

**Clarifications to Mercury News story of March 10, 2010**

	Article text	Clarification or correction
1	<p><b>"It's a hidden tax.</b> People don't realize they are paying it," said Tim Guster, general counsel for the Great Oaks Water Co., a privately held San Jose company that delivers water to about 100,000 customers in Almaden Valley and other parts of South San Jose. "It's money for which the district has not been held accountable."</p>	<p>The groundwater production charge is not a tax but a charge for the services and programs to provide a reliable supply of water. The process for setting the charge rate has not been "hidden" but has always been an open and public process with the community encouraged to participate. The district works closely with the 13 water retailers, including Great Oaks, Co., to inform them of the programs to provide the services and specific groundwater charges. The majority of retailers, as a group, have supported the groundwater production charges over the years. Great Oaks Water Company is one of 13 retailers and has voiced opposition to the charges. This year the water district is adding an additional step of providing a formal written process for well owners to protest the charges.</p> <p>The water district is held accountable for the all the public's money. The district engages in a process that is transparent and open to the public. The budget is not only presented in two separate public hearings but also in presentations to three board advisory committees, the water commission, the water retailers, and during multiple days of detailed budget hearings. The district receives an annual independent audit that is reported in public session to the Board of Directors.</p>



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2	<p>Critics say <b>the water district has long used its groundwater fees as a giant slush fund, raising them steadily to fund a wide range of programs unrelated to groundwater</b>, driving up the monthly water bills of Silicon Valley residents.</p> <p>...</p> <p>Guster also noted <b>the fee has paid for a number of uses unrelated to groundwater, including recycled water programs and upgrades to drinking water treatment plants even though groundwater is not treated</b>. If the district is prohibited from collecting the fee, it will have to reduce the size of its staff and trim its programs, he said.</p>	<p>Although critics may say this, the fact is that groundwater production charges fund programs and projects that provide for the protection of the groundwater supplies preventing over pumping and protecting the quality. Specifically, the funds pay for purchasing of imported water (note: 50 percent of the county’s water supply is from imported sources), water conservation education to reduce demand on the groundwater basin, inspection of well installation to prevent contamination of the groundwater and recycled water. More information on what is funded is available in the district’s Production and Augmentation of Water Supply (PAWS) report available on-line at <a href="http://www.valleywater.org">www.valleywater.org</a>.</p> <p>Groundwater production charges in the North County are used to supplement the cost of treated and recycled water supplies to decrease demand on the groundwater basin supplies. This “conjunctive use” practice ensures that the groundwater basin is not over pumped and ensures a reliable supply of water is available to the community. In South County, there is no supplemental charge for treated water but the charge does supplement recycled water activities. This is why there is a difference in the North County versus South County rates.</p>
3	<p>“It will be forced to make the same difficult decisions all agencies must make in difficult times like these, <b>rather than going back to the taxpayers again and again for more,</b>” Guster said.</p>	<p>The district is making difficult decisions in order to keep the costs of water low. We are proposing that rates be kept flat for another year, even with increase costs for materials, loss of \$9 million in revenue due to water conservation and the state’s direct take of \$4 million in property taxes. The budget has been reduced by \$24.5 million from planned expenditures. This has been accomplished without a reduction of direct services to the community but through increased efficiencies, elimination of positions, postponing capital projects, and cutting overtime, training, vehicles and travel.</p>

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4	<p><b>Over the last 10 years, the water district has doubled the groundwater charge</b>, from \$260 an acre-foot in 1999 in the northern half of Santa Clara County to \$520 today. In South County the rate went from \$108 an acre-foot in 1999, to \$275 today.</p>	<p>Groundwater production charges have increased each year by generally less than 10 percent. For the average residential well owner this amounts to about \$22 per month in North County and about \$10 per month in South County. The increases were due to: increases in imported water costs and capital projects related to the infrastructure.</p> <p>With the need to replace the aging infrastructure it is anticipated that the district’s zero percent increase will not be sustainable if the community is to have a reliable supply of water and the community will need to invest in repairing and replacing the infrastructure.</p>
5	<p>The district is not proposing an increase this year. <b>But it projects that the fees, which are not itemized in most residential water bills, will double again in the next 10 years.</b></p> <p>Most of the hikes have been spent to repair and rebuild dams, pipes and water treatment plants, Goldie said.</p> <p>“Our facilities are 40 to 50 years old,” he said. “We have to upgrade and fix them.”</p>	<p>The district is not proposing to increase the rate this year, keeping the rate the same for three consecutive years. For those who are not individual well owners, the itemization of the individual water bills would be addressed by the individual water retailer and present the cost of water supplied by the water district and the additional charges from the individual water retailer to deliver the water. The information is provided in public meetings and is available on the water district website. The water district does request individual residential well owners provide an estimate of their water usage—in some cases a water meter is used—and self report their usage along with the appropriate payment amount.</p> <p>The cost of supplying water continues to increase, and this is not due to that addition of staff or unnecessary programs. The district is constantly assessing the future water and infrastructure needs for the county and projects the future costs necessary to provide those services. The PAWS report explains what those costs are projected to be. These increases are based on the needs to provide a reliable supply of water:</p> <ul style="list-style-type: none"> <li>• Repair and replacement of aging infrastructure</li> <li>• New capital projects to keep up with growing water demand</li> </ul>

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		<p>In contrast to other water agencies of similar size, the water district is keeping the rates flat for two years, while many other water utilities have seen double digit increases.</p>
6	<p>“We’ll have to look for a different business model,” [CEO Beau Goldie] said. <b>“If we lose \$70 million, there will be dramatic reductions in service.”</b></p> <p>It also could mean over-pumping of wells, a lower water table, even a sinking of land, known as subsidence, that affected San Jose and other areas generations ago when farmers and growing cities over-pumped wells.</p>	<p>The groundwater production charges fund programs to ensure a reliable supply of water to the county and the loss of about \$63 million and would necessitate severe reductions and/or elimination of many water utility services. These may include: recharge of the groundwater basin, purchasing of imported water, water conservation programs, groundwater monitoring, well inspection and other services. Although critics believe that funding from the district flood protection and environmental stewardship program could be used to cover the \$63 million, funding restrictions and the responsibility to maintain flood control facilities limit the availability of funding, if any, that could be used to manage the groundwater basin.</p>
7	<p><b>But critics say the water district is overstating the risk and has plenty of fat to cut.</b> They cite a grand jury report from 2006 which found that during the tenure of former CEO Stan Williams, the district’s staff grew 46 percent — from 541 people in 1994 to 789 in 2005 — and that salaries for 33 top 33 averaged \$152,000.</p>	<p>Some critics state that the district is 1) overstating the risk and 2) has plenty of “fat” to cut. The risks are not overstated but are real and are based on historical facts and the impacts realized from an unmanaged groundwater basin. In North County the impacts of subsidence due to over pumping of the groundwater basin were experienced from the 1920’s to the late 1960’s when subsidence was arrested as a result of the groundwater management program. In South County, with almost 100 percent reliance on groundwater, approximately 2/3 of the water supply is from management of local supplies (reservoirs) and importation of water for recharging. Historical monitoring of the groundwater elevation verifies the value of the groundwater management program to keep the water table high enough to avoid deepening wells or impacting property values from an insufficient supply of well water.</p>

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		<p>Today, the county relies on 50 percent of its water from outside the county (i.e., imported water). Without that supply and the ability to recharge the groundwater basin we would begin subsidence and salt water intrusion in the North County and in South County, and experience a lower water table resulting in greater pumping costs and dry well conditions.</p> <p>Regarding the cutting of "fat," much has changed since 2006. The water district has a new CEO who is focusing on reduction of costs and eliminating unnecessary spending throughout the agency. Fifty-seven positions have been cut over the last two years, rates have been flat over the past few years, \$24.5 million has been cut from the operating budget and there have been many reductions throughout the agency. This effort of providing low cost water is the focus of the district's current efforts of cost reductions.</p>
8	<p>Steve Coney, a former Intel marketing manager, <b>saw groundwater fees on his 5-acre San Martin residence increase from \$664 in 2004 to \$2,700 last year.</b> He refused to pay and is fighting the agency in small claims court.</p> <p>"I can't believe any well owner would approve this," he said. "I don't mind paying a water bill, but this is too much."</p>	<p>Many wells are not metered. Well owners without meters are expected to give an accurate estimate of their water use. Without commenting publicly on this well owner's individual account, we have seen cases where well owners underreport their water use for many years. When a water meter is installed, we sometimes find that they are actually using far more water than they had been reporting and paying for.</p>

## Contact us

For more information, contact **Susan Siravo** at **(408) 265-2607, ext. 2290**, or visit our website at [www.valleywater.org](http://www.valleywater.org) and use our **Access Valley Water** customer request and information system. With three easy steps, you can use this service to find out the latest information on the project or to submit questions, complaints or compliments directly to a district staff person.

