



Santa Clara Valley Water District

File No.: 26-0466

Agenda Date: 5/12/2026

Item No.: *3.9.

SUPPLEMENTAL BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes No
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Adopt a Resolution Approving and Adopting the Fiscal Year 2026-27 Operating and Capital Rolling Biennial Budget and Providing for Levy of Ad-Valorem Property Taxes; and Approve the Santa Clara Valley Water District Reserve Policy.

REASON FOR SUPPLEMENTAL MEMORANDUM:

This supplemental Board agenda memorandum conveys additional information received after the initial agenda item was released, consistent with Executive Limitations EL-7-10-5.

RECOMMENDATION:

- A. Adopt the Resolution APPROVING AND ADOPTING THE OPERATING AND CAPITAL ROLLING BIENNIAL BUDGET FOR FISCAL YEAR 2026-2027;
- B. Adopt the Resolution PROVIDING FOR A LEVY OF AD VALOREM REAL PROPERTY TAXES IN FISCAL YEAR 2026-27 TO MEET THE COST OF ITS WATER SUPPLY CONTRACT WITH THE STATE OF CALIFORNIA;
- C. Approve the second fiscal year of the rolling biennial budget, referred to as the Fiscal Year 2027-28 Plan; and
- D. Approve the Santa Clara Valley Water District Reserve Policy.

SUMMARY:

In accordance with the District Act, Section 20, adoption of the Budget, after conclusion of the public meeting(s) to hear comments from the public on the proposed budget, the Board shall by Resolution adopt the budget as finally determined including any revisions that the Board determines advisable during or after the meeting(s) and no later than June 30 of each year.

*Throughout the Fiscal Year 2026-27 (FY27) budget process, staff provided numerous budget development updates for the Board and the public. The FY27 budget proposal is consistent with the Board's direction given to staff at those meetings. Therefore, staff recommends Board approval of the Resolution Approving and Adopting the Santa Clara Valley Water District (Valley Water) Operating

and Capital Budget for Fiscal Year 2026-27 (Attachment 1).

*Staff has made minor modifications to the Fiscal Year 2026-27 Proposed Operating and Capital Rolling Biennial Budget relative to the version reviewed by the Board at the April 29 budget work study session, which have been incorporated into the attached resolutions accordingly. The modifications include the following:

- A. Updated the Levy of the Safe, Clean Water and Natural Flood Protection Special Tax at the recommended level increase of 2.5%, increasing revenue by \$275,475 in FY 2026-27 and \$281,536 in FY 2027-28;
- B. Reduced the Excess Education Revenue Augmentation Contingency Reserve by \$161,619 in FY 2026-27 and \$323,259 in FY 2027-28 to align with the updated Santa Clara County Auditor -Controller's calculation of at risk-funds earmarked for potential reallocation to California to support its education funding obligations;
- C. Updated Retiree Health Insurance Contribution level as recommended in the Actuarial Valuation Plan Funding of the Santa Clara Valley Water District Retiree Healthcare Plan, increasing budget by \$1,654,000 in FY 2026-27 and \$2,048,300 in FY 2027-28;
- D. Reduced the Safe, Clean Water Program Project D7: Partnerships for the Conservation of Habitat Lands project, Project No. 26072008, by \$325,000 in both FY 2026-27 and FY 2027-28 to align with the acquisition of a portion of Sargent Ranch with the Peninsula Open Space Trust and to align with the Project D7's allocation under the current 15-year cycle of the Safe, Clean Water Program. The Board approved the acquisition on January 27th, 2026;
- E. Increased the Water Rate Assistance Program (WRAP) budget by \$250,000 in both FY 2026-27 and FY 2027-28 to support low-income communities;
- F. Removed three limited-term positions: one Office Specialist in the Office of Human Resources Division, one Resident Construction Inspector, and one Construction Inspector in Construction Inspection Services, reducing costs by \$525,413 in FY 2026-27 and \$565,382 in FY 2027-28; and
- G. Updated labor costs to reflect the current incumbent salary scale for the Chief Executive Officer in the Office of the Chief Executive Officer, increasing costs by \$104,510 in FY 2026-27 and \$113,216 in FY 2027-28.

*In addition, for Valley Water to receive funds to pay for the contract costs of water importation from the State of California, staff recommends approval of the Resolution to Provide for a Levy of Ad-valorem Real Property Taxes in Fiscal Year 2026-27 (Attachment 3).

*Staff recommends approval of the Valley Water Reserve Policy. The Valley Water Reserve Policy will be included in the final summary budget document, as has been the case in past years (Attachment 2).

*The transmittal letter for the FY 2026-27 Budget is included (Attachment 4).

*The final summary budget document will be available on the Valley Water website by June 30, 2026.

ENVIRONMENTAL JUSTICE IMPACT:

No change from original memo.

FINANCIAL IMPACT:

*Staff recommends a proposed FY 2026-27 Operating and Capital Budget of \$1.415 billion, less \$130.9 million in intra-district reimbursements. The total net proposed budget is \$1.284 billion. The gross budget is comprised of \$729.9 million in capital outlays, \$555.8 million in operations outlays, and \$128.8 million in debt service. The proposed budget revenue is \$811.1 million, which includes proposed groundwater production and other water charges for FY 2026-27. Debt proceeds are budgeted at \$526.3 million, and with the use of budgeted reserves, make up the difference between total outlays (including capital carryforward) and total revenues. Budgeted year-end reserves are \$518.3 million, of which \$175.6 million are legally restricted. Restricted Reserves are reserves with externally imposed legal restrictions or amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government), through constitutional provisions or enabling legislation.

*Adoption of the Resolution to Provide for a Levy of Ad-valorem Real Property Taxes in FY 2026-27 enables Valley Water to receive funds in the amount of \$28 million to pay for the contract costs of water importation from the State of California.

CEQA:

No change from original memo.

ATTACHMENTS:

- *Supplemental Attachment 1: Resolution, Budget
- *Supplemental Attachment 2: Valley Water Reserve Policy
- *Supplemental Attachment 3: Resolution, Ad Valorem Taxes
- *Supplemental Attachment 4: Transmittal Letter

UNCLASSIFIED MANAGER:

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