



FISCAL YEAR 2025-26 Public Hearing

Presented by: **Carmen Narayanan**, Financial Planning & Revenue Manager
April 25, 2025

Epic Sunset at Chesbro Reservoir by Huggen Angeles

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 2025-26**

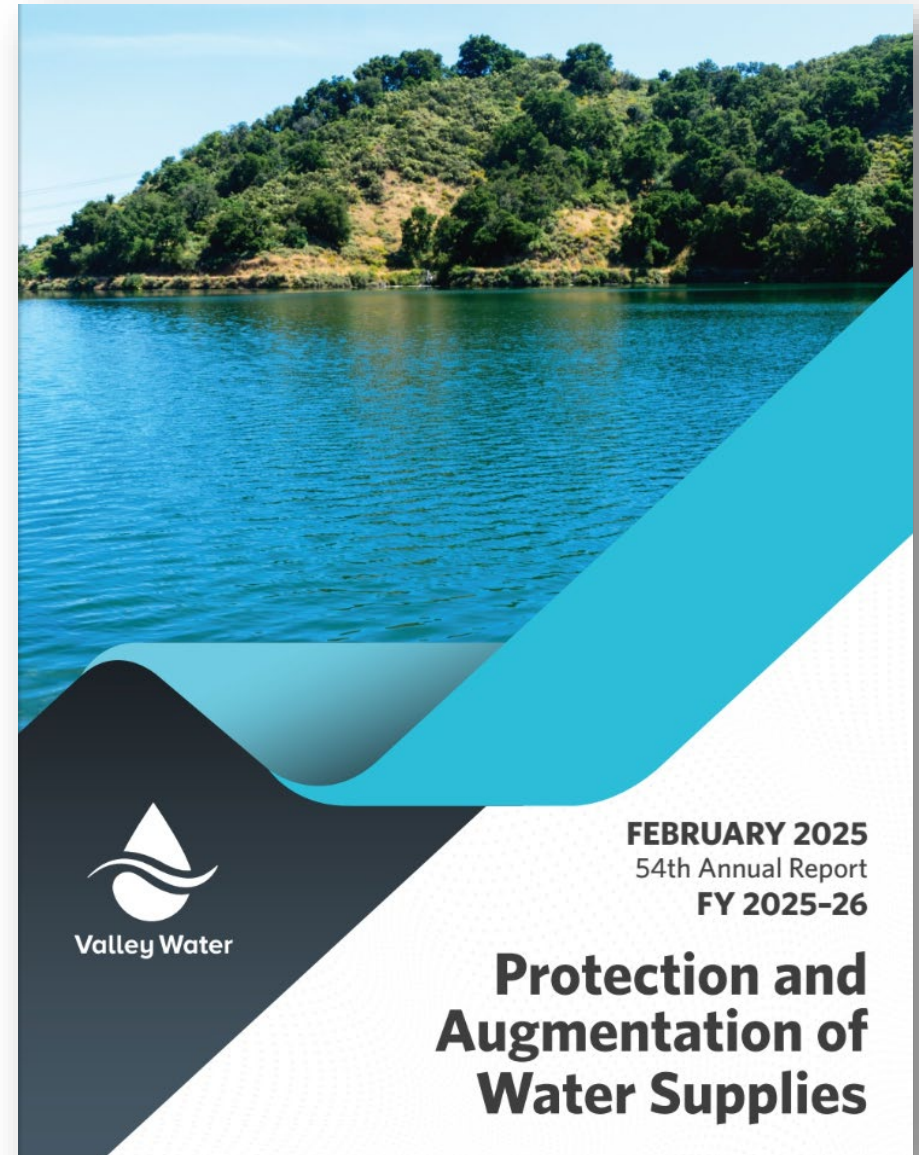
54th Annual Report Released

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

Filed February 28, 2025

Available Online:

<https://www.valleywater.org/ProposedWaterCharges>



Topics for Today's Public Hearing

Background

Water Usage

Cost Projections

Key Assumptions for FY 2025-26

Groundwater Production Charges

State Water Project Tax

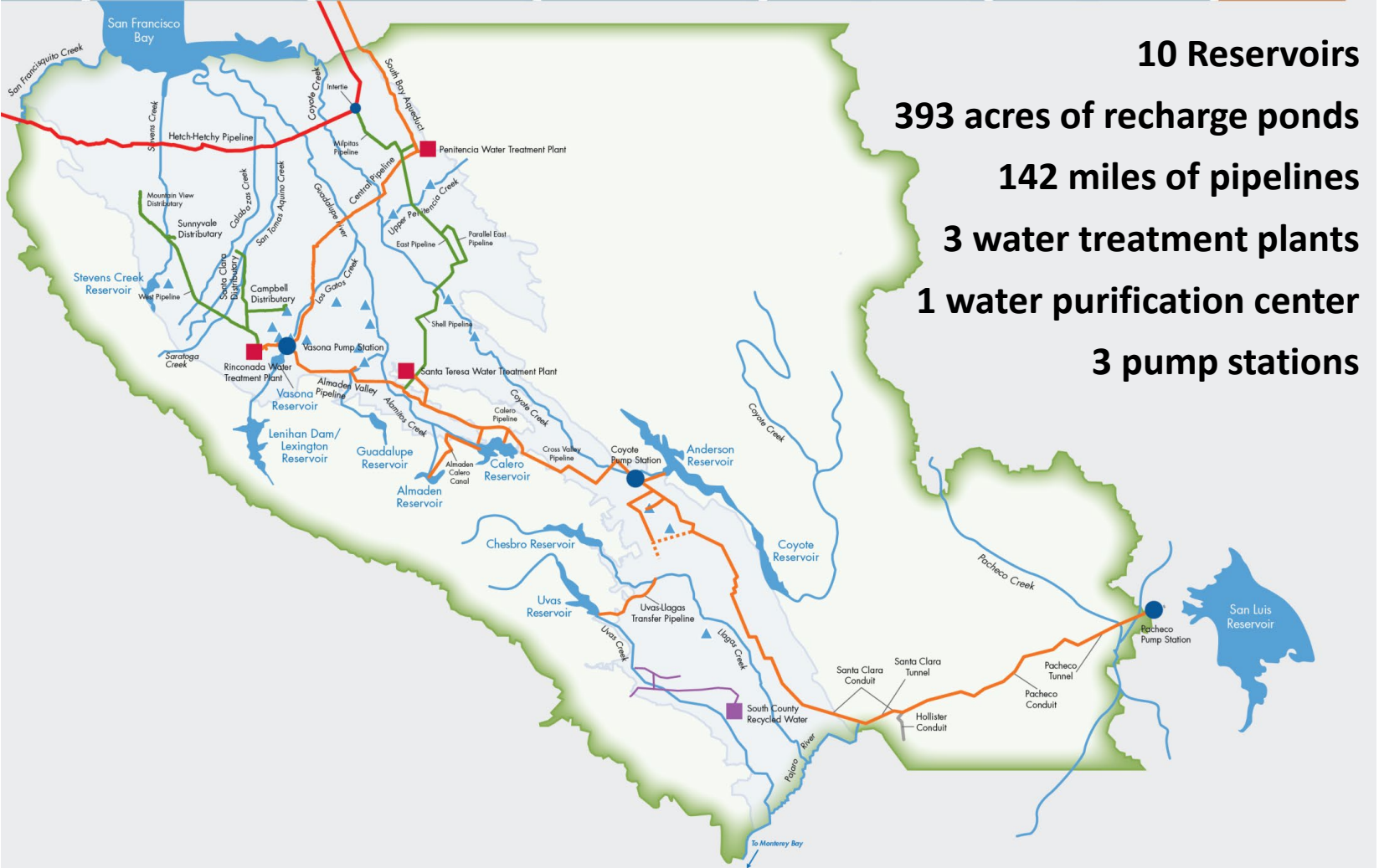
Schedule/Wrap up

A comprehensive, flexible water system

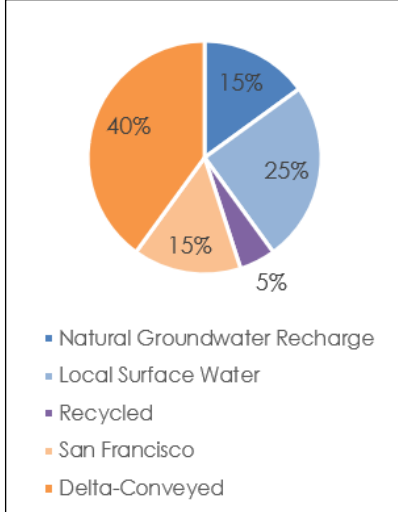
SERVING OVER 2.0 MILLION PEOPLE

Legend

- Lakes, reservoirs, rivers, creeks, & bays
- Raw water pipeline
- Drinking water pipeline
- Pump Plants
 1. Vasona
 2. Coyote
 3. Pacheco
- Drinking Water Treatment Plants
 - A. Rinconada
 - B. Santa Teresa
 - C. Penitencia
- Silicon Valley Advanced Water Purification Center
- Anderson Hydroelectric Facility
- Local wastewater treatment plant and recycled water provider
 - a. Palo Alto
 - b. Sunnyvale
 - c. San Jose-Santa Clara
 - d. South County
- Recharge Ponds



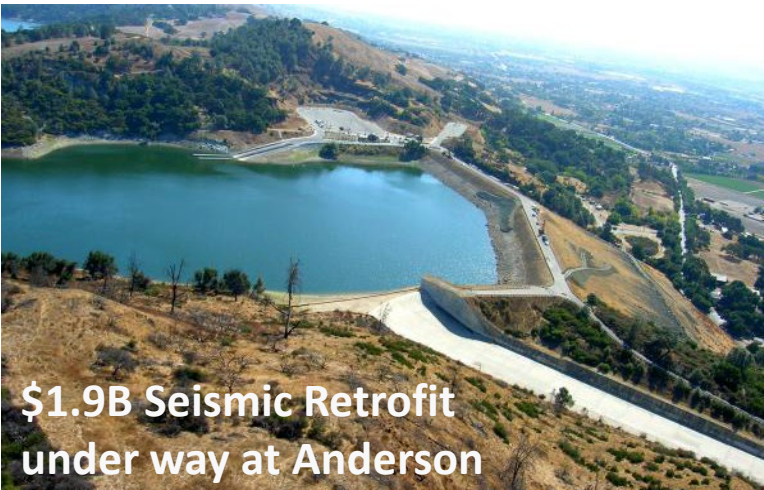
10 Reservoirs
393 acres of recharge ponds
142 miles of pipelines
3 water treatment plants
1 water purification center
3 pump stations



Why do well owners pay SCVWD to pump water from the ground?

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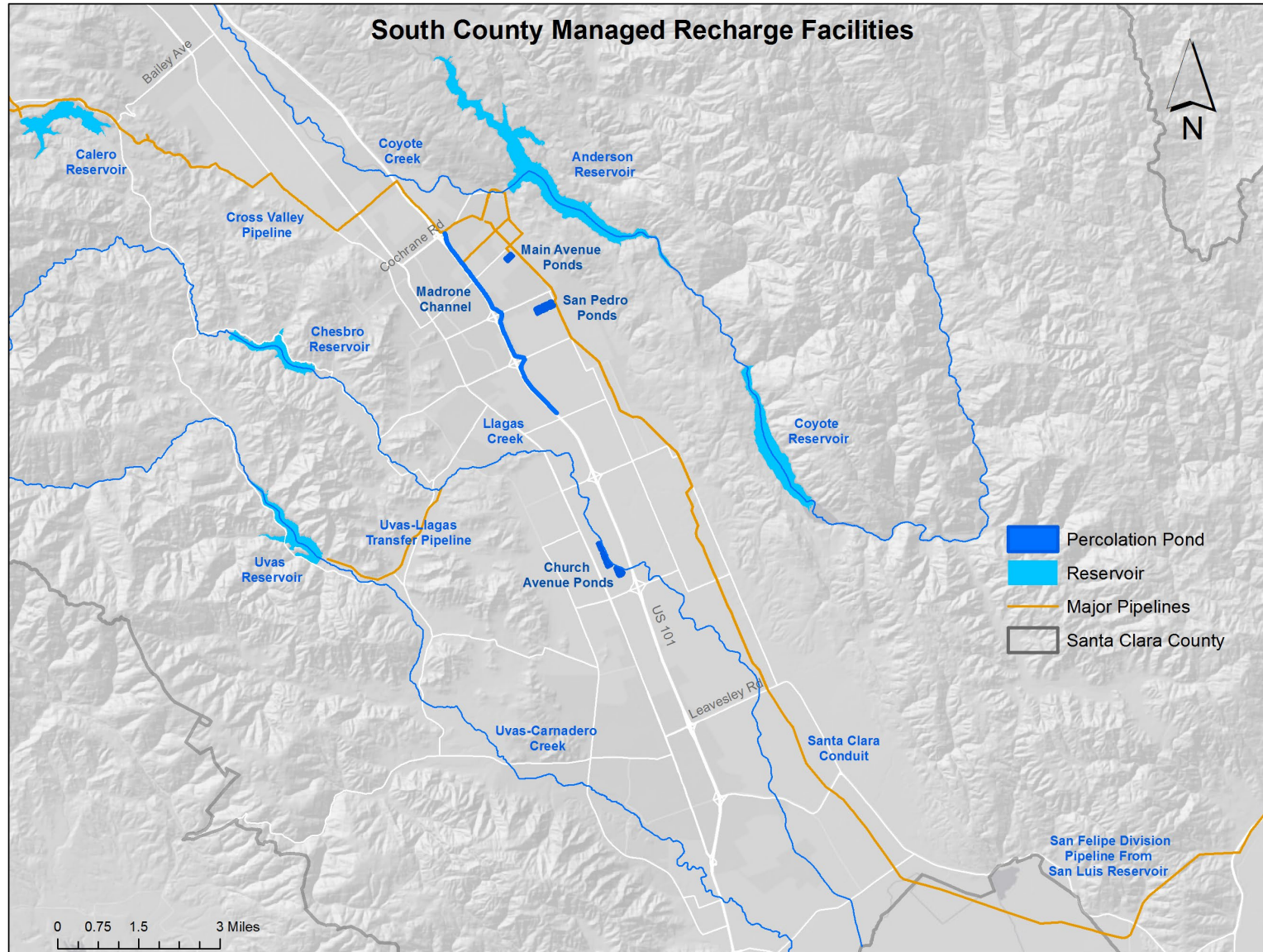
Construction at Anderson Reservoir, 1951



\$1.9B Seismic Retrofit under way at Anderson

- **Local rainfall cannot sustain South County water needs**
- **Planning in early 1900's called for construction of reservoirs to capture rainwater to percolate into the ground**
- **Groundwater Production Charge is a reimbursement mechanism**
 - **Pays for efforts to protect and augment water supply**
 - **Fee for service, not a tax**

South County facilities help ensure reliability

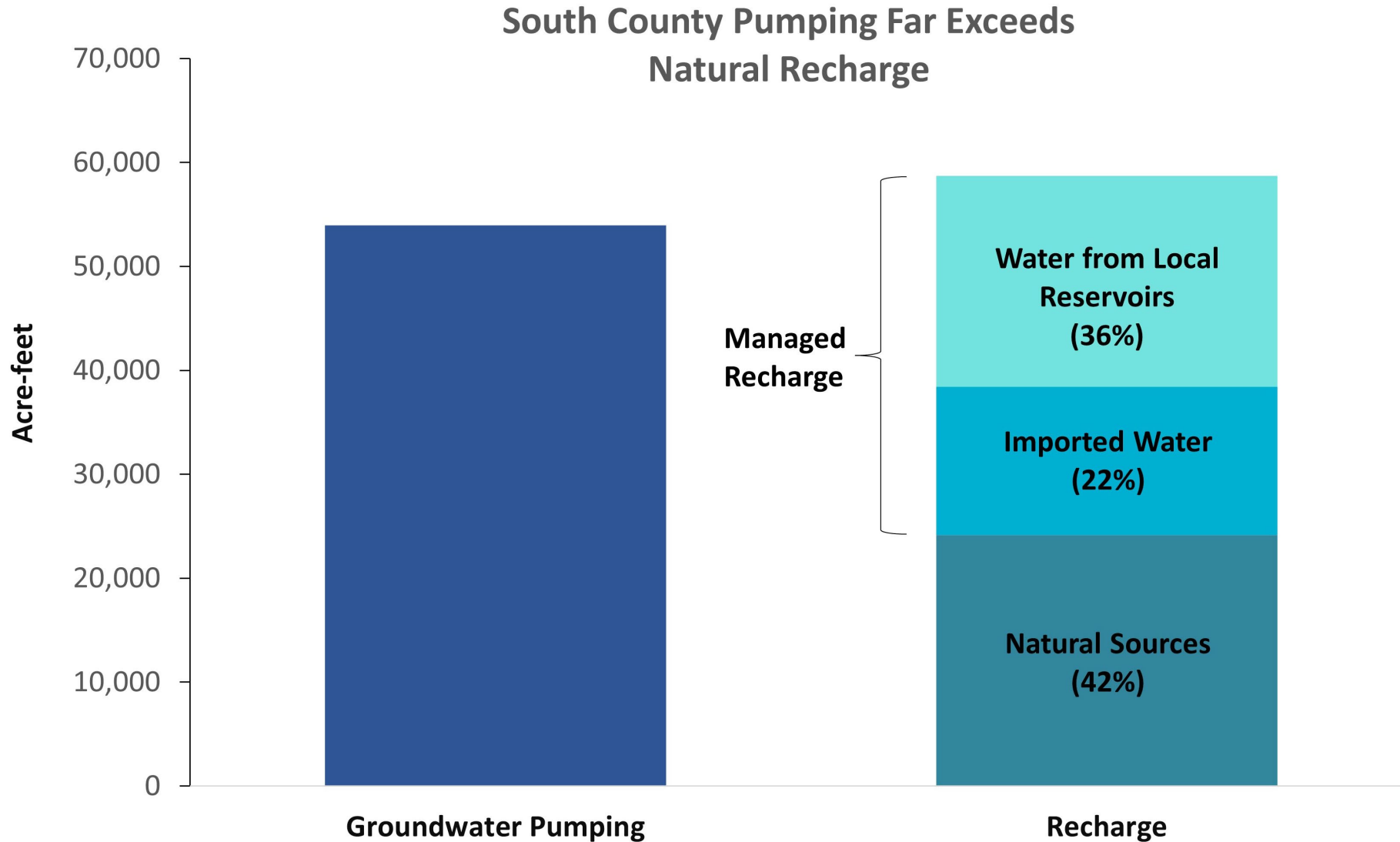


Main Avenue Recharge Ponds



Madrone Channel

Recharge needed to offset groundwater pumping



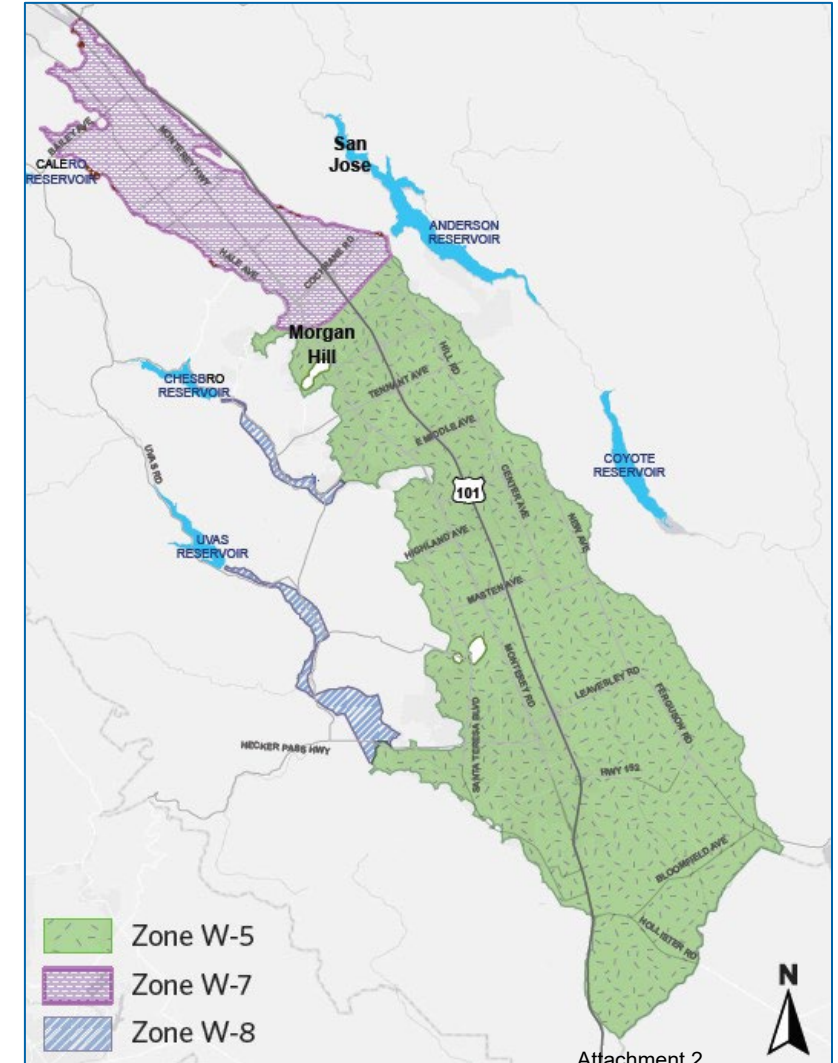
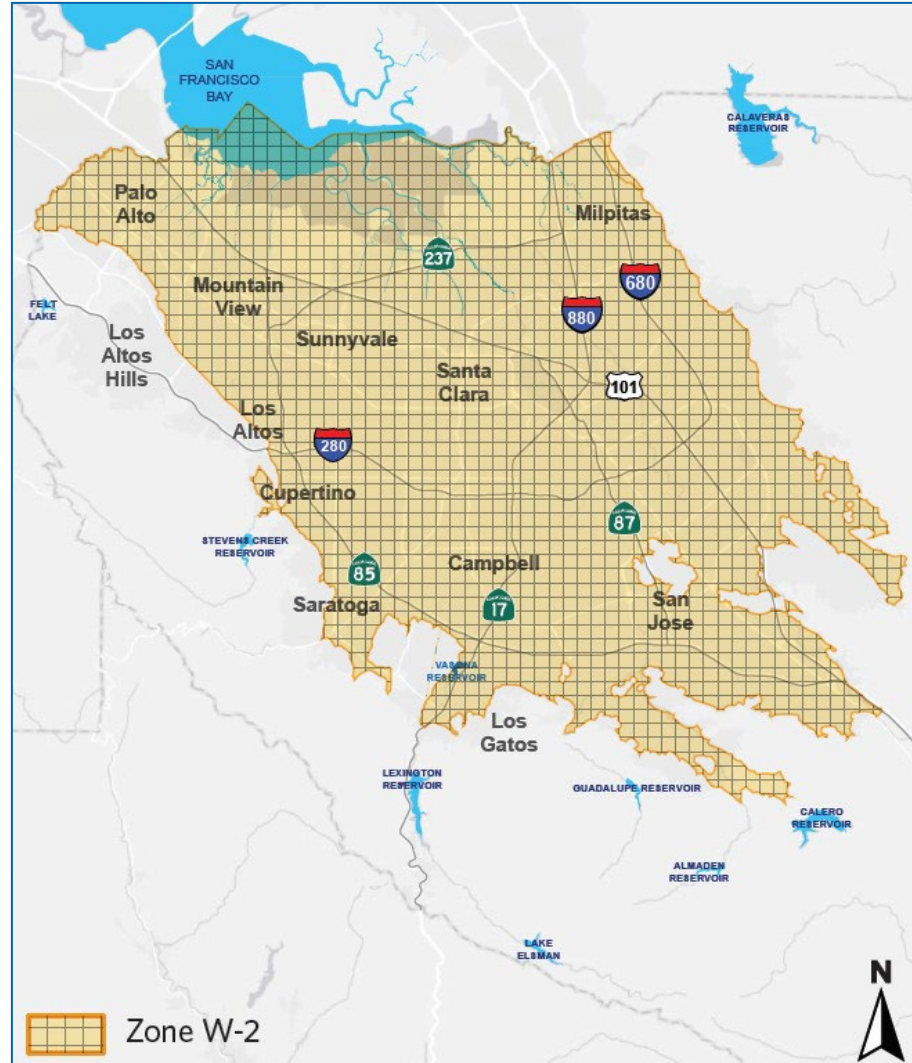
Valley Water Groundwater Charge Zones of Benefit

SERVING OVER 2.0 MILLION PEOPLE

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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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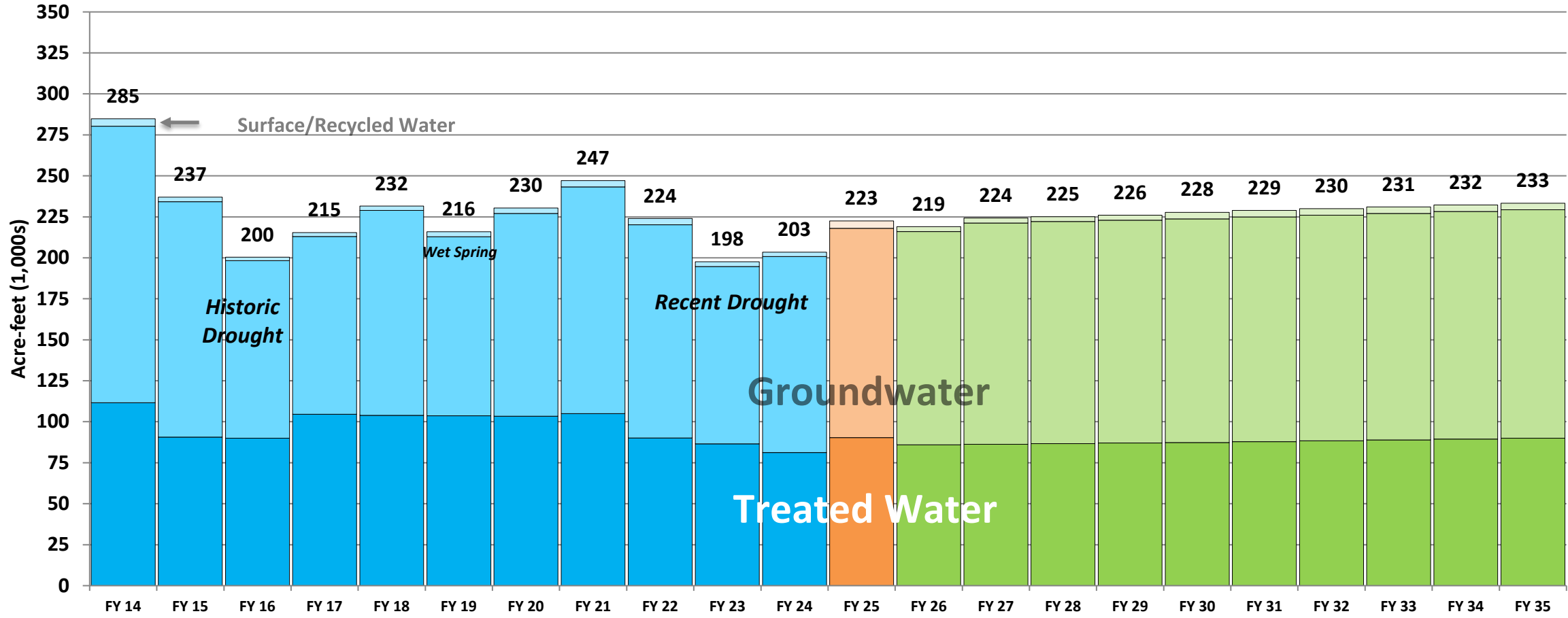
- **Groundwater charge setting process is consistent with Prop 26**
 - Certain Prop 218 requirements continue, like holding a public hearing, and noticing well owners, which are consistent with District Act

- **Surface Water Charge setting process is consistent with Prop 218**
 - Includes protest procedure as defined in Board Resolution 12-10

District Managed Water Usage

REFLECTS ONGOING MODERATE REBOUND FROM 2023 DROUGHT

District Managed Water Usage (TAF)



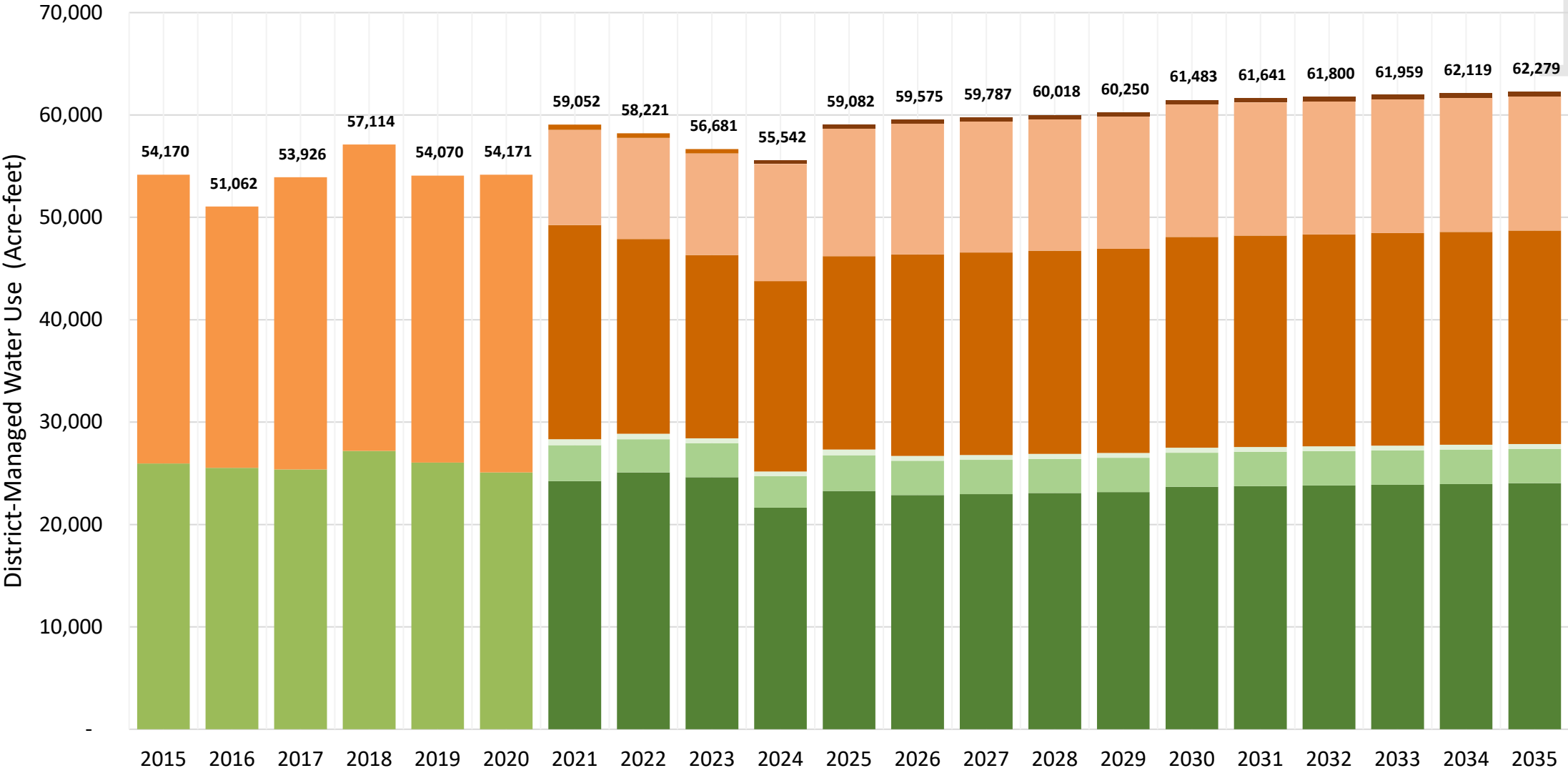
FY 26 Projection

Actuals

FY 25 Budget

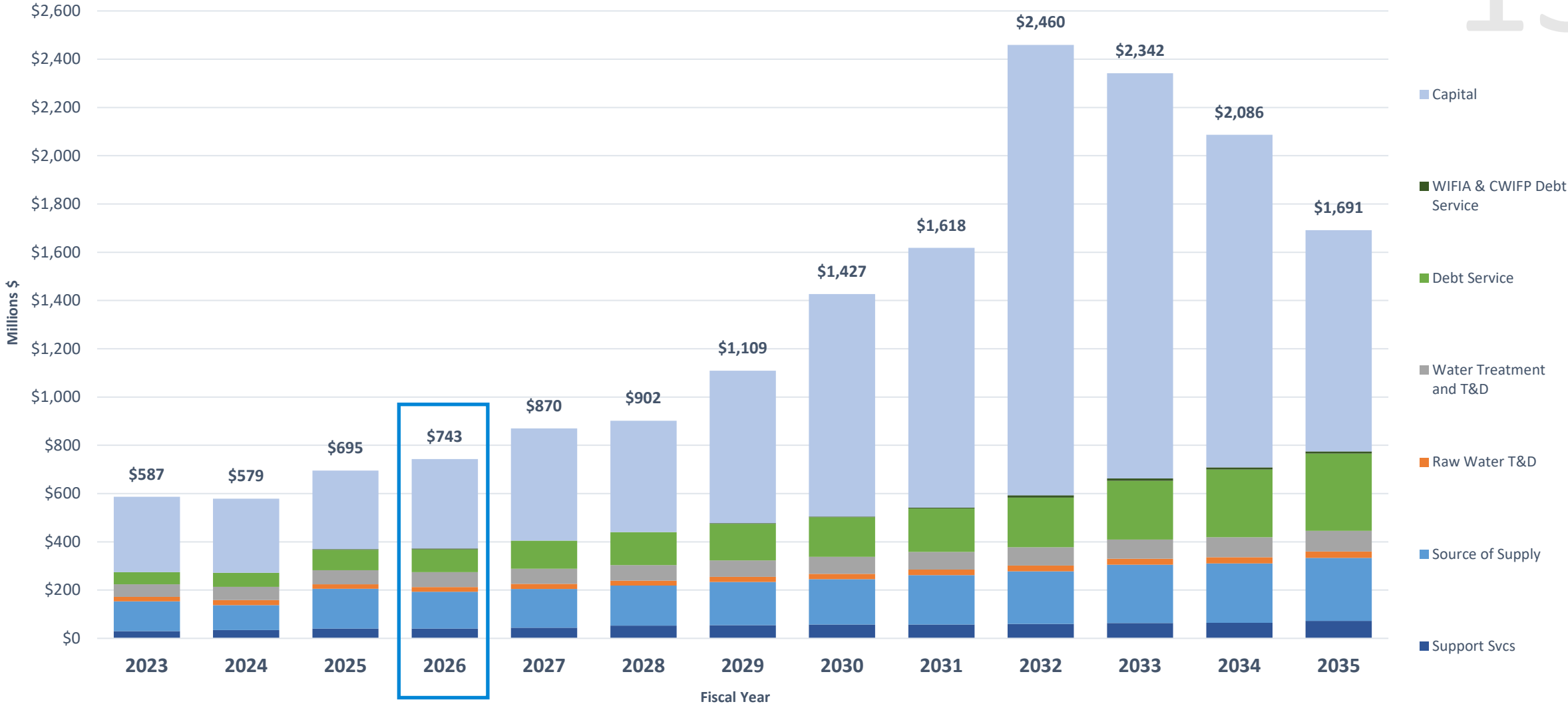
Water Usage Trend in South County (Zone W-5, W-7 & W-8)

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- Zone W-8 Non-agricultural Water Use
- Zone W-7 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-8 Agricultural Water Use
- Zone W-7 Agricultural Water Use
- Zone W-5 Agricultural Water Use
- Zone W-5 Agricultural Water Use

Long Term Cost Projection



Cost Projection reflects Baseline Assumptions.

Rate Setting Strategy for FY 2025-26

FY 26 RATE ASSUMPTIONS

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Reduced water use projection versus prior year rate cycle (FY 26 water use slightly lower than FY 25 budget)

Secure Existing Supplies and Infrastructure

- Baseline Projects ¹
- Anderson Dam Seismic Retrofit with WIFIA loan (up to 49% of TPC)
- Dam Safety Program for Almaden, Calero, Coyote, and Guadalupe Dams
- Master Plan Projects Placeholder ²: Assumes \$377M from FY27-FY35
- SWP Tax pays for 100% of SWP costs (excludes SWP portion of Delta Conveyance)
- Delta Conveyance SWP portion continues at 3.23% ³

Expand Conservation and Reuse

- Purified Water Program with City of San Jose: Phase 1 Demonstration Facility & Phase 2 Full Scale Facility (as a placeholder)

Increase System Reliability & Flexibility

- Pacheco Reservoir Expansion Project (PREP) with \$504M Proposition 1 grants, WIFIA loan (up to 49% of TPC) and Partnership Participation at 35% of TPC
- Sisk Dam Raise at San Luis Reservoir with up to 60,000 AF Storage ³

Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)

¹ Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program.

² Master Plan Project Placeholder includes anticipated costs for new pipelines, pipeline rehabilitations, treatment plant upgrades & SCADA implementation projects.

³ Project costs are reflected as Operations & Maintenance costs.

Note: Participation in the Los Vaqueros Reservoir Expansion project has been eliminated from baseline case assumptions.

TPC: Total Project Cost

SWP: State Water Project

Capital Investments in South County – FY26 through FY35

PROGRESS CONTINUES ON THE ANDERSON DAM SEISMIC RETROFIT PROJECT

The Anderson Dam Seismic Retrofit Project (ADSRP) in east Morgan Hill will rebuild the dam in compliance with today's seismic safety standards and regulations. The project will increase the dam's spillway and outlet capacities to allow rapid drawdown in an emergency.

Construction continues on ADSRP, with crews completing the tunneling excavation for the new 24-foot outlet tunnel that will feed into Coyote Creek when the project is complete. Coyote Creek improvements are progressing, with the near completion of phase one of the Coyote Flood Mitigation Project and the installation of the new Coyote Creek Percolation Dam. For further details please visit valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit.



Anderson Dam

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*

Groundwater Charge Increase Projection

As published in the PAWS Report February 28, 2025

M&I Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
South County Zone W-5	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
<i>Prior Year</i>	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	
South County Zone W-7	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
<i>Prior Year</i>	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	
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 28, 2025

M&I Groundwater Charge – Monthly Impact To Average Household

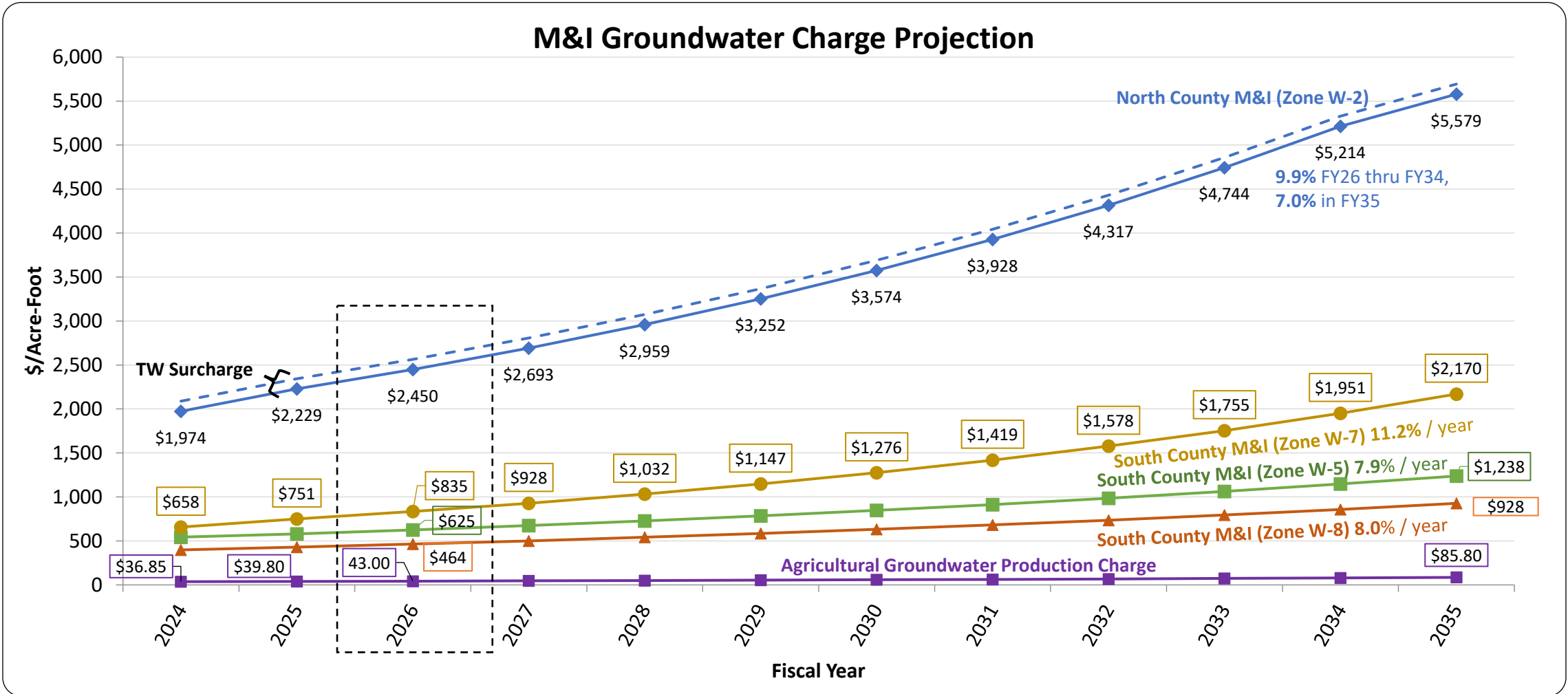
Baseline Scenario	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
South County Zone W-5	\$1.58	\$1.70	\$1.83	\$1.98	\$2.13	\$2.30	\$2.49	\$2.68	\$2.89	\$3.12
South County Zone W-7	\$2.89	\$3.22	\$3.58	\$3.98	\$4.43	\$4.92	\$5.47	\$6.09	\$6.77	\$7.53
South County Zone W-8	\$1.18	\$1.28	\$1.38	\$1.49	\$1.61	\$1.74	\$1.88	\$2.03	\$2.19	\$2.37

Does not include any additional increases a Retailer may add.

Groundwater Production Charge Projection

As published in the PAWS Report February 28, 2025

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FY 2025-26 South County Zone W-5 Proposed Charges

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Zone W-5 (Llagas Subbasin)	Dollars Per Acre Foot		
	FY 2023-24	FY 2024-25	Proposed FY 2025-26
Basic User/Groundwater Production Charge			
Municipal & Industrial	543.50	579.00	624.50
Agricultural	36.85	39.80	43.00
Surface Water Charge			
Surface Water Master Charge	54.00	61.00	67.00
Total Surface Water, Municipal & Industrial*	597.50	640.00	691.50
Total Surface Water, Agricultural*	90.85	100.80	110.00
Recycled Water Charges			
Municipal & Industrial	523.50	559.00	604.50
Agricultural	67.20	70.15	73.35



* 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 \$1.58 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2025-26 South County Zone W-7 Proposed Charges

Zone W-7 (Coyote Valley)	Dollars Per Acre Foot		
	FY 2023-24	FY 2024-25	Proposed FY 2025-26
Basic User/Groundwater Production Charge			
Municipal & Industrial	657.50	750.50	834.50
Agricultural	36.85	39.80	43.00
Surface Water Charge			
Surface Water Master Charge	54.00	61.00	67.00
Total Surface Water, Municipal & Industrial*	711.50	811.50	901.50
Total Surface Water, Agricultural*	90.85	100.80	110.00



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



M&I Increase approximately \$2.89 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2025-26 South County Zone W-8 Proposed Charges

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Zone W-8 (Uvas / Chesbro)	Dollars Per Acre Foot		
	FY 2023–24	FY 2024–25	Proposed FY 2025–26
Basic User/Groundwater Production Charge			
Municipal & Industrial	398.00	430.00	464.00
Agricultural	36.85	39.80	43.00
Surface Water Charge			
Surface Water Master Charge	54.00	61.00	67.00
Total Surface Water, Municipal & Industrial*	452.00	491.00	531.00
Total Surface Water, Agricultural*	90.85	100.80	110.00



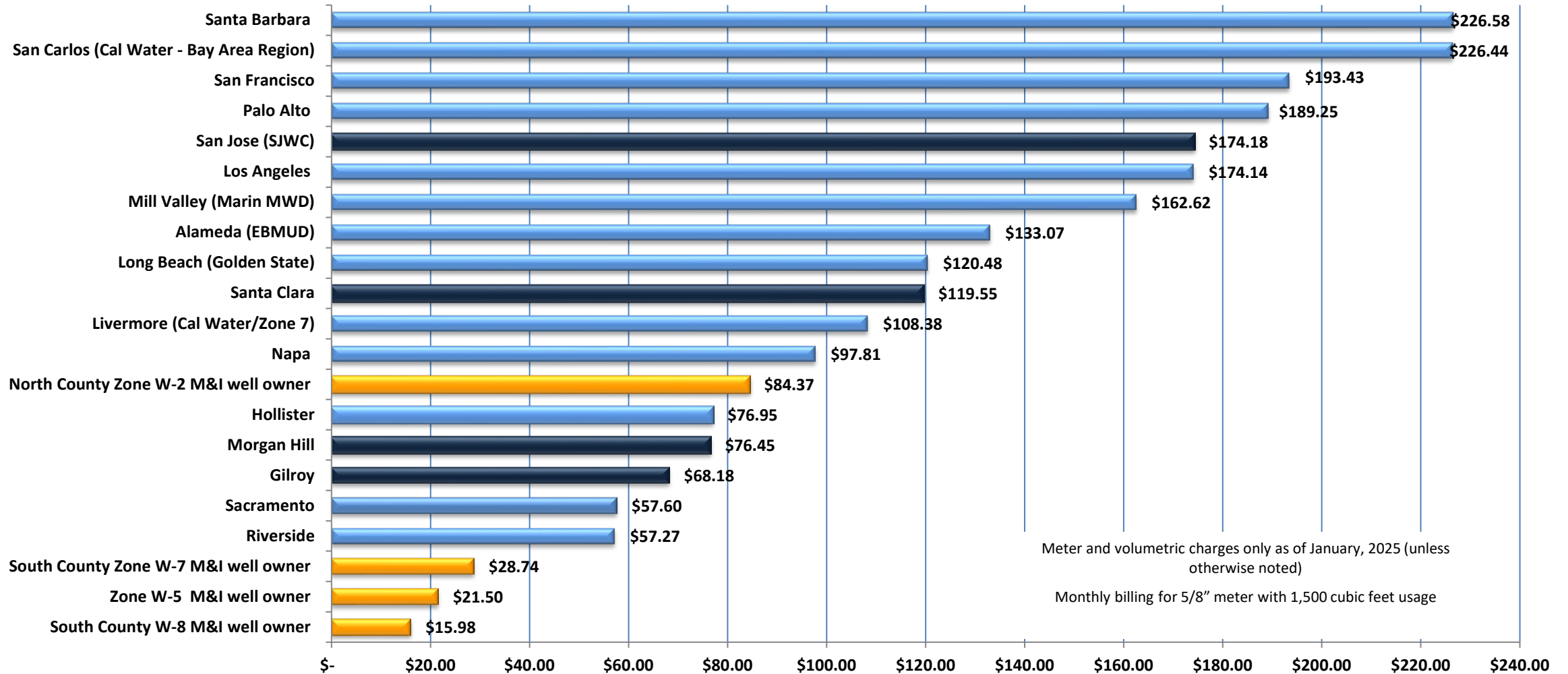
* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

M&I Increase approximately \$1.18 per month increase to the average household user.

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

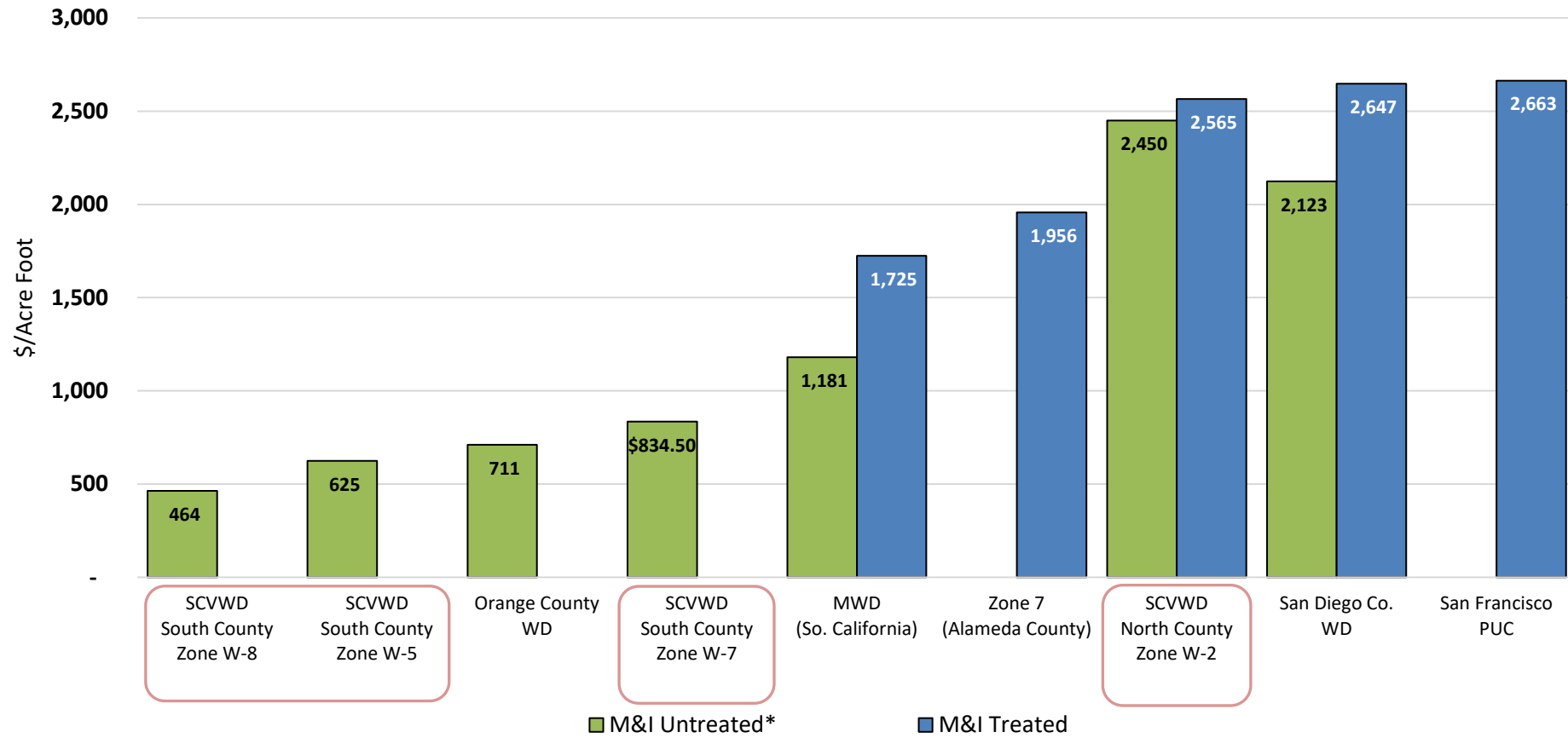


Retail Agency Benchmarks



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.

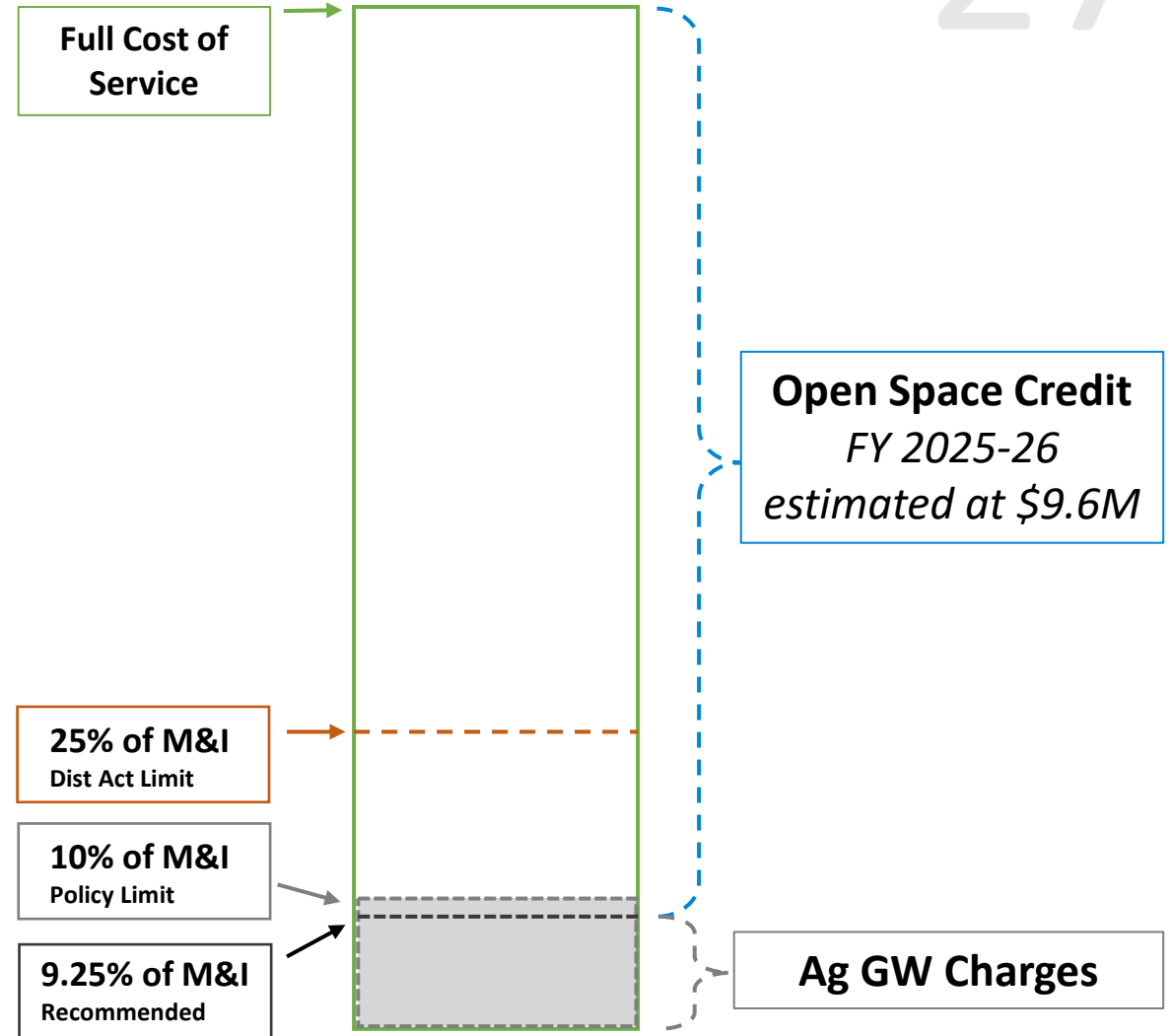
Agricultural Benchmarks

Agency (As of March 2025) ¹		Agricultural Rate (\$/AF)	Non-Agricultural Rate (\$/AF)	Ag as % of Non-AG
Modesto ID (\$/AF for first 2 AF)	Untreated SW	\$2.00 to \$40.00	N/A	
San Benito ²	Groundwater (Quality issues)	\$14.30	\$14.30	100%
SCVWD South	Groundwater		\$624.50	7%
	Zone W-5	\$43.00	\$834.50	5%
	Zone W-7		\$464.00	9%
Zone W-8				
Merced ID	Untreated SW	\$50.00	N/A	
SCVWD South	Untreated SW		\$691.50	16%
	Zone W-5	\$110.00	\$901.50	12%
	Zone W-7		\$531.00	17%
Zone W-8				
Westlands WD	Pressurized	\$191.68	\$958.04	20%
Lost Hills	Untreated SW	\$200.80 to \$335.53	N/A	
Zone 7	Untreated SW	\$263.00	N/A	
San Benito	Pressurized	\$349.10	\$349.10	100%
Merced ID	Groundwater ³	N/A	N/A	

1. Reflects Valley Water proposed FY 2025-26 rates against current adopted rates for comparator agencies.
2. San Benito County Water District adopted groundwater charges for FY 2025-26 setting Non-Agricultural (M&) and Agricultural rates the same \$/AF.
3. Merced Irrigation District is not offering their Supplemental Water Supply Pool Program (Groundwater) for the 2025 irrigation season and is encouraging growers to conserve groundwater.

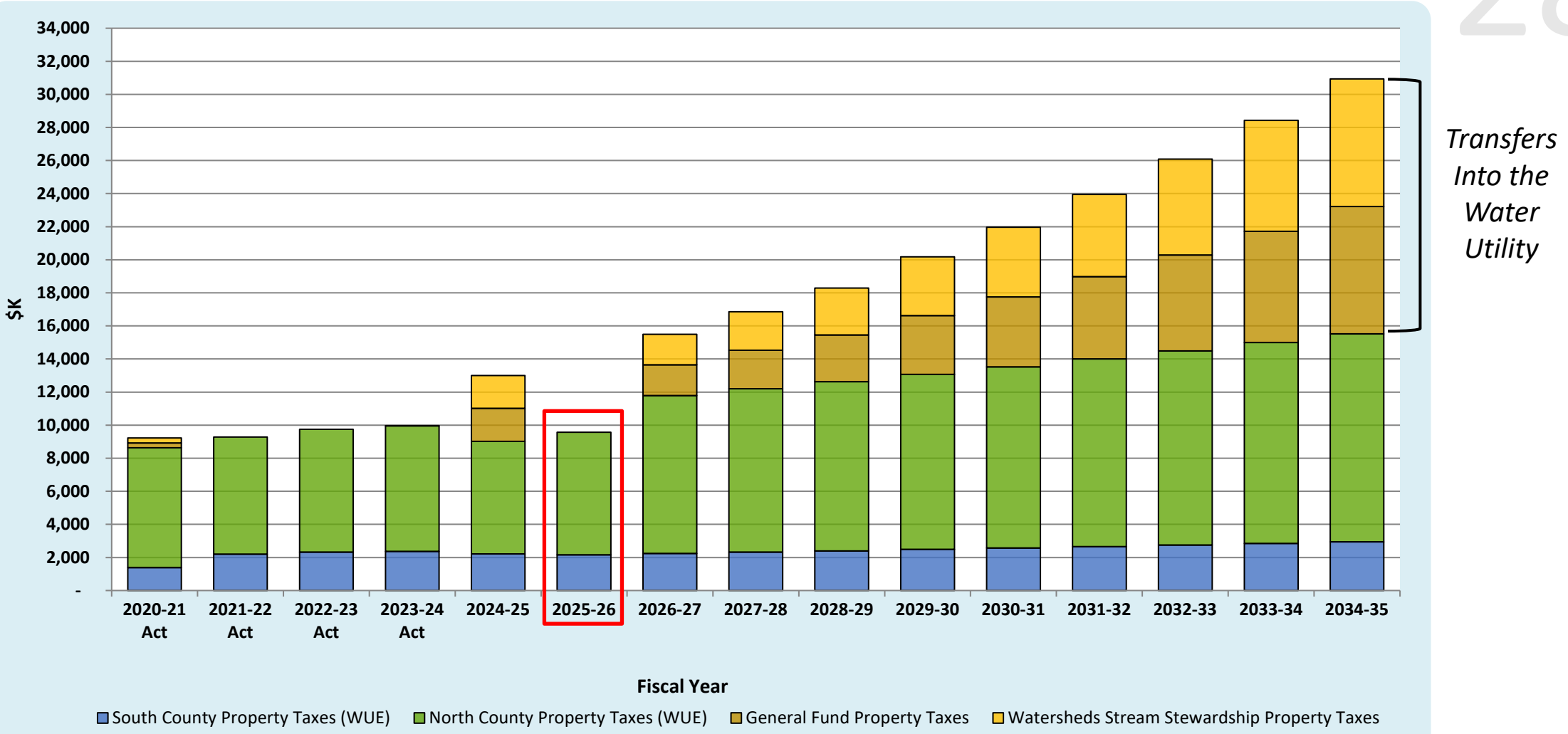
Benefits of the Open Space Credit (OSC)

- **Formal definition: “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”**
- **Applies to agricultural water users only, not to all open space**
- **Open Space Credit covers 90% of full cost of service for Agricultural Water customers**



Open Space Credit Projection

10-year Total Benefit to Open Space Credit: \$212M



Schedule/Wrap up

2025 Schedule

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- Jan 6 Agricultural Water Advisory Committee
- Jan 14 Board Meeting: Preliminary Groundwater Charge Analysis
- Jan 15 Water Retailers Meeting: Preliminary Groundwater Charge Analysis
- Jan 22 Water Commission Meeting: Prelim Groundwater Charge Analysis

- Feb 11 Board Meeting: Set time & place of Public Hearing
- Feb 28 Mail notice of public hearing and file PAWS report

- Mar 11 Board Meeting: Budget development update
- Mar 19 Water Retailers Meeting: FY 26 Groundwater Charge Recommendation
- Mar 25 Long Range Financial Forecast Review

- Apr 7 Agricultural Water Advisory Committee
- Apr 8 Open Public Hearing
- Apr 9 Water Commission Meeting
- Apr 23-24 Board Meeting: Budget work study session
- **Apr 25 *** **Continue Public Hearing in South County (Morgan Hill)**

- **May 16 *** **Conclude Public Hearing**
- **May 27** **Adopt budget & groundwater production and other water charges**

Water Retailers

Ag Advisory

Water Commission

Members of the Public

Summary and Next Steps

Valley Water remains in an era of investment

- Continue driving planning efforts for new infrastructure investments, rehabilitating existing infrastructure, and maintain focus on cost containment

Water Supply Master Plan 2050 is nearly finished

- Includes adaptive management framework to provide Board with flexibility to make incremental investment decisions and refine them over time

Proposed FY 26 Groundwater Projection Charges for South County in terms of average household increase are:

- Increase of \$1.58 per month in Zone W-5
- Increase of \$2.89 per month in Zone W-7
- Increase of \$1.18 per month in Zone W-8

Next Steps

- Continue Public Hearing on May 16th



Valley Water

Clean Water • Healthy Environment • Flood Protection