

Valley Water Overview

The Santa Clara Valley Water District (Valley Water) is the largest multi-purpose water supply, watershed stewardship and flood management special district in California. Valley Water serves nearly two million people in Santa Clara County by providing a reliable and safe supply of water; enhancing streams and watersheds through creek restoration and habitat protection; providing flood protection for homes, schools and businesses; and partnering with other agencies to provide trails, parks and open space for community recreation.

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

As the primary water resources agency for Santa Clara County, which is located at the southern end of the San Francisco Bay and is home to Silicon Valley, Valley Water encompasses all of the county's 1,300 square miles and serves the area's 15 cities and towns: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga and Sunnyvale. Valley Water also serves the unincorporated areas of the county.

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

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

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



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

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

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

flowing within the district;

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

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

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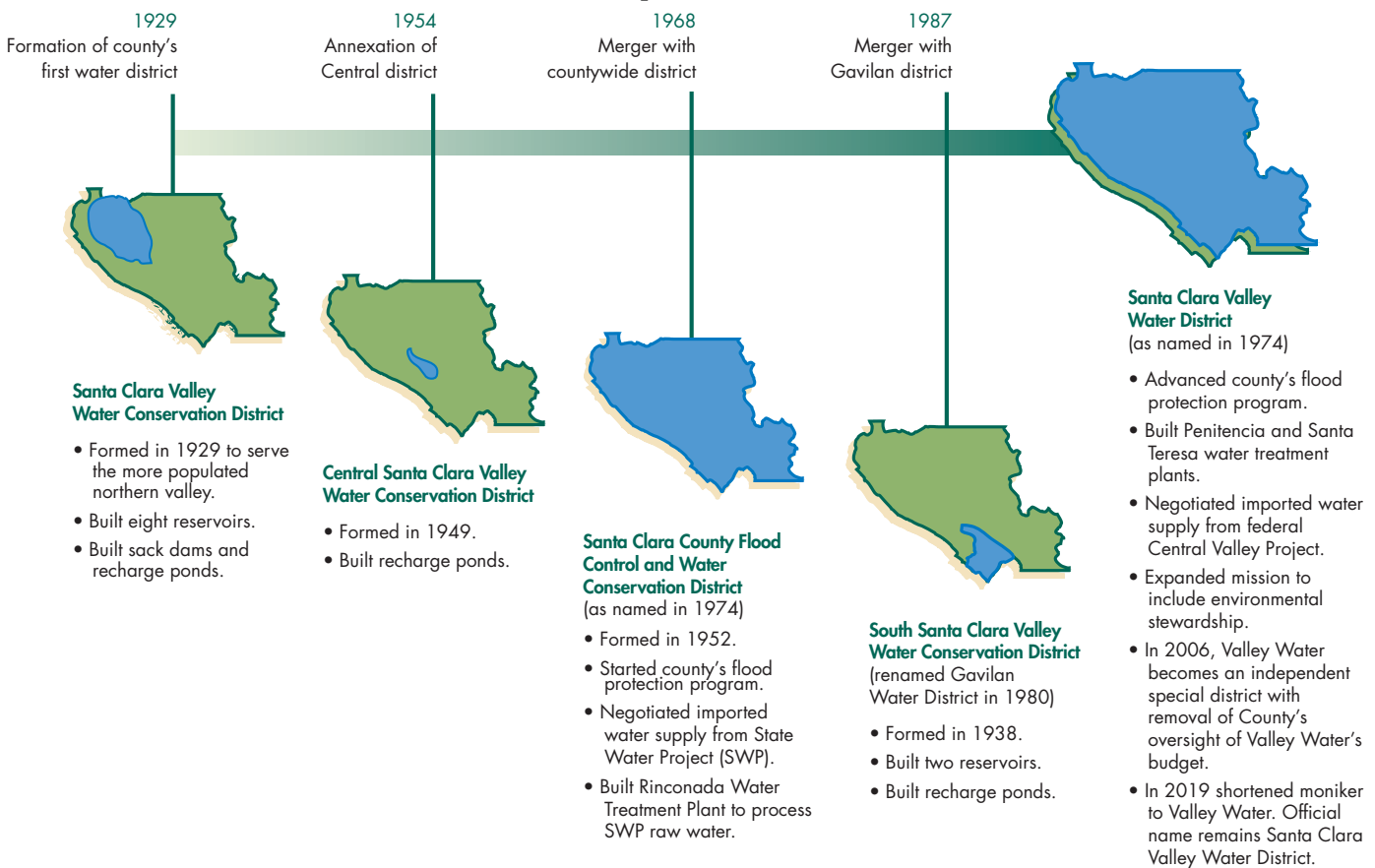
(e) to increase, and prevent the waste or diminution of, the water supply in the district;

(f) to obtain, retain, reclaim, protect, and recycle drainage, storm, flood waters or treated wastewaters,

or other waters from any sources, within or outside the watershed in which Valley Water is located for any beneficial uses within the district;

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

Evolution of the Santa Clara Valley Water District



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

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Local Economy

While the COVID-19 pandemic continues to affect every aspect of the country's economy and community, the local economy has improved as evidenced by employment gains and income growth. According to the U.S. Bureau of Economic Analysis' (BEA) second estimate released for the first quarter of 2021 on May 27, 2021, the real gross domestic product (GDP) increased at an annual rate of 6.4% in the first quarter of 2021. This increase reflected the continued economic recovery, reopening of establishments, and continued government response to related to the COVID-19 pandemic.¹ The April 2021 Bay Area Consumer Price Index (CPI), a measure of price of a "market basket" of goods and services such as energy, transportation and housing, increased by 1.7% over the past two months, and 3.8% over the past year.² Silicon Valley's April unemployment rate was 5.1%, down from the estimate of 12.4% a year ago; this is lower than the unadjusted unemployment rate of 8.1% for California and 5.7% for the United States during the same period.³ Silicon Valley lost more than 151,500 jobs between Q2 2019 and Q2 2020. However, many of these jobs were recovered in the latter half of 2020, with a growth rate of 6.9% in Santa Clara and San Mateo counties combined between June and November 2020 (and 4.3% throughout the state).⁴

The COVID-19 pandemic has affected the region's overall economic and community health and will have long-term implications. The region's per capita COVID-19 case rates remained lower than the state and country's until after Thanksgiving 2020, subsequently peaking at just above 70 per 100,000 residents in early January 2021. Population growth has stagnated, with a significant outflow of residents and slower natural growth, with 7% more deaths and an all-time low birth rate. While tech

employment is still rising, companies are adding jobs more rapidly elsewhere. Even so, however, Silicon Valley continues to rank far above other U.S. talent centers for its share of local jobs in tech as well as tech growth; employment in the tech sector was up two percent despite some layoffs. Overall, the region's unemployment reached unprecedented levels, peaking in April 2020 at 11.6%, with job losses disproportionately affecting low-income earners, renters, and Black and Hispanic workers. The income and wealth divide were also further amplified, with job losses concentrated in lower income occupations such as accommodation and food services (-41%); arts, entertainment, and recreation (-54%); and personal services (-54%). The region's income inequality grew twice as quickly as that of the state or nation over the past decade, with the top 16 percent of household holding 81 percent of the wealth. As a result of the first and second rounds of the Paycheck Protection Program (PPP), \$69.9 billion in loans were distributed to California, supporting an estimated 6.51 million jobs – the most of any state. Silicon Valley and San Francisco received \$6.53 billion and \$3.26 billion, respectively.⁴

Housing insecurity rose sharply in May 2020. While nearly half of all renters were burdened by housing costs prior to the pandemic, that amount increased to 69% in 2020. The region's homeless population (~11,000 people) had access to federal emergency assistance such as Projects Roomkey county-level efforts to provide housing, food, and other services. Home sales continued to rise, with median home sale prices reaching \$1.2 million. However, the ability to benefit from home ownership continues to only benefit some as there continues to be lack of affordability for first-time homebuyers.⁴

¹ U.S. Bureau of Economic Analysis (BEA), 5/27/2021 News Release

² US BLS (Bureau of Labor Statistics), March 12, 2021 Release – CPI April 2021

³ State of California Employment Development Department (EDD), May 21, 2021 labor market info

⁴ Joint Venture Silicon Valley Institute for Regional Studies, 2021 Silicon Valley Index

⁵ US Department of the Treasury, Featured Stories: Fact Sheet (March 18, 2021)

⁶ The White House Briefing Room: President Biden Announces American Rescue Plan (January 20, 2021)

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More commercial space was also under construction than ever before (21 million square feet), with another 14 million square feet in the pipeline. Landlords held rents steady and tenants held onto their space, even if unoccupied.⁴

Meanwhile, local government agencies adjusted budgets for pandemic-related declines in revenues from transient occupancy taxes, charges for services, etc. Some have noted that the estimated decline is greater than those experienced during the Great Recession or the dot-com bust. Total revenue declines are expected to lead to more than \$400 billion in budget shortfalls in the region.⁴

In January 2021, the federal government announced the American Rescue Plan that will provide \$350 billion⁵ to aid the nation in the road to recovery from the pandemic. Not only does this include a “true up” additional Economic Impact Payment to ensure eligible families receive greater amounts of financial assistance in 2021, it also includes funding for programs like the Low Income Home Energy Assistance Program, for struggling renters.⁶

At the time of the FY 2020-21 budget adoption, one year ago, the outlook was very different from today. Due to the level of uncertainty from the pandemic, Valley Water put all position requests for the FY 2020-21 Budget on hold and did not increase water rates. As we begin to see light of end of pandemic tunnel, Valley Water is positioned to make critical investments to our infrastructure to help stimulate our local economy. Our proposed budget funds the priorities the community supported in Measure S, which passed with more than 75% of the votes in November 2020. Critical funding is needed to maintain

our waterways, clean up our homeless encampments, and to add miles of flood protection projects to protect our communities from severe storm events which will become more frequent with climate change. We are in a critically dry year and a period of drought is potentially looming in the near future. The modest increase in water rates will allow us to invest in a safe and reliable supply of water for families, schools, and businesses across Santa Clara county and help ensure that Valley Water is prepared for the future by investing in our reservoirs, increasing storm water reuse, and expanding use of recycled water. This past year has truly been challenging for all of us. Despite the challenges brought on by the pandemic, Valley Water has not, and will not, ever stop doing the work to ensure that the community it serves has access to safe clean water.

¹ U.S. Bureau of Economic Analysis (BEA), 5/27/2021 News Release

² US BLS (Bureau of Labor Statistics), March 12, 2021 Release – CPI April 2021

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Governance and Board of Directors

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

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

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

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

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

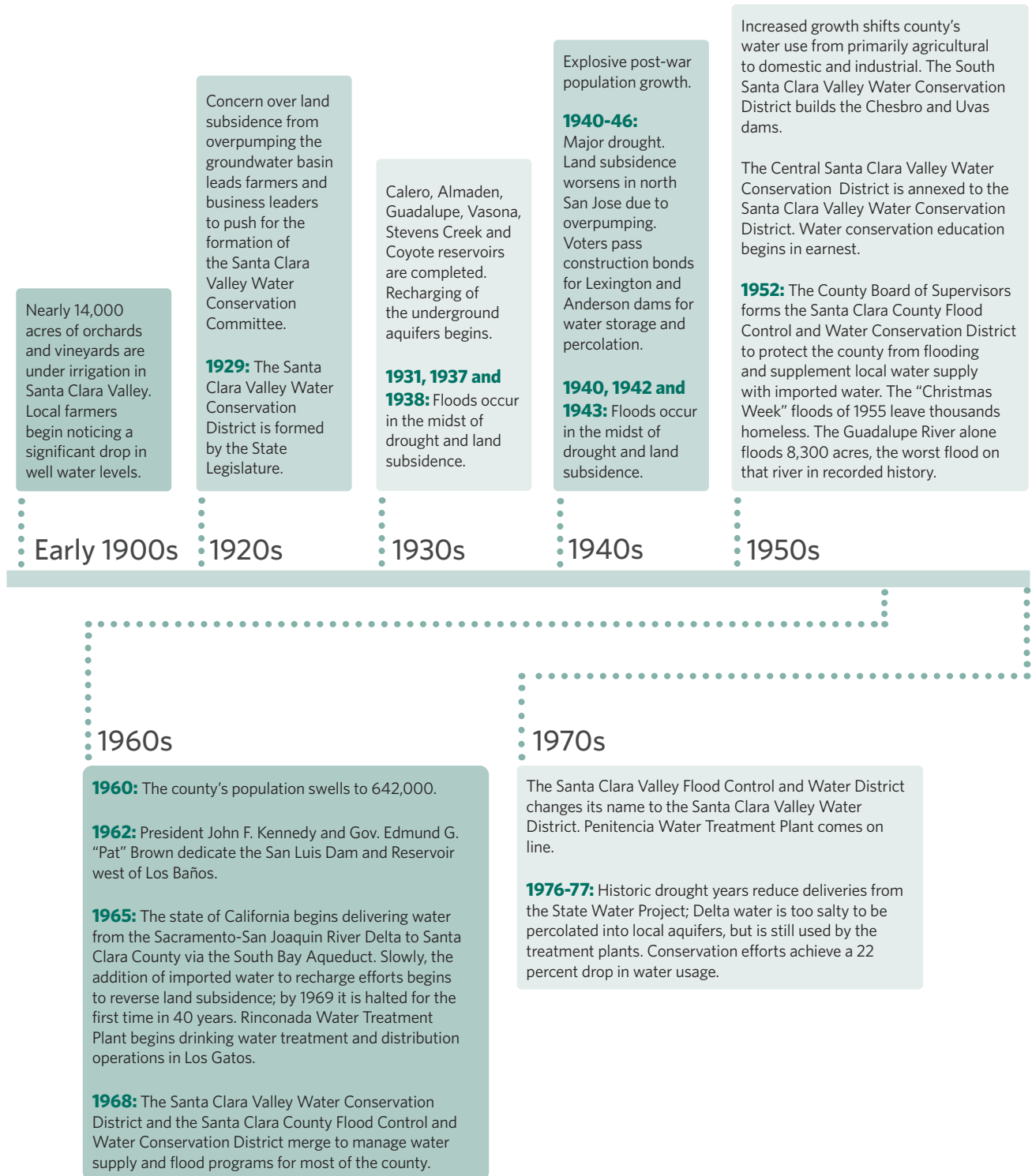
Board directorial districts



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History Timeline

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



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

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

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

1980s

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1990s

2000-2021

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

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

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

2019: The California Water Commission awarded the Pacheco Reservoir Expansion Project \$484.55 million under Proposition 1, and approved Valley Water's request for early funding of \$24.2 million to proceed with next steps, such as completing environmental documents and permit applications. The project would expand Pacheco Reservoir's storage capacity to provide for increased emergency water supplies, improved operational flexibility, improved water quality, additional water supply reliability, and ecosystem benefits throughout our region and the Sacramento-San Joaquin Delta.

2020: Valley Water partners with the cities of Palo Alto and Mountain View to expand both recycling and advanced purified water efforts in Santa Clara County. The partnership will allow for the construction of a second regional purification center, owned by Valley Water, that will provide advanced purified water for future drinking water supplies. The agreement also calls for the construction of a salt-removal plant, owned and operated by City of Palo Alto, to provide higher-quality recycled water, primarily for irrigation and cooling towers.

2021: In November 2020, Santa Clara County voters overwhelmingly approved Measure S, a renewal of Valley Water's Safe, Clean Water and Natural Flood Protection Program that will continue to provide the funding for local projects that support Valley Water's mission. Also, Valley Water moved forward with work aimed at strengthening and retrofitting Anderson Dam so it can safely withstand a large earthquake.

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Board Committees

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

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

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

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

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

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

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

Homeless Encampment Committee: Discuss homelessness and encampment issues and bring discussion and recommendations back to the Board.

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

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

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

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

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Board Advisory Committees

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

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

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

Redistricting Advisory Committee: Resident-led committee comprised of seven members representing each geographical district created to: 1) oversee the completion of a redistricting study in an inclusive, transparent and comprehensive manner; and 2) encourage community input in the redistricting process.

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

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

Joint Committees

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

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

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

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

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

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

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

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

Board Working Groups

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

Delta Conveyance Authority Group: Information sharing.

Financial Sustainability Group: Review organizational financial sustainability factors.

Project Labor Agreement Group: Recommend to the Board a set of policy-level negotiation parameters for staff to initiate negotiation of a Project Labor Agreement (PLA) with Santa Clara and San Benito Counties Building and Construction Trades Council.

Budget Review Working Group: Review and recommend strategies to address budget-related issues including the COVID-19 pandemic.

External Monitoring Committee

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

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

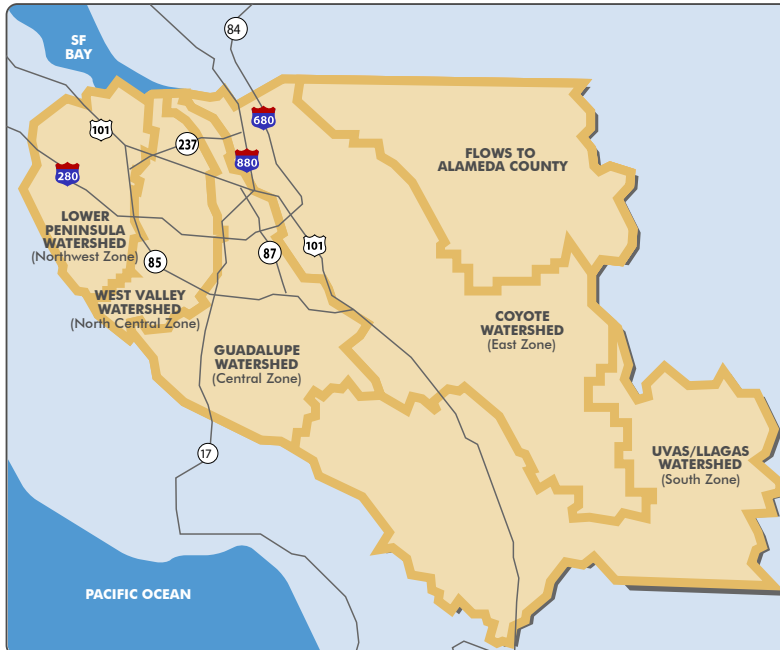
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Groundwater Benefit Zones in Santa Clara County



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

Watershed Areas and Flood Control Zones of Santa Clara County



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

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