



# Preliminary FY 2026-27 Groundwater Production Charges

Presented by: Carmen Narayanan, Financial Planning & Revenue Manager  
Santa Clara Valley Water Commission, January 28, 2026

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*Photo: Dr. Robert W. Gross Groundwater Recharge Ponds*



# COMMISSION ACTIONS TODAY

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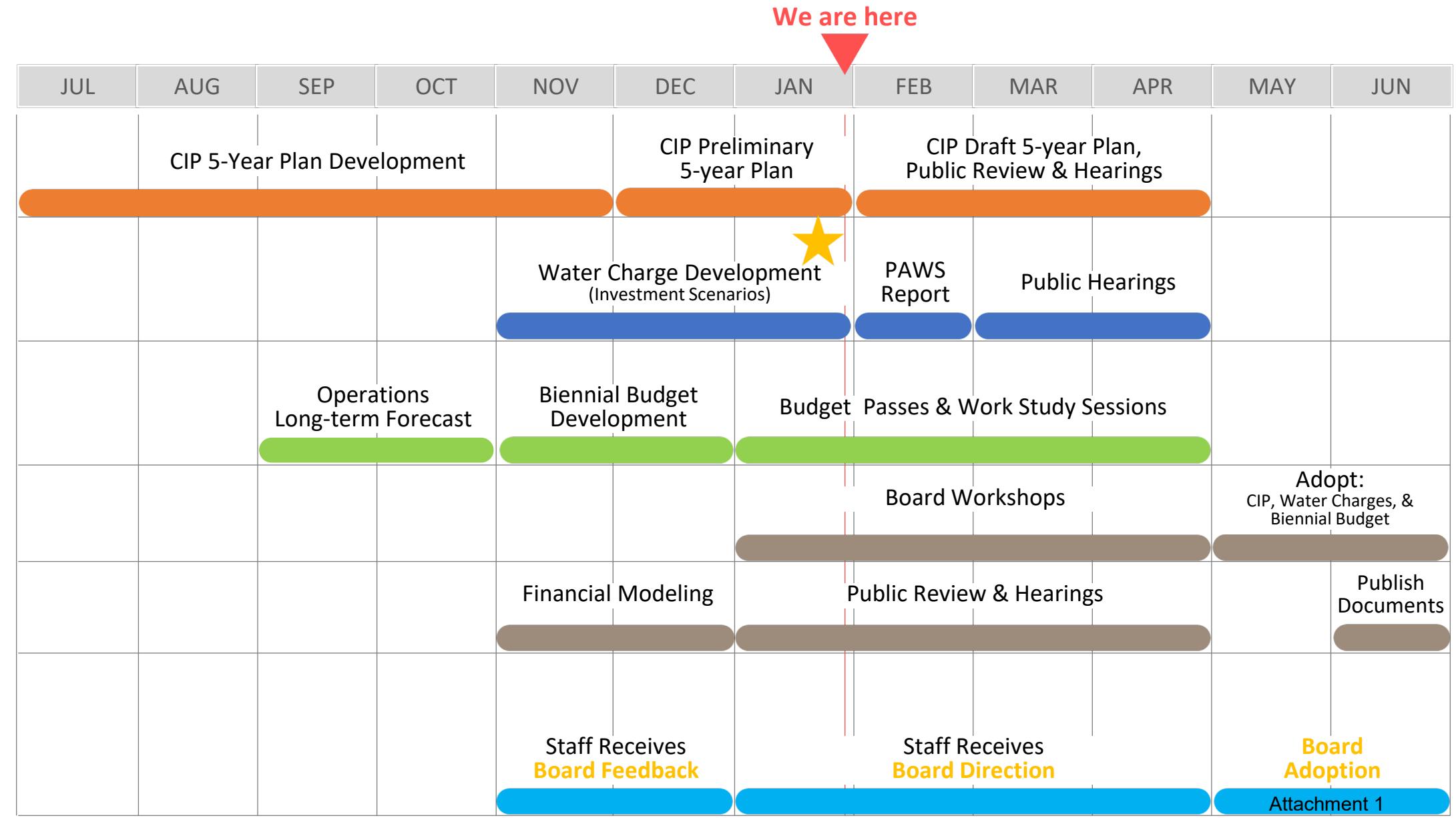
1. Discuss Fiscal Year 2026-27 Preliminary Groundwater Production Charges
2. Provide Comment to the Board as Desired



## TOPICS

- Background Information, System Information & Water Utility Outlook
- Water Usage & Water Utility Cost Projections
- Preliminary Groundwater Production Charges (Baseline & Scenarios)
- Other Information
- Schedule & Summary

# Annual CIP, Biennial Budget & Water Charges Development Timeline



# A comprehensive, flexible water system serving over 2 million people

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## Santa Clara Valley Water District Infrastructure



Rinconada Water Treatment Plant



Water Quality Lab

**Water Sources**  
55% Imported  
30% Local  
5% Recycled  
10% Conservation



Coyote Pump Plant



### Legend

Lakes, reservoirs, rivers, creeks, & bays

Raw water pipeline

Drinking water pipeline

Pump Plants

Drinking Water Treatment Plants

South County Regional Wastewater Authority

Silicon Valley Advanced Water Purification Center

Percolation Ponds

## Water Utility:

- 393 ACRES OF RECHARGE PONDS
- 142 MILES OF PIPELINES
- 10 RESERVOIRS
- 3 PUMP STATIONS
- 3 WATER TREATMENT PLANTS
- 1 WATER PURIFICATION CENTER

# Resolution 99-21 is the Board's Pricing Policy

- 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



# Groundwater Benefit Zones

## North County Zone W2

- Santa Clara County north of Metcalf Road

## South County Zone W5

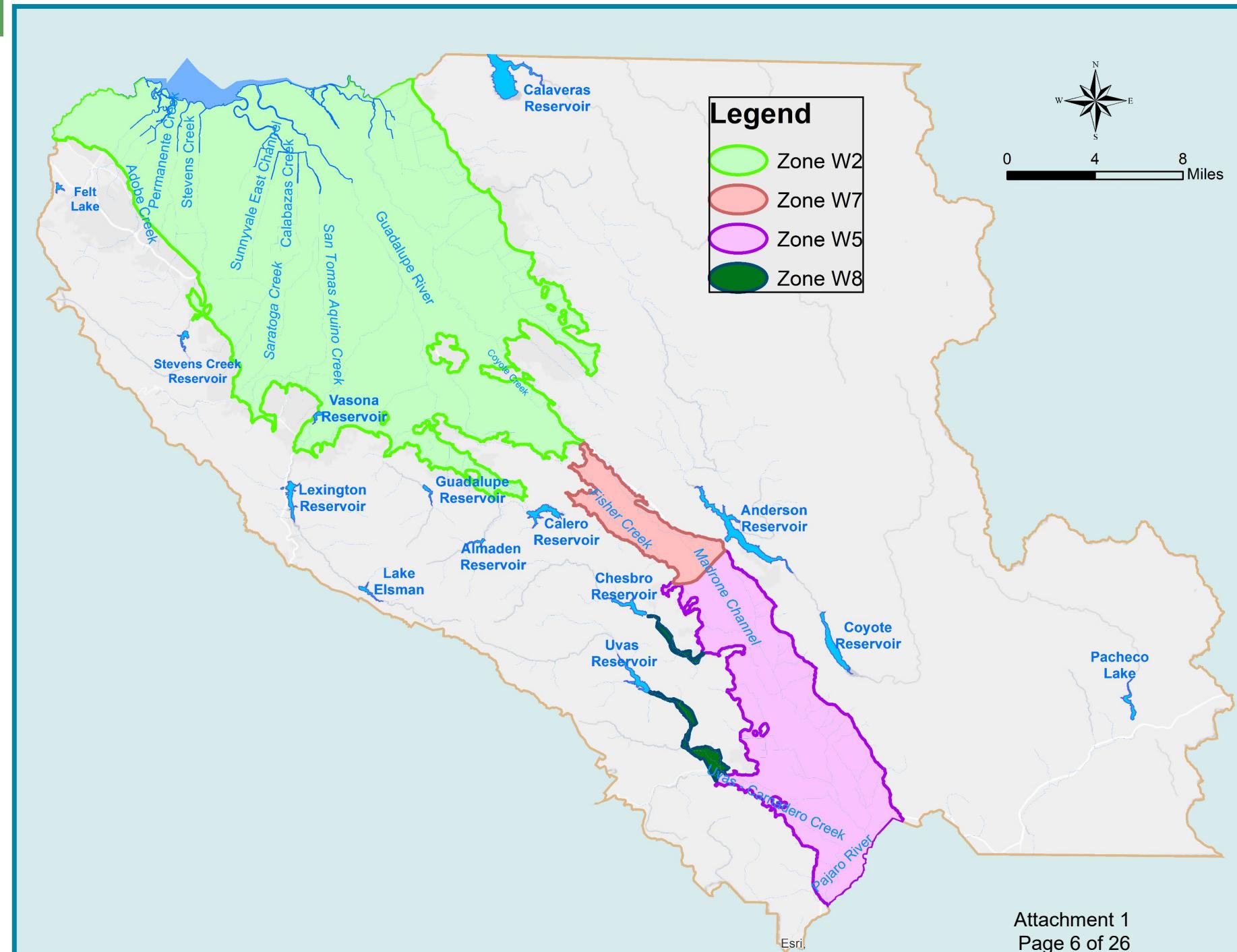
- Morgan Hill to Pajaro River

## South County Zone W7

- Coyote Valley

## South County Zone W8

- Foothills below Uvas & Chesbro Reservoirs



# Infrastructure

## DRIVES DIFFERENT GROUNDWATER PRODUCTION CHARGES IN EACH ZONE

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### 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

# 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 Preliminary FY27-31 5-Year CIP
  - Reflect lower rate projections driven by August 26, 2025 decision by the Board to suspend development of the Pacheco Reservoir Expansion Project

# Regional Projects

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**Valley Water plans to participate in three large, complex regional projects:**

1. B.F. Sisk Dam Raise and Reservoir Expansion Project (Owned by the Bureau of Reclamation and operated by the California Department of Water Resources, \$1.2B, in 2025 dollars).
2. The Sites Reservoir (Sites Project Authority with State and Federal partners, \$6.8B, in 2025 dollars).
3. Delta Conveyance (California State Department of Water Resources, \$20.1B, in 2023 dollars).



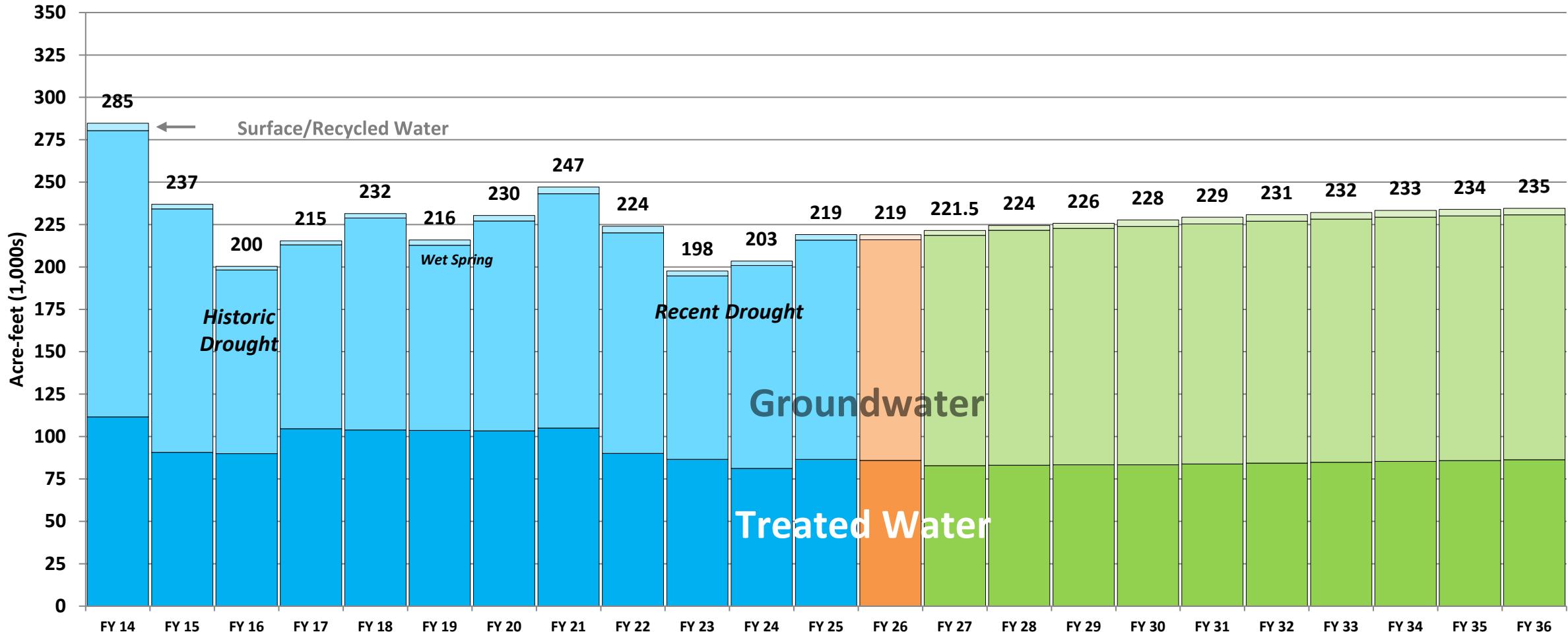
*Harvey O. Banks Delta Pumping Plant,  
California DWR.*

# District Managed Water Usage

Reflects Lower Water User Projections Post 2023 Drought Rebound

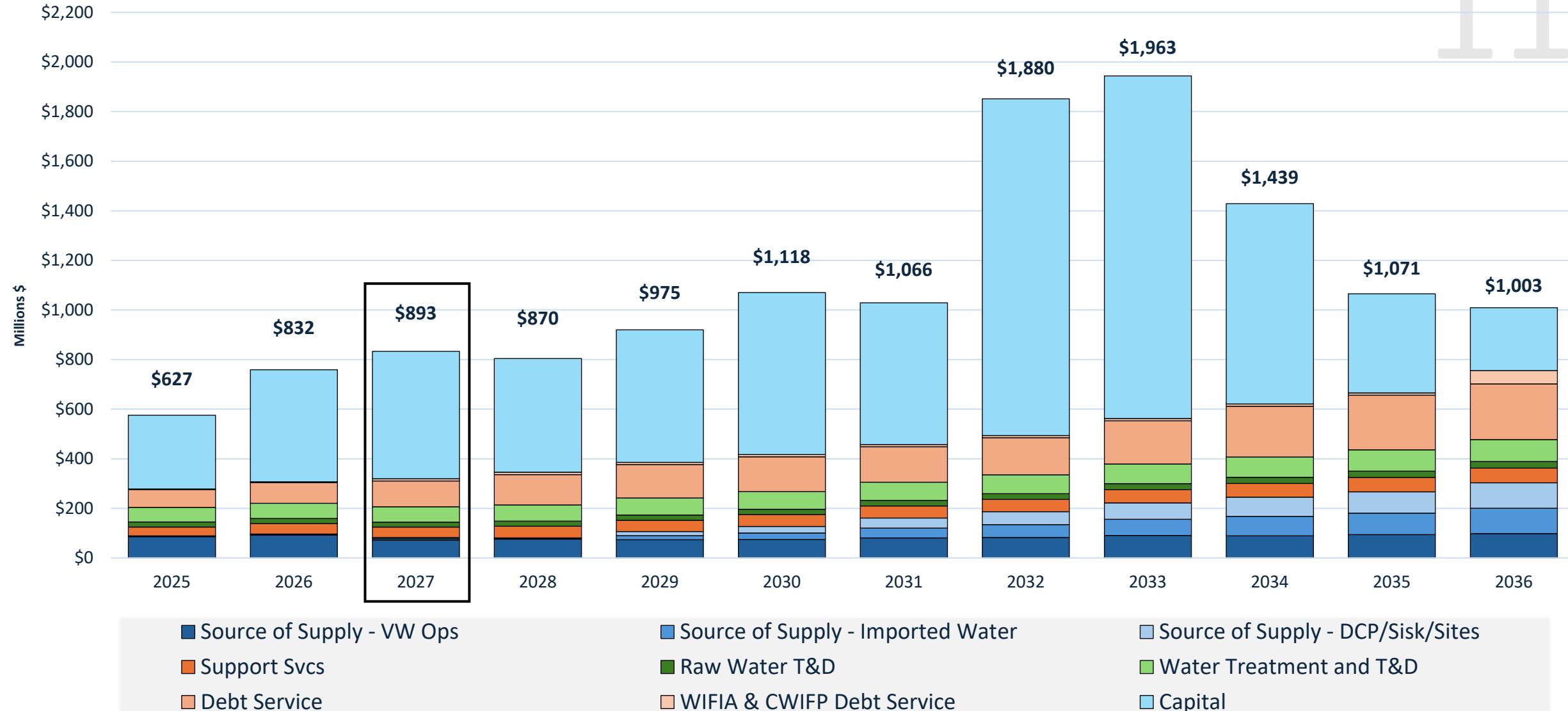
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District Managed Water Usage (TAF)



# Preliminary Water Utility Cost Projection

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*Cost Projection reflects Baseline Assumptions.*

# Rate Setting Outlook for FY 2026-27

## FY 27 Baseline Case Assumptions

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- Plan for slightly increased District-managed water use of 221,500 AF
- 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 \*
- SWP Tax necessary to pay 100% of SWP costs *Excludes SWP portion of Delta Conveyance*
- Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)

Note: Pacheco Reservoir Expansion Project has been eliminated from baseline case assumptions.  
SWP: State Water Project

\* Project costs are reflected as Operations & Maintenance costs.

# Rate Setting Outlook for FY 2026-27

## FY 27 Rate Scenario Ideas

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- **Baseline**
- **Baseline with expanded Sites participation**

# FY 2026-27 Preliminary Groundwater Production Charge Projection

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Municipal & Industrial Rate by Zone	FY 2025-26 GW Production Charge	FY 2026-27 Preliminary GW Production Charge	Preliminary % Increase	Increase to Average Monthly Bill * (11 HCF/month)
North County W-2	\$2,450.00	\$2,673.00	9.9%** 9.1%	\$5.63
South County W-5	\$624.50	\$664.50	7.9%** 6.4%	\$1.01
South County W-7	\$834.50	\$906.50	11.2%** 8.6%	\$1.82
South County W-8	\$464.00	\$501.00	8.0%	\$0.93
Agricultural	\$43.00	\$46.50	8.0%	\$0.58***

\* Does not include any increase that a retailer would layer on top

\*\* Reflects prior rate increases (%) projected during the FY2025-26 planning cycle. \*\*\* Assumes Agricultural users who pump 2 AF of water, per acre, per year.

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# Preliminary Groundwater Charge Increase Projection

## Baseline Scenario

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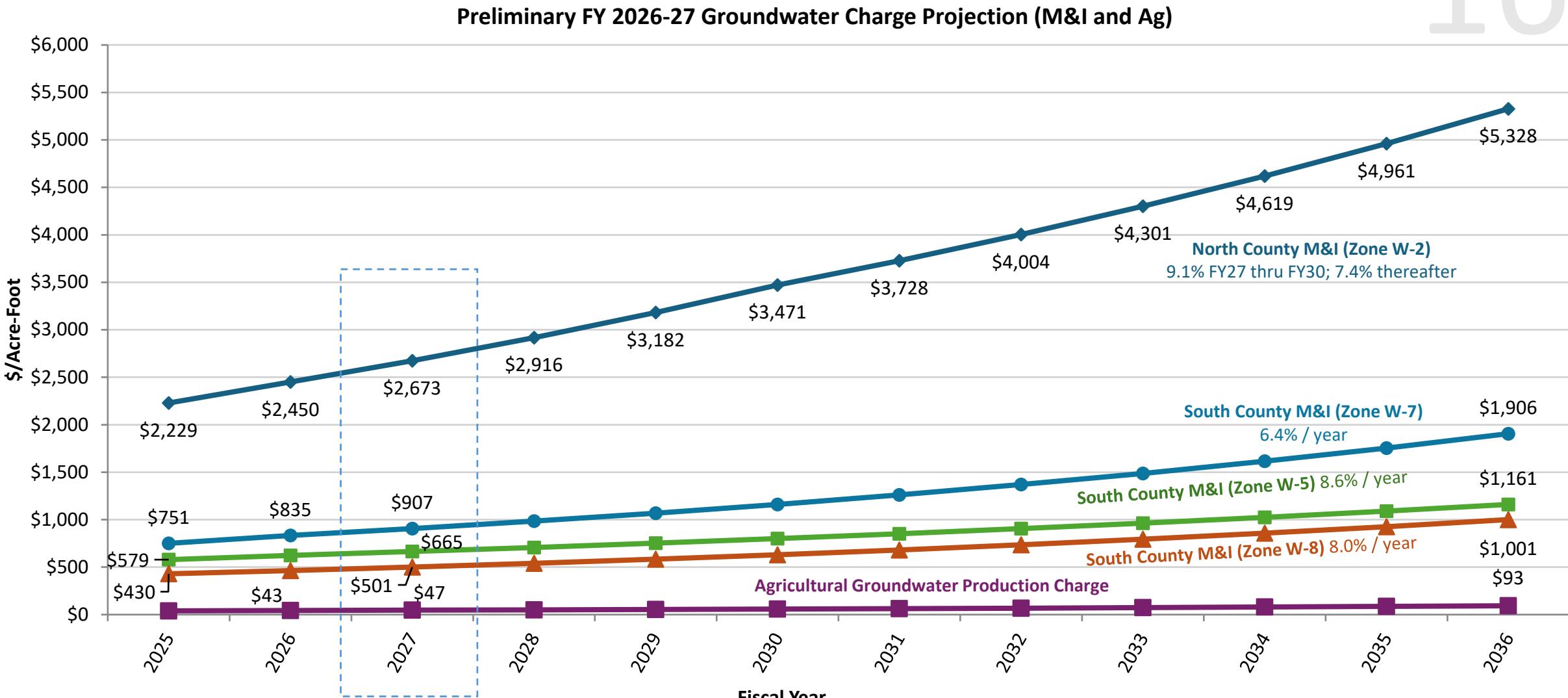
### Municipal & Industrial Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
<b>North County Zone W-2</b>	<b>9.1%</b>	<b>9.1%</b>	<b>9.1%</b>	<b>9.1%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>
Prior Year	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	7.0%	
<b>South County Zone W-5</b>	<b>6.4%</b>									
Prior Year	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	
<b>South County Zone W-7</b>	<b>8.6%</b>									
Prior Year	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	
<b>South County Zone W-8</b>	<b>8.0%</b>									
Prior Year	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	

# Preliminary Groundwater Production Charge Projection

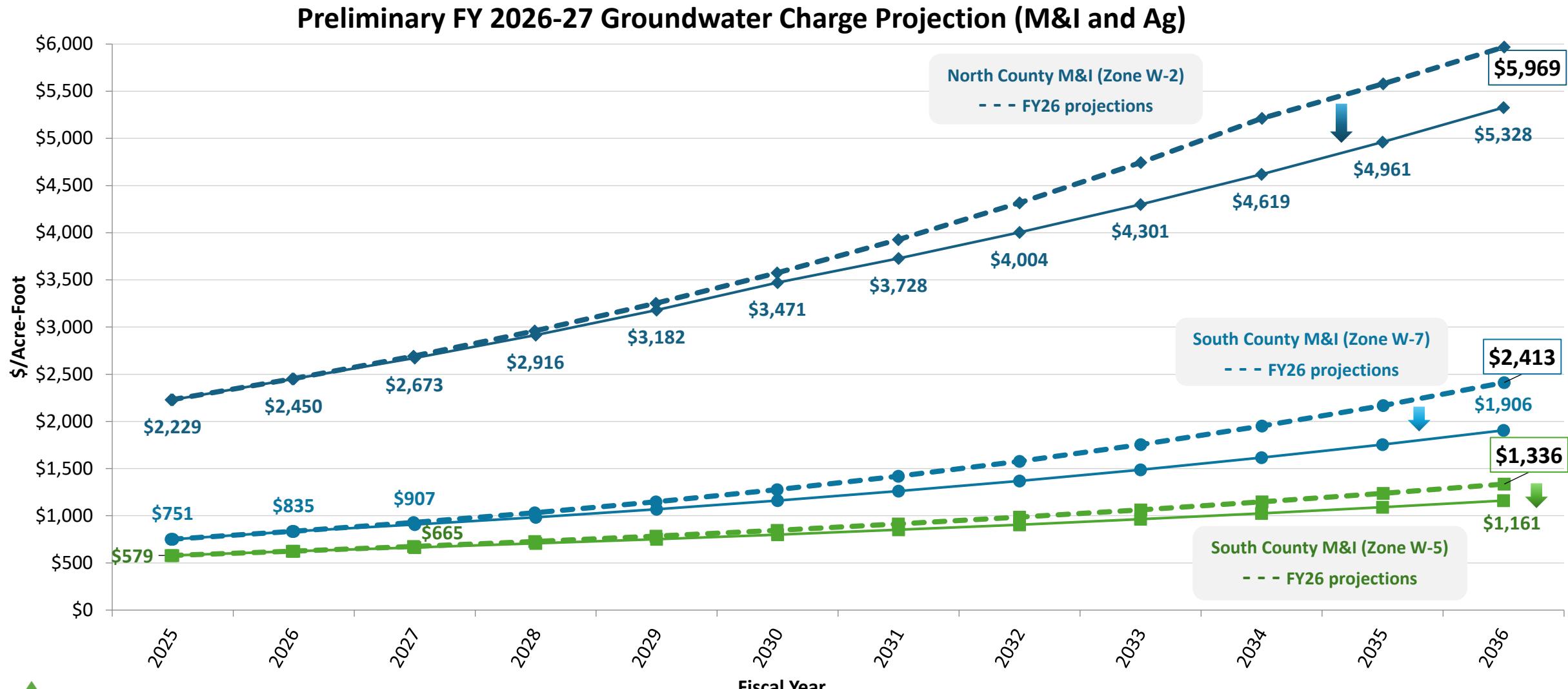
## Baseline Scenario

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# Preliminary Groundwater Production Charge Projection

## Impact of Pacheco Reservoir Expansion Project suspension



Rates (\$/AF) rounded for display purposes. Suspending PREP did not impact Zone W-8 or Agricultural rate projections.

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

North County Zone W-2		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	9.1%	9.1%	9.1%	9.1%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Scenario #2	Baseline with Expanded Sites	9.3%	9.3%	9.3%	9.3%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%

## M&I Groundwater Charge – Monthly Impact To Average Household

North County Zone W-2		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	\$5.63	\$6.14	\$6.70	\$7.31	\$6.49	\$6.97	\$7.49	\$8.03	\$8.64	\$9.27
Scenario #2	Baseline with Expanded Sites	\$5.76	\$6.29	\$6.87	\$7.51	\$6.70	\$7.22	\$7.77	\$8.36	\$8.99	\$9.67

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

North County Zone W-5		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Scenario #2	Baseline with Expanded Sites	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

## M&I Groundwater Charge – Monthly Impact To Average Household

North County Zone W-5		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	\$1.01	\$1.07	\$1.14	\$1.21	\$1.29	\$1.38	\$1.46	\$1.55	\$1.65	\$1.77
Scenario #2	Baseline with Expanded Sites	\$1.02	\$1.09	\$1.16	\$1.24	\$1.31	\$1.40	\$1.49	\$1.59	\$1.69	\$1.81

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

North County Zone W-7		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Scenario #2	Baseline with Expanded Sites	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%

## M&I Groundwater Charge – Monthly Impact To Average Household

North County Zone W-7		FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Scenario #1	Baseline	\$1.82	\$1.97	\$2.13	\$2.32	\$2.53	\$2.74	\$2.98	\$3.23	\$3.51	\$3.81
Scenario #2	Baseline with Expanded Sites	\$1.88	\$2.05	\$2.22	\$2.42	\$2.64	\$2.88	\$3.13	\$3.41	\$3.71	\$4.04

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year To Year Growth %

South County Zone W-8	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Baseline and all Scenarios	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

## M&I Groundwater Charge – Monthly Impact To Average Household

South County Zone W-8	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Baseline and all Scenarios	\$0.93	\$1.01	\$1.09	\$1.19	\$1.26	\$1.36	\$1.49	\$1.62	\$1.74	\$1.87

# Agricultural Groundwater Charges

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## Agricultural Groundwater Charge Year To Year Growth %

Agricultural Rate	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Baseline and all Scenarios	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

## M&I Groundwater Charge – Monthly Impact To Average User\*

Agricultural Rate	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Baseline and all Scenarios	\$0.58	\$0.58	\$0.67	\$0.75	\$0.75	\$0.83	\$0.92	\$1.00	\$1.08	\$1.17

\* Assumes 2 acre-feet of water usage per acre per year

## District Act limits Agricultural Water Charges to 25% of M&I Water charges

- Board Pricing Policy (Resolution 99-21) further limits Agricultural Water Charges to 10% of M&I Water Charges

## Board Direction in FY 22

- Maintain full Open Space Credit, keeping Ag rates set at [or under] 10% of lowest M&I charge

# Other Charges, Taxes, Reserves Information

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	FY 2026	FY 2027	FY 2028
<u>Other Charges</u>	<u>Budget</u>	<u>Projection</u>	<u>Projection</u>
Contract TW Surcharge (\$/AF)	\$115.00	\$115.00	\$115.00
Non-contract TW Surcharge (\$/AF)	\$200.00	\$200.00	\$200.00
Surface Water Master Charge (\$/AF)	\$67.00	\$73.00	\$79.50
Agricultural Groundwater Charge (\$/AF)	\$43.00	\$46.50	\$50.00
<u>SWP Tax</u>			
Revenue	\$28M	\$28M	\$28M
Cost per average household	\$42/Yr.	\$42/Yr.	\$42/Yr.
<u>Reserves</u>			
Supplemental Water Reserve	\$8.7M	\$12.1M	\$15.5M
Drought Reserve	\$1.0M	\$4.0M	\$8.0M
Rate Stabilization Reserve	\$40.5M	\$42.9M	\$47.8M
Operating and Capital Reserve	\$74.6M	\$61.4M	\$63.2M

# Rate Setting Schedule FY 2026-27

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- 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**

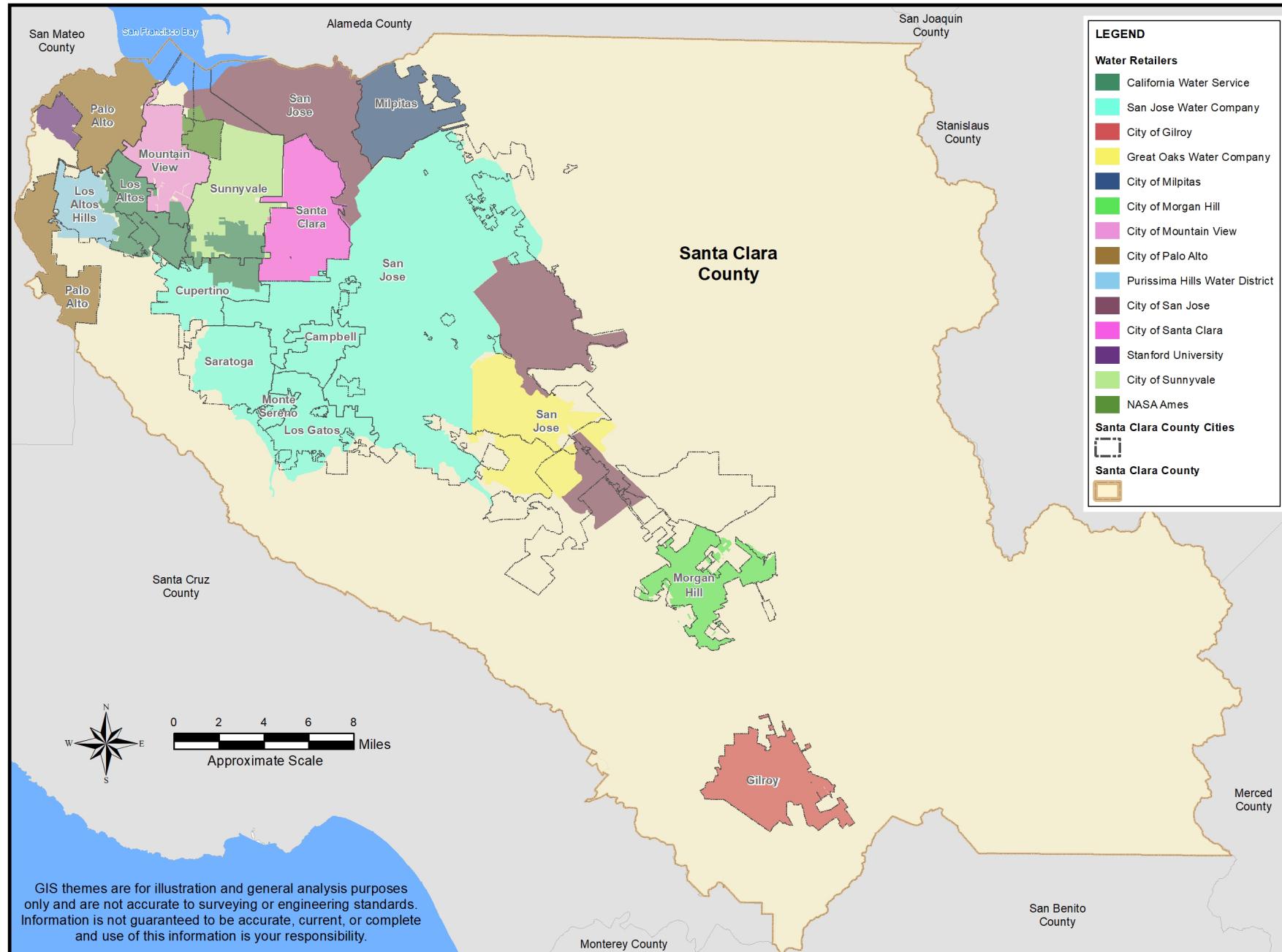
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- Feb 10 Board Meeting: Set time & place of Public Hearing
- **Feb 27 Mail notice of public hearing and file PAWS report**

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- Mar 10 Board Meeting: Budget development update
- **Mar 18 Water Retailers Meeting: FY 27 Groundwater Charge Recommendation**

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- Apr 6 Agricultural Water Advisory Committee
- Apr 8 Water Commission Meeting
- Apr 14 Open Public Hearing
- Apr 16 Continue Public Hearing in South County
- Apr 28 Conclude Public Hearing
- **Apr 29-30 Board Meeting: Budget work study session**

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

## Water Retailers in Santa Clara County



# Water Retailers in Santa Clara County



## COMMISSION ACTIONS TODAY

- 1. Discuss Fiscal Year 2026-27 Preliminary Groundwater Production Charges**
- 2. Provide Comment to the Board as Desired**