



FISCAL YEAR 2026-27

# Public Hearing: Water Charge Recommendations

Presented by: **Carmen Narayanan**, Financial Planning & Revenue Manager  
April 22, 2026

# Public Hearing has Three Specific Objectives

2

- 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**

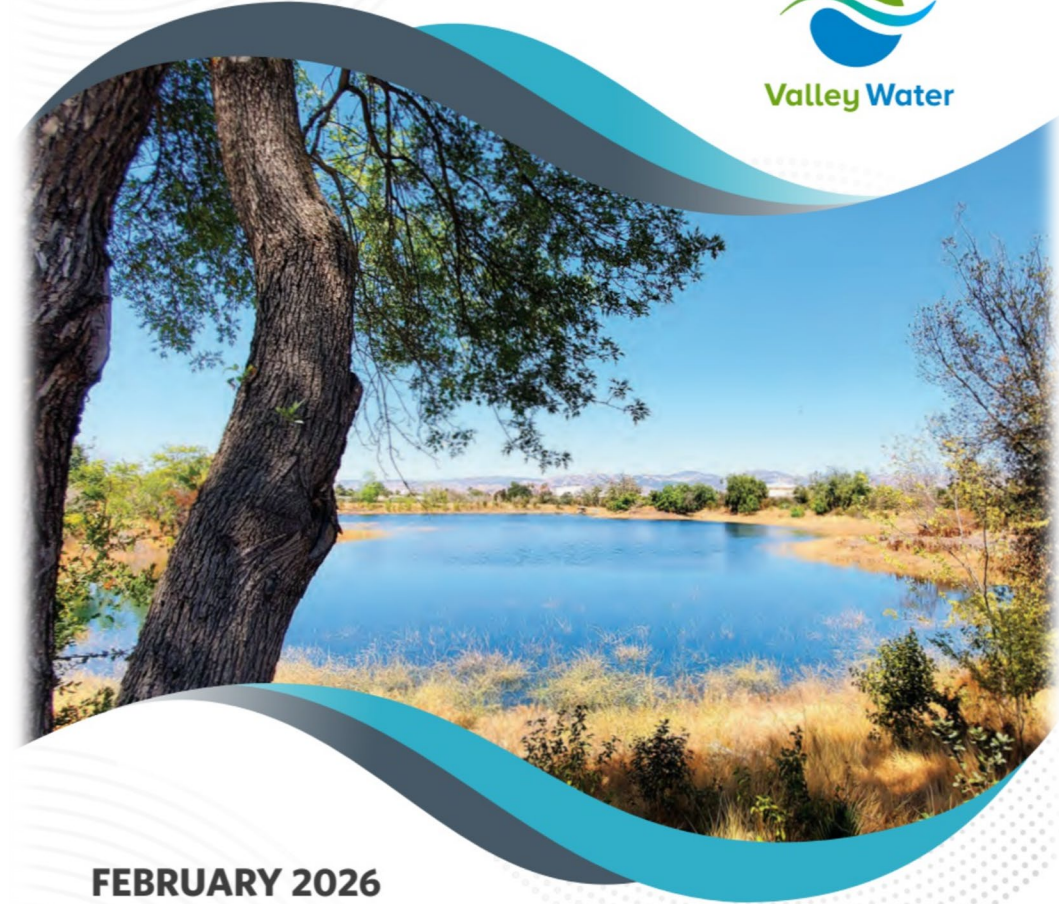
# 55<sup>th</sup> Annual Report Released

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

Filed February 27, 2026

Available Online:

[www.valleywater.org/ProposedWaterCharges](http://www.valleywater.org/ProposedWaterCharges)



**FEBRUARY 2026**  
55th Annual Report  
**FY 2026-27**

**Protection and Augmentation  
of Water Supplies**

# Topics for Today's Public Hearing

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Background

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Water Usage

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Cost Projections

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Key Assumptions for FY 2026-27

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Groundwater Production Charges

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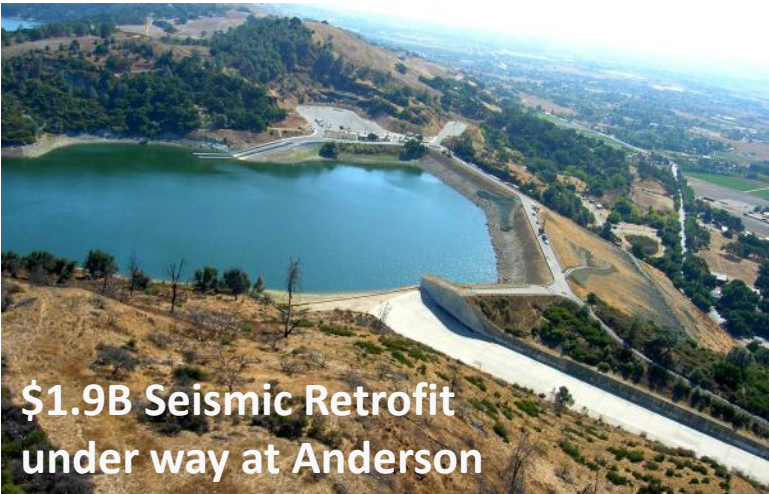
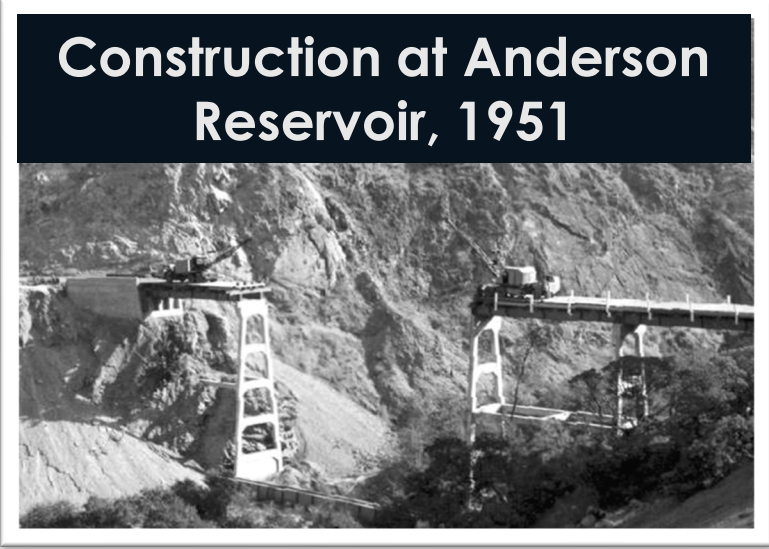
State Water Project Tax

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Schedule/Wrap up

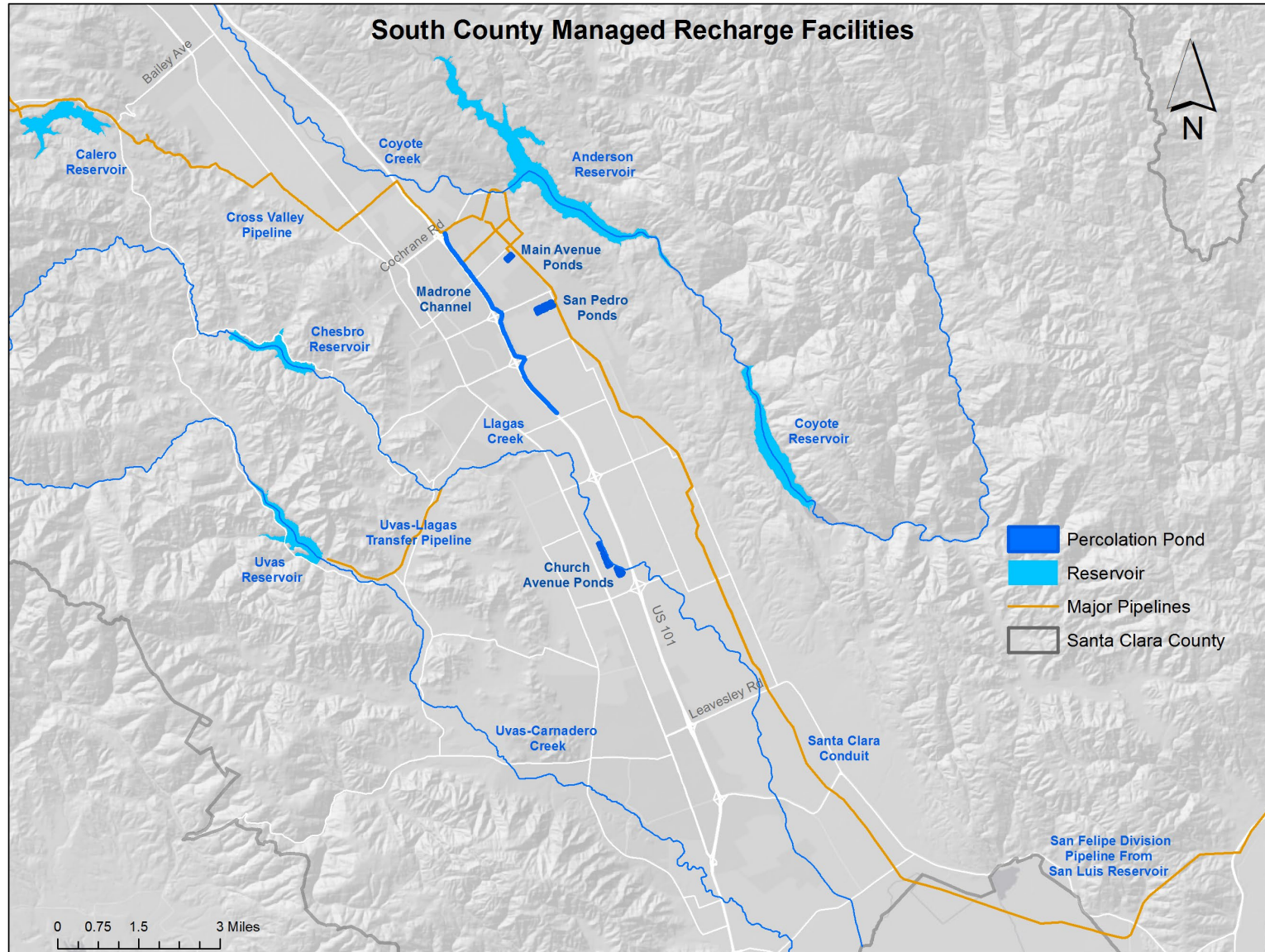


# Why do well owners pay SCVWD to pump water from the ground?



- 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

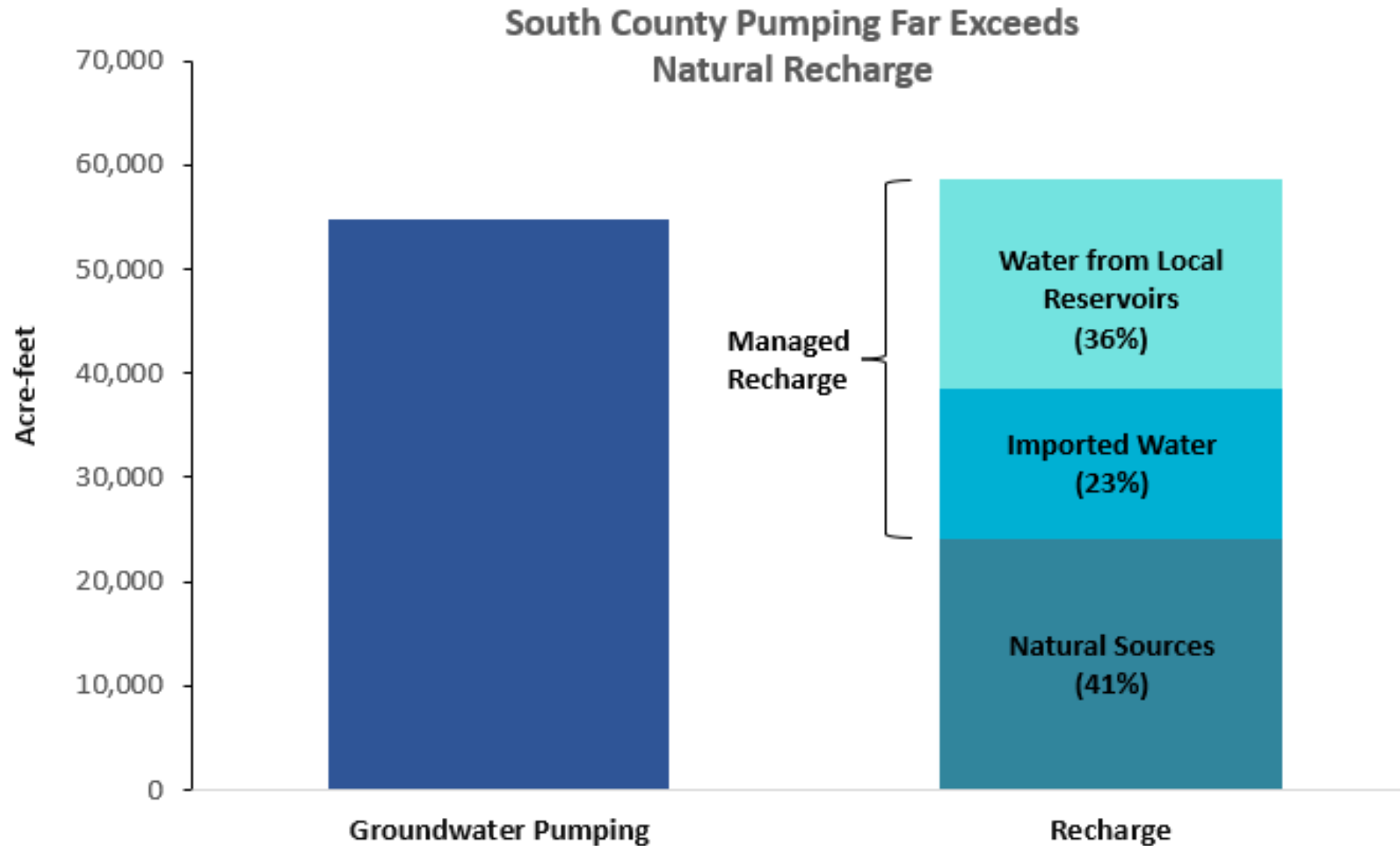


**Main Avenue Recharge Ponds**



**Madrone Channel**

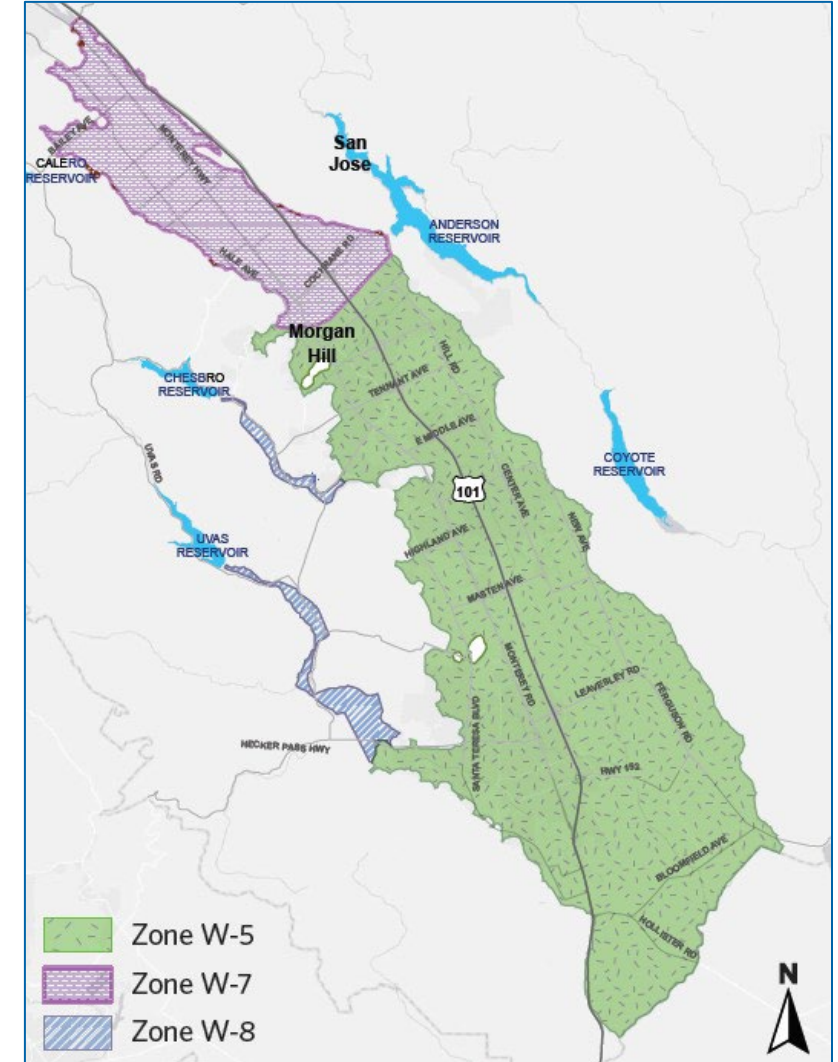
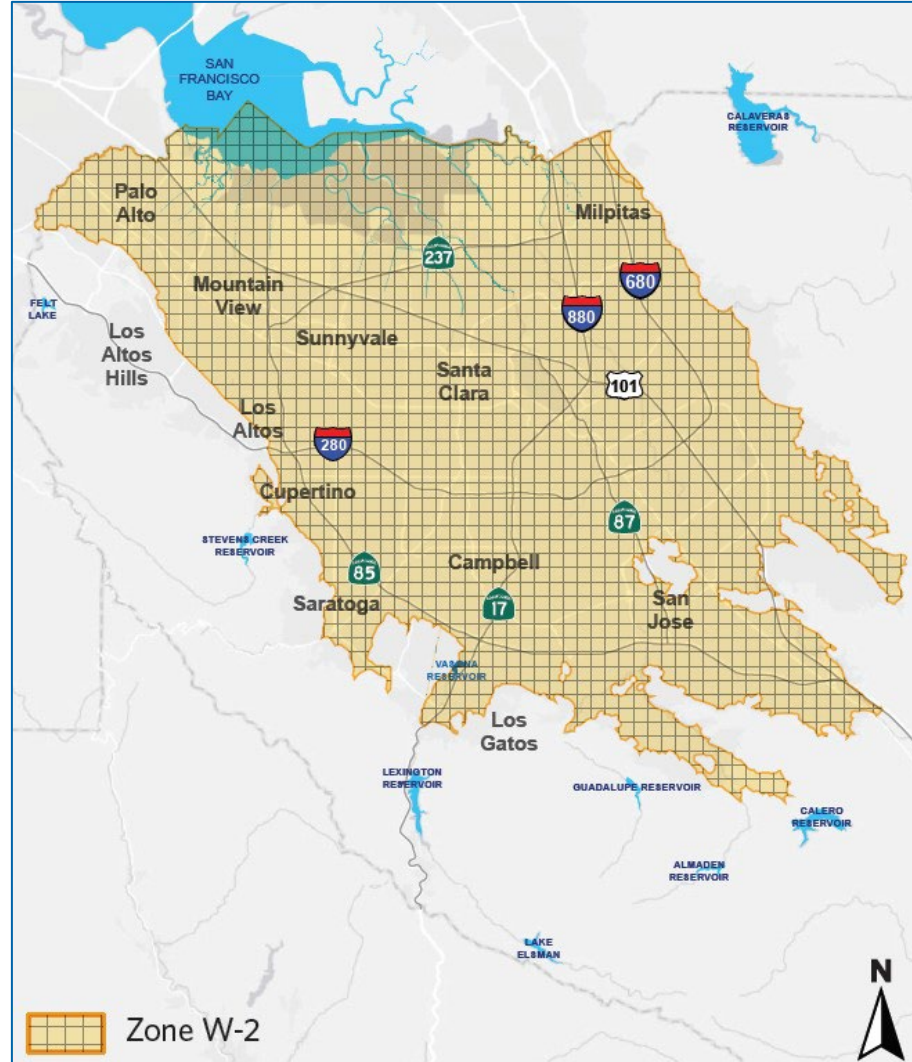
# Recharge needed to offset groundwater pumping



# Valley Water Groundwater Charge Zones of Benefit

## 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

10

- **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

11

- **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

12

- Plan for slightly increased District-managed water use of 221,500 AF (58,600 AF in South County)
- Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)
- 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
- 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*

# Capital Investments in South County – FY27 through FY36

## 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 the ADSRP, with crews progressing on the final concrete lining for the new 24-foot diameter outlet tunnel, which will feed into Coyote Creek when the project is complete. Improvements to Coyote Creek are progressing, including the completion of the Coyote Creek Flood Management Measures Project and the first phase of the new Coyote Creek Percolation Dam. Phase 2 of the Coyote Creek Percolation Dam project, which is designed to improve fish passage, is set to begin fall of 2026.

For further details please visit [valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit](https://valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit).

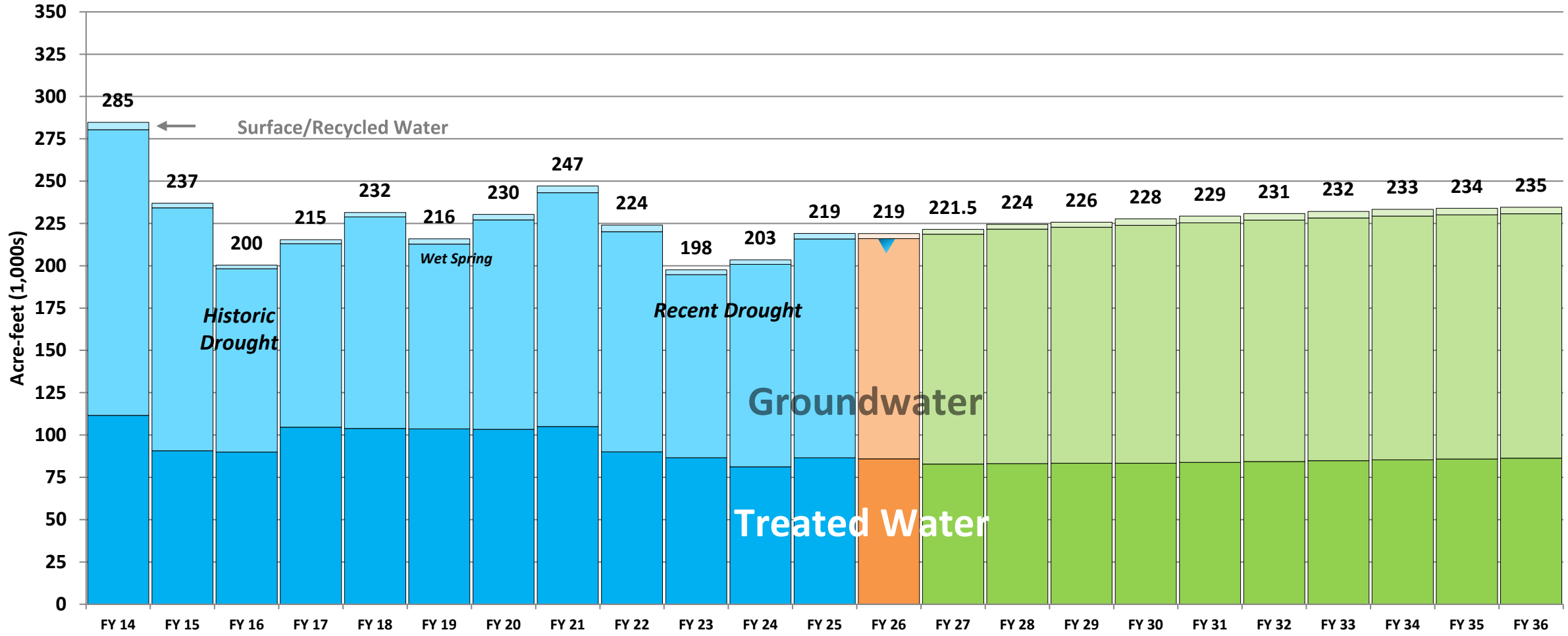


Anderson Dam

# District Managed Water Usage

Reflects Lower Water User Projections Post 2023 Drought Rebound

District Managed Water Usage (TAF)



FY 27 Projection

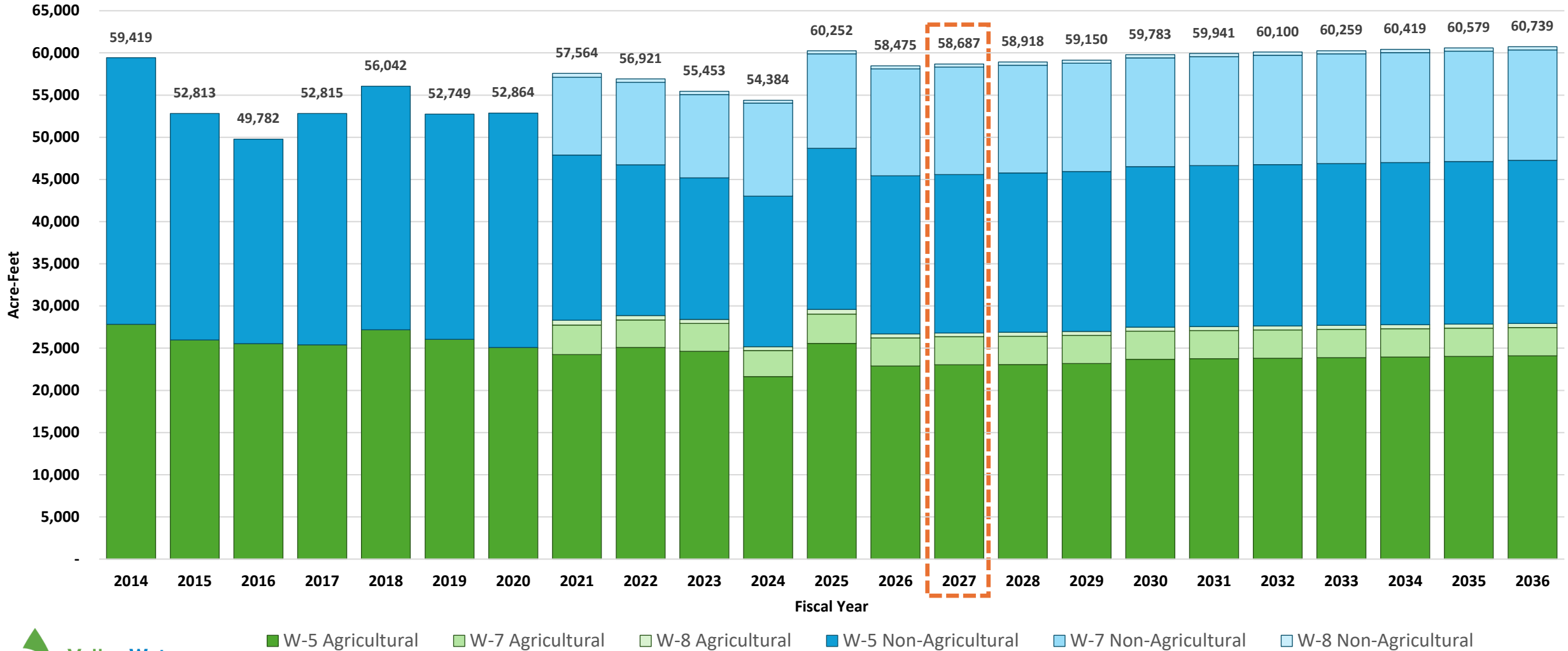
Actuals

FY 26 Budget

FY 26 Estimated Actuals

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

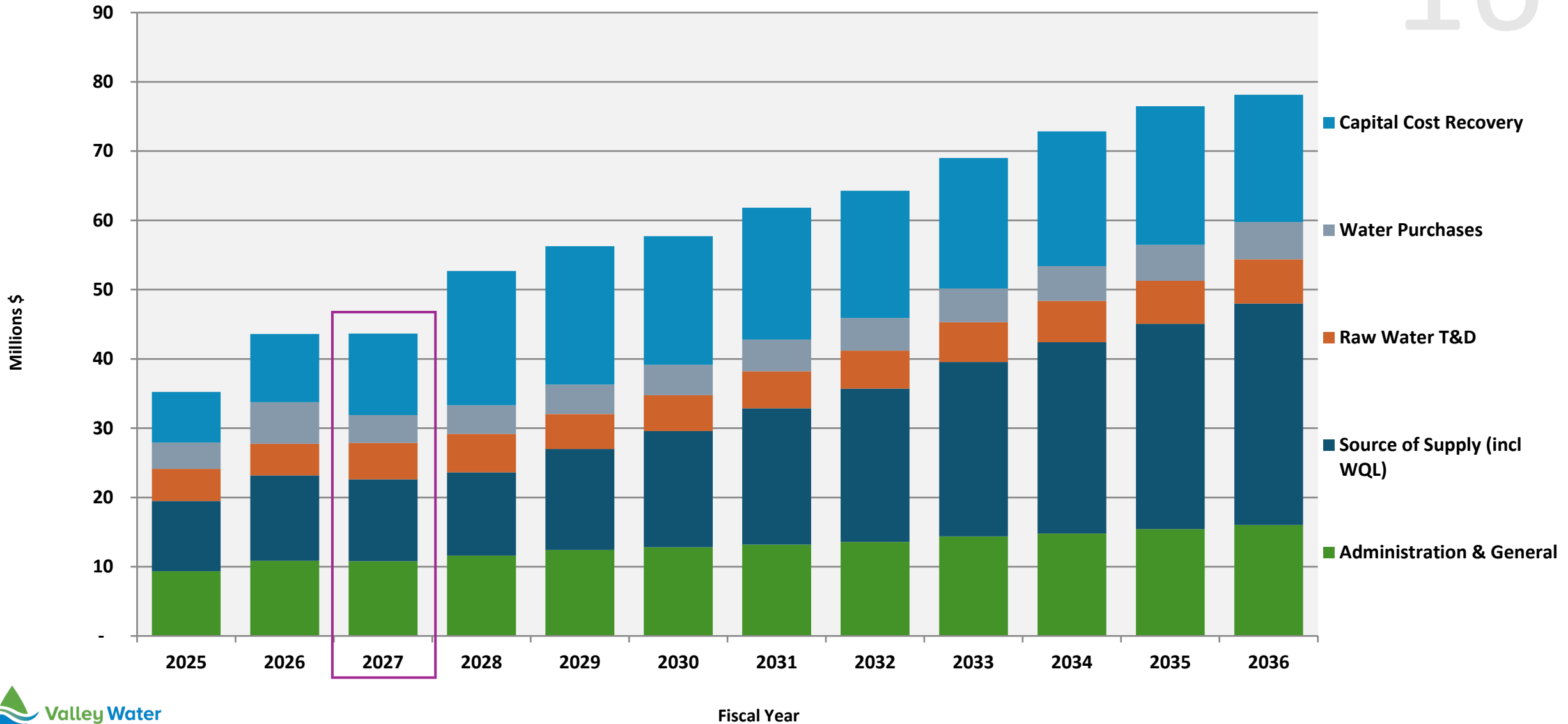
South County Water Use (Acre-Feet) by Fiscal Year & Zone



■ W-5 Agricultural   
 ■ W-7 Agricultural   
 ■ W-8 Agricultural   
 ■ W-5 Non-Agricultural   
 ■ W-7 Non-Agricultural   
 ■ W-8 Non-Agricultural

# South County Long Term Cost Projection

16



# Recommended Groundwater Production Charges

# Infrastructure

DRIVES DIFFERENT GROUNDWATER PRODUCTION CHARGES IN EACH ZONE

18

## 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
- 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

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	<del>9.9%*</del> 9.1%	\$2,673.00	\$5.63
South County W-5	\$624.50	<del>7.9%*</del> 6.6%	\$665.50	\$1.04
South County W-7	\$834.50	<del>11.2%*</del> 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.

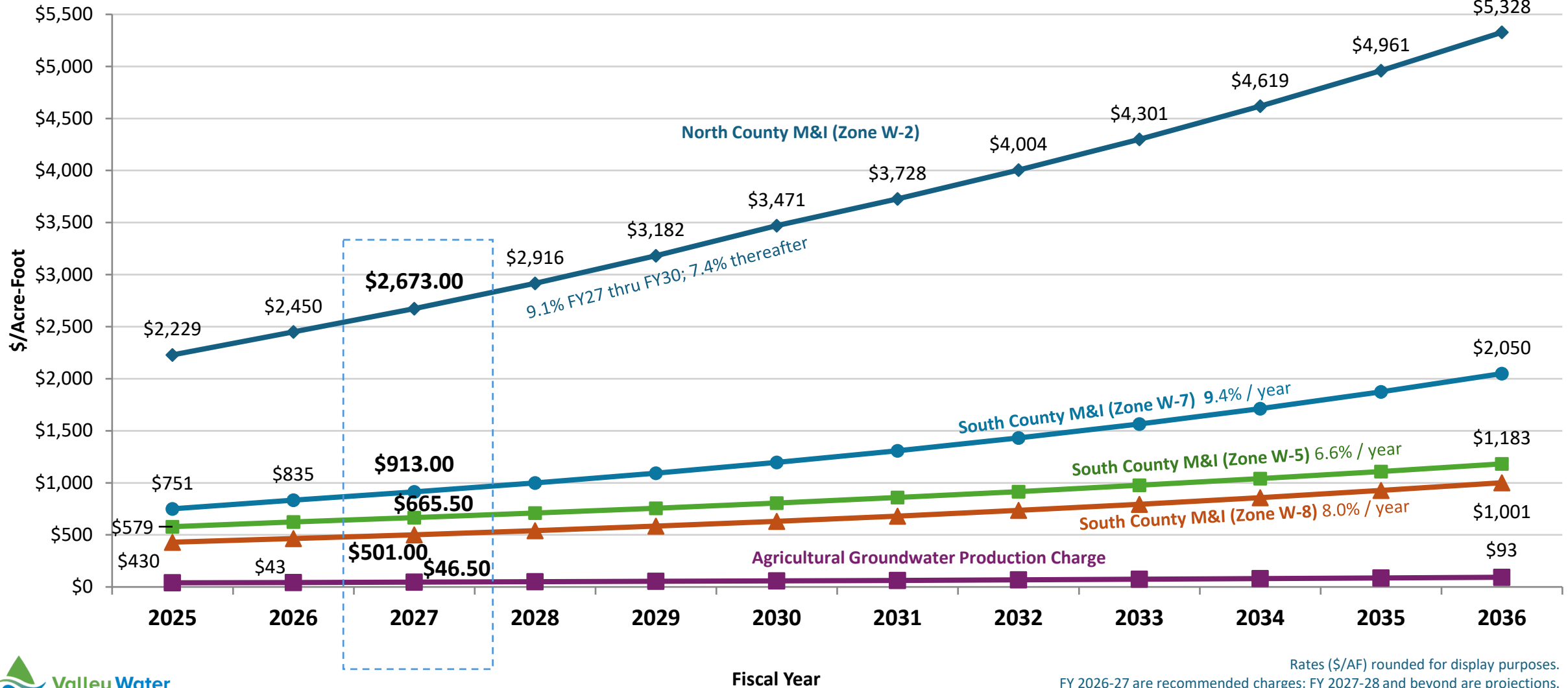
\*\* Assumes Agricultural users who pump 2 AF of water, per acre, per year.

# Groundwater Production Charge Recommendation

As published in the PAWS Report February 27, 2026

20

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



Rates (\$/AF) rounded for display purposes.  
FY 2026-27 are recommended charges; FY 2027-28 and beyond are projections.

# 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
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
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 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
<b>Basic User/Groundwater Production Charge</b>			
Municipal & Industrial	579.00	624.50	<b>665.50</b>
Agricultural	39.80	43.00	<b>46.50</b>
<b>Surface Water Charge</b>			
Surface Water Master Charge	61.00	67.00	<b>73.00</b>
Total Surface Water, Municipal & Industrial*	640.00	691.50	<b>738.50</b>
Total Surface Water, Agricultural*	100.80	110.00	<b>119.50</b>
<b>Recycled Water Charges</b>			
Municipal & Industrial	559.00	604.50	<b>645.50</b>
Agricultural	70.15	73.35	<b>76.85</b>



\* 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

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



\* 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

25

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



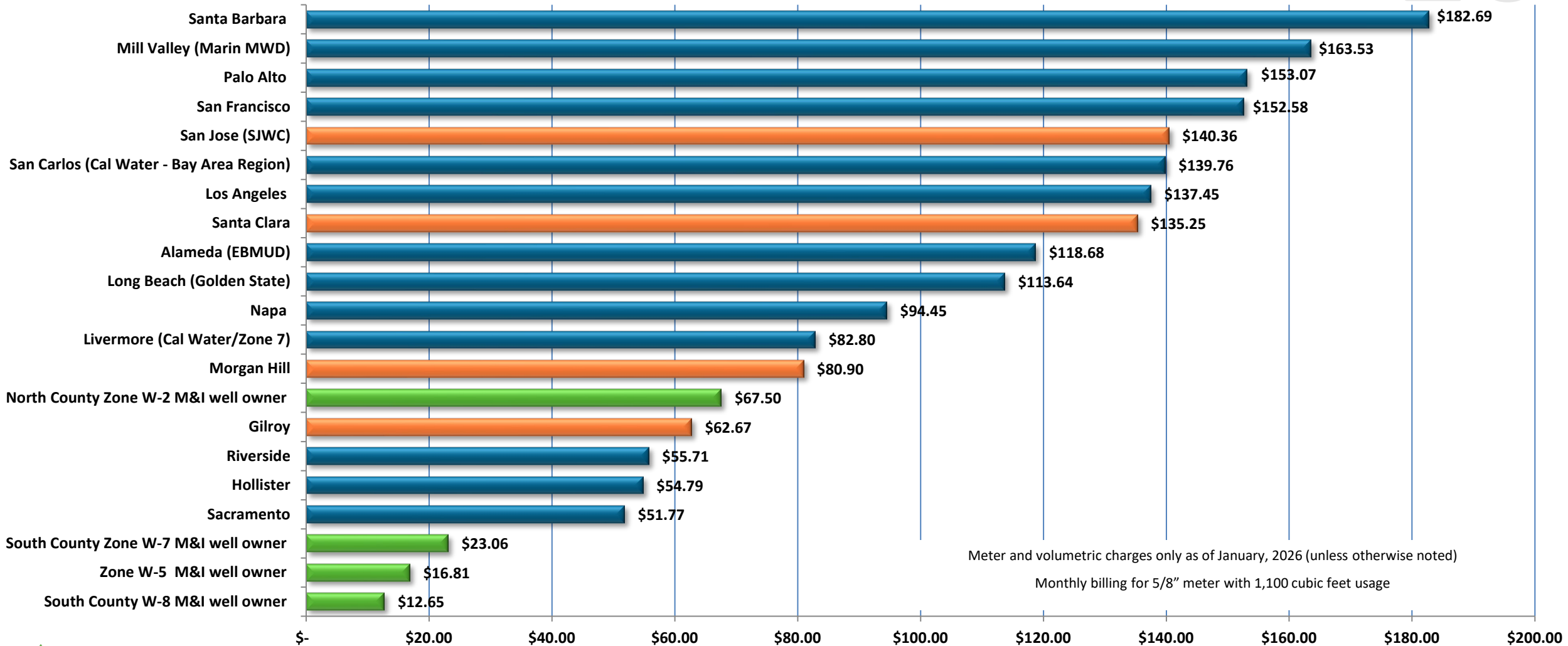
\* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



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

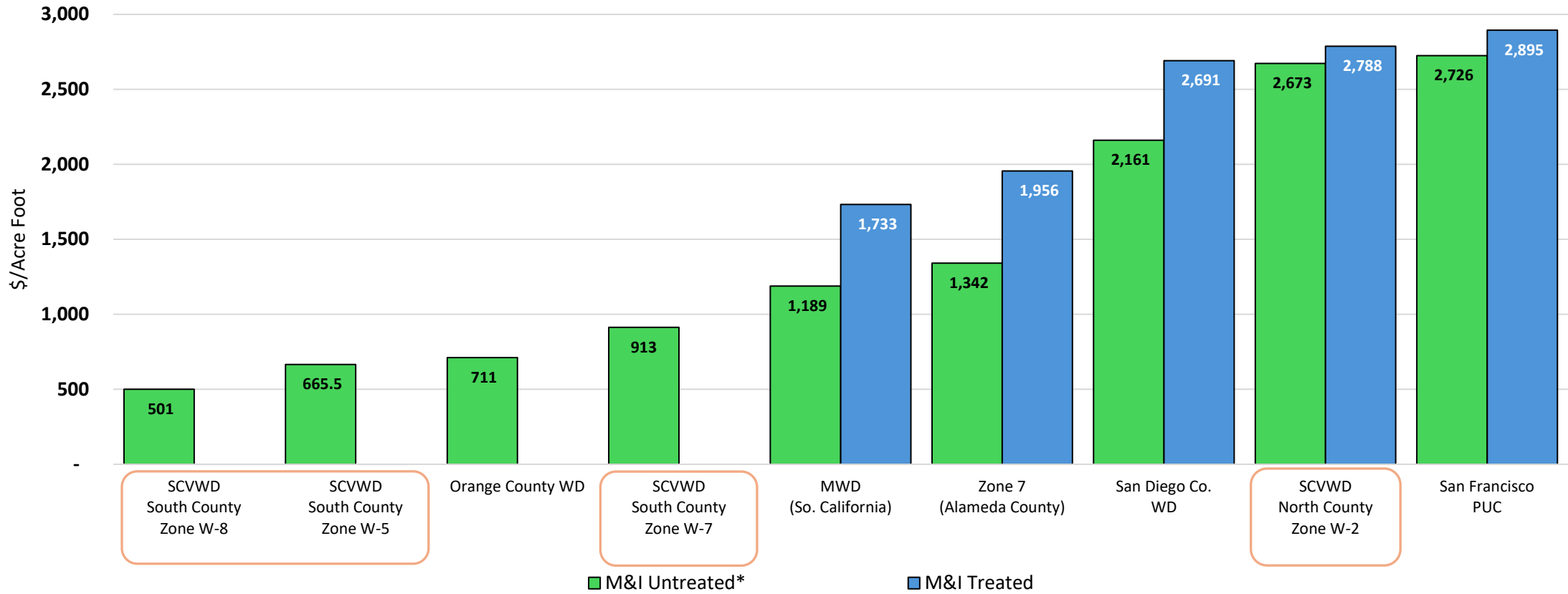
Note: Does not include any increase that a retailer would layer on top

# 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.

# Agricultural Benchmarks

Agency (As of March 2026) <sup>1</sup>		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 <sup>2</sup>	Groundwater (Quality issues)	\$14.30	\$14.30	100%
SCVWD South	Groundwater		\$665.50	7%
	Zone W-5	\$46.50	\$913.00	5%
	Zone W-7		\$501.00	9%
Zone W-8				
Merced ID	Untreated SW	\$50.00	N/A	
SCVWD South	Untreated SW		\$738.50	16%
	Zone W-5	\$119.50	\$986.00	12%
	Zone W-7		\$574.00	21%
Zone W-8				
Westlands WD	Pressurized	\$178.59	\$908.72	20%
Lost Hills	Untreated SW	\$195.73 to \$364.76	N/A	
Zone 7	Untreated SW	\$287.00	N/A	
San Benito	Pressurized	\$263.00	\$554.00	47%
Merced ID	Groundwater <sup>3</sup>	N/A	N/A	

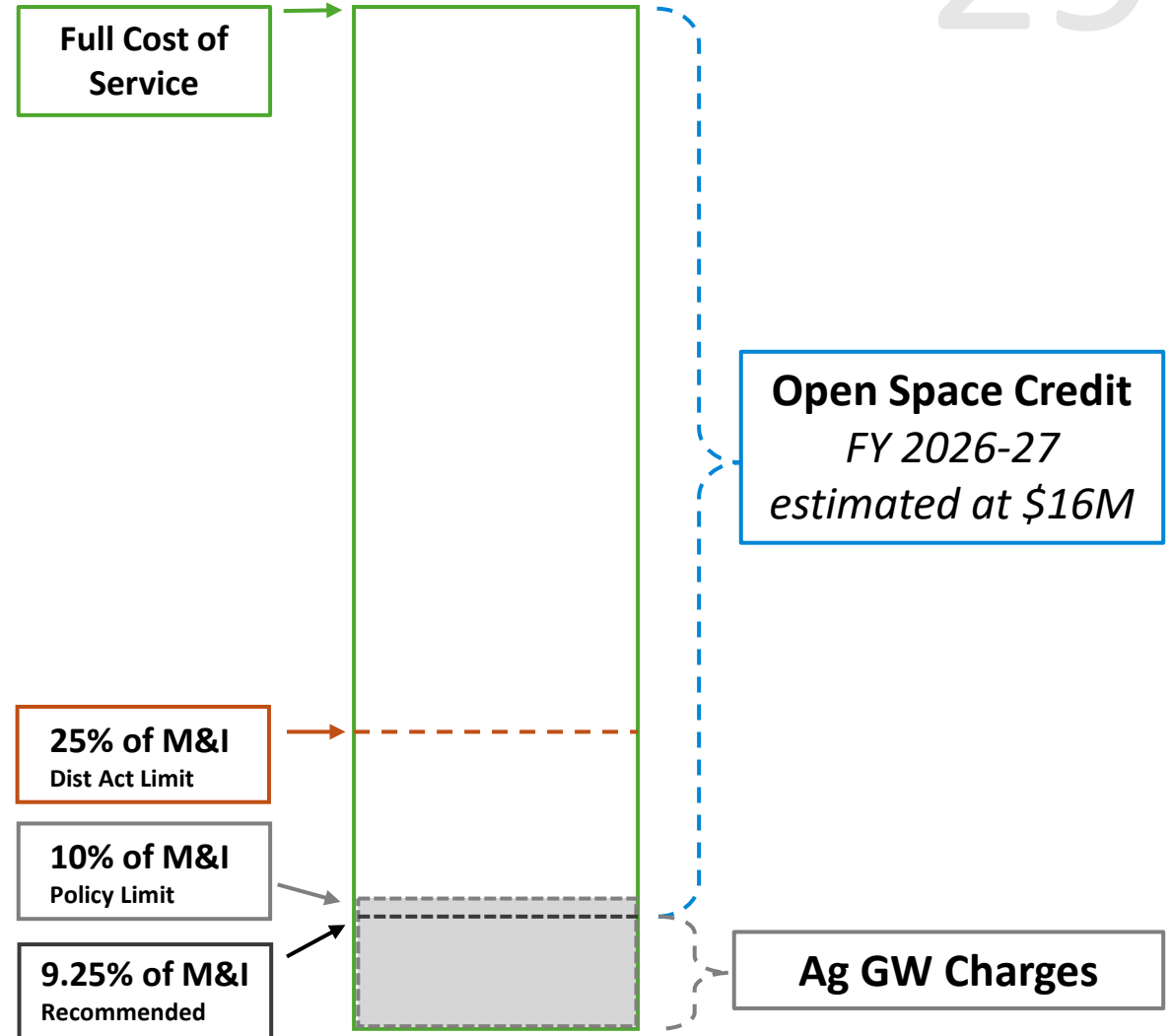
1. Reflects Valley Water proposed FY 2026-27 rates against current adopted rates for comparator agencies.

2. San Benito County Water District adopted groundwater charges for FY 2026-27 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 2026 irrigation season and is encouraging growers to conserve groundwater.

# Benefits of the Open Space Credit (OSC)

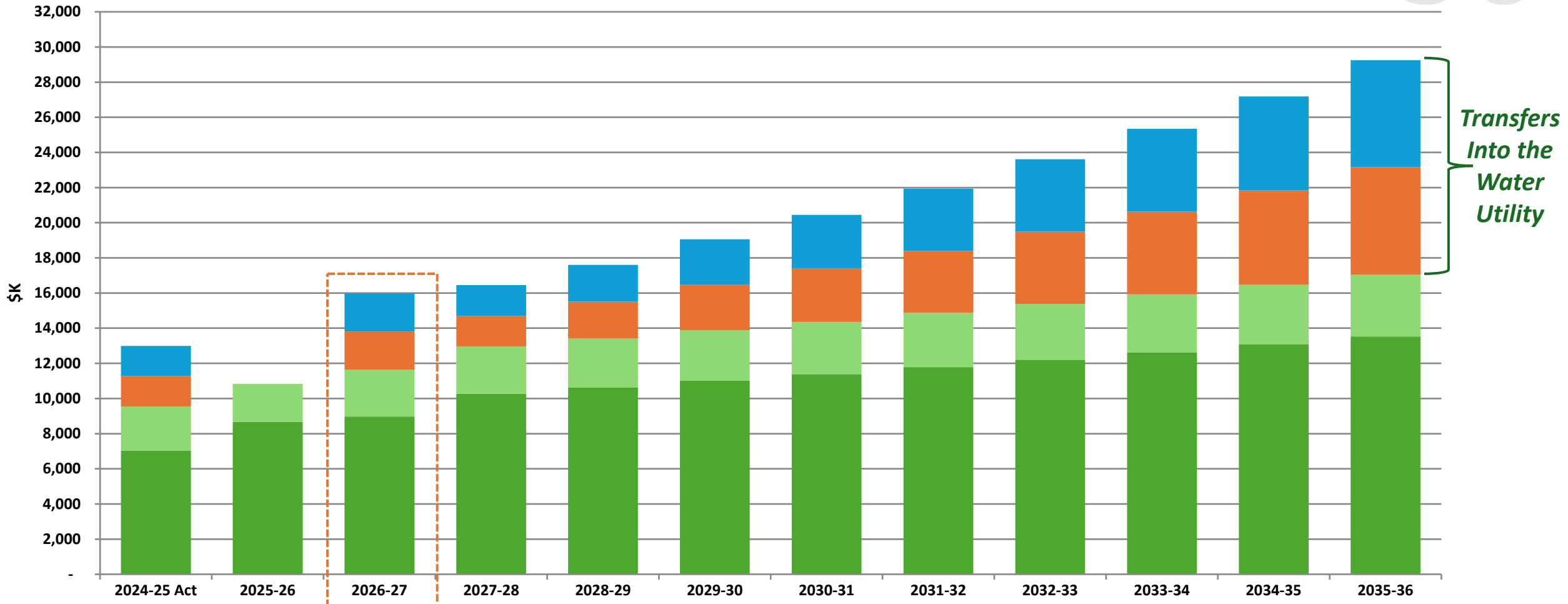
- **Formal definition: “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”**
- **Applies to agricultural water users only, not to all open space**
- **Open Space Credit covers 90% of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



# Open Space Credit Projection

*10-year Total Benefit to Open Space Credit: \$217M*

30



*Transfers Into the Water Utility*



- North County Property Taxes (WUE)
- South County Property Taxes (WUE)
- General Fund Property Taxes
- Watersheds Stream Stewardship Property Taxes

# Rate Setting Schedule FY 2026-27

31

- 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 11 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 22 Continue Public Hearing in South County (Morgan Hill)**
- **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**

# Feedback from Advisory Committees and Community

32

**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 28<sup>th</sup>



# Valley Water

Clean Water • Healthy Environment • Flood Protection

# Backup Slides

# 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%	

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

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

37

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



\* 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.

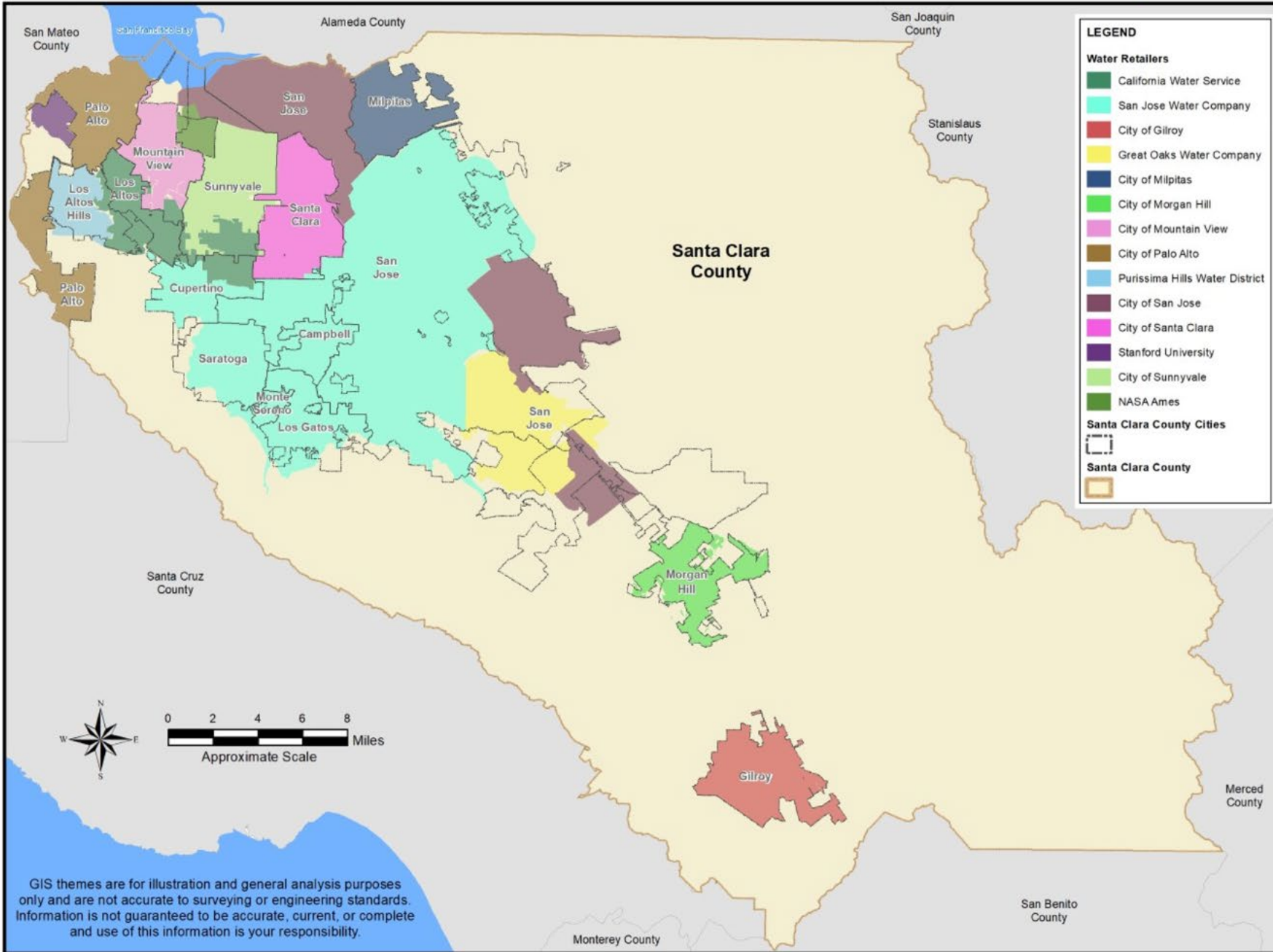
Note: Does not include any increase that a retailer would layer on top



# Water Retailers in Santa Clara County



# Water Retailers in Santa Clara County



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