



COUNCIL AGENDA: 04-20-10  
ITEM: 7.2

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT: GROUNDWATER PRODUCTION  
CHARGES**

**DATE:** 03-30-10

Approved

Date

4-8-10

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Recommend that the Council direct staff not to protest Santa Clara Valley Water District's decision to maintain groundwater production charges for FY 10-11 at the current levels of \$275 per acre-foot in Zone W-5 and \$520 per acre-foot in Zone W-2.

## OUTCOME

Approving the above recommendation, will result in no City protest being filed for each of the forty one parcels the City owns that have wells on the premises. In the event fifty percent of well owners plus one file a protest, groundwater production charges will drop to zero.

## BACKGROUND

In June 2009, Santa Clara County Superior Court Judge, Kevin Murphy, ruled that Santa Clara Valley Water District (SCVWD) is required to provide notice in accordance with Prop 218 to property owners with wells in order to increase groundwater production charges. The City received forty one notices for the parcels it owns that have water production facilities. In addition to the San Jose Municipal Water System (SJMWS), the City owns wells on properties managed by Parks, Recreation and Neighborhood Services, Redevelopment Agency, Airport, General Services and Convention and Cultural Facilities. The current groundwater charges in Zone W-5, which includes Coyote, Morgan Hill and Gilroy is \$275 per acre foot (1 acre foot = 325,000 gallons). The groundwater charges in Zone W-2 which includes most of San Jose, Santa Clara, Milpitas, Mt. View, Palo Alto and Sunnyvale is \$520 per acre foot.

Currently, the District Act requires the Board to set the entire groundwater pumping charge (dollar per acre foot) not just the incremental cost increase on an annual basis. In the event fifty

percent plus one of the well owners protest, the groundwater charge will drop to zero dollars. In Zone W-5, the City has three votes out of four thousand and in Zone W-2; the City has thirty eight out of approximately one thousand five hundred votes.

### ANALYSIS

In FY 2008-09, SJMWS water production costs were as follows:

	<u>Acre Feet</u>	<u>Cost</u>	<u>% of Cost</u>
Groundwater	745	\$ 302,365	2.27
District Treated Water	15,422	\$9,785,410	73.38
S. F. Hetch-Hetchy	<u>5,017</u>	<u>\$3,247,125</u>	<u>24.35</u>
	21,184	\$13,334,900	100%

Should enough property owners file a protest and the groundwater production charge drops to zero (\$0), SJMWS will realize immediate savings of approximately \$302,365 that it could pass on to its customers. All other City departments will also save a combined \$163,364. However, such a scenario will have adverse environmental and economical impacts due to over pumping as explained below.

District programs and services funded through groundwater production charges include managed recharge, treated water deliveries, water conservation, water recycling, groundwater and surface water protection programs, and water utility infrastructure improvements. If groundwater production charges are unavailable, the District will need to immediately reduce or eliminate programs and services funded by these charges to minimal levels. Imported water deliveries will be reduced to provide only enough water to supplement local water in fulfilling treated water obligations. The recharge program in the Santa Clara Subbasin (Zone W-2) will be reduced by over 70% from average District recharge, to provide only for reservoir maintenance and environmental requirements. If water demands were not decreased by a similar amount, the subbasin would be in overdraft and permanent subsidence would resume.

Groundwater has been important to the City of San Jose throughout its history. By 1921, far more water was being pumped than what was naturally replenished; resulting in declining groundwater levels and subsidence, the broad sagging of the land surface over many miles. As a result, the land surface in the City of San Jose dropped about 13 feet.

County voters formed the District in 1929 to protect and augment groundwater supplies and prevent land subsidence. As Silicon Valley's population continued to increase, the District augmented water supplies and added more programs as needed to reduce demands on the groundwater basin: local reservoirs and recharge facilities, water imported through the Delta, three water treatment plants, and water conservation and water recycling. These programs have been, and continue to be, essential to maintaining groundwater supplies and preventing the recurrence of permanent land subsidence.

Because subsidence permanently changes the elevation of the land surface, it can cause serious and costly problems. Even a relatively small change in the ground surface can have significant consequences as changes in gradients can induce flooding, saltwater intrusion, and interrupt flow in underground utilities relying on gravity flow such as sewer systems. Subsidence can also damage infrastructure (including railways and bridges) and well casings. Subsidence that occurred prior to the 1970s caused over a hundred million dollars in damage and increased the need for flood protection programs. The City of San Jose's General Plan recognizes the serious impacts of historical subsidence on the City and affirms the need to prevent groundwater overdraft.

Due to the significant and costly community impacts, preventing additional permanent land subsidence continues to be a key driver for groundwater management in the Santa Clara Subbasin. The District closely monitors water levels at a network of wells and plans water operations to ensure permanent subsidence does not resume.

The importance of water supply to the City is highlighted in the General Plan goal to "Protect water resources because they are vital to the ecological and economic health of the region and its residents". San Jose residents and businesses are served by either the San Jose Municipal Water System, San Jose Water Company, or the Great Oaks Water Company, all of which depend on groundwater to differing degrees. Of San Jose Municipal Water System's four service areas, Edenvale and Coyote are completely reliant on groundwater to serve potable needs. According to the City's water supply analysis prepared for Envision 2040, groundwater will be essential to meeting future demand, with additional wells needed in North San Jose/Alviso, Edenvale, and Coyote. Groundwater storage also provides critical emergency backup in drought and outage, which is particularly important to San Jose Municipal Water System.

### **EVALUATION AND FOLLOW-UP**

The Council will be updated during the Operating Budget process on the groundwater pumping charges for FY 2010-11 and impact on retail water rates for SJMWS customers.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

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- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item does not meet any of the above criteria. There is a 45 day widow from the date of the rate increase notice until the close of the public hearing on April 27, 2010. The District will be conducting two public hearings on April 13 and April 27, 2010.

### **COORDINATION**

This item has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **CEQA**

Not a project.

/S/  
JOHN STUFFLEBEAN  
Director, Environmental Services

For questions please contact Mansour Nasser, Deputy Director, at (408) 277-4218