



FISCAL YEAR 2026-27

Public Hearing: Water Charge Recommendations

Presented by: **Carmen Narayanan**, Financial Planning & Revenue Manager
April 14, 2026

Public Hearing has Three Specific Objectives

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- 1. Present annual report on Valley Water’s activities and recommended ground water production charges**
- 2. Provide opportunity for any interested person to “...appear and submit evidence concerning the subject of the written report” to the Board of Directors**
- 3. Determine and affix Groundwater Production and Other Water Charges for FY 2026-27**

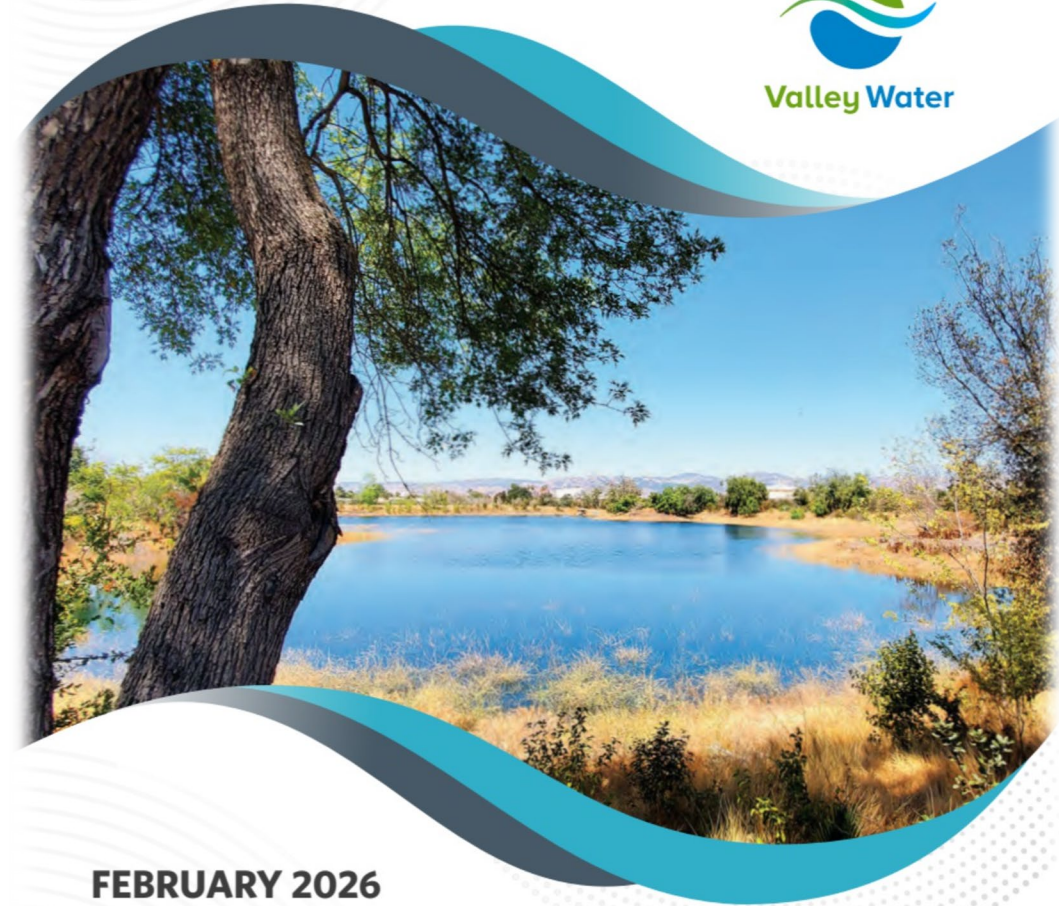
55th Annual Report Released

**Annual Protection and Augmentation of
Water Supplies Report provides
information & accountability**

Filed February 27, 2026

Available Online:

www.valleywater.org/ProposedWaterCharges



FEBRUARY 2026
55th Annual Report
FY 2026-27

**Protection and Augmentation
of Water Supplies**

Topics for Today's Public Hearing

Background

Water Usage

Cost Projections

Key Assumptions for FY 2026-27

Groundwater Production Charges

State Water Project Tax

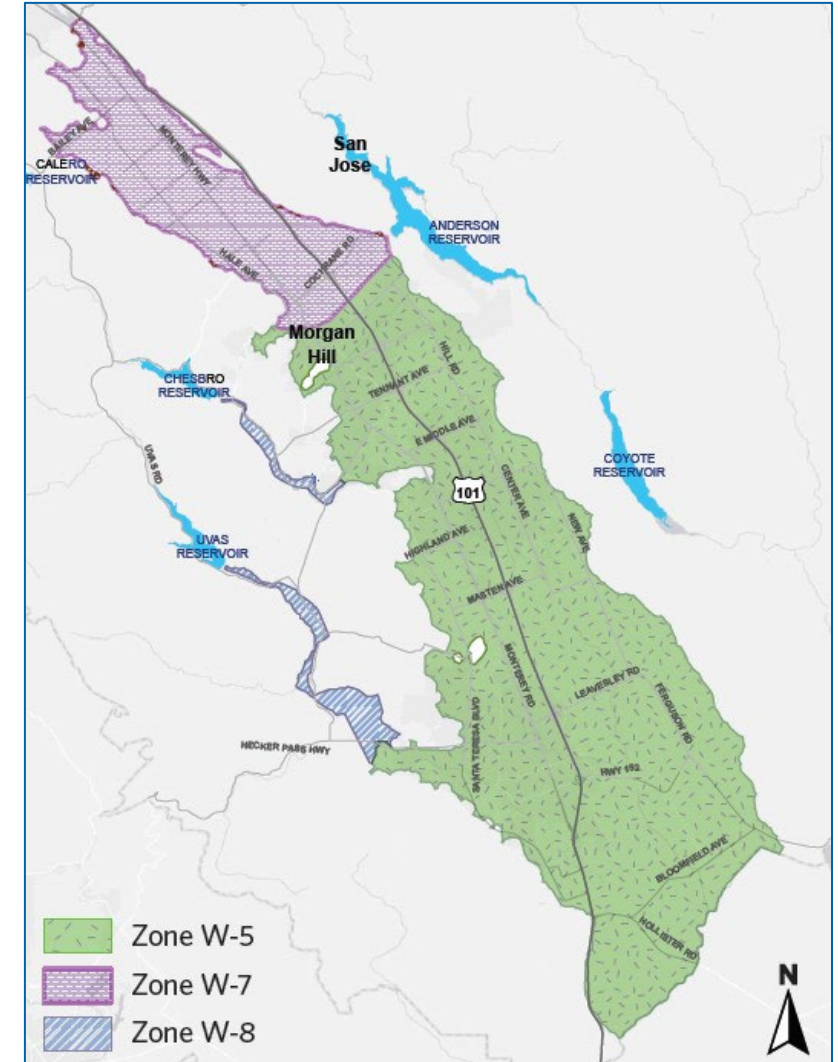
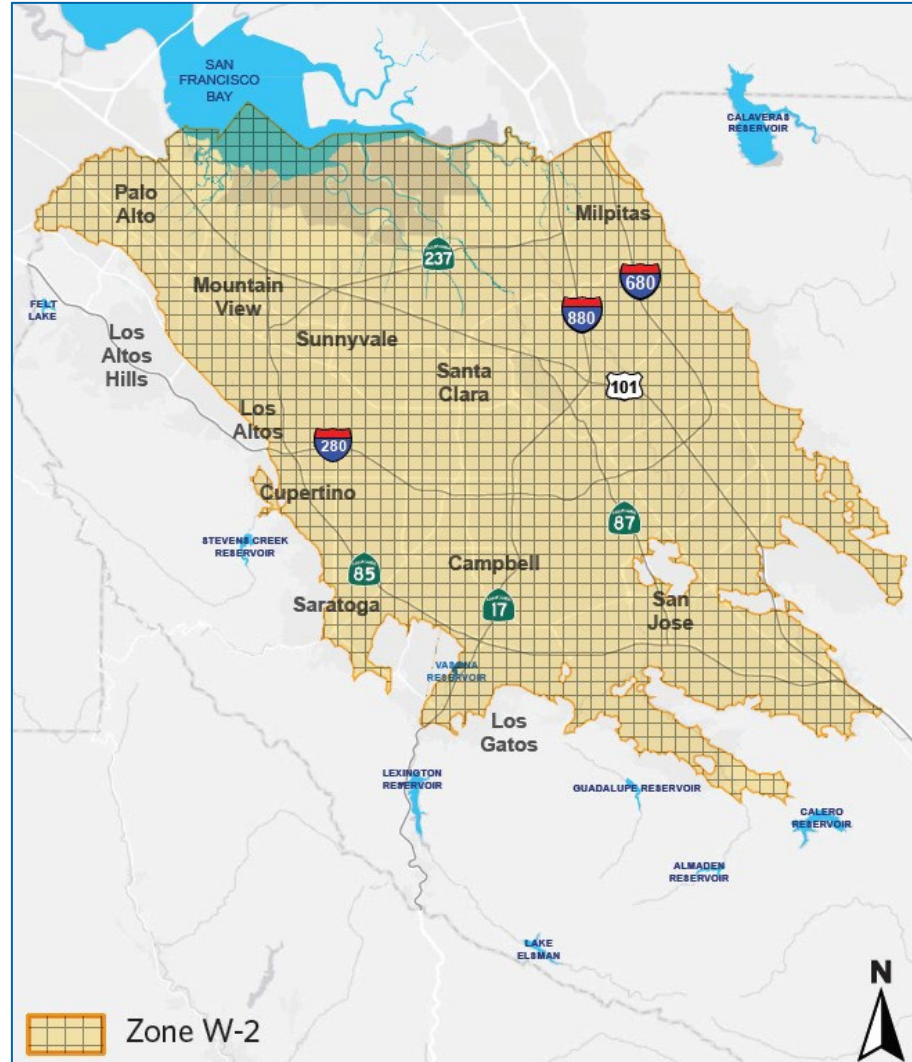
Schedule/Wrap up

Valley Water Groundwater Charge Zones of Benefit

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Board Pricing Policy Summary

- Groundwater charges are levied within a zone for benefits received
- All water sources and water facilities contribute to common benefit within a zone regardless of cost, known as “pooling” concept
 - Helps maximize effective use of available resources
- Agricultural water charge shall not exceed 10% of M&I water charge



Rate setting process is consistent with Props 218 & 26

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- **Groundwater charge setting process is consistent with Prop 26**
 - Certain Prop 218 requirements continue, like holding a public hearing, and noticing well owners, which are consistent with District Act
- **Surface Water Charge setting process is consistent with Prop 218**
 - Includes protest procedure as defined in Board Resolution 12-10

Strategic Outlook

- **Valley Water remains in an era of investment**
 - **To upgrade, rehabilitate, replace existing water supply infrastructure that was built decades ago**
 - **To invest in new infrastructure in response to changing weather patterns**
- **Focus on securing water supplies through regional projects participation**
- **Baseline water rate case investment assumptions**
 - **Maintain alignment with Draft CIP FY27-31 5-Year Plan**
 - **Reflect lower rate projections driven by August 26, 2025 decision by the Board to suspend development of the Pacheco Reservoir Expansion Project**

FY 2026-27 Rate Setting Assumptions

Baseline Case

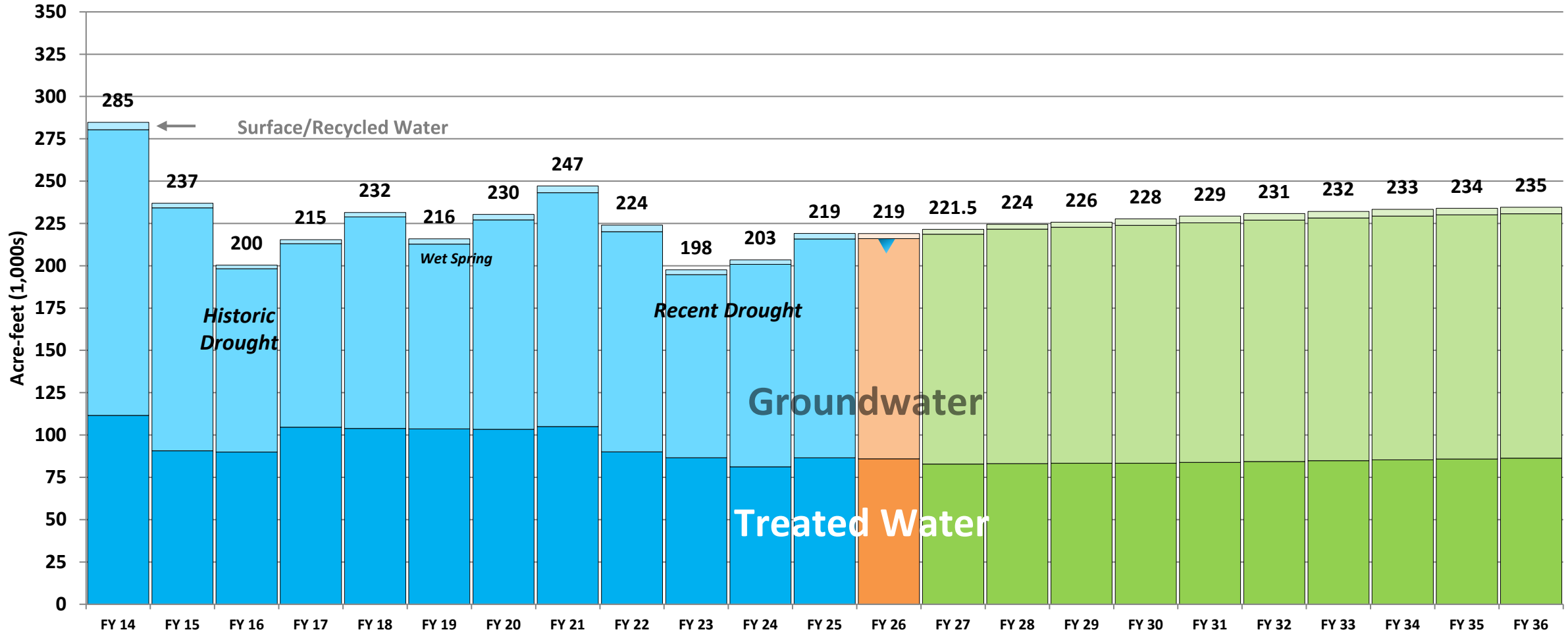
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- Plan for slightly increased District-managed water use of 221,500 AF
- Maintain current level of service and ongoing operations and maintenance
- Anderson Dam Seismic Retrofit
- Master Plan projects: SCADA, Water Treatment Plants & Distribution
- Dam Safety Program: Almaden, Calero, Coyote, & Guadalupe
- Pure Water Silicon Valley *Demonstration Facility & Full-Scale Direct Potable Reuse (DPR) Facility*
- Delta Conveyance project participation *
- San Luis Reservoir: B.F. Sisk Dam Raise with up to 63 TAF Storage *
- Sites Reservoir project participation *
- State Water Project Tax pays for 100% of State Water Project costs *Excludes SWP portion of Delta Conveyance*
- Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)

District Managed Water Usage

Reflects Lower Water User Projections Post 2023 Drought Rebound

District Managed Water Usage (TAF)



FY 27 Projection

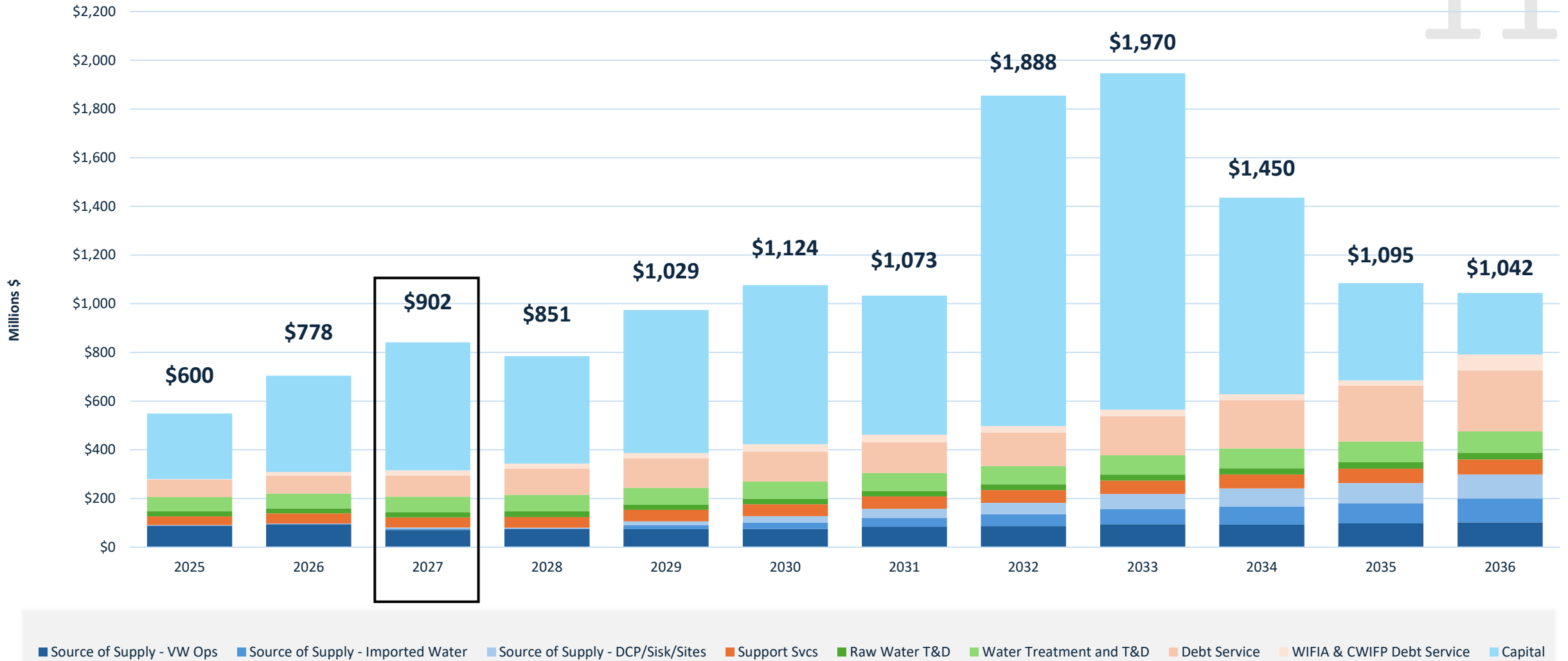
Actuals

FY 26 Budget

FY 26 Estimated Actuals

Water Utility Cost Projection

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Recommended Groundwater Production Charges

Infrastructure

DRIVES DIFFERENT GROUNDWATER PRODUCTION CHARGES IN EACH ZONE

North County

- 3 water treatment plants
- Reservoirs –
 - Almaden
 - Calero
 - Guadalupe
 - Lexington
 - Stevens Creek
 - Vasona
- Silicon Valley Advanced Water Purification Center
- Imported Water – State Water Project

Shared

- Reservoirs –
 - Anderson
 - Coyote
 - Pacheco
- Imported Water –
 - Central Valley Project
- *Shared facilities do not benefit Zone W-8*

South County

- Reservoirs –
 - Chesbro
 - Uvas
 - *Does not benefit Zone W-7*
- SCRWA Recycled Water System
 - *Benefits Zone W-5 only*

FY 2026-27 Groundwater Production Charge Projection

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Municipal & Industrial Rate by Zone	FY 2025-26 GW Production Charge	Recommended % Increase FY 2026-27	FY 2026-27 Recommended GW Production Charge	Increase to Average Monthly Bill (11 HCF/month)
North County W-2	\$2,450.00	9.9%* 9.1%	\$2,673.00	\$5.63
South County W-5	\$624.50	7.9%* 6.6%	\$665.50	\$1.04
South County W-7	\$834.50	11.2%* 9.4%	\$913.00	\$1.98
South County W-8	\$464.00	8.0%	\$501.00	\$0.93
Agricultural	\$43.00	8.0%	\$46.50	\$0.58 **

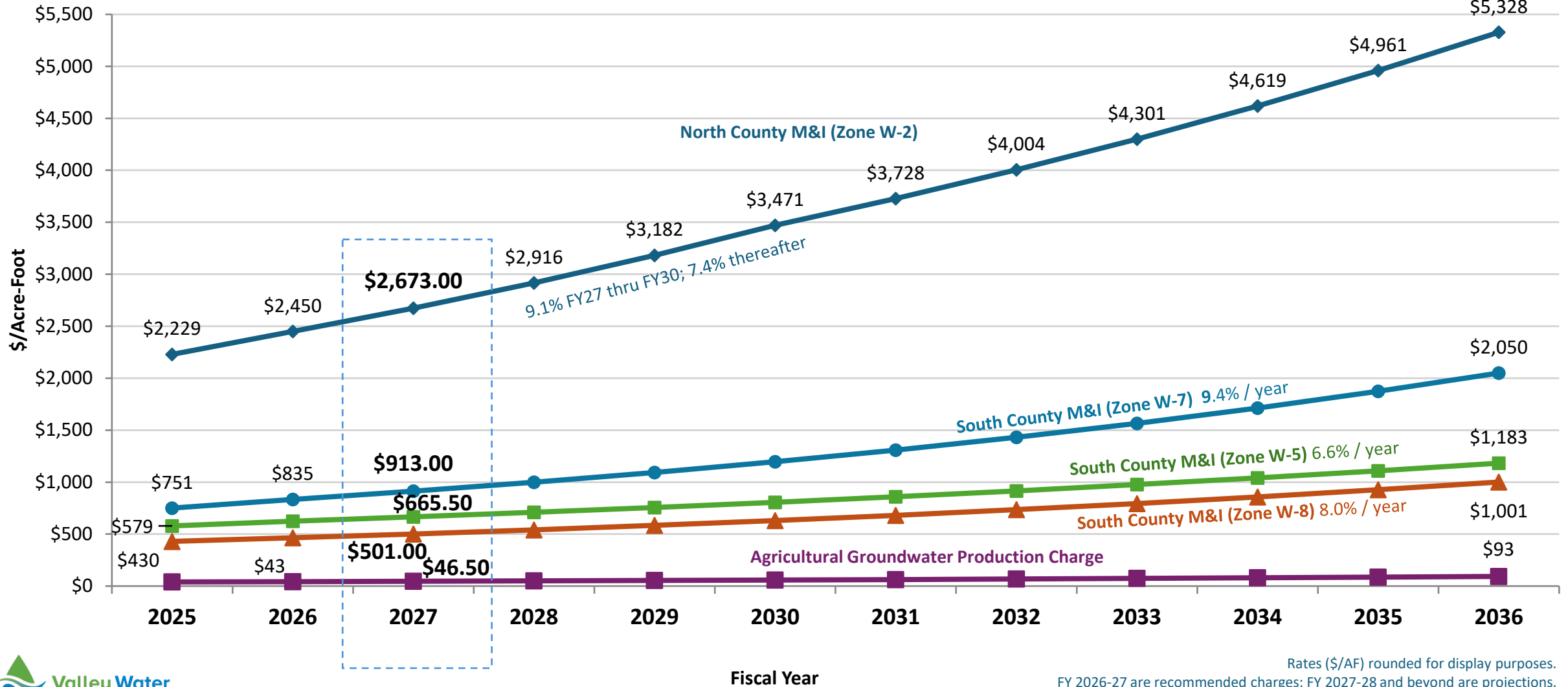
* Reflects prior rate increases (%) projected during the FY2025-26 planning cycle.

** Assumes Agricultural users who pump 2 AF of water, per acre, per year.

Groundwater Production Charge Recommendation

As published in the PAWS Report February 27, 2026

FY 2026-27 Groundwater Charge Recommendation (M&I and Ag)



Groundwater Charge Increase Projection

As published in the PAWS Report February 27, 2026

Municipal & Industrial Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
North County Zone W-2	9.1%	9.1%	9.1%	9.1%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
<i>Prior Year</i>	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	7.0%	
South County Zone W-5	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<i>Prior Year</i>	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	
South County Zone W-7	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%
<i>Prior Year</i>	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	
South County Zone W-8	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Prior Year</i>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	



Groundwater Charge Increase Projection

As published in the PAWS Report February 27, 2026

Municipal & Industrial Groundwater Charge Monthly Impact to Average Household (11 HCF/Month)

Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
North County Zone W-2	\$5.63	\$6.14	\$6.70	\$7.31	\$6.49	\$6.97	\$7.49	\$8.03	\$8.64	\$9.27
South County Zone W-5	\$1.04	\$1.11	\$1.19	\$1.26	\$1.34	\$1.43	\$1.53	\$1.63	\$1.73	\$1.84
South County Zone W-7	\$1.98	\$2.17	\$2.37	\$2.59	\$2.84	\$3.11	\$3.40	\$3.71	\$4.07	\$4.44
South County Zone W-8	\$0.93	\$1.01	\$1.09	\$1.19	\$1.26	\$1.36	\$1.49	\$1.62	\$1.74	\$1.87

Note: Does not include any increase that a retailer would layer on top



FY 2026-27 North County Zone W-2 Proposed Charges

Zone W-2 (North County)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	2,229.00	2,450.00	2,673.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	2,290.00	2,517.00	2,746.00
Total Surface Water, Agricultural*	100.80	110.00	119.50
Treated Water Charges			
Contract Surcharge	115.00	115.00	115.00
Total Treated Water Contract Charge**	2,344.00	2,565.00	2,788.00
Non-Contract Surcharge	200.00	200.00	200.00
Total Treated Water Non-Contract Charge***	2,429.00	2,650.00	2,873.00



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

** The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge

*** The total treated water non-contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the non-contract surcharge



M&I Increase approximately \$5.63 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2026-27 South County Zone W-5 Proposed Charges

Zone W-5 (Llagas Subbasin)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	579.00	624.50	665.50
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	640.00	691.50	738.50
Total Surface Water, Agricultural*	100.80	110.00	119.50
Recycled Water Charges			
Municipal & Industrial	559.00	604.50	645.50
Agricultural	70.15	73.35	76.85



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$1.04 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2026-27 South County Zone W-7 Proposed Charges

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Zone W-7 (Coyote Valley)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	750.50	834.50	913.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	811.50	901.50	986.00
Total Surface Water, Agricultural*	100.80	110.00	119.50



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$1.98 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2026-27 South County Zone W-8 Proposed Charges

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Zone W-8 (Uvas / Chesbro)	Dollars Per Acre Foot		
	FY 2024–25	FY 2025-26	Proposed FY 2026–27
Basic User/Groundwater Production Charge			
Municipal & Industrial	430.00	464.00	501.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	491.00	531.00	574.00
Total Surface Water, Agricultural*	100.80	110.00	119.50



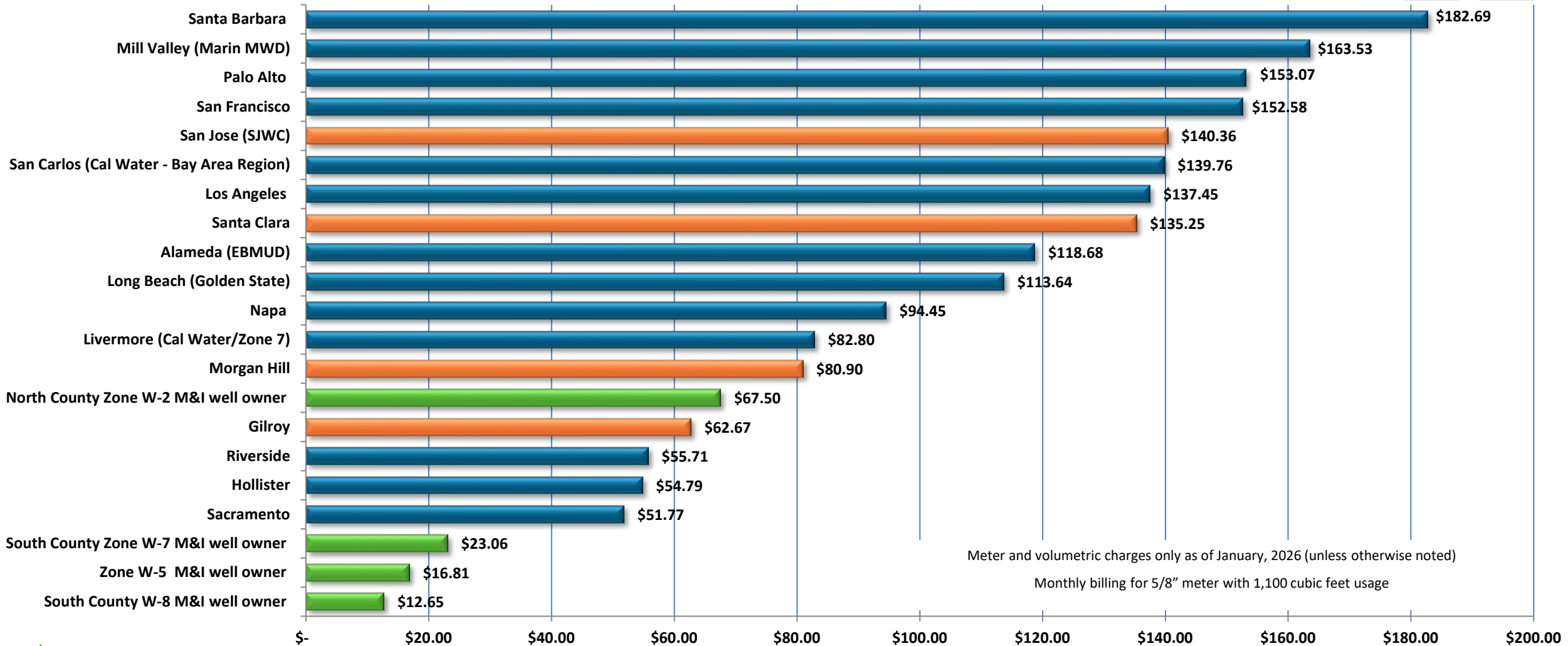
* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$0.93 per month increase to the average household user.

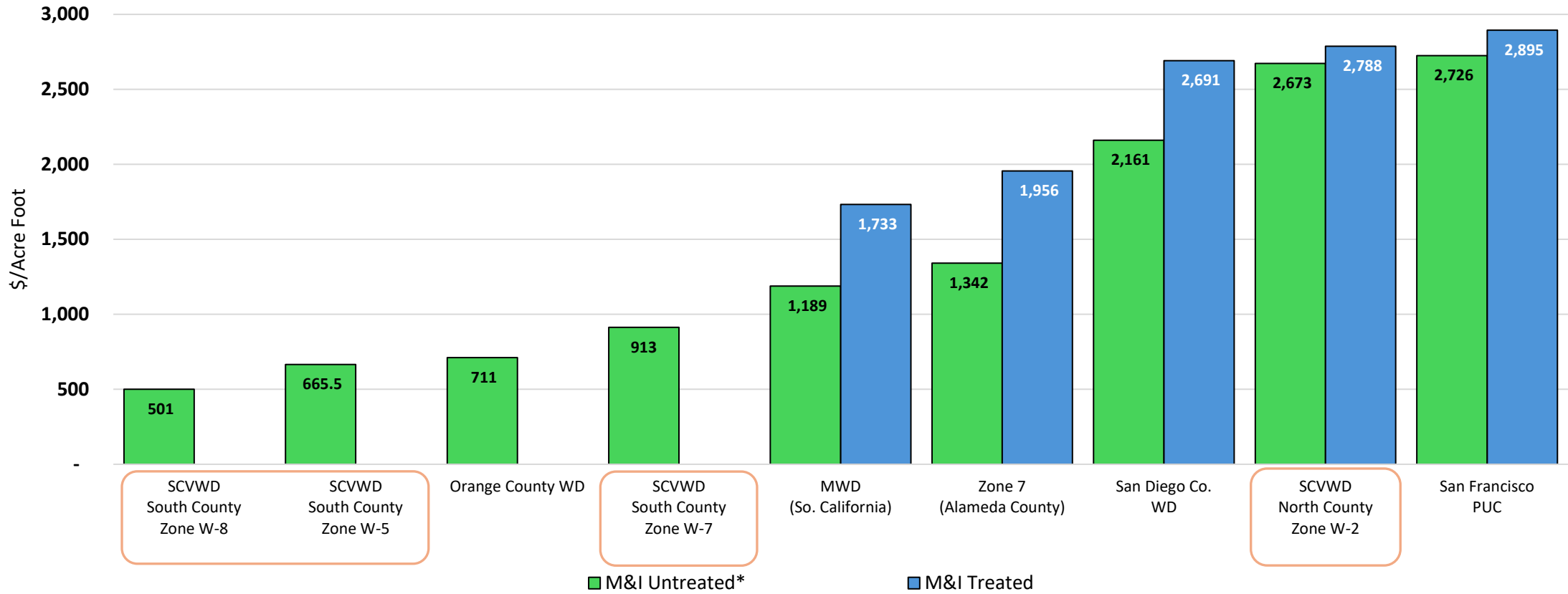
Note: Does not include any increase that a retailer would layer on top

Retail Agency Benchmarks



Wholesale Agency Rate Comparison

Wholesale Agency Rate Comparison
Municipal & Industrial (M&I) Water



* SCVWD groundwater production charge is equivalent to SCVWD raw surface water basic user charge

Note: some rates rounded to the nearest dollar.

FY 2026-27 State Water Project Tax Recommendation

- Staff recommends maintaining the SWP tax at \$28M (current FY 2026-27 SWP tax is \$28M)
- The annual SWP tax bill for the average single-family residence would be about \$46.00
- Impact if SWP tax not approved:
 - \$158/AF additional increase in terms of North County M&I groundwater production charge
 - In terms of South County M&I groundwater production charge, additional increases of:
 - \$37/AF for Zone W-5
 - \$49/AF for Zone W-7
 - \$38/AF for Zone W-8
 - Placing all SWP expenses on groundwater rates would impact affordability
 - \$962,533 additional increase in terms of Open Space Credit

DETAIL OF TAXES			
TAXING AGENCY	VALUE	RATES (%)	AMOUNT
LAND, IMPROVEMENTS, PERSONAL PROPERTY			
1% MAXIMUM LEVY	1,139,059	1.000000	11,390.59
CO BOND 2008 HOSP FAC	1,139,059	0.005200	59.23
CO RETIREMENT LEVY	1,139,059	0.038800	441.95
CO. HOUSING BOND 2016	1,139,059	0.005600	63.78
COMM COLLEGE BONDS	1,139,059	0.019200	218.68
ELEM OR UNIF SCH BONDS	1,139,059	0.091600	1,043.37
HIGH SCHOOL BONDS	1,139,059	0.057600	656.07
SAN JOSE CITY G O BONDS	1,139,059	0.019700	224.39
TOTAL ASSESSED VALUE TAXES		1.237700	14,098.06
LAND AND IMPROVEMENTS			
SCVWD-STATE WATER PROJ	1,139,059	0.003900	44.42
TOTAL LAND & IMPROVEMENT TAXES		0.003900	44.42
TAXES DUE			\$14,142.48

Water Rate Assistance Program

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Valley Water's Water Rate Assistance Program (WRAP) has been renewed with \$1 million in annual funding from non-rate revenues.

What is WRAP?

The Water Rate Assistance Program (WRAP) provides direct financial assistance to income-eligible households to pay their water bills. Through a partnership between Valley Water and Sacred Heart Community Service, qualifying households can receive up to \$1,000 in assistance once per program year. Funds are paid directly to the water provider to prevent service disconnection and maintain access to safe, clean drinking water.

How to Qualify

1. Reside in Santa Clara County.
2. Be responsible for paying a residential water bill (either directly to a water utility or through rent that includes a water charge).
3. Meet the household income limits.

www.valleywater.org/WRAP

Rate Setting Schedule FY 2026-27

- Jan 5 Agricultural Water Advisory Committee
- Jan 13 Board Meeting: Preliminary Groundwater Charge Analysis
- Jan 21 Water Retailers Meeting: Preliminary Groundwater Charge Analysis
- Jan 28 Water Commission Meeting: Preliminary Groundwater Charge Analysis

- Feb 10 Board Meeting: Set time & place of Public Hearing
- Feb 27 Mail notice of public hearing and file PAWS report

- Mar 10 Board Meeting: Budget development update
- Mar 11 Water Retailers Meeting: FY 27 Groundwater Charge Recommendation

- Apr 6 Agricultural Water Advisory Committee
- Apr 8 Water Commission Meeting
- **Apr 14 Open Public Hearing**
- **Apr 22 Continue Public Hearing in South County (Morgan Hill)**
- **Apr 28 Conclude Public Hearing**
- **Apr 29-30 Board Meeting: Budget work study session**

- **May 12 Adopt budget, 5-Year CIP & groundwater production and other water charges**

Feedback from Advisory Committees and Community

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Water Retailers

Agricultural Water Advisory Committee

Santa Clara Valley Water Commission

Members of the Public

Summary & Next Steps

Valley Water remains in an era of investment:

- Upgrading, rehabilitating, & replacing existing water supply infrastructure that was built decades ago
- Actively participating in regional infrastructure projects to secure additional water storage and supply

Proposed FY 27 Groundwater Production Charge for North County in terms of average household increase are:

- Increase of \$5.63 per month in Zone W-2 for groundwater and treated water

Proposed FY 27 Groundwater Projection Charges for South County in terms of average household increase are:

- Increase of \$1.04 per month in Zone W-5
- Increase of \$1.98 per month in Zone W-7
- Increase of \$0.93 per month in Zone W-8

Next Steps

- Continue Public Hearing on April 22nd Morgan Hill City Hall, including Open House at 6:00 PM



Valley Water

Clean Water • Healthy Environment • Flood Protection

Backup Slides

Groundwater Benefit Zones

North County Zone W2

- Santa Clara County north of Metcalf Road

South County Zone W5

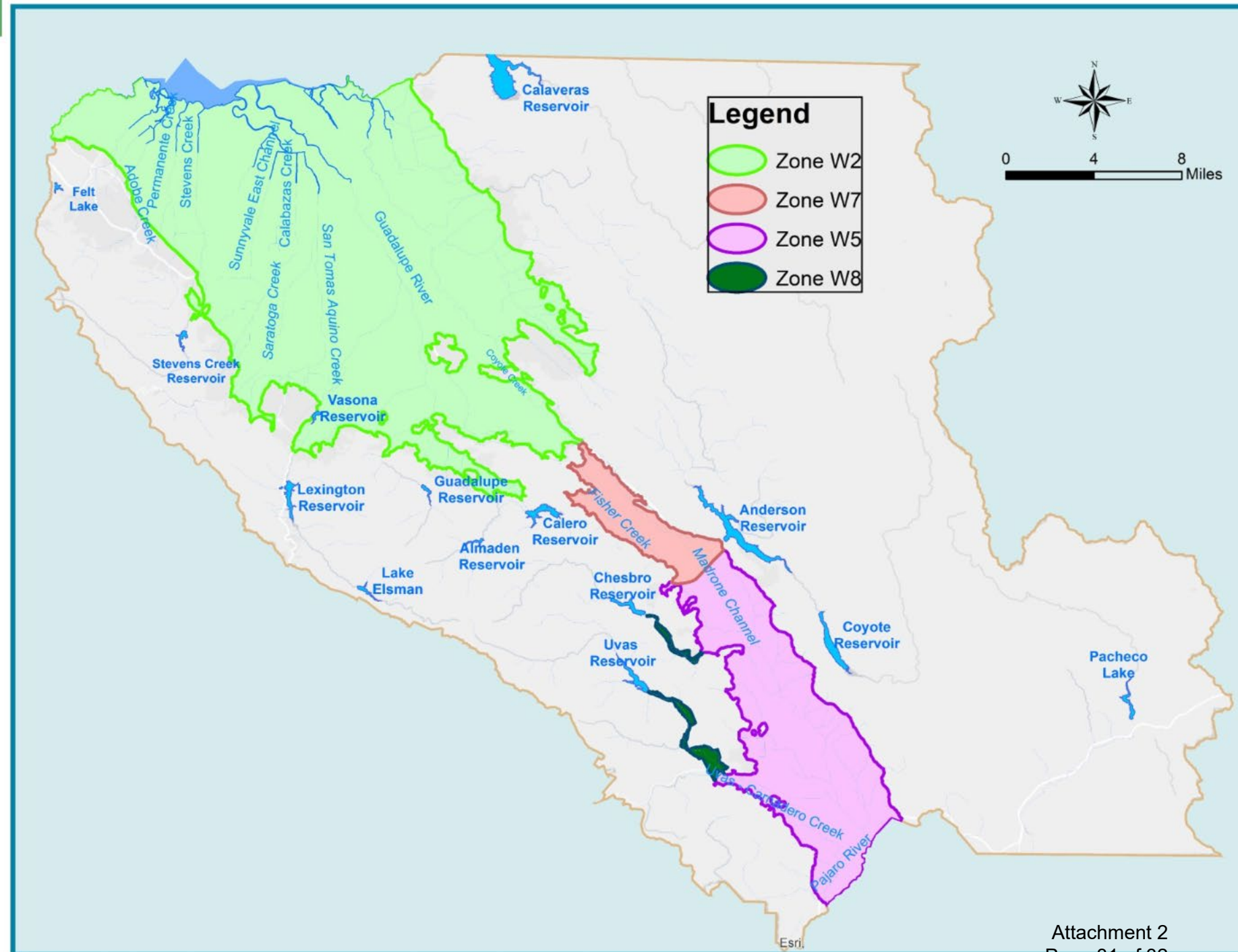
- Morgan Hill to Pajaro River

South County Zone W7

- Coyote Valley

South County Zone W8

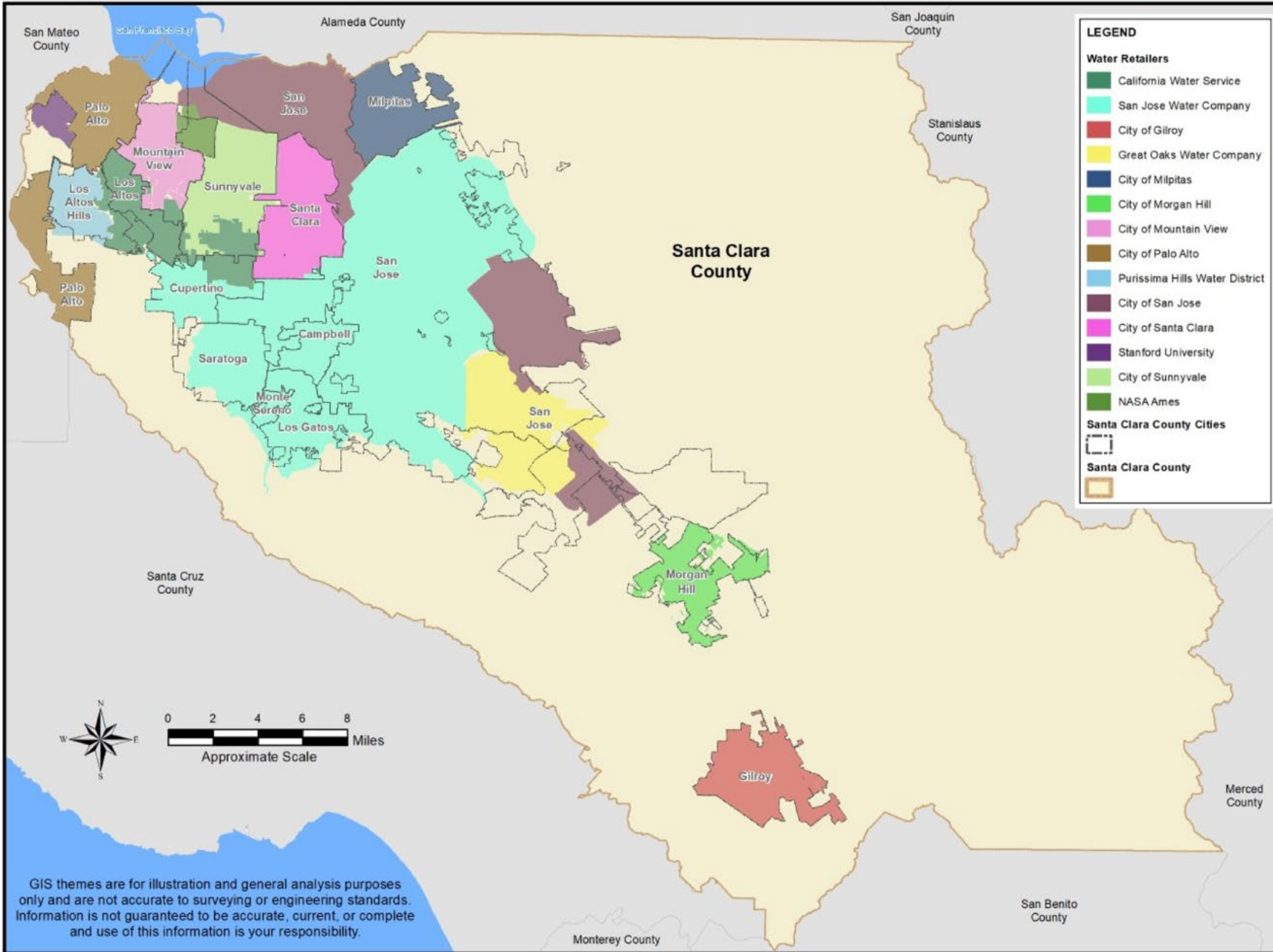
- Foothills below Uvas & Chesbro Reservoirs



Water Retailers in Santa Clara County



Water Retailers in Santa Clara County



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