



Santa Clara Valley Water District

File No.: 25-0314

Agenda Date: 3/25/2025

Item No.:

SUPPLEMENTAL BOARD AGENDA MEMORANDUM

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

SUBJECT:

Receive and Discuss Long Range Financial Planning Models for the Water Utility Enterprise Fund, the Watersheds Stream Stewardship Fund, and the Safe, Clean Water Fund.

REASON FOR SUPPLEMENTAL MEMORANDUM:

This report conveys additional information received after the initial report was released, consistent with Executive Limitations Policy EL-7-10-5.

RECOMMENDATION:

- A. Receive information on the long-range financial planning models for the Water Utility Enterprise Fund, the Watersheds Stream Stewardship Fund, and the Safe, Clean Water Fund; and
- B. Provide direction as necessary.

SUMMARY:

The purpose of this item is to review the long-range financial planning models that staff has prepared for three of Santa Clara Valley Water District's (Valley Water) major funds: the Water Utility Enterprise Fund (Fund 61 and Fund 63), the Watersheds Stream Stewardship Fund (Fund 12) and the Safe, Clean Water Fund (Fund 26).

To complement the FY 26 water rate setting and budget setting processes, staff prepared long range financial forecasts, which include assumptions with regard to repair and rehabilitation of large assets beyond the typical 10-year forecasts presented annually. Each major fund has a slightly different forecast time frame, ranging from 30 to 45 years, in part to demonstrate the long-term impact of various capital investment funding methods.

While a forecast that far into the future would certainly include many assumptions, it would provide the Board with a comprehensive financial picture and could help the Board make any necessary decisions today to address the long-term future.

A supplemental agenda item, including PowerPoint presentation, will be posted by March 21, 2025.

* For the Watershed Stream Stewardship Fund, staff has prepared a graphic that shows fund reserve balances forecasted through FY 2054-55. The forecast includes assumptions related to revenue growth, operations cost growth and capital funding. The forecast also includes Asset Management Projection placeholder cost estimates associated with the repair and maintenance of Valley Water assets by year. Rehabilitation of existing creek infrastructure includes structure repair and replacement; levee repair (e.g., rodent damage repair); erosion repair; and restoration of existing level of service. There are several unfunded projects that are not included in the forecast for which Valley Water is developing cost estimates and funding strategies including:

- Calabazas/San Tomas Aquino Creek-Marsh Connection;
- South Babb Creek Long Term;
- Pal Alto Tide Gate;
- Pond A4;
- Lower Llagas Creek Capacity Restoration; and,
- Watershed Master Planning.

Based on the assumptions listed in Attachment 1, the forecast reflects that the Watershed Stream Stewardship fund has healthy reserve levels in most years. However, the fund does have financial issues that would need to be resolved between FY 2036-37 and FY 2046-47, which would be made worse with the addition of the unfunded projects mentioned earlier. These challenges and other potential looming challenges point to the need for cost containment and the development of additional funding sources.

*For the Safe, Clean Water Fund, staff has prepared a similar graphic that shows fund reserve balances forecasted through the next 40 years, or through FY 2065-66. Of note the Safe, Clean Water fund follows 15-year program cycles; the timeframe shown reflects three 15-year cycles. For the purposes of this long-range projection, the time frame referenced is in part to demonstrate the full debt service repayment schedule for Water Infrastructure Finance and Innovation Act (WIFIA) loans.

Key assumptions are listed in Attachment 1 including assumptions related to debt proceeds and debt service. Construction costs for construction of the Upper Penitencia Creek Project is included in the 2nd 15-year cycle. Based on the assumptions shown in Attachment 1, the Safe Clean Water Fund is faced with financial challenges over a multi-year time frame, beginning in FY 29. These challenges are driven by increasing operating and maintenance costs, increasing capital project costs, confined by the limits of the special tax funding source. The potential challenges point to the need to contain costs and continue pursuing grants and partnership funding.

*For the Water Utility Fund, staff has prepared a water rate forecast for all 4 groundwater benefit zones through FY 2069-70. Key assumptions are shown in Attachment 1. District managed water use forecasted reflects a moderate rebound from the most recent drought of about 219,000 in FY 26, continued rebound up to 225,000 acre-feet in FY 27, and then remaining fairly flat thereafter, growing

to 240,000 acre-feet by 2070.

*Staff has prepared a series of water rate forecast scenarios that reflect eight water utility investment scenarios, with each successive scenario building on top of the former. The eight water utility investment scenarios are as follows:

1. Scenario 1: maintains existing assets and level of service (Including the FY 26-30 draft CIP, Asset Management Rehabilitation projection, Master Plan estimates for pipelines, treatment plants and SCADA upgrades, Rinconada Water Treatment Plant Reliability Improvement, and Anderson Dam Seismic Retrofit)
2. Scenario 2: Adds Dam Safety Program (Almaden, Calero, Coyote, Guadalupe)
3. Scenario 3: Adds Sisk Dam Raise at San Luis Reservoir
4. Scenario 4: Adds Delta Conveyance Project
5. Scenario 5: Adds San Jose Purified Water Program Phase 2 Full-Scale Facility
6. Scenario 6: Adds Groundwater Banking Diversification
7. Scenario 7: Adds Pacheco Reservoir Expansion Project (PREP)
8. Scenario 8: Adds incremental costs for PREP with 0% partnership participation

*Based on the assumptions listed, the scenarios depict the water rate projection for each groundwater benefit zone that would be required to accomplish the corresponding projects and level of service through FY 2069-70. Additional scenarios can be prepared at the Board's direction.

*A host of challenges are evident for the Water Utility Fund including customer affordability, weather volatility due to climate change, and evolving regulatory requirements. The water rate scenarios point to a need for careful strategic planning, thoughtful investment decisions, cost containment efforts, and pursuit of additional revenue.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice impacts associated with this item at this time.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

*Supplemental Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

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