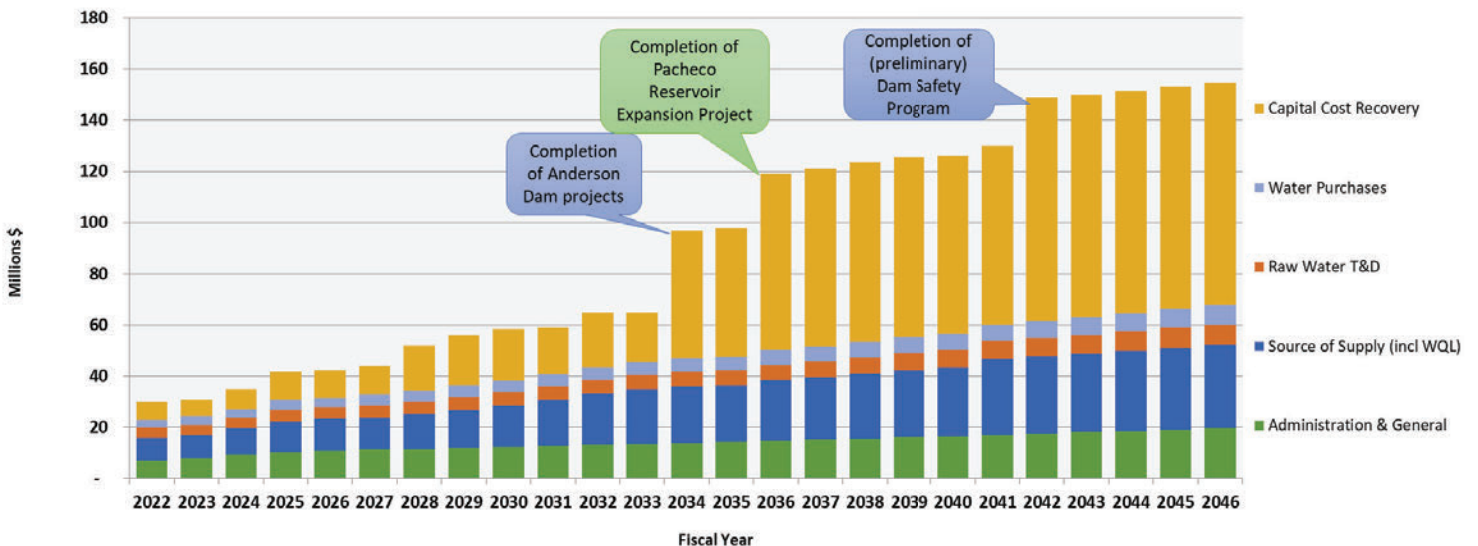
The Palo Alto Indirect Potable Reuse (IPR) Project was placed on the Unfunded Project list in the CIP Draft FY 2025-29 Five-Year Plan and will be reviewed and evaluated over the next 2 years.

10. Is groundwater recapture being maximized?

A: Per the District Act and SGMA, Valley Water is the Groundwater Sustainability Agency for the Santa Clara and Llagas subbasins. Valley Water responsibly manages the water supplies of the Santa Clara County by conjunctively managing the surface water and groundwater and has an effective managed aquifer recharge program using water from our ten local reservoirs and imported water. Several additional or expanded recharge facilities are being evaluated as part of the Water Supply Master Plan 2050 to increase recharge capacity and operational flexibility. In addition, Flood Managed Aquifer Recharge is also being evaluated as part of the Board’s no regret policy to recharge on agricultural or open lands.

11. What happens to the South County cost projections after FY34?

A: The South County cost projection graph has been extended beyond FY34 as shown in the graph below.



12. Is the North County Zone W-2 M&I groundwater charge projected to increase by 12X in 11 years versus the FY 23 actual charge of \$1,724/AF?

A: A 12X increase would mean a projected groundwater charge of \$20,688/AF in FY 34 which is not correct. Instead, the PAWS report reflects a North County groundwater charge of \$5,075 in FY 34.

For North County Zone W-2 what is the contribution of the increase with and without Pacheco, Sisk, Los Vaqueros Expansion, and Delta Conveyance?

A: See item 10.1 from the 3/26/24 Board meeting regarding the Long Range Financial Planning Models. Scenario 2 is the North County Zone W-2 groundwater charge projection without Pacheco, Sisk, LVE and Delta Conveyance. Scenario 6 includes all of those projects plus the impact of a San Jose Purified Water Program Phase 2 Full-Scale Facility project.

What are the cost drivers of VW's groundwater charge projection?

A: The key cost drivers of the long-term rate projection are large capital projects and investments in new water supply.



MEMORANDUM

FC 14 (08-21-19)

TO: Luz Penilla
Assistant Officer
Office of Integrated Water Management

FROM: Jessica Collins
Unit Manager
Business Planning and Analysis Unit

SUBJECT: Capital Improvement Program (CIP)
FY25-FY39 Recommendation for
Construction Cost Escalation Rate

DATE: November 15, 2023

This memorandum presents the annual review of the Construction Cost Escalation Rate (CCER) applicable to the Capital Improvement Program and makes recommendations for adjustment.

Staff has commissioned O'Connor Construction Management, Inc. (OCMI) to conduct a San Jose Market Study (Attachment 1) and to compile a CCER for FY25-FY39 and the findings are summarized as follows:

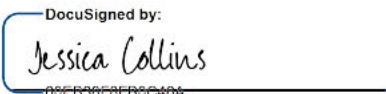
1. The global COVID-19 pandemic continues to have an impact on supply chain, labor and inflation, which all impact the cost of construction. Therefore, the average escalation conditions for the next five years are forecast above average, with 2025 expected to see 7% before trending down to 5.5% for the next three years thereafter. (See Attachment, page 2)
2. By a number of metrics, the historical average annual construction cost escalation rate is approximately 3.2% per year. Counter to this trend, the years 2021 and 2022 registered construction cost escalation rates of 5.2% and 19.9%, respectively. (See Attachment, page 4)
3. Overall, the Santa Clara County construction market is and will remain very tight in terms of the balance between volume and laborers' ability to support. Reductions in the near term in the vertical construction market will help to ease some aspects of the construction labor shortage, but the large amount of public infrastructure investment slated for the next five years will continue to put steady pressure on local labor suppliers to keep up with demand, particularly in trades that infrastructure utilizes heavily like concrete workers, pipe fitter and equipment operators. While material pricing continues to recover across most categories, certain materials, such as concrete and piping, remain at elevated levels of consumption. (See Attachment, page 19)
4. The worst of the unprecedented price spikes due to supply chain system shocks are likely over, but monetary inflation has left the predicted price floor to which prices will settle less clear. At present, the temporary stasis appears to rough out to an anecdotal formula of: PreCOVIDPrices + 30%. (See Attachment, page 4)

These findings will be used to provide the CIP Evaluation Team with a recommended annual CCER for future CIP construction costs. It is recommended that an annual CCER of 7.0% be applied for projects with planned construction in FY25 before trending down to 5.5% for the three years thereafter and then to 4.8% for FY30-39.

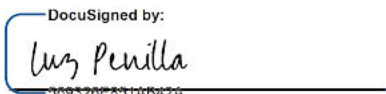
	FY25	FY26	FY27	FY28	FY29	FY30-39
CCER	7.0%	5.5%	5.5%	5.5%	5.0%	4.8%

If you have questions, please contact Jessica Collins JCollins@valleywater.org.

Recommended by:

DocuSigned by:

Jessica Collins
Unit Manager
Business Planning and Analysis Unit

Accepted by:

DocuSigned by:

Luz Penilla
Assistant Officer
Office of Integrated Water Management

Attachment: Santa Clara Valley Water District Market Study

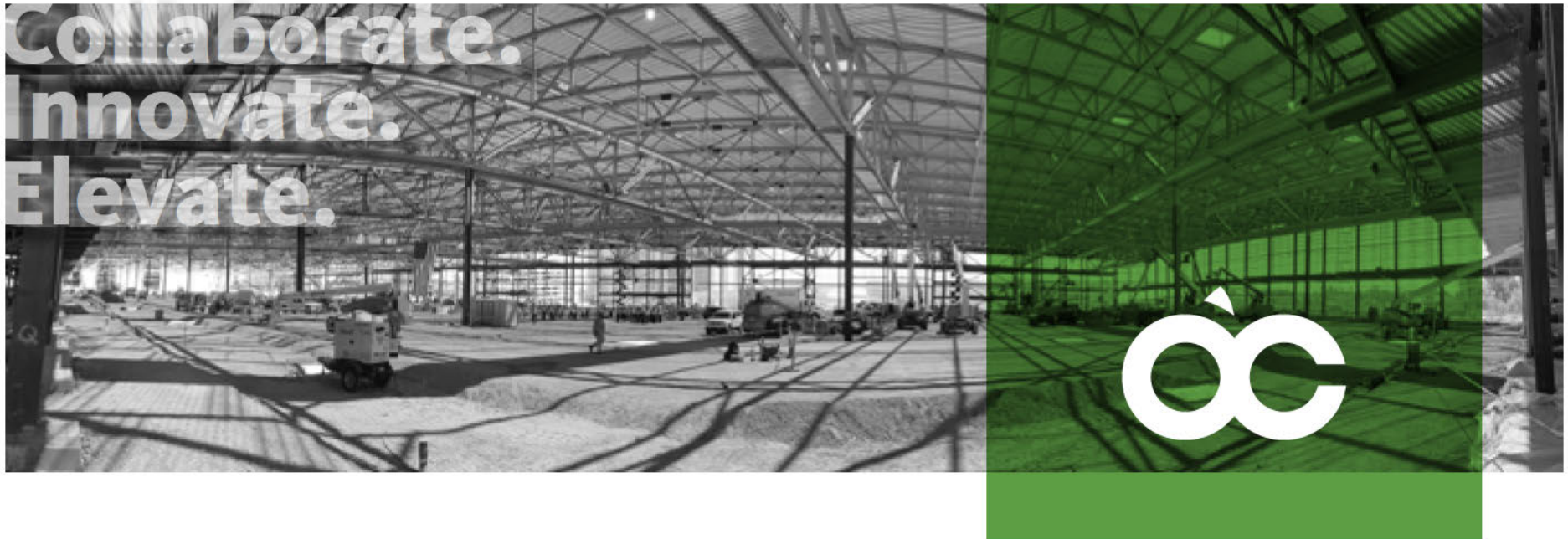
cc: CIP Evaluation Team, Finance, CIP Team, and CPMPC
sb:jc

Santa Clara Valley Water District

Market Study

Job No. 210355.007

14 August 2023



Santa Clara Valley Water District Market Study

San Jose, CA



EXECUTIVE SUMMARY

Purpose

The Santa Clara Valley Water District covers approximately 1,300 square miles (138,000 acres) and serves approximately 2 million residents spread across 15 different cities. It manages approximately 10 reservoirs, 300 miles of creeks and watersheds, and provides approximately 220 million gallons of drinking water per day. The construction priorities for the District are both significant and complex in nature, and as such have considerable capacity to be impacted by fluctuations in local market conditions. Accordingly, the District has requested that OCMI, Inc. prepare a market report that evaluates the short and medium term prospects for large scale construction in the area and provides forecasted escalation rates to be utilized in the preparation of cost analysis documents.

Summary

Overall, the Santa Clara construction market is and will remain very tight in terms of the balance between volume and laborers' ability to support. Reductions in the near term in the vertical construction market will help to ease some aspects of the construction labor shortage, but the large amount of public infrastructure investment slated for the next five (5) years will continue to put steady pressure on local labor suppliers to keep up with demand, particularly in trades that infrastructure utilizes heavily like concrete workers, pipe fitter and equipment operators. While material pricing continues to recover across most categories, as documented in our previous sections, certain materials

like concrete and piping remain at elevated levels of consumption. In the overall we forecast above average escalation conditions for the next five (5) years, with 2025 expected to see 7% before trending down to 5.5% for the next three years thereafter.

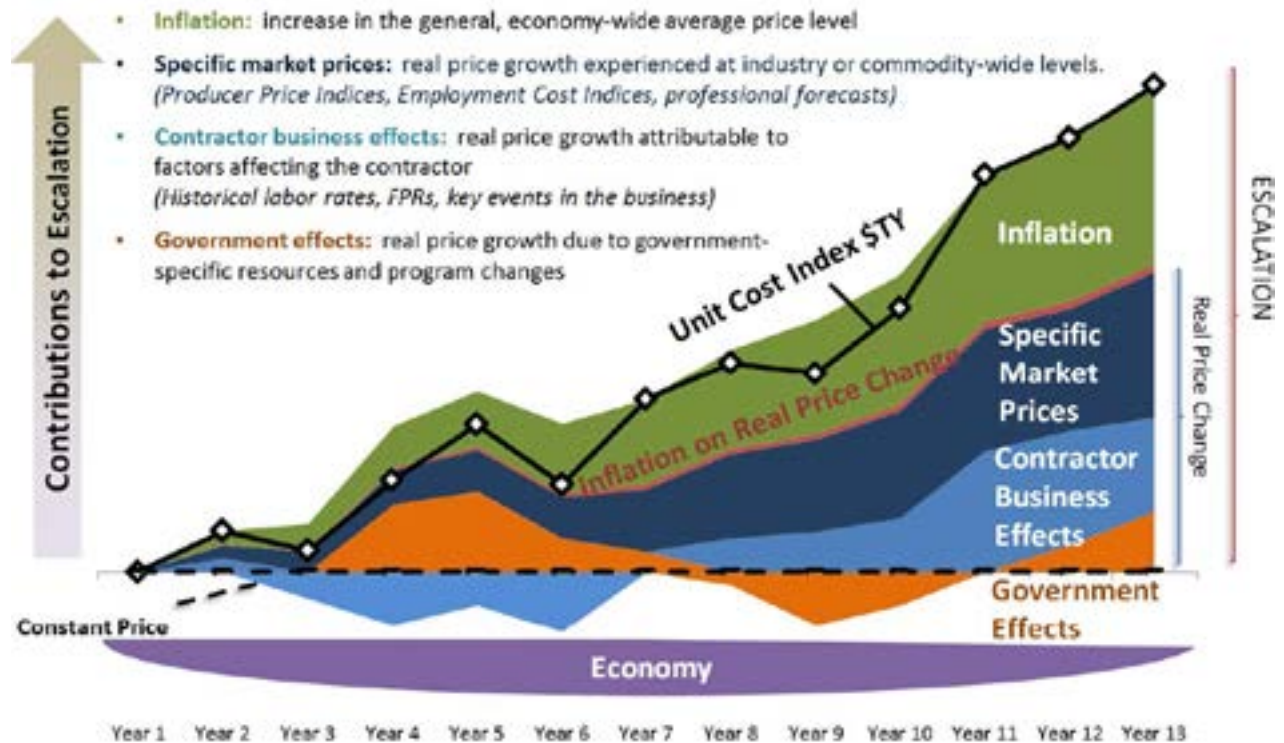
ESCALATION OUTLOOK						
Year	FY25	FY26	FY27	FY28	FY29	FY30-39
Construction Cost Escalation Rate	7.0%	5.5%	5.5%	5.5%	5.0%	4.8%

MACRO MARKET ANALYSIS

Factors of Escalation

Before the discussion on escalation, it is important to emphasize and illustrate the factors and components that make *cost escalation* - a primary subject of this report - and how those differ from one the component parts, *inflation*. While cost escalation includes inflation, other economic variables make calculating the escalation factor for any one specific industry and/ or region a more complicated exercise. Escalation is as a combination of variables; any number of which can vary from expectations in response to ordinary or extraordinary market activities, as seen during the recent global COVID outbreak.

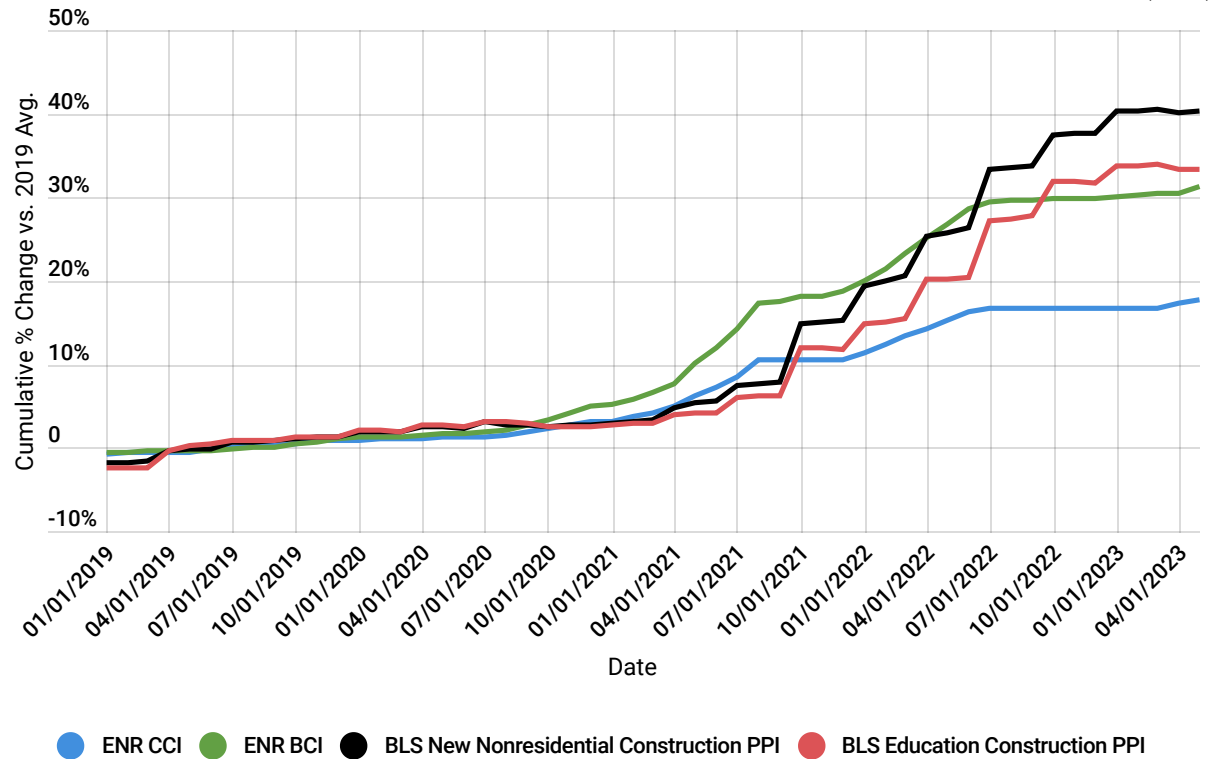
At the same time, it is valuable to try to parse what is permanent and what is conditional. While the specifics and contextual variables are too numerous to fully quantify, the underlying principle of temporary spikes is important to apply to this analysis. For example, temporary spikes in price due to prolonged supply access shortages (real or contrived) should not necessarily dictate the calculus of the authoritative 'new normal' in terms of pricing and growth rate. This is critical to realistic projections of future escalation which rely on a current period denominator.



MACRO MARKET ANALYSIS

Recent National Construction Cost Escalation

By a number of metrics (including ENR CCI, ENR BCI, BLS Non-residential Construction Cost PPI), the historical average annual construction cost escalation rate is approximately 3.2% per year. Counter to this trend, the years 2021 and 2022 registered construction cost escalation rates of 5.2% and 19.9%, respectively (BLS, New Nonresidential Construction PPI, WPU8011). While 2021 brought about surges in speculative endeavor valuations (equities, new housing development) which betrayed the supply chain challenges, 2022 manifested the downsides of aggressive relief monetary policy. Supply chain challenges continued into 2022 with the spikes in material commodity prices reaching their peaks in the first two quarters. The worst of the unprecedented price spikes due to supply chain system shocks are likely behind us, but monetary inflation has left the predicted price floor to which prices will settle less clear. At present, the temporary stasis appears to rough out to an anecdotal formula of: PreCOVIDPrices + 30%.



Recent Escalation

Sources: ENR CCI, ENR BCI, BLS New Nonres PPI, BLS Education PPI

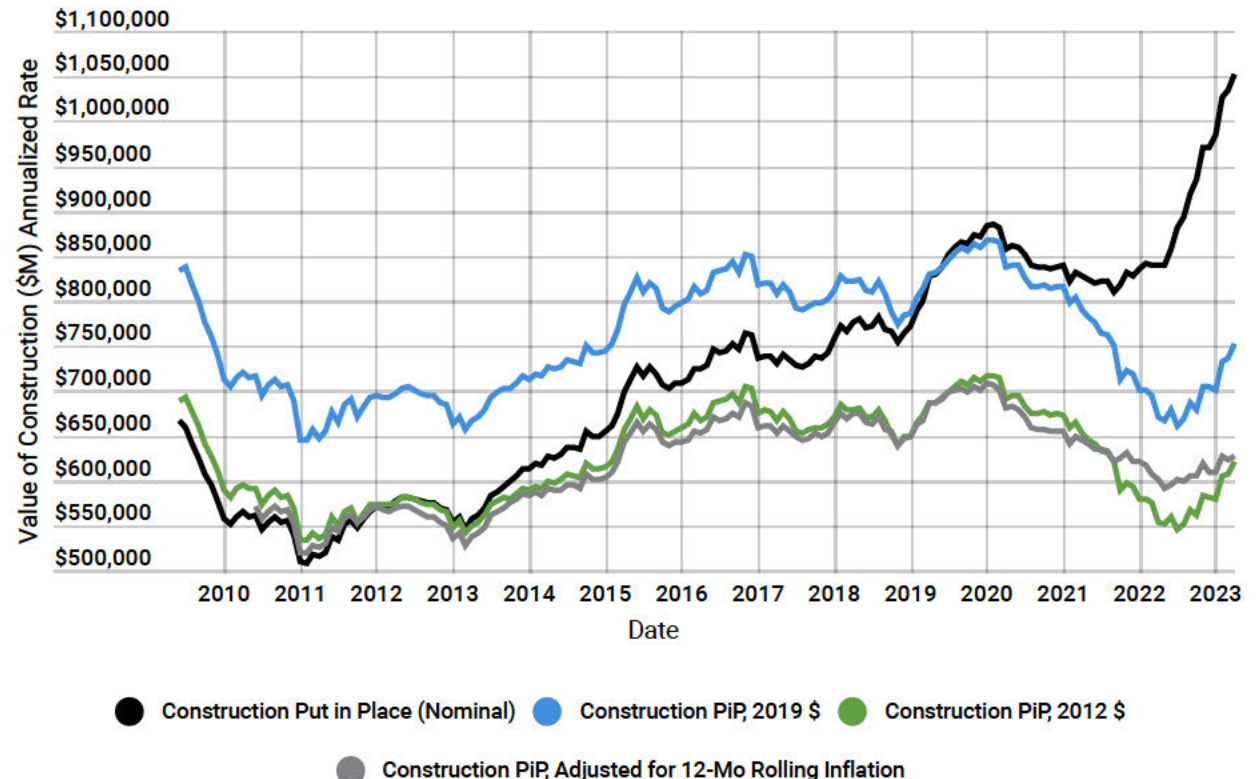
MACRO MARKET ANALYSIS

National Construction Spending

At a nominal level (black line), Total Nonresidential Construction Spending (TNRCS) in the US has rebounded from post pandemic-onset dip since September of 2021, with annualized rates of construction put in place reaching a new high in September 2022 at \$900,777,000.

Importantly, though, the reported spending values are not controlled for inflation; monetary or otherwise. While it is difficult to apply a perfect adjustment methodology, the graph to the right demonstrates the results of adjusting the data to reflect 2012 dollar values and, alternatively, to 2019 dollars and via a 12-month preceding rolling average inflation adjustment. In all three (3) scenarios, it is clear that the aggressively upward trend in nominal spending is not likely reflective of actual volume of work being accomplished. This is an important filter for the data so that one may understand the other factors (discussed later in this report) that are driving construction costs in addition to volume of demand.

The subsequent analysis indicates that late 2021 and 2022 were strong periods for construction starts as financing was secured at low rates. These projects are seeing spending curves peak. An appreciable drop-off in the second half of 2024 is possible. The severity of this would indicate the follow-on impact on labor and subcontractor availability, generally.



Nonresidential Construction Spending

Source: U.S. Census Bureau

MACRO MARKET ANALYSIS

Projected Construction Activity

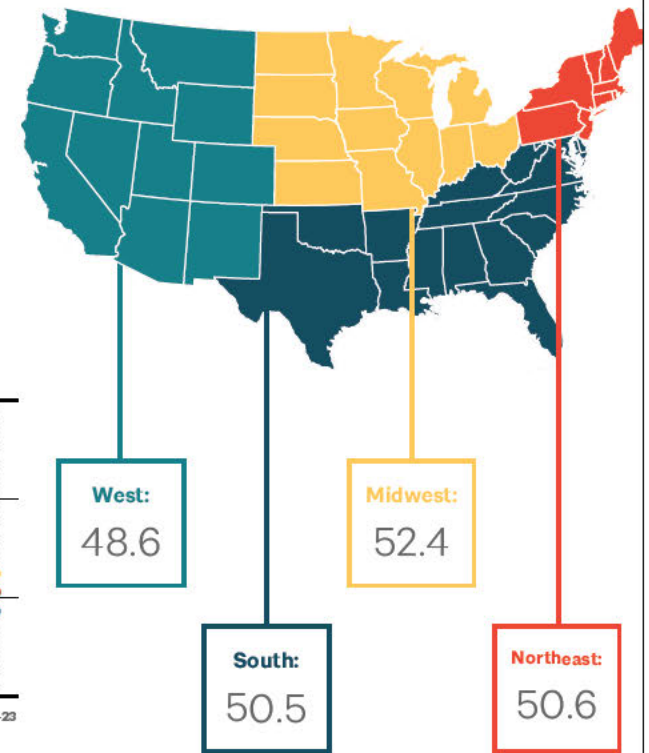
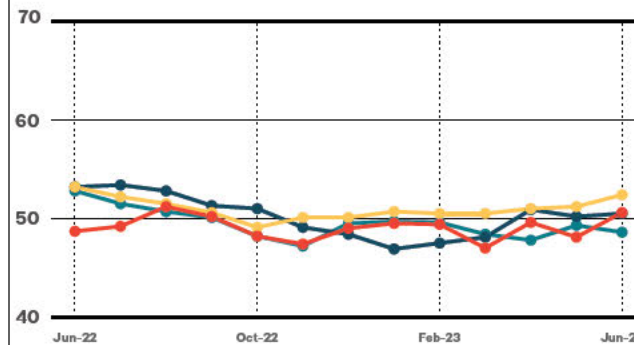
The Architecture Billings Index (ABI) is a regarded leading indicator of future construction activity by roughly 9-12 months. As the American vaccine roll out progressed, so too did capital project owner outlook. Accordingly, the ABI has followed along that optimistic* trend line over the last two years (Jan 2021 - Sept 2022), returning to positive projections after roughly a year of negative reports.

Since September of 2022, however, indicates a sub-50 aggregate Index reading for the West region. Per the AIA's accompanying report commentary, a downtick in executed design contracts and a 'wait and see' approach from capital owners is driving much of the survey responses. Recent moves by the Federal Reserve Board to increase effective interest rates have most certainly curtailed investor appetites, to some degree, as private capital investment becomes more costly from an equity perspective.

Regional

Business conditions improve at firms in all regions of the country except the West

Graphs represent data from June 2022–June 2023 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Source: *AIA ABI, June 2023*

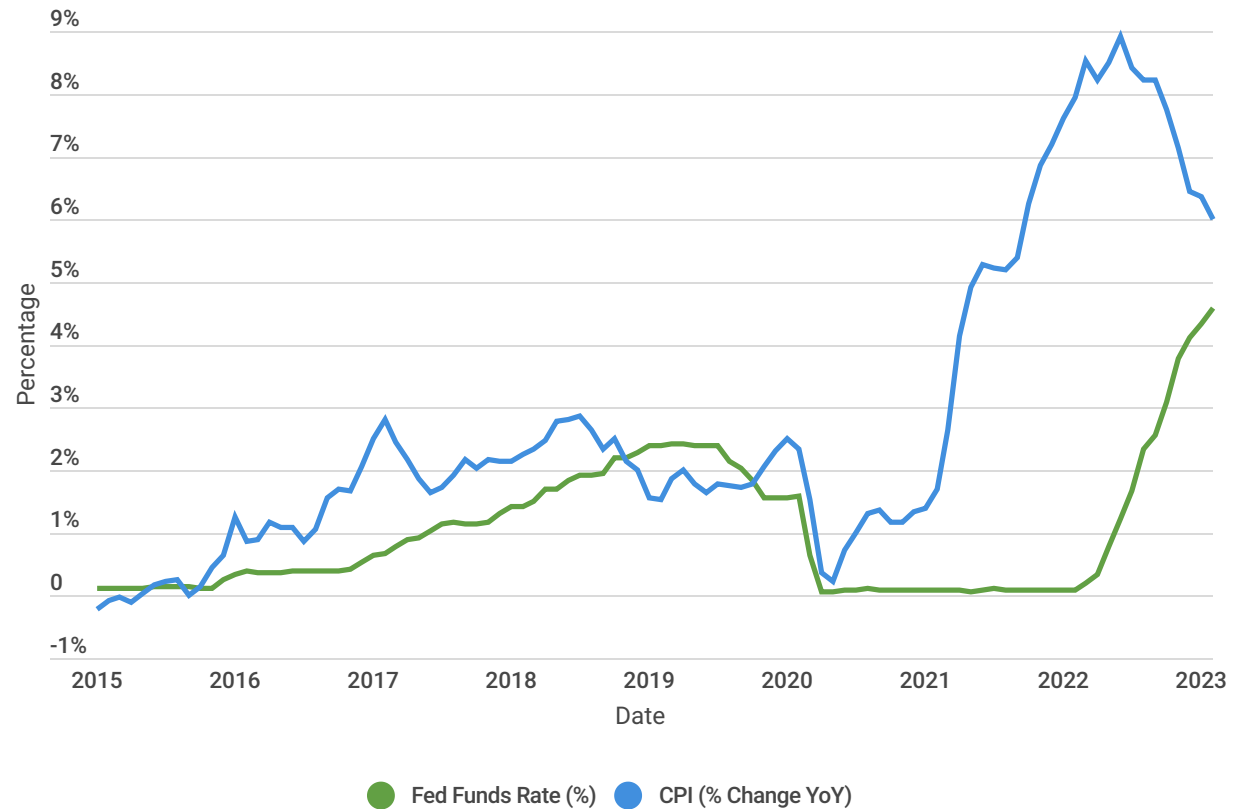
MACRO MARKET ANALYSIS

Inflation @ Medium-Term Wage Growth

Relief actions by the federal government, including the CARES Act and Consolidated Appropriations Act of 2021, infused trillions of new dollars into the U.S. (and international) economy as the government worked to shield citizens and companies through the worst of the economic turmoil. In turn, this resulted in monetary supply growing at an unprecedented rate, as seen for example, in the graph to the right. These actions combined with extremely low interest rates, supply chain disruptions, and energy price turmoil to create record high inflation over the last year.

As a correction, the U.S. Federal Reserve has worked to increase Effective Federal Interest Rates (Fed Rate) as the quickest pace in the nation's history. The rapidity of this action has caused uncertainty across markets, particularly highly leveraged and lending-dependent markets such as property development and, to a degree, manufacturing. Recently, the impact of these moves on the U.S. Bond market has translated into the failure of Silicon Valley Bank and general warnings that other medium-sized financial institutions may have similar liquidity stresses not yet realized.

The net effect by design, however, is likely to be a staunch slowdown in borrowing and spending across the U.S. economy. When this will manifest and how deeply this will impact private-side non-residential construction is not fully understood. Further, how severe the private-side slow down is will be the biggest



Source: Bureau of Labor Statistics

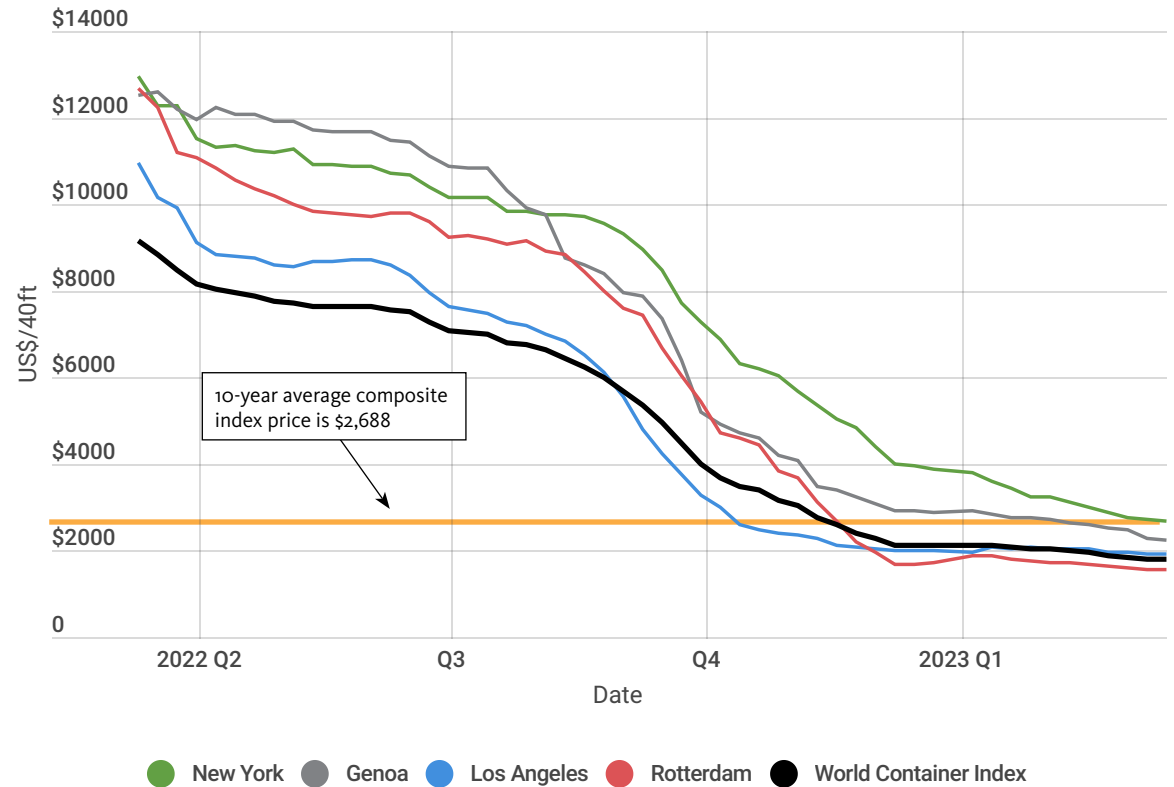
Inflation & Wage Metrics

determinant how decreased demand will impact pricing and bidder interest in public (federal) projects.

MACRO MARKET ANALYSIS

Material Pricing

A primary contributor to many of the material price spikes of the COVID era, transoceanic shipping disruptions and cost increases reached previously unimaginable levels in 2021 and early 2022. Drewry Supply Chain Advisors, which tracks and publishes container shipping costs, is currently tracking the composite cost of shipping containers at roughly \$1,709/ea, or approximately on par with pre-pandemic pricing levels. While perhaps more acutely felt at the personal consumer level, this regression to previous levels represents a positive sign for equipment and foreign material pricing. It should be noted, though, that while this is positive for pricing, this has not negated manufacturing lead times that persist for large, engineered equipment like air-handler units and switch gears.



Source: Drewry World Container Index

Transoceanic Shipping Rates, Last 12 Months

MACRO MARKET ANALYSIS

Material Pricing (continued)

As of June 2023 data reporting, material cost growth has been led by increases in steel products, which are still up 24.0% over the last 24 months, diesel fuel at +36.0% over the last two years, and cement construction products which are up 17.0% YoY. While spikes in the last two years have been severe due to a number of previously discussed stimuli, it is important to note that the market is beginning to see substantive easing of many material cost surges. While many major price categories are still well into the 'plus' category YoY, recent trend lines have shown a slowing to the volatility and a retreat in several product lines.

Material PPI	1 Mo. Change	3 Mo. Change	12 Mo. Change	24 Mo. Change
Iron & Steel Scrap	-7.8%	-0.7%	-20.4%	-8.6%
Sheet Metal	5.1%	20.4%	-36.1%	-17.7%
Steel Mill Products	5.2%	9.9%	-18.9%	7.7%
Lumber	0.1%	-1.9%	-33.8%	-43.4%
Precast Concrete Products	0.4%	1.7%	9.2%	24.6%
Cement	0.1%	0.4%	13.6%	21.8%
Plastic Construction Products	-0.7%	-0.8%	-1.6%	27.6%
Paint & Coating	0.0%	0.0%	3.8%	36.9%
Glass	-1.1%	-1.1%	8.0%	18.6%
Diesel Fuel	-4.5%	-11.3%	-29.7%	21.7%
Copper & Copper Products	-2.7%	-4.8%	-6.8%	-8.4%
Aluminum	-2.0%	-5.5%	-25.3%	-7.3%

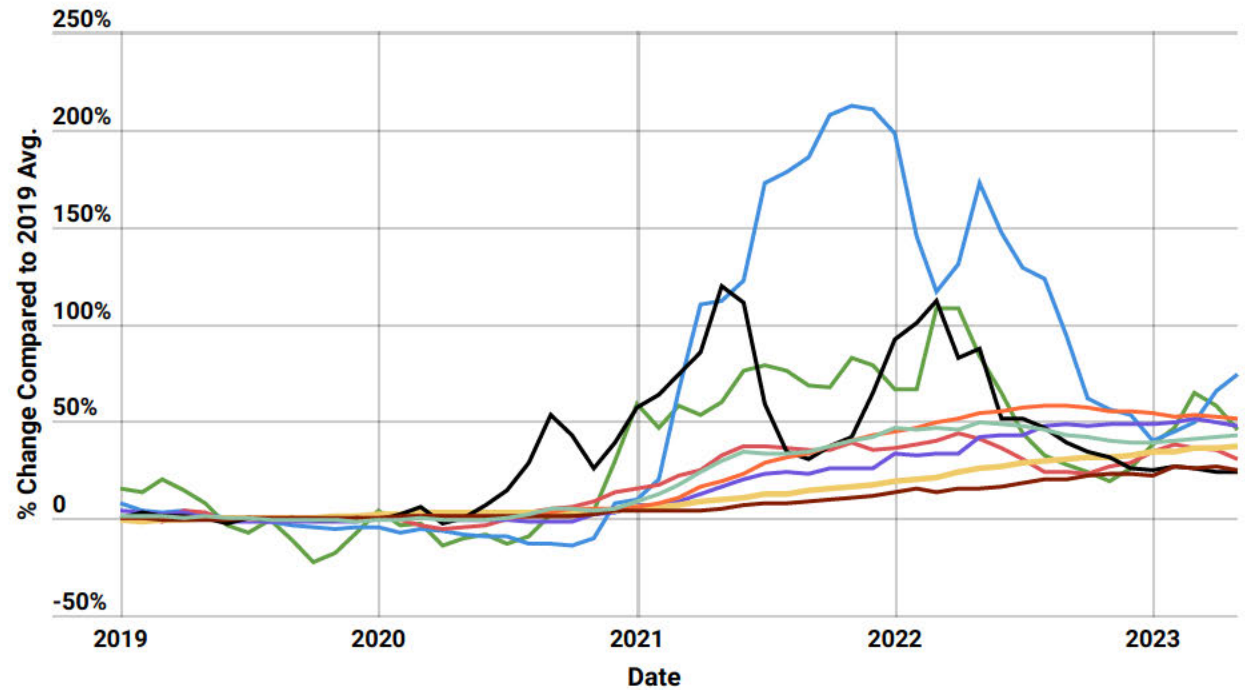
Change in Producer Price Indexes

Source: Bureau of Labor Statistics

MACRO MARKET ANALYSIS

Material Pricing

The graph to the right provides a visual representation of cumulative change in Producer Price Index value for a variety of materials. This serves to highlight the to-date net change in pricing levels through, and after, the COVID pandemic and associated market volatilities.



- Iron & Steel Scrap
- Sheet Metal
- Copper Wire & Cable
- Gypsum
- Precast Concrete PPI
- Lumber
- Plastics
- Glass
- Construction Material Cost Index

Producer Price Indexes - Select Materials

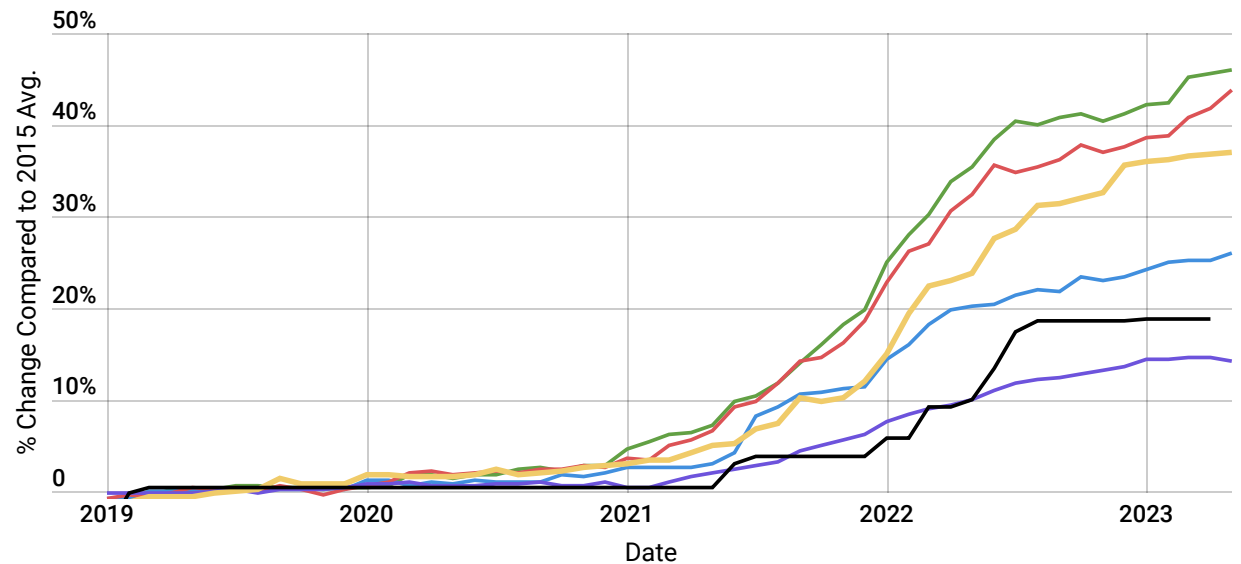
Source: Federal Reserve Economic Data (FRED)

MACRO MARKET ANALYSIS

The exceptions to this forecast for easing are particular equipment and materials related to HVAC and engineered electrical equipment. Ongoing supply chain issues stemming from backlog in manufacturing overseas has yet to ease, causing persistent demand-induced price premiums and extended lead times. This continued volatility has also resulted, anecdotally, in greater contingencies carried by contractors and subcontractors during bid and preconstruction activities. As several contractors interviewed for this report noted; switchgears, transformers, and even some non-typical electrical panel boxes are substantial causes of delay if not properly planned for via early release packages or other alternative procurement strategy.

There is currently no firmly forecasted future point of relief for this extreme long-lead reality. With ever more electrification and preparation for Electric Vehicle (EV) charging infrastructure being planned, continued vigilance and proactive planning will be necessary to mitigate future issues. Standardization of equipment specifications to facilitate maximum early procurement, as well as early identification of future capacity needs and related equipment will help avoid compounding complications as the LRCP is executed.

Reshoring of domestic production of components of these materials will assist in reducing wait times further down the line (Foxcon builds, etc.) but the ongoing conflict in the Eurasian plane and



- Air Conditioning and Refrigeration Equipment
- Air Purification Equipment and Industrial and Commercial Fans and Blowers
- Heat Transfer Equipment, Including Heat Pumps
- Electrical Machinery and Equipment
- Switchgear, Switchboard, Industrial Controls Equipment
- Switches, Mechanical, for Electronic Circuitry

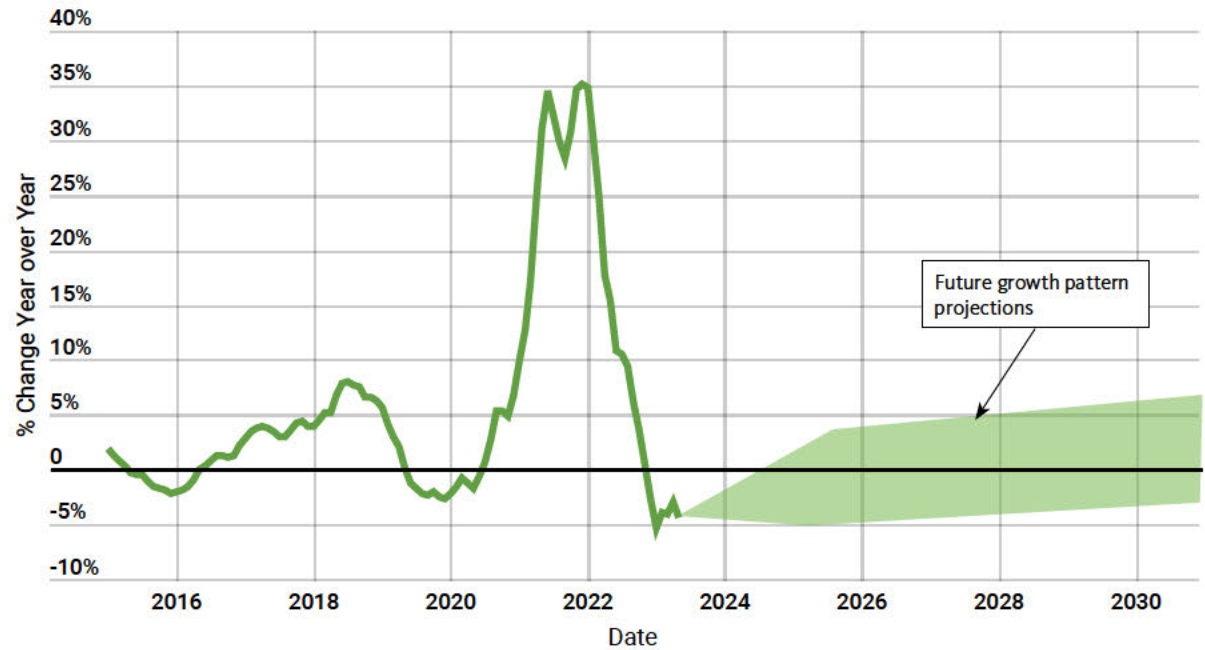
Producer Price Indexes - Select Equipment

Source: Federal Reserve Economic Data (FRED)

it's downstream effects on material supply and consumption on the remainder of the world market will remain a difficult factor to forecast with confidence.

MACRO MARKET ANALYSIS

The chart to the right highlights the by-year price movement of all construction material costs over the last 3+ years through the worst of the pandemic woes. At its peak, the spike from pre-COVID pricing levels reached +40%. At present, the net change from January 2019 to today sits at just under 35%, with many materials and commodities seeing stabilization over the last 3-6 months.



● Construction Materials Cost Index PPI

Construction Material Cost Index

Source: Bureau of Labor Statistics

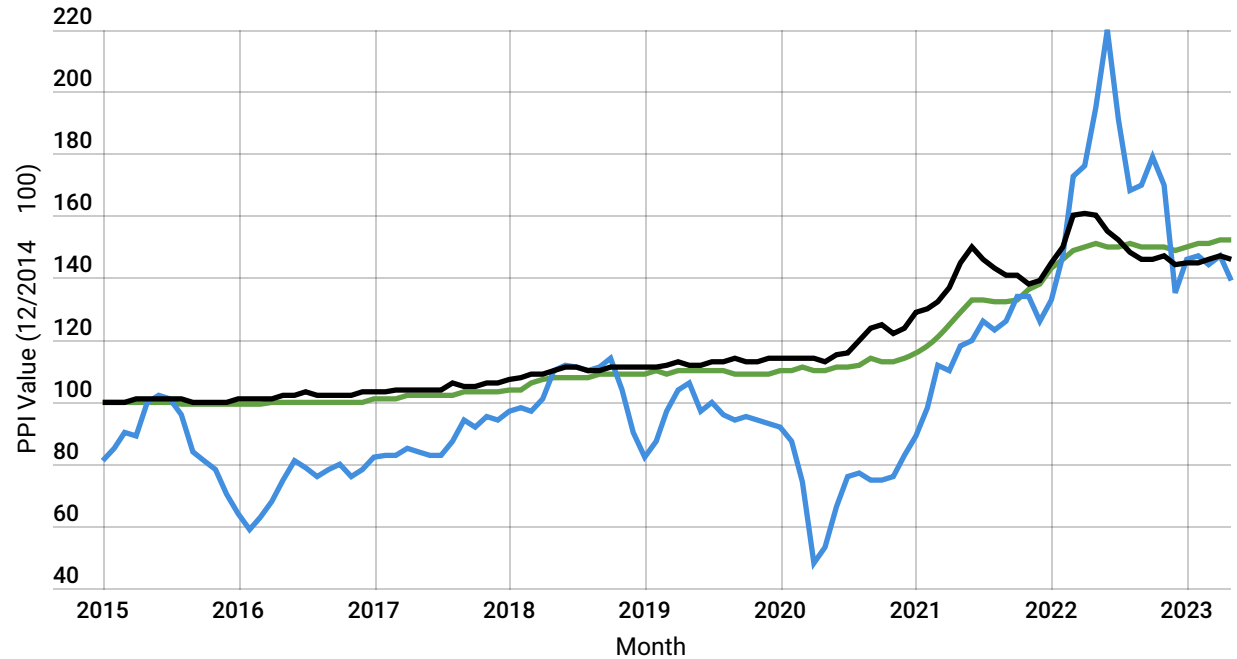
MACRO MARKET ANALYSIS

Role of Energy in Construction Costs

Energy, specifically by way of petroleum products, is one of the largest contributing factors to the cost of construction of any type. From concrete manufacturing to plastic products and material delivery, energy is a cost applied to nearly every construction activity. Accordingly, it is important to note that any potential improvement in the cost of other raw inputs will be partially, if not fully, offset by sustained, elevated energy prices. As seen in the chart to the right, energy was already the highest fluctuating input to construction. Low cost oil and natural gas through much of 2020 muted some price hikes in costs related to domestic transportation and delivery operations.

At present, the war in Ukraine is likely to continue for months, and the international trade frictions even more likely to persist for years thereafter. Short of major, international collective action to force the global price of oil down, the current rise in overhead and transportation costs are representative of another new normal for the foreseeable future.

Current developments in the Middle East would appear to indicate a potential easing of tensions between several different significant OPEC countries, which will serve to lower concerns about the viability of shipping through the Straights of Hormuz and, correlatively, the world supply of light sweet crude. However, longer term, substantial diplomatic and economic ties would need to manifest in order to be able to firmly extrapolate this trend.



● Goods (Less Energy) ● Energy ● Services

Inputs to Nonresidential Construction

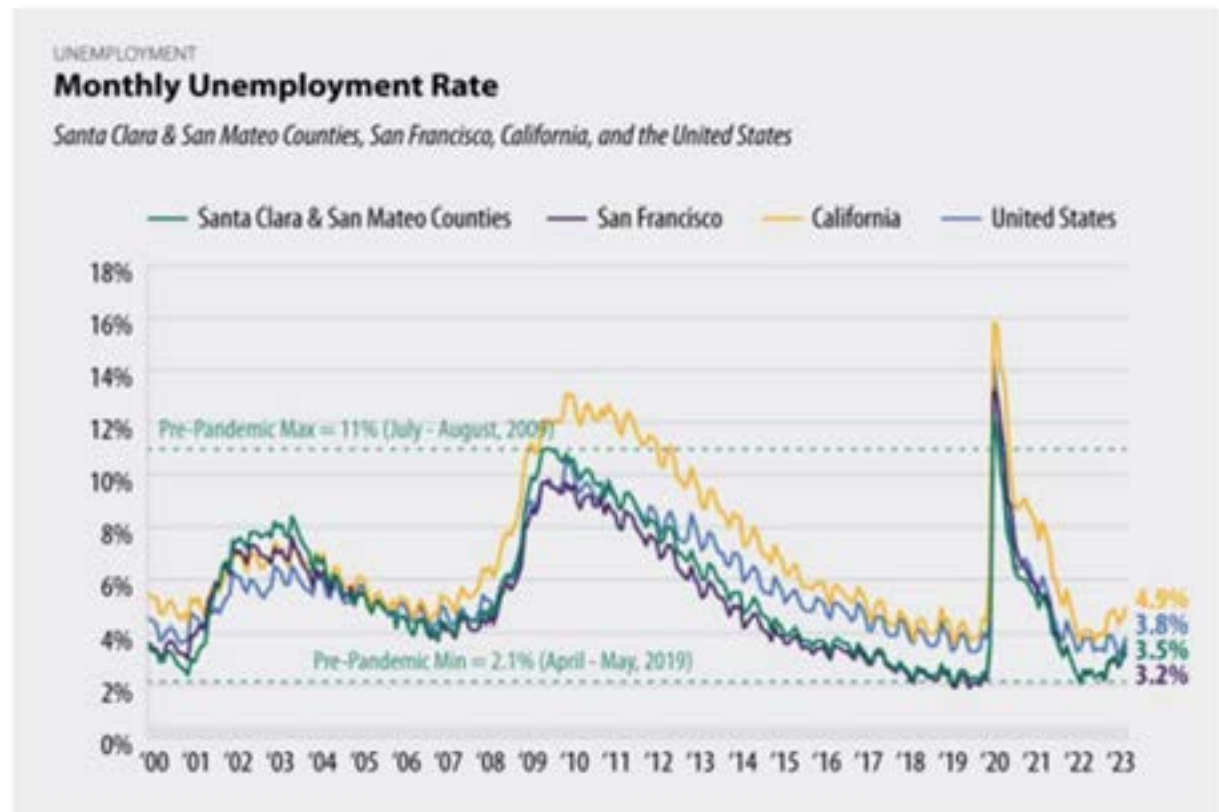
Source: Bureau of Labor Statistics

MICRO MARKET ANALYSIS

Local Investigation

Santa Clara County covers a large portion of the southern Bay Area and runs from Palo Alto in the north past Gilroy at its southernmost point, and is the most populous county in Northern California and the 10th most populous county in the United States. Because of the size of the area and its proximity to San Francisco, it is often evaluated in tandem with wider economic trends that affect the area broadly, but the density of both local construction volume and population necessitate a more tailored, specific approach to evaluating its current and future economic conditions. Santa Clara's status as the home of Silicon Valley and the technology revolution has created an extremely competitive economy in the region over the last 20-30 years that leans heavily into higher end, new economy jobs.

Professional and business services, which is the category that technology, advertising and other assorted high wage professional offerings are sorted into, occupies slightly more than 25% of the full time jobs in the area, with Health and Education services coming in at number two. Indeed, the San Jose MSA (Metropolitan Statistical Area) currently boasts the highest average household income of any county in the United States and, depending on year, one of the top five largest GMP (Gross Metropolitan Product) levels in the world.



MICRO MARKET ANALYSIS

The high wage rates for these types of positions has created a situation in which *the economy has dramatically outpaced average construction sector wages' ability to keep up*, which has forced a significant number of workers in lower wage sectors including construction to relocate their residences outside of the area. Although the area is rated as being an extremely desirable place to live, its high cost of living has also restricted population influx, and since 1980 population growth in the county has been below both the growth rate for California (20% below) and the United States at large (1.3% below).

More than half of the adult residents of the area hold college degrees, and since 1980 the percentage of residents that are of primary school age has declined by 22% while the percentage of population that are Seniors (65+) has almost doubled. The net result of these factors is a county that is getting, on average, older and possessing of a less diverse range of skillsets than 30 years ago.

Local Employment

From a cross-industry perspective, overall labor supply in the wider San Jose-Sunnyvale-Santa Clara market increased steadily from 1990 up until the COVID pandemic in 2020, rising from roughly 870,000 to 1.1 million. Over the same period, unemployment vacillated between a high of 9% in 2003 to a low of 2.3% in 2019 with overall average unemployment sitting at 6.19%. When the pandemic materialized it had a marked, weakening effect on the supply of San Jose's labor, as was the case in most other areas. Overall labor supply fell by almost 50,000 workers between Q1 and Q2 of 2020.

While this dynamic is not dissimilar from past economic downturns, both the speed of the fall and the fact that these workers have, as of now, not entirely returned to the labor pool is, and as of the writing of this report *the current total labor pool in the overall San Jose market has yet to regain its pre-pandemic levels*. While Santa Clara County's overall unemployment rate is sitting at its highest point since January 2022 at 3.7%, this also gives it the 6th lowest unemployment rate in the state and puts it just 20 basis points above the national average. In addition, it should be noted that the larger Northern/Central California area boasts all 6 of the lowest unemployment rates in the state, with Marin, San Francisco, San Mateo, Napa and San Luis Obispo occupying the other spots.

The Education/Healthcare and Leisure/Hospitality sectors have led in employment growth over the last 12 months, up 12,200 and 11,800 full time jobs respectively, while construction has grown at roughly 1/6 of that rate, adding 2,000 jobs over the same period.

MICRO MARKET ANALYSIS

Local Construction Employment

Overall construction employment in the greater Santa Clara county area has increased over the three years since the pandemic, rising to approximately 55,800 full-time workers as of June of this year and, as of 2022, surpassed pre-COVID highs. This growth in overall employment has come at a cost, however, as many of the new tradesmen entering the industry are entirely new to it, and as such will require a three (3) to five (5) year training period to be able to maintain traditionally expected rates of productivity. Because of the large number of new workers entering the field more experienced workers are, and will continue to, command a premium for their services.

The construction sector, from the employer's perspective, has also undergone significant changes over the past twenty years that have shifted the dynamics of attracting new workers into the business. The sector, along with civic employment like firefighters and police officers, used to represent the best opportunities for good wages and long term, steady employment in the country if someone didn't have a secondary degree - this is no longer the case. While this is being driven by a number of factors, the largest two are the fall in the purchasing power of the average construction wage and the proliferation of warehouse employment. Wages in the construction sector have been falling steadily relative to the cost of living for the last 30 years and have declined by

Cost Input #2: Labor

U.S. real construction output contrasts with labor levels

Inflation adjusted 2012 chained dollars, seasonally adjusted annual rate



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MICRO MARKET ANALYSIS

almost \$5/hr when you adjust for inflation from 1973 to now. This is, in many ways, being driven by the decline in union participation in the trades. The rise of “Right to Work” legislation and the corresponding toll that has been taken on union participation has also weakened workers’ ability to collectively bargain, which has lessened the rate of increase in pay year to year and lowered the number of advocacy groups that are dedicated to introducing these types of jobs to young people just entering their working years - the net upshot being that construction sector wages don’t provide the living that they once did for a large portion of the industry.

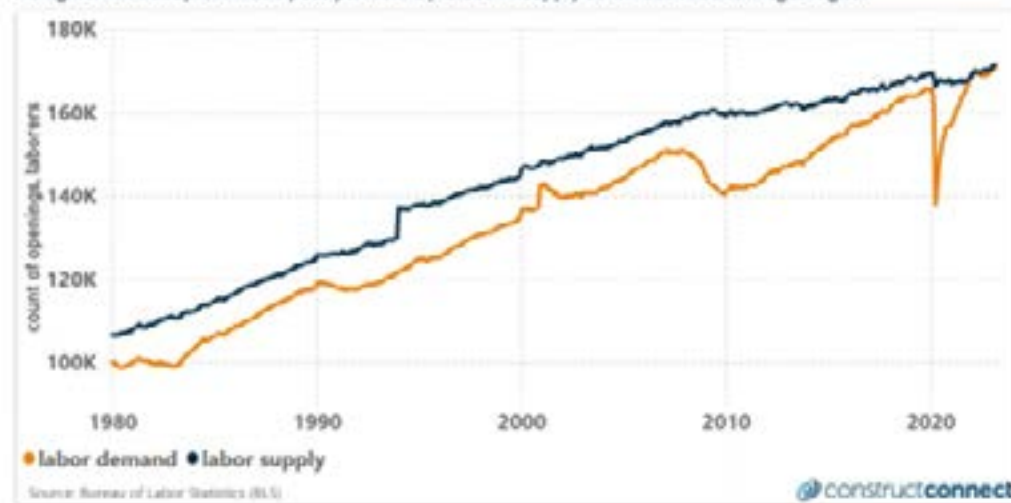
This is then paired with a significant upshift in both the number of, and wage rates for, employment opportunities in the warehouse and logistics industry. The appeal of these types of positions are significant and include factors like relatively low amounts of training required to make a full salary, high levels of pay (\$20/hr+ starting wages) and immediate benefits like healthcare and vacation. Warehouses are also in fixed locations, which provide an employee the ability to plan on having a routine work commute, and the locations are typically conditioned spaces that have a much higher level of comfort for workers than construction sites. All of these factors have combined to create a much higher level of competition for the worker pool that construction would typically attract candidates from, which is translating to a much lower degree of influx of new workers into the industry than in previous generations.

OCMI, Inc.

Cost Input #2: Labor

The balance of construction labor supply and demand has never been tighter

Rising demand coupled with a post-pandemic plateau in supply continues to send wages higher



GORDIAN™

MICRO MARKET ANALYSIS

The COVID pandemic has also had a significant effect on construction labor in the greater Santa Clara County area due to changes in the dynamics of where people live, and, correspondingly, where construction jobs are available. For large sections of the economy, especially for the Professional Services workers that make up a large portion of the San Jose/Santa Clara county market, the pandemic made it possible to live in more remote locations with less access to major metropolitan areas without necessitating a change in career. This was attractive to many for a wide range of reasons, especially cost of living, and people relocated accordingly. Large sections of what has become known as the “Inland West” that include places like Idaho, Nevada and the eastern parts of Oregon and Washington saw double digit increases in terms of percentage of population growth over the last four (4) years, and the level of relocation to these areas has created a need for more housing, retail and other services than they could/can currently support.

The demand for construction services in these areas is correspondingly high, and as they also represent an opportunity to lower the cost of living they have proved to be very attractive as relocation opportunities for construction labor as well. This is further exacerbating trends previously seen in the San Jose market, namely a lack of labor relative to demand, and though remote work has died down over the last six (6) months there remains little reason to believe that these trends will reverse themselves.

Some of this disparity in job growth is attributable to weaker construction starts in the greater Santa Clara County area over the course of the year. Layoffs in the technology sector combined with a slower than anticipated return to full time office employment have combined with significant increases in interest rates to create a situation in which private side vertical construction volume has largely drifted sideways over the last 12 months, with overall growth anticipated to come in at 1% y/o/y (year-over-year) by the end of 2023 and remain at or near that same level in 2024. These same conditions are being observed in the vertical construction market in nearby San Francisco as well, and current estimates for total construction volume growth over the next two years for the larger Northern California market (4%) are significantly below the 10-year average. In spite of this relative paucity of increase, the region is still anticipating multiple large vertical construction projects in the near term, with over 25 large (\$50M+) projects currently in construction and approximately 9 more in the current planning stages.

This same trend, however, is not being observed in public sector construction sectors. According to IHS Global Insight, the overall Infrastructure construction sector for the larger San Francisco-San Jose MSA is expected to see close to double digit increases in volume for the next two (2) to four (4) years, with 2023 expected to see approximately 10% before dipping slightly to 8.4% in 2024. This explosion in growth is

predicated on several different factors that include an aging infrastructure system, the overall economic climate over the last ten (10) years, and federal COVID relief in which the County received approximately \$400mil. in additional funding. Because of this large uptick in available funding for public projects area infrastructure systems, including power generation, sewer and water management and road/traffic circulation, are all slated for significant investment over the next four (4) years. Over \$2B. in upcoming projects currently are in either the planning or bidding stages of design, and all of which would serve to compete with the Districts’ construction priorities, and there are currently approximately \$500M. in infrastructure projects not related to District projects that are already underway. The largest upcoming project that stands to directly compete with District construction projects is the BART Silicon Valley Ph II Tunnel and Track project, which is a \$235mil. project that is in the final stages of design and will be bidding soon.

MICRO MARKET ANALYSIS

Conclusion

Overall, the Santa Clara construction market is and will remain very tight in terms of the balance between volume and laborers' ability to support. Reductions in the near term in the vertical construction market will help to ease some aspects of the construction labor shortage, but the large amount of public infrastructure investment slated for the next five (5) years will continue to put steady pressure on local labor suppliers to keep up with demand, particularly in trades that infrastructure utilizes heavily like concrete workers, pipe fitter and equipment operators. While material pricing continues to recover across most categories, as documented in our previous sections, certain materials like concrete and piping remain at elevated levels of consumption. In the overall we forecast above average escalation conditions for the next five (5) years, with 2025 expected to see 7% before trending down to 5.5% for the next three years thereafter.

ESCALATION OUTLOOK						
Year	FY25	FY26	FY27	FY28	FY29	FY30-39
Construction Cost Escalation Rate	7.0%	5.5%	5.5%	5.5%	5.0%	4.8%

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INCOMING BOARD CORRESPONDENCE

Board Correspondence (open)

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
C-24-0090	04/12/24	04/15/24	Beall	MARY ARDESTANI	Email from Mary Ardestani to Director Beall, dated 04/12/24, expressing concern for unsheltered living along river and close to her home.	Refer to Staff	Hakes	Bilski Codianne	04/23/24	-	n/a	04/29/24
C-24-0087	04/09/24	04/10/24	All	CONNIE DE LA CRUZ	Email from Connie De La Cruz to the board, dated 04/09/24, requesting additional payment for alleged inconveniences during unsheltered cleanup.	Refer to Staff	Orellana	Dennis	04/18/24	-	n/a	04/24/24
C-24-0076	03/23/24	03/25/24	Beall	REA FREEDOM private citizen	Email from Rea Freedom to Director Beall, dated 03/23/24 regarding the emptying of Vasona.	Refer to Staff	Baker	Williams	04/02/24	03/29/24	n/a	04/08/24
C-24-0072	03/19/24	03/19/24	All	MARK BOLGER	Email from Mark Bolger dated 3/19/24 requesting a fence near Blossom Valley Lake.	Refer to Staff	Hakes	Bilski Codianne	03/27/24	03/26/24	n/a	04/02/24

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
					This is similar to the email sent on 3/18/24.							
C-24-0071	03/18/24	03/18/24	All	MARK BOLGER	Email from Mark Bolger dated 3/18/24 requesting a temporary fence near Blossom Valley Lake	Refer to Staff	Hakes	Bilski Codianne	03/26/24	03/26/24	n/a	04/01/24
C-24-0063	03/11/24	03/11/24	All	JIM KUHL	Email from Jim Kuhl to the Board, dated 03/11/24, requesting answers to his questions/comments made at the 2/13/24 Board meeting about Pacheco.	Refer to Staff	Yoke	Mccarter	03/19/24	03/19/24	n/a	03/25/24
C-24-0062	03/12/24	03/12/24	Beall	JAKOB JONES	Email from Jakob Jones to Director Beall, dated 03/12/24, with additional questions regarding Almaden - Guadalupe Creek Homeless Encampment	Refer to Staff	Hakes	Bilski Codianne	03/20/24	03/20/24	n/a	03/26/24

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
C-24-0061	03/12/24	03/12/24	All	KARIN ALVAREZ	Email from Karin Alvarez to the board, dated 03/12/24, regarding unsheltered encampment at Lelong in San Jose.	Refer to Staff	Hakes	Bilski Codianne	03/20/24	03/20/24	n/a	03/26/24
C-24-0055	03/05/24	03/05/24	All	STEPHEN MEIER	Email for Stephen Meier to the Board, dated 03/05/24, regarding remediation of the plastic and fabric carpets lining the bank of the salt pond.	Refer to Staff	Hakes	Codianne	03/13/24	03/07/24	n/a	03/19/24
C-24-0054	03/03/24	03/04/24	All	BRIGITTE RINCE	Email from Mark Bolger and Brigitte Rince to the board, dated 03/03/24, regarding unsheltered near their home at 967 Chynoweth Avenue, San Jose.	Refer to Staff	Hakes	Bilski Codianne	03/12/24	03/11/24	n/a	03/18/24
C-24-0044	02/23/24	02/23/24	All	MEEKA MARTIN	Email from Meeka Martin to the board, dated 02/23/24, regarding trash along Sanchez	Refer to Staff	Hakes	Codianne	03/02/24	03/01/24	n/a	03/08/24

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
					Ponds near the Brookdale complex.							
C-24-0017	01/25/24	01/26/24	Eisenberg	JOHN GUISLIN	Email from John Guislin to Director Eisenberg, dated 01/25/24, regarding SFCJPA reconsideration of 6 foot cement walls by creek.	Refer to Staff	Hakes	Yerrapotu	02/03/24	02/01/24	n/a	02/09/24
C-24-0011	01/13/24	01/16/24	All	TIFFANY HOWARD	Email from Tiffany Howard to the board, dated 01/13/24, regarding the unhouse in the creek behind her home.	Refer to Staff	Hakes	Codianne	01/24/24	01/22/24	n/a	01/30/24
C-24-0007	01/11/24	01/11/24	Beall	ROGER CASTILLO	Email from Roger Castillo to Director Beall, dated 1/12/23, conveying a copy of the "12-29-23 101 Bayshore Chinook killed" document.	Refer to Staff	Hakes	Codianne	01/19/24	01/16/24	n/a	01/25/24
C-23-0293	12/04/23	12/07/23	Beall	AFSHIN ROUHANI	Email from Afshin	Refer to Staff	Richardson	Mccarter	12/15/23	12/18/23	n/a	12/21/23

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
					Rouhani to Director Beall, dated 12/04/23, regarding Anderson Dam options.							
C-23-0267	11/03/23	11/03/23	Varela	ROCHELLE BEERLI	Email from Rochelle Beerli to Chair Varela, dated 11/03/23, conveying questions about Pacheco Dam.	Refer to Staff	Richardson	Mccarter	11/11/23	11/16/23	n/a	11/17/23
C-23-0266	10/31/23	10/31/23	All	JOHN GUISLIN	Email from John Guislin to the board, dated 10/31/23, expressing concern for Creek Flooding mitigation along San Francisquito Creek.	Refer to Staff	Hakes	Yerrapotu	11/08/23	11/06/23	n/a	11/14/23
C-23-0239	09/24/23	09/25/23	Beall	KATHLEEN O'CONNELL	Emal from Kathleen O'Connell to the Director Beall, dated 9/24/23, regarding Water Resource Protection Zone at the upcoming	Refer to Staff	Hakes	Codianne	10/03/23	09/27/23	n/a	10/09/23

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
					Cherry Avenue EIH project.							
C-23-0235	09/21/23	09/22/23	All	JESSICA CALDERON	Email from Jessica Calderon to the Board, dated 9/21/22 regarding the unhouse at Church st./Howson Creek Monterey Road/Howson Creek, Gilroy.	Refer to Staff	Hakes	Codianne	09/30/23	09/25/23	n/a	10/06/23
C-23-0212	08/24/23	08/24/23	Santos	ERIC HA	Email from Eric Ha to Director Santos, dated 8/24/23, regarding unhouse individual setting fire behind property.	Refer to Staff	Hakes	Codianne	09/01/23	08/30/23	n/a	09/07/23
C-23-0211	08/24/23	08/24/23	Varela	LUIS RAMIREZ	Email from Luis Ramirez to Chair Varela, dated 8/24/23, regarding homeless in Gilroy on Valley Water property.	Refer to Staff	Hakes	Codianne	09/01/23	08/30/23	n/a	09/07/23
C-23-0101	05/12/23	05/12/23	All	STEVE KELLY	Email from Steve Kelly, to the Board, dated	Refer to Staff	Blank Yerrapotu	Codianne	05/20/23	05/22/23	n/a	05/26/23

Correspond No	Rec'd By District	Rec'd By COB	Letter To	Letter From	Description	Disposition	BAO/ Chief	Staff	Draft Response Due Date	Draft Response Submitted	Writer Ack. Sent	Final Response Due Date
					5/12/23, regarding concern for unhoused that may cause threats to residents living near the creeks in Santa Clara.							
C-23-0076	03/31/23	04/03/23	All	H.K. WILLARD	Email from H.K. Willard to the Board dated 3/31/23 regarding misleading information in March Water News.	Refer to Staff	Gibson	Rocha	04/11/23	04/07/23	n/a	04/17/23
C-23-0045	02/23/23	02/24/23	All	MELISSA MALLORY	EMail from Melissa Mallory regarding unhouse along Los Gatos Creek Trail.	Refer to Staff	Blank	Codianne Yerrapotu	03/04/23	03/03/23	n/a	03/10/23

Michele King

From: Katja Irvin [REDACTED]
Sent: Sunday, April 14, 2024 7:47 PM
To: Molly Culton; Ryan McCarter
Cc: Clerk of the Board; Tony Estremera; John Varela; Barbara Keegan; Richard Santos; Jim Beall; Nai Hsueh; Rebecca Eisenberg
Subject: Re: Response to Sierra Club letter: 2/13/24 Valley Water Board Agenda Item 8.1

***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Dear Ryan,

Thank you to you and your staff for taking the time to respond to our comments about operations and benefits for the proposed Pacheco Reservoir.

Many of staff's responses refer to the 2021 Draft EIR and other previous project documents. It appears there is a lot of information on these topics in these documents that was not incorporated in the February presentation to the Board and the public. It would have been helpful for everyone if more of this information had been included to give a more complete picture of the benefit calculations and operational considerations.

We will study this response in more detail as soon as possible and get back with you with any follow up.

Best regards,

Katja Irvin, AICP
Guadalupe Group Conservation Chair
Sierra Club Loma Prieta Chapter

On Friday, April 12, 2024 at 10:43:05 AM PDT, Ryan McCarter <rmccarter@valleywater.org> wrote:

Dear Katja and Molly,

Please find the attached memorandum in response to the comments from Sierra Club in advance of the February 13, 2024 Valley Water Board of Directors meeting.

Sincerely,

RYAN McCARTER, PE
DEPUTY OPERATING OFFICER

Dam Safety and Capital Delivery Division

Tel. (408) 630-2983 / Cell. (408) 398-7889



Clean Water • Healthy Environment • Flood Protection

5750 Almaden Expressway, San Jose CA 95118
www.valleywater.org

Michele King

From: brigitte rince [REDACTED]
Sent: Sunday, April 14, 2024 9:22 AM
To: Board of Directors
Subject: Homeless stealing our water on Chynoweth Avenue



*** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. ***

We continue to get the homeless that live on your property stealing our water. Can you please at least provide them with water or get them the hell off of this property? We are so sick of them. They do so much damage to your property and hours when is this going to stop you have removed some from another, but not from ours we understand that there

are less tense out there however it's still a really horrible view and the damage that they're doing is going to be unrepairable. We will not be able to come back from this if we don't clean this area up on your property and I understand there are other entities, but you need to work with them and you need to get this done. We cannot deal with this any longer and someone needs to figure out how to work together and get this done.

Michele King

From: Mary [REDACTED]
Sent: Friday, April 12, 2024 4:07 PM
To: Board of Directors; Jim Beall
Subject: ILLEGAL encampment issue close to residential area
Attachments: hampton falls pl.Homeless1.png; Hampton Falls pl-homeless2.png; Hampton Falls pl-homeless3.png

***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Dear Mr.Beall,

I am writing to express my deep concern regarding the increasing number of illegal homeless encampments near the residential community in Hampton Falls Place, San Jose (95136) Right next to the river Guadalupe River! Over the past few years, these encampments have grown from a single tent to several, which is becoming increasingly alarming.

Our community has consistently reported these encampments, starting with the initial tent, hoping that swift action would be taken. However, despite our efforts, the situation has worsened. We fear that if prompt measures are not taken, the encampments will continue expanding, posing a threat to the safety and cleanliness of our residential area.

While we appreciate the temporary road closures that have been implemented, we have noticed that the fences near Joann and Safeway have been damaged. This provides easy access for the individuals residing in the encampments to enter private properties and the nearby river area. We are concerned about how they have been allowed to bring large amounts of personal belongings and leave trash close to the river, resulting in water contamination and environmental pollution. The attached pictures clearly show a mattress in the middle of the river, which has remained unaddressed for several months.Exactly the front of several houses.

The encampments have transformed our once-beautiful neighborhood and creek trail into an unsafe, unusable, and visually unpleasant area. As residents, we value the right of individuals to have safe and proper shelters. However, we also believe that as taxpayers, we have the right to live in a safe neighborhood with a clean environment.

Therefore, we kindly request your immediate attention to this matter. It is your property please at least manage the tents located close to the residential community to be removed safely and responsibly. By doing so, we can restore a sense of security and cleanliness to our community.

Thank you for your understanding and anticipated cooperation. We trust that you will take our concerns seriously and work towards finding a solution that benefits both the homeless individuals and the residents of Hampton Falls Place.

Yours sincerely,
Mary Ardestani







Michele King

From: james rogers [REDACTED]
Sent: Monday, April 15, 2024 11:51 AM
To: Board of Directors
Subject: Pacheco Dam proposal

*** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. ***

Dear Board Members,

Below is a letter which I have emailed to the California Water Commission. You also should know my thoughts.

Dear California Water Commissioners,

I oppose the building of this dam and believe you should not use Water Storage Investment Program funds to support it. As a resident of Santa Clara County and constituent of Valley Water, I believe there are many reasons why this project should be dropped before more funds are spent.

- 1) There is no new water supply, only storage of existing water.
- 2) The location is geologically unstable.
- 3) It will have major impacts on wildlife in the area and native cultural resources.
- 4) The construction and truck traffic impacts on the Pacheco Pass area and Hwy. 152 will be tremendous. Parts of 152 are only 2 lanes and winding for about 10 miles. Accidents are frequent. CalTrans and VTA have been looking for a better connector to Hwy 101 for years, but the funding is not available.
- 5) Other alternatives such as conservation, recycling and several small projects will yield quicker and improved water savings.

Sincerely,

Connie Rogers
[REDACTED]

cc Valley Water Board Members

Michele King

From: Rea Freedom [REDACTED]
Sent: Monday, April 15, 2024 12:27 PM
To: Board of Directors
Subject: Stop Pacheco Dam

*** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. ***

You know all the reasons. Wildlife habitat loss, too expensive, not needed, will flood a park. Humans are not the only creatures living on the planet. Save the wildlife. Wake up and stop this unnecessary and harmful dam. NOW is a good time.

Rea Freedom
[REDACTED]

Michele King

From: Pete Andresen [REDACTED]
Sent: Tuesday, April 16, 2024 7:52 PM
To: Board of Directors
Subject: The proposed expansion of the Pacheco Lake dam.

Follow Up Flag: Follow up
Flag Status: Flagged

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I am:

Peter G. Andresen
[REDACTED]

And I grew up on the land you want to flood with the expanded Pacheco Lake.

It really IS wilderness, home to endangered species, and replete with Native American sights from the extirpated Ausaymas Ohlone. If you flood it you will once again prove that the cynical urban virtue-signaling alleged environmentalism of Santa Clara County is, to be honest, so much bullshit.

That's the most pristine ground in the entire Diablo Range and you want to flood it?

Permit me to ask: is it recommended to eat the fish from San Luis Reservoir? Lake Nacimiento? No. Why? Because they are pestilential mudholes which are lurking environmental catastrophes.

Now you wish to create another toxic waste site out of what is the last wilderness in the area.

Have you looked at the existing lake? It's a sinkhole. It destroyed the steelhead run on the North Fork of the Pacheco Creek and it imposed an artificial ecosystem upon what should have been wilderness.

So please...do our grandchildren a favor...find the water somewhere else, and say NO to expanding the Pacheco Lake.

Peter G. Andresen

Michele King

From: Rae Knapp <rae@keepcoyotecreekbeautiful.org>
Sent: Tuesday, April 16, 2024 9:41 PM
To: Board of Directors; Linh Hoang; Meghan Azralon
Subject: KCCB May Events
Attachments: 240511-BioBlitz-IG Post.png; 240518-Cleanup-IG Post.png

Follow Up Flag: Follow up
Flag Status: Flagged

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Hello!

Here are the details for KCCB's May events. We will be having a BioBlitz on 5/11, and a cleanup on 5/18. As always, thank you so much and have a great month!

Thanks again!

Rae Knapp
Event Assistant
Keep Coyote Creek Beautiful
408-931-1892
www.keepcoyotecreekbeautiful.org

Spring BioBlitz at Hellyer Park

Location: 996 Hellyer Ave, Cottonwood Lake - Southwest trail entrance, San Jose, CA 95111
Sat May 11th
9AM-11:30AM

Join Keep Coyote Creek Beautiful, Bioblitz Club, and Peninsula Open Space Trust for a BioBlitz!

A BioBlitz is an event that focuses on finding and identifying as many species as possible in a specific area over a short period of time. At a BioBlitz, scientists, families, students, teachers, and other community members work together to get an overall count of the plants, animals, fungi, and other organisms that live in a place.

Join the BioBlitz at Hellyer Park where you and experts come together to explore, document, and catalog all of the living things that reside there.

Docents will guide you and teach you to use the iNaturalist app on your smartphone to record all the living things you encounter. Flowers, trees, butterflies, dragonflies, and beetles, birds, and squirrels. We love them all - now let's go find them!

The best part? All you need to participate is a smart phone with the iNaturalist app!

So bring your family and prepare for an in-depth tour of this great trail.

Community service hours available

Hosted by Keep Coyote Creek Beautiful , Bioblitz Club, and Peninsular Open Space Trust. Registrants will be added to the email contact lists of each organization to receive their monthly e-newsletter

RSVP: <https://240511-bioblitz.eventbrite.com/?aff=vw>

National River Cleanup Day - Creek and Trail Cleanup

Location: Olinder Dog Park, 1202 Woodborough Dr, San Jose, CA 95116

Sat May 18th

9AM to 12PM

Join Keep Coyote Creek Beautiful and Friends for a community cleanup and beautification event. Meet new people; improve a neighborhood park; watch the springtime wildlife; build community around a shared sense of service.

Free litter kits!

Groups Welcome

Community service hours available.

Hosted by Keep Coyote Creek Beautiful, Valley Water, City of San Jose - Parks, Recreation and Neighborhood Services - Volunteer Management Unit, Coyote Meadows Coalition, Friends of Five Wounds Trail, Olinder-Brookwood Community, and Save Our Trails. (check meeting notes for updated list of partners)

RSVP: <https://240518-cleanup.eventbrite.com/?aff=vw>



COYOTE CREEK CLEANUP

MAY 18: 9-12PM



HELLYER PARK BIOBLITZ

MAY 11: 9AM-1130AM



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Hello,

If relocation isn't an option, focus on halting its expansion. Additionally, prioritize tidying up and enforcing road regulations. The scene encompasses BBQ gatherings, lively parties with music, yet sporadic disputes, and individuals wandering in darkness across the street. Cars scattered everywhere pose a hazard! Should an accident occur, accountability falls on you, given your awareness of the situation and apparent lack of effort to guide them toward self-improvement.

Karina Alvarez, Resident on Spencer Ave.

From: Candice Kwok-Smith <ckwok-smith@valleywater.org> on behalf of Board of Directors <board@valleywater.org>

Date: Thursday, March 21, 2024 at 8:14 AM

To: [REDACTED]

Subject: Re: Concerned tax payer and water consumer on Spencer and Lelong - Safety of our children/family

Sent on Behalf of Director Keegan:

Dear Karina Alvarez,

Thank you for reaching out to Valley Water and sharing your frustrations related to the encampments of unsheltered people located along Willow Street at Lelong Street. I am also a North Willow Glen resident and I am very aware of the impacts of these encampments on the community. Valley Water staff is aware of the critical need at this location and is coordinating with the City of San José to determine what steps can be taken to ameliorate the situation there. In the meantime, we are working with the City to schedule a joint cleanup at this site to remove as much trash, debris, and hazardous pollutants as possible. The dumpster at this site is managed by the City of San José as part of its Services, Outreach, Assistance and Resources (SOAR) program. Unfortunately, the presence of the dumpster invites some illegal dumping, which Valley Water cannot control aside from removing the accumulated trash during our scheduled cleanups.

Valley Water is committed to using the power we have as an environmental stewardship agency to protect our waterways in collaboration with the cities and the County as they fulfill their public safety and social service roles. However, as with all public agencies, Valley Water must adhere to applicable case law, which has significantly affected how we can respond to encampments of unsheltered persons. As you may be aware, a 2019 court ruling by the 9th Circuit Federal Court of Appeals in the case of Martin v. Boise has limited the ability of California public agencies to relocate unsheltered individuals who are camping on public lands. This ruling holds that governments in the court's jurisdiction (which includes California) cannot enforce ordinances that ban public camping or criminalize sleeping outdoors on public property if there is no real option for sleeping indoors. Shelter is required to be offered before unsheltered people may be relocated from public lands; however, given the unprecedented need for transitional and long-term housing in Santa Clara County, there is currently only shelter capacity for approximately one quarter of the unsheltered population. For this reason, there is often little that Valley Water can do to relocate encampments until there are sufficient housing alternatives.

In terms of strategic solutions, a Valley Water-sponsored State Assembly bill, *AB 1469 (Kalra) Valley Water Assisting Unsheltered People*, took effect on January 1, 2024. AB 1469 amends the District Act to authorize Valley Water to assist unsheltered people living along streams, in riparian corridors, or

otherwise in the district's jurisdiction, in consultation with a city or the County of Santa Clara, to provide solutions or improve outcomes for the unsheltered individuals. Specifically, the bill allows Valley Water more flexibility to use district land and a part of an existing ad valorem property tax for lasting encampment solutions. The intent is to work with local cities or the County to construct low-barrier navigation centers, supportive housing, transitional housing, affordable housing, or other facilities to assist unsheltered people. These facilities would be operated by a city, the County, or a non-profit with the appropriate expertise to provide shelter and services that can improve outcomes for unsheltered people. AB 1469 will help Valley Water comply with the federal case law that requires a legitimate offer of shelter before relocating an unsheltered person from public land.

Regarding your observation of potentially criminal activities, if you witness illegal activity or a threat to public health and safety, please contact the San José Police Department and, if possible, file an official report. If you observe smoke or fire, please contact the fire department. Concerns relating to fires and unwanted or illegal behaviors are best handled by City resources. Since Valley Water is not a law enforcement agency, we work in concert with cities and the County to address these types of activities.

We appreciate your comments. You may contact Assistant Operating Officer Mark Bilski at mbilski@valleywater.org with any follow-up information. You can also report your concerns to Valley Water via our online system at <https://access.valleywater.org/s/>.

Thanks again for your message.

Sincerely,



Barbara Keegan
Director, District 2

C-24-0061

From: Karina Alvarez [REDACTED]
Sent: Wednesday, March 13, 2024 11:39 PM
To: Board of Directors <board@valleywater.org>; John Varela <jvarela@valleywater.org>; Barbara Keegan <BKeegan@valleywater.org>; Richard Santos <rsantos@valleywater.org>; Jim Beall <JBeall@valleywater.org>; Nai Hsueh <NHsueh@valleywater.org>; Tony Estremera <TEstremera@valleywater.org>; Rebecca Eisenberg <Reisenberg@valleywater.org>; mayor@sanjoseca.gov; beautifysj@sanjoseca.gov
Subject: Re: Concerned tax payer and water consumer on Spencer and Lelong - Safety of our children/family

*** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. ***

Hello Barbara et. all,

This evening, upon returning home with my two boys from the store, we drove past four police cars surrounding the area. My boys, filled with concern, bombarded me with questions, their voices tinged with fear. They couldn't help but notice that I needed to swerve into oncoming traffic to avoid driving too close to whatever was happening. My kids were worried about Grandma's safety, as she was alone at home. The next day, they reminded me, is Thursday – garbage day, but also the day we hurry home to avoid encountering people brandishing weapons and looking through our trash. I am just sharing the reason why I am reaching out.

I truly hope that the city and the water company try to control this situation. Please do it for the sake of the children in the neighborhood.

Karina Alvarez, Resident on Spencer Ave.

From: Karina Alvarez [REDACTED]

Date: Tuesday, March 12, 2024 at 1:01 AM

To: board@valleywater.org <board@valleywater.org>, jvarela@valleywater.org <jvarela@valleywater.org>, bkeegan@valleywater.org <bkeegan@valleywater.org>, rsantos@valleywater.org <rsantos@valleywater.org>, jbeall@valleywater.org <jbeall@valleywater.org>, nhsueh@valleywater.org <nhsueh@valleywater.org>, testremera@valleywater.org <testremera@valleywater.org>, reisenberg@valleywater.org <reisenberg@valleywater.org>, mayor@sanjoseca.gov <mayor@sanjoseca.gov>, beautifysj@sanjoseca.gov <beautifysj@sanjoseca.gov>

Subject: Concerned tax payer and water consumer on Spencer and Lelong - Safety of our children/family

Hello,

I am writing to you today to express my concerns regarding the ongoing issues we are facing in our community, particularly on Lelong. While I acknowledge the strides that have been made in addressing concerns on county or city sections, I am increasingly dismayed by the lack of effort being put forth to resolve the situation comprehensively by the Water Company.

Our primary concern is the safety and well-being of our families. It deeply troubles me to report incidents of individuals walking around with knives at night, unlawfully rummaging through mailboxes, vehicles, and even our trash. Just recently, as my husband and boys were walking to Walgreens, I witnessed a man wielding a knife following closely behind them. This alarming incident underscores the urgency of the situation.

Furthermore, the deteriorating safety conditions have greatly impacted our daily lives. My sons, who have friends on the other side of the freeway, are now unable to walk to each other's homes due to safety concerns. Additionally, many families in our neighborhood used to walk to Willow Glen Elementary, but students living near Lelong are now deprived of this option due to safety risks. Our children have seen people take off their clothes and use the sidewalk as their facility to defecate as we drive home. I had to move their rooms as their bedroom faced the street, and we reported people showering at the El Paseo Dental Care before they were fully open. Our own water bill has increased, and we see our hose has been displaced.

In addition to safety concerns, the situation on Lelong within the Water Company jurisdiction has exacerbated traffic issues in our community. Illegal dumping of items only worsens the situation, creating a hazardous environment for residents and commuters alike.

I implore you to recognize the severity of these issues and take decisive action to address them promptly. It is crucial to understand that delaying action will only allow the problem to escalate, resulting in greater expenses and risks for our community. I firmly believe that the city and the Water Company must work together to find solutions and ensure the safety and well-being of all.

I urge you to reconsider your approach and actively engage to develop a shared responsibility and call to action plan. We, the residents, are willing to support the city in its efforts, but we need your leadership and the collaboration of the Water Company to make meaningful progress.

I have attended numerous town hall meetings where the city has emphasized that the cost of addressing these issues will fall on the shoulders of the Water Company and that the Water Company needs to reach out to the city for support. I urge you to heed this call and take proactive steps to address the pressing concerns on Lelong.

Lastly, calls to the police are not prioritized within our community. Therefore, if something happens to anyone in my family, the Water Company and the city will be liable as I have expressed my concern for our safety through this communication.

Thank you for your attention to this matter. I look forward to seeing concrete actions and initiatives aimed at improving the safety and quality of life in our community.

Karina Alvarez, Resident on Spencer Ave.

OUTGOING BOARD CORRESPONDENCE

Michele King

Subject: FW: SJB Daycare Program

From: Candice Kwok-Smith **On Behalf Of** Board of Directors

Sent: Wednesday, April 10, 2024 8:38 AM

To: [REDACTED]

Subject: Re: SJB Daycare Program

Sent on Behalf of Chair Hsueh:

Dear Branton Curt:

Thank you for contacting the Board and sharing your concerns regarding the decision to terminate the lease for the SJB daycare center. We truly understand your support for the facility that your child has attended; however, we'd like to offer some additional insight into the rationale behind this decision.

The decision to repurpose the space occupied by the SJB daycare center was made after careful consideration and evaluation of Valley Water's operational needs and budgetary considerations. While it is true that the space will be utilized for office purposes, it's essential to understand that this decision was not taken lightly. Currently, Valley Water is paying approximately \$500,000 annually to lease space for our employees off-campus, and this cost is expected to increase. In contrast, SJB has been paying a nominal fee of only \$1 per year for over two decades to utilize the space. As responsible stewards of public funds, we must consolidate our existing office space to avoid costly leases and relocate our employees back on campus.

Regarding the flexible telecommuting schedule and hiring freeze, while these measures have been implemented, they do not negate the need Valley Water has on additional office space. Valley Water's operational requirements extend beyond physical occupancy, and the repurposing of the space currently occupied by SJB is part of a broader strategy to optimize our resources and enhance operational efficiency.

While we acknowledge your concern about the closure of SJB, it's important to emphasize that Valley Water must prioritize its responsibilities to taxpayers in fulfilling our mission to supply safe, clean water to Santa Clara County without imposing additional burdens on ratepayers. We understand the childcare issue facing you and many others in Santa Clara County, and we are hopeful that alternative solutions can be found to ensure that all parents have access to suitable childcare options in the local area.

Sincerely,



Nai Hsueh
Chair, District 5

C-24-0078

From: Branton Curt [REDACTED]
Sent: Thursday, March 28, 2024 11:57 AM
To: Board of Directors <board@valleywater.org>
Subject: SJB Daycare Program

***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Good Afternoon Board Members,

My name is Branton Curt and I am a Santa Clara County resident. I am writing to express my disappointment in Valley Water's decision to terminate the lease for the SJB daycare center and request that this decision be reconsidered.

My daughter has been attending the SJB daycare program since she was five months old, she is now two and a half and is attending SJB's young preschool classroom. Additionally, I have a newborn son who was scheduled to begin attending in June of this year, these arrangements were made months ago. After getting the news of the closure, I immediately began inquiring with other centers convenient to my daily routine and have learned that there is a waitlist until August and September of this year, SJB is scheduled to close by June 21.

I am not privy to what was considered by Valley Water when making this decision, however, what has been communicated to me by SJB and Valley Water staff is that this center is being turned into more office space for Valley Water. If this is correct, I wonder if other solutions were explored that would have had less of an impact on the community. Other parents currently taking their children to the SJB location at Valley Water are also distraught and are burdened with making last-minute arrangements to find care for their children.

It is my understanding that Valley Water's offices are no longer fully occupied at all times because of the flexible telecommuting schedule that's in place and that Valley Water has implemented a hiring freeze. Given those two facts, could a different solution be explored by Valley Water? I know that Valley Water staff have benefited from having this daycare center onsite and that Valley Water's workforce is relatively young and was perhaps counting on this center for their future families. Additionally, I would imagine the onsite daycare center is also a perk that prospective employees would consider when applying.

All I ask is that Valley Water reconsider this decision, engage with SJB if there is a possibility for a reversal, and be transparent with the community about the final decision.

Thank you for your time and consideration,

Branton Curt

Michele King

Subject: FW: Flooding the Stanford Golf Course if needed

From: Candice Kwok-Smith **On Behalf Of** Board of Directors

Sent: Friday, April 12, 2024 2:14 PM

To: [REDACTED]

Cc: Margaret Bruce <mbruce@sfcjpa.org>

Subject: Re: Flooding the Stanford Golf Course if needed

Sent on Behalf of Chair Hsueh:

Dear Dhruv Khanna,

Thank you for contacting Valley Water and suggesting the use of the Stanford Golf Course as a detention basin to reduce the impacts of flooding along San Francisquito Creek. We also appreciate you forwarding us the New York Times article illustrating examples of implementing detention basins in urbanized settings.

The San Francisquito Creek flood protection project is being led by the San Francisquito Creek Joint Powers Authority (SFCJPA) and project decisions are the SFCJA responsibility. If you would like additional information, please contact Margaret Bruce, at 650-643-1451 or mbruce@sfcjpa.org.

Sincerely,



Nai Hsueh
Chair, District 5

C-24-0079, C-24-0081

From: Dhruv Khanna [REDACTED]

Sent: Thursday, March 28, 2024 8:35 PM

To: mbruce <mbruce@sfcjpa.org>; City Council <city.council@cityofpaloalto.org>; Board of Directors <board@valleywater.org>

Cc: Kevin Fisher <k.fisher@pacbell.net>

Subject: Flooding the Stanford Golf Course if needed

***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Ms. Bruce (JPA Exec Director), Valley Water Board, and the Palo Alto City Council,

Please respond in writing and promptly to my suggestion that the San Francisquito Creek JPA negotiate a right to flood the Stanford Golf Course to mitigate downstream flooding at for example the choke point of the Pope-Chaucer Bridge.

I request that this option be analyzed and pursued if it is feasible. If it infeasible, please explain why. And if this option has not been analyzed, please explain why.

Thank you,

Dhruv Khanna, 

Michele King

Subject: FW: HBS Northern California Pro Bono NPO consulting project

From: Candice Kwok-Smith **On Behalf Of** Board of Directors

Sent: Monday, April 15, 2024 2:35 PM

To: [REDACTED]

Subject: Re: HBS Northern California Pro Bono NPO consulting project

Sent on Behalf of Chair Hsueh:

Dear Mike:

Thank you for your request regarding California Assembly Bill 1755. At Valley Water, we strive to share our data with the public and appreciate the State's efforts to develop open and transparent water data to enable the best water management decisions.

Below are the answers to your questions:

1) Can I talk to someone in charge of this data standardization within SCVWD?

Valley Water submits multiple reports to regulatory agencies with water use data and uses the required formats for each. Various units within Valley Water perform reporting and gather data. You can reach out to either Greg Williams, Deputy Operating Officer of Raw Water at GWilliams@valleywater.org or Vincent Gin, Deputy Operating Officer of Water Supply at VGin@valleywater.org.

2) How does SCVWD respond to this Assembly Bill 1755?

Valley Water submits reports required by the State, including requested data in the required format.

3) This NPO has membership programs and not only the water suppliers but also wholesalers like MWD are joining this membership? Is SCVWD a member?

See answer to question 4.

4) There is another larger NPO created by several Water Districts by the name of CA Water Data Consortium (www.cawaterdata.org) Is SCVWD a member of this NPO?

Valley Water has previously actively participated in the Data Consortium and Data Collaborative but due to resource constraints is not currently able to participate.

5) Basic approach strategy of SCVWD to respond to Assembly Bill 1755.

Valley Water works with State guidance on reporting to ensure we are providing the requested information. If we cannot provide the information, we work with them to develop alternative approaches during the guidance development period (e.g., the Delta reliance calculations).

Thank you for reaching out.

Sincerely,



Nai Hsueh
Chair, District 5

C-24-0083

From: Sachihiko Michitaka [REDACTED]
Date: April 4, 2024 at 1:27:46 PM PDT
To: Nai Hsueh [REDACTED] Sachihiko Michitaka [REDACTED]
Subject: HBS Northern California Pro Bono NPO consulting project

Hi Nai,

I am one of the 6 volunteer members of HBS Alumni of Northern California. 4 months of effort project for free.

The NPO we are undertaking to advise is CaliforniaDataCollaborative (CaDC)
(<https://www.californiadatacollaborative.org/>).

They sponsor Water Summit and also provide the platform to create the reporting to the State and MWD.

This segment seems have started after the resolution of California Assembly bill 1755 (2016 year)

(Open & Transparent Water Data Act)

My questions to SCVWD is,

1) Can I talk to someone in charge of this data standardization within SCVWD?

2) How does SCVWD respond to this Assembly Bill 1755?

3) This NPO has membership programs and not only the water suppliers but also wholesalers like MWD are joining this membership ?

Is SCVWD a member?

4) There is another larger NPO created by several Water Districts by the name of CA Water Data Consortium

(www.cawaterdata.org)

Is SCVWD a member of this NPO?

5) Basic approach strategy of SCVWD to respond to Assembly Bill 1755.

Thank you for your help, in advance.

Mike Michitaka

April 15, 2024

Mr. Dhruv Khanna
President
Santa Clara County Farm Bureau
605 Tennant Avenue, Suite H
Morgan Hill, CA 95037

Dear President Khanna:

Thank you for your letter regarding groundwater in the Palo Alto-Stanford area. The Valley Water Board of Directors values and welcomes continued collaboration with the Farm Bureau to find solutions for the many challenges faced in managing local water supplies. As described below, Valley Water generally has no authority to regulate land use. Capturing and using shallow groundwater has significant challenges with quality, reliability, environmental impacts, and costs. However, Valley Water has no authority to allow or disallow the agricultural uses you propose. Land use authority is vested with cities or County depending on the location.

There are generally two types of groundwater in northern Santa Clara County: shallow groundwater, which is often not potable or used, and the deep aquifer, which is replenished by Valley Water and widely used for drinking and other beneficial use. The water being pumped into storm drains in Palo Alto is from dewatering, which may be needed when excavations or infrastructure intersect shallow groundwater. Due to local geology, shallow groundwater occurs naturally in Palo Alto and other areas of Santa Clara County. There is little pumping of shallow aquifers for beneficial use due to lower reliability and quality compared to principal aquifers. Contaminant release sites are widespread in shallow soils and groundwater, with over 400 open sites in the county. State and Valley Water well standards also prevent the use of very shallow groundwater via minimum well surface seal requirements designed to protect principal aquifers and groundwater users.

In general, Valley Water has no authority to regulate land use. Construction activities requiring dewatering are permitted by land use and/or regulatory agencies, which may impose related restrictions. For example, the City of Palo Alto limits the duration of dewatering, encourages reuse, and requires site-specific studies or features to reduce dewatering volume. While dewatering discharge rates can be relatively large (hundreds of gallons per minute), generally only a small fraction of dewatering flow is reused due to practical challenges including the: 1) temporary nature of most dewatering sites, 2) lack of identified facilities or users of the water, 3) lack of infrastructure to transport the water to end users, and 4) lower water quality in shallow aquifers.

Related to your comments about planting trees and sod in the Stanford/Palo Alto area, Valley Water does not regulate how individual property owners use their land. However, we encourage water-wise landscaping and do not provide rebates for artificial turf. Staff have done some preliminary analysis of reusing water from dewatering sites as described below.

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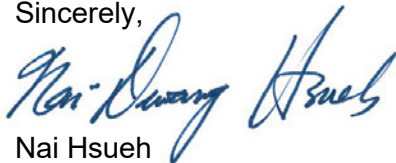
Mr. Dhruv Khanna
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For temporary dewatering sites, the potential to expand reuse beyond localized irrigation or fill stations (or other measures mandated by land use agencies) is primarily hindered by the lack of infrastructure to capture, store, and move the water. There may be substantial costs and potential environmental impacts in moving water from dewatering sites to where it can be used. Given the limited duration of temporary dewatering, these potential impacts likely outweigh any short-term benefits. The City of Palo Alto has studied this issue and should be consulted for the most recent findings.

It should be noted that City of Palo Alto and Stanford wells draw from deep, principal aquifers as opposed to the shallow aquifers described above. Historical over pumping of the principal aquifers in northern Santa Clara County led to chronic overdraft, permanent subsidence, and other problems. The importation and use of imported water (including Hetch Hetchy water) and coordinated management of groundwater and surface water were essential to halting the problems caused by over pumping. These activities, along with water conservation and recycling, continue to be critical to groundwater sustainability. As the county's groundwater sustainability agency, Valley Water ensures that the principal aquifer remains healthy, and that subsidence does not reoccur.

Thank you again for your communication with Valley Water. We look forward to our continued discussions and collaboration in managing water supplies for all residents of Santa Clara County.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nai Hsueh". The signature is fluid and cursive, with the first name "Nai" and last name "Hsueh" clearly distinguishable.

Nai Hsueh
Chair, Board of Directors

cc: Board of Directors (7), R. Callender, R. Gibson, A. Baker