



Work Study Session: Capital Improvement Program Preliminary FY 2027-31 Five-Year Plan and FY 2026-27 Groundwater Production Charges

Presented by:

Jessica Collins, Business Planning and Analysis Manager

Carmen Narayanan, Financial Planning and Revenue Manager

Angie Perkins Haslam, Grants, Compliance and Claims Manager

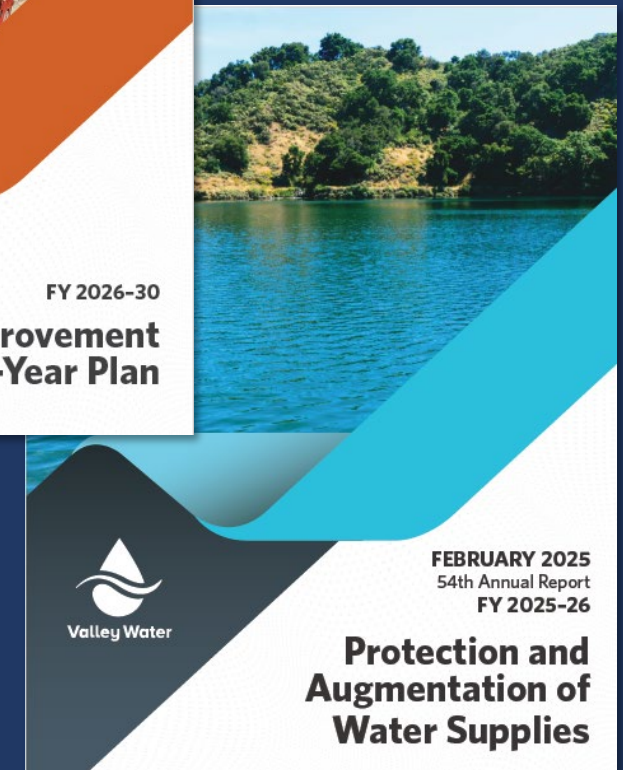
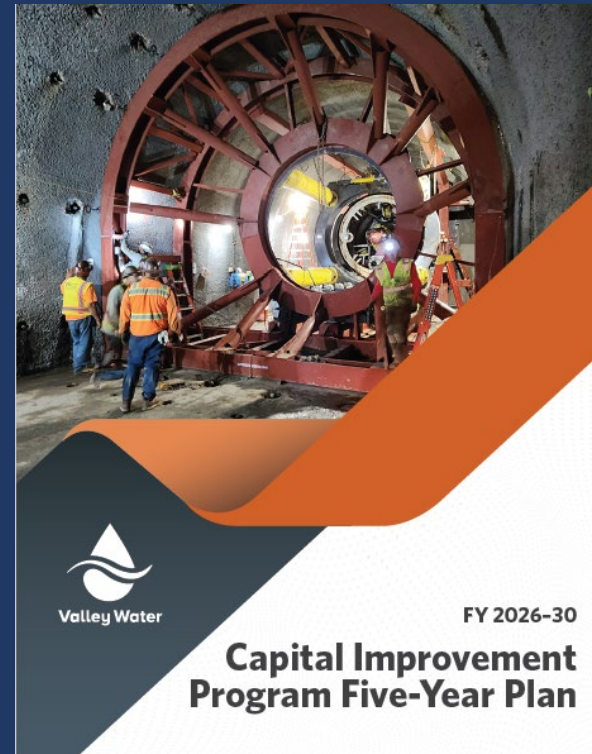


Recommended Board Actions

- A. Review the recommended funding scenarios for the CIP Preliminary Fiscal Year 2027-2031 (FY 2027-31) Five-Year Plan and approve the recommendations and the inclusion of three projects in the CIP Draft FY 2027-31 Five-Year Plan; and
- B. Discuss and provide direction on the preliminary FY 2026-2027 (FY 27) Groundwater Production Charge analysis.

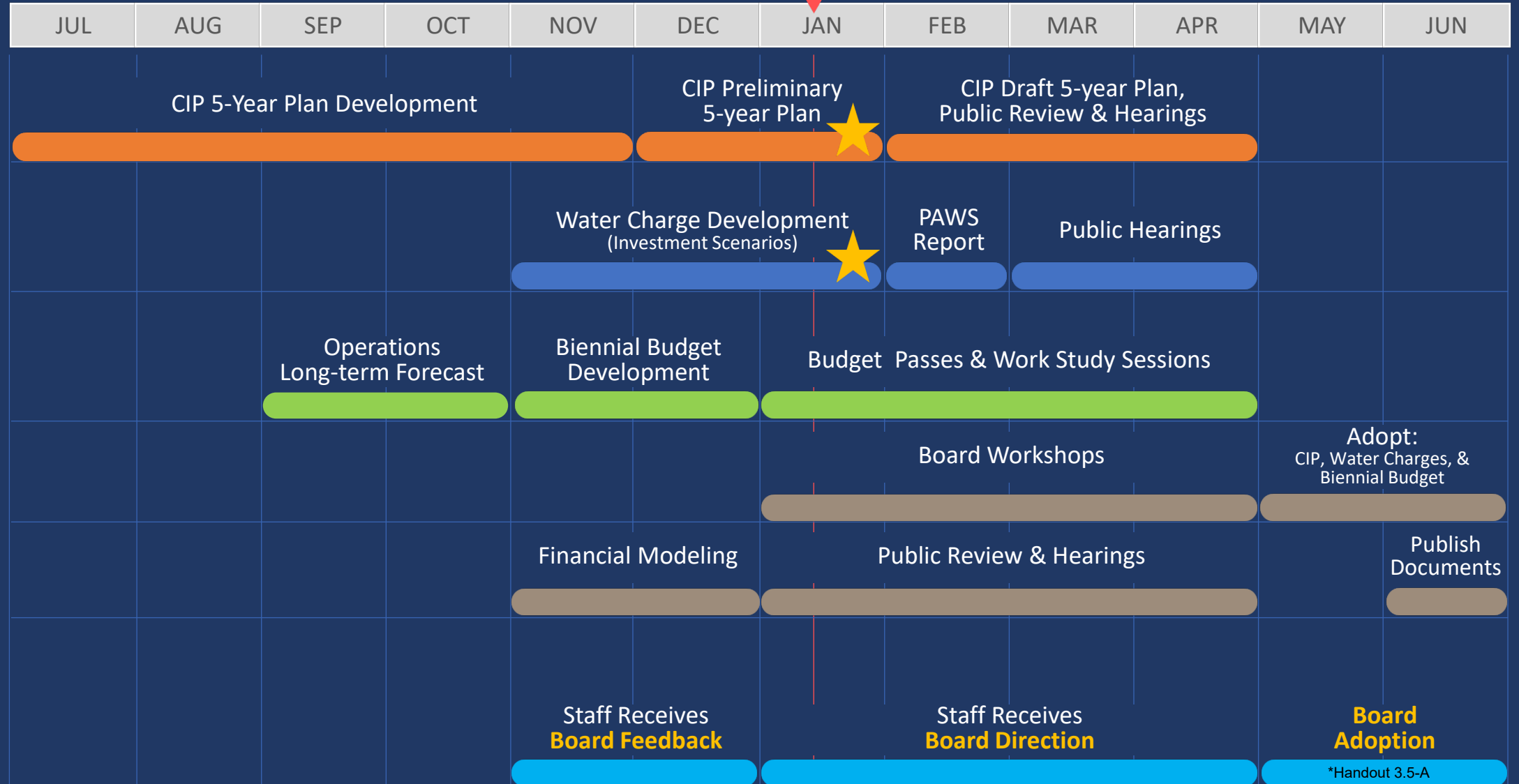
Presentation Outline

1. Annual Development Timelines
2. CIP Preliminary FY 2027-31 Five-Year Plan
 - A. Project Plan Updates Summary
 - B. Analysis and Recommendations by Fund
 - 1) Baseline
 - 2) Recommended
 - 3) Initially Validated/Unfunded Projects
 - C. Enhancing CIP Prioritization
3. Preliminary FY 2026-27 Groundwater Production Charge Analysis
4. Next Steps



Annual CIP, Biennial Budget & Water Charges Development Timeline

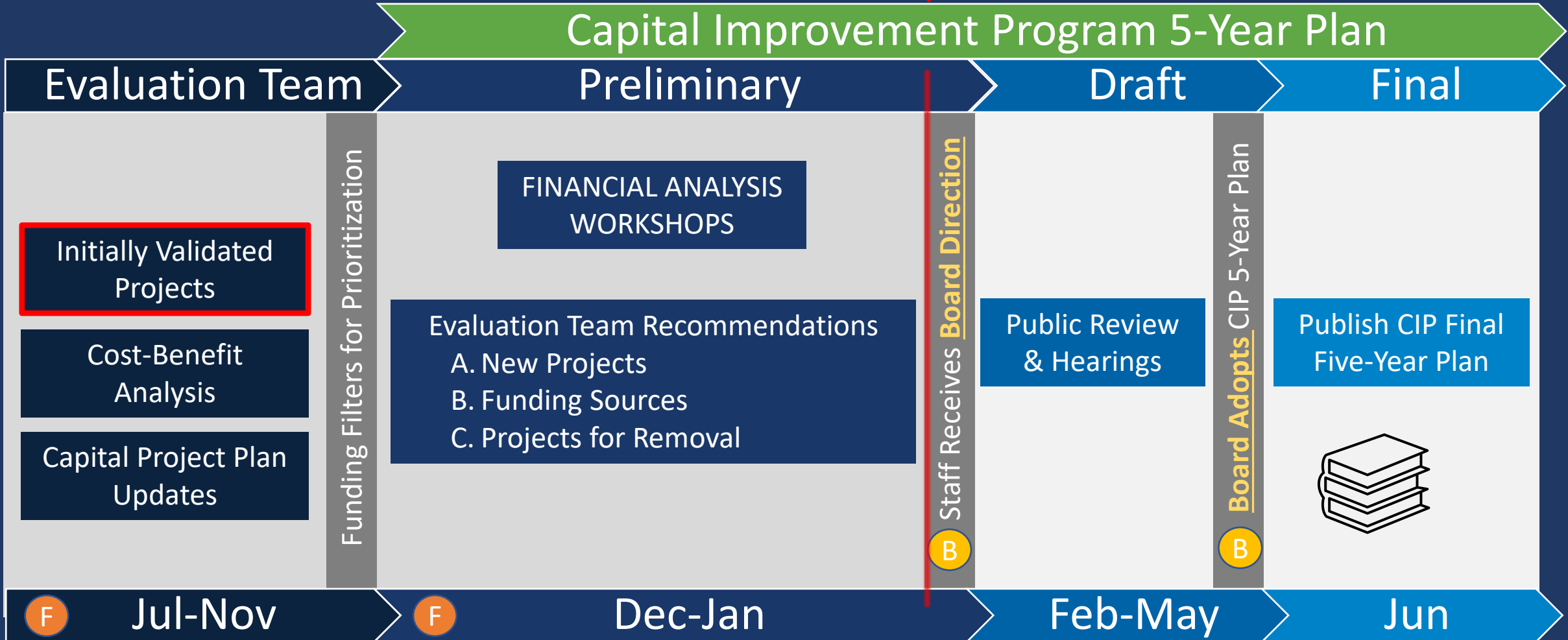
We are here



*Handout 3.5-A
Page 4 of 68

Annual CIP 5-Year Plan Timeline

We are here ↓



F CIP Committee and/or Board Feedback; 10/20; 11/12; 12/15

B Key Decision Points for Board; 1/13; 5/12

Summary of Project Plan Updates

Changes from Board Adopted CIP FY 2026-30 Five-Year Plan

Project Plan Updates from CIP Adopted Five-Year Plan

Overview of 47 Project Plan Updates:

- **22 Projects** had changes to **SCHEDULE** and **COST**
- **14 Projects** had changes to **SCOPE, SCHEDULE** and **COST**
- **10 Projects** had changes to **COST ONLY**
- **1 Project** had changes to **SCOPE** and **COST**

Small Capital Project Updates

- **7 Projects** had changes due to **SMALL CAPITAL FORECAST REVISIONS**

Project Plan Updates Fund Impacts

Changes from Adopted CIP FY 2026-30 Five-Year Plan

Impact, by fund, of the 47 project plan updates:

Fund	Cost Impact* (±)
General Buildings & Grounds (Fund 11)	-\$2.78M
Watersheds Stream Stewardship (Fund 12)	-\$132.64M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	\$17.39M
Water Utility Enterprise (Fund 61)	-\$2,475.75M
Information Technology (Fund 73)	-\$3.87M
Total	-\$2,597.65M

* Cost includes inflation.

New/Pending Project Plan Updates

Project plan updates are underway for the following projects:

1. Almaden Dam Improvements (91854001)
2. SCW Regnart Creek Rehabilitation (F8) (26044056)
3. SCADA Master Plan Implementation (95044002)
4. Coyote Creek Chillers (91864008)
5. Land Rights – South County Recycled Water Pipeline (91094001)
6. Almaden Valley Pipeline Replacement (92304001)

(NOTE: The pending changes have not been finalized and therefore are not incorporated into the Baseline CIP Preliminary FY 2027-31 Five-Year Plan. The changes will be incorporated and modeled for the March 10, 2026, Board Meeting, along with any additional project plan updates.)

CIP Preliminary FY 2027-31 Five-Year Plan (Baseline Funding)

With changes from Adopted CIP FY 2026-30 Five-Year Plan

Fund	FY26-30 Adopted	FY27-31 Preliminary (Baseline)	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$96.21M	\$93.43M	-\$2.78M
Watersheds Stream Stewardship (Fund 12)	\$966.81M	\$834.17M	-\$132.64M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	\$1,305.54M	\$1,322.93M	\$17.39M
Water Utility Enterprise (Fund 61)	\$7,940.22M	\$5,464.46M	-\$2,475.75M
Information Technology (Fund 73)	\$48.87M	\$45.00M	-\$3.87M
Totals:	\$10,357.65M	\$7,760.00M	-\$2,597.65M

Baseline Includes:

- *Capital project plan updates*
- *Cost increases/decreases resulting from inflation*
- *Board approved project closures in FY 26*

Analysis and Recommendations by Fund

Watersheds Strategy for Project Implementation (Funds 12 and 26)

Board Presentations* Outlined the Following Challenges and Strategic Approach:

1. Challenges

- A. Constrained funding based on rising capital costs for projects in the CIP FY 2026-30 Five-Year Plan

2. Strategies

- A. Prioritize Flood Risk (Hot Spots)
- B. Review Financial Viability
- C. Assess Feasibility of Project Phasing

***On August 29, 2025, and November 25, 2025.**

Alignment with Watershed Strategy – Fund 12

In alignment with the Watersheds Strategy for Project Implementation, the following capital project updates have been identified:

1. Lower Guadalupe River Capacity Restoration Project (30154019)*
 - A. Re-Evaluate Scope

2. SF Bay Shoreline – UPRR Closure & Pedestrian Bridge (00044026)*
 - A. Continue Design/Delay Reach 4-5 Construction

3. Lower Berryessa, Phase 3 – Construction Only (40C40397)
 - A. Re-Evaluate Scope/remove placeholder (Pending)

* Project plan updates have been included in the Baseline model and are shown in detail in Attachment 1.

Watershed Stream Stewardship Fund (Fund 12)

Largest/Most Impactful changes from Adopted CIP FY 2026-30 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
62084001	Watersheds Asset Rehabilitation Program (WARP)	-	-	+ \$18.23M
20444001	Calabazas/San Tomas Aquino Creek – Marsh Connection	-	+ 2 Yrs.	+ \$4.26M
10394001	Palo Alto Flood Basin Tide Gate Replacement	Y	+ 2 Yrs./9 Mos.	+ \$1.87M
20444002	Pond A4 Resilient Habitat Restoration	-	-	- \$3.14 M
00044026	SF Bay Shoreline – UPRR Closure & Pedestrian Bridge	Y	- 1 Yr.	- \$ 57.13 M
30154019	Lower Guadalupe River Capacity Restoration Project	Y	- 3.5 Yrs.	- \$ 76.11M

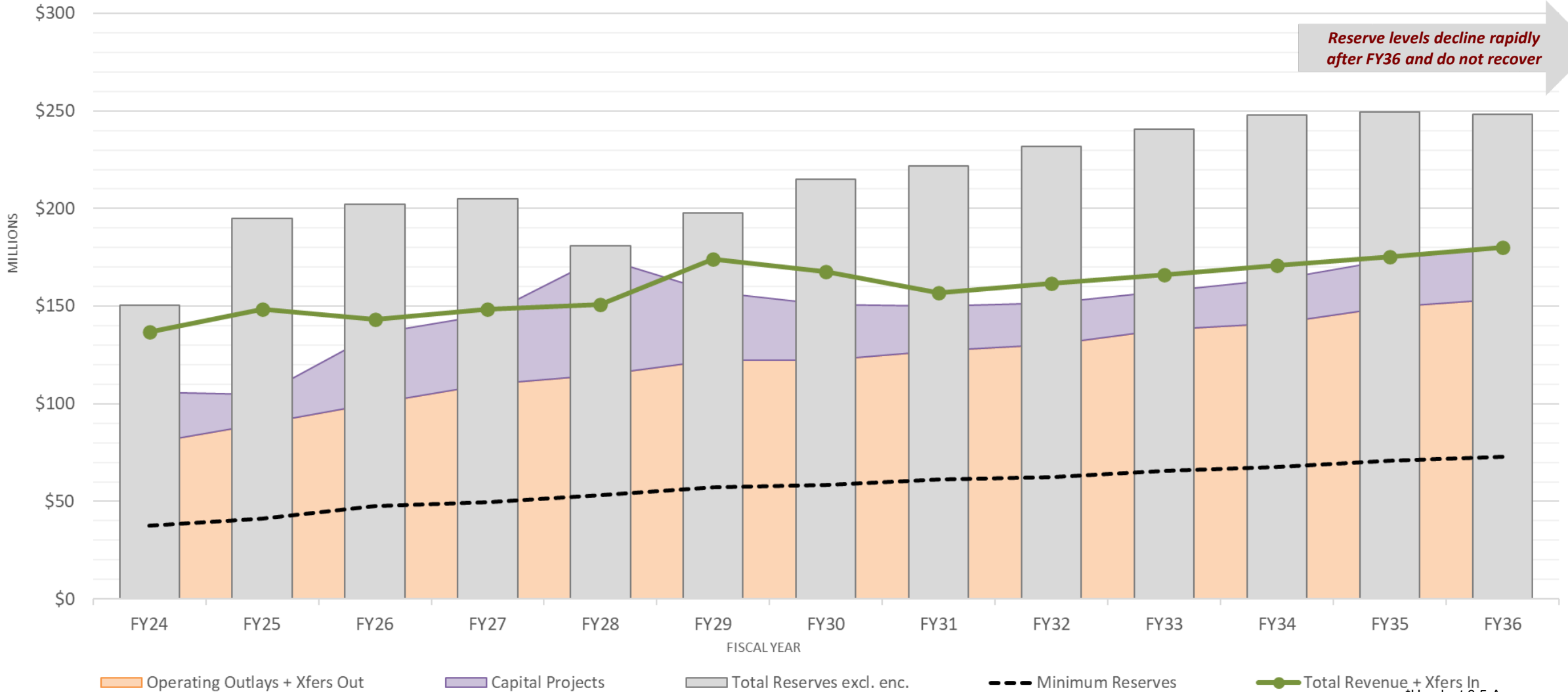
* Cost impact is shown in inflated dollars
 ** This Delta only reflects the changes due to CMMs (the overall change to Fund 12 is shown on slide 9)

Total Increases	Total Decreases	Delta
\$24.36 M	\$136.38 M	\$-112.02 M**

Watershed Stream Stewardship Fund 12 – Baseline

Includes transfers out: \$11.4M to SCW Fund 26 to contribute to capital costs (in FY27 & FY31).

Watershed Stream Stewardship Fund



Reserve levels decline rapidly after FY36 and do not recover

Operating Outlays + Xfers Out Capital Projects Total Reserves excl. enc. Minimum Reserves Total Revenue + Xfers In

Note: capital project expenditures stacked above operating outlays.

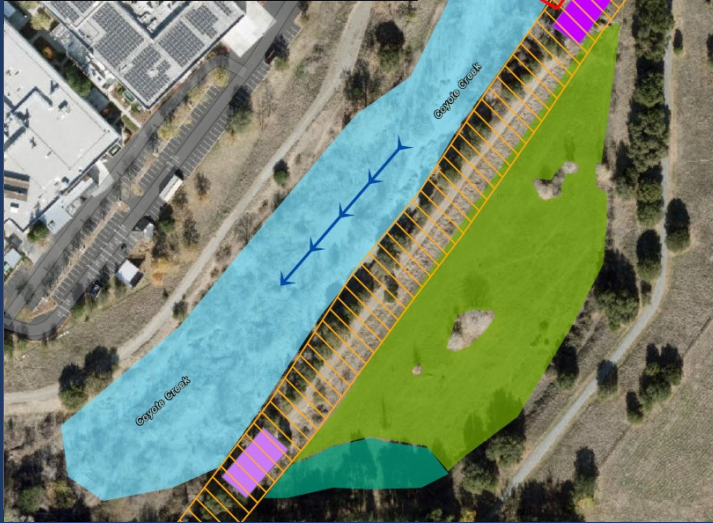
CIP Evaluation Team Recommendations – Fund 12

Recommended Scenario = Baseline, with the following modifications:

1. Include the Aquatic Resource Creation at Ford Rd Perc Pond ~ \$6.37M*
2. Implement fund transfer from Fund 12 to Fund 26 in future years to balance the fiscal health of Fund 26 (transfer estimated to be ~\$110M over multi-year period)

* This project will be funded by Fund 12, but this fund will be reimbursed based upon the projects/funds that receive mitigation credit.

Aquatic Resource Creation at Ford Rd Perc Pond



TPC: \$6.37M

Funding: Funds 12/26/61*

Duration: 5 Years

Location: San Jose, CA

Objectives:

1. Meet Valley Water's mitigation requirements for the Coyote Creek watershed for Stream Maintenance Program (SMP-3), Anderson Dam Seismic Retrofit Project (ADSRP), Coyote Creek Flood Protection Project (CCFPP), and/or other project and programs.
2. Create approximately 3 acres of jurisdictional waters and/or wetland aquatic resources
3. Enhance approximately 4 acres of jurisdictional waters in Coyote Creek
4. Enhance approximately 0.4 acre of jurisdictional wetland adjacent to Coyote Creek

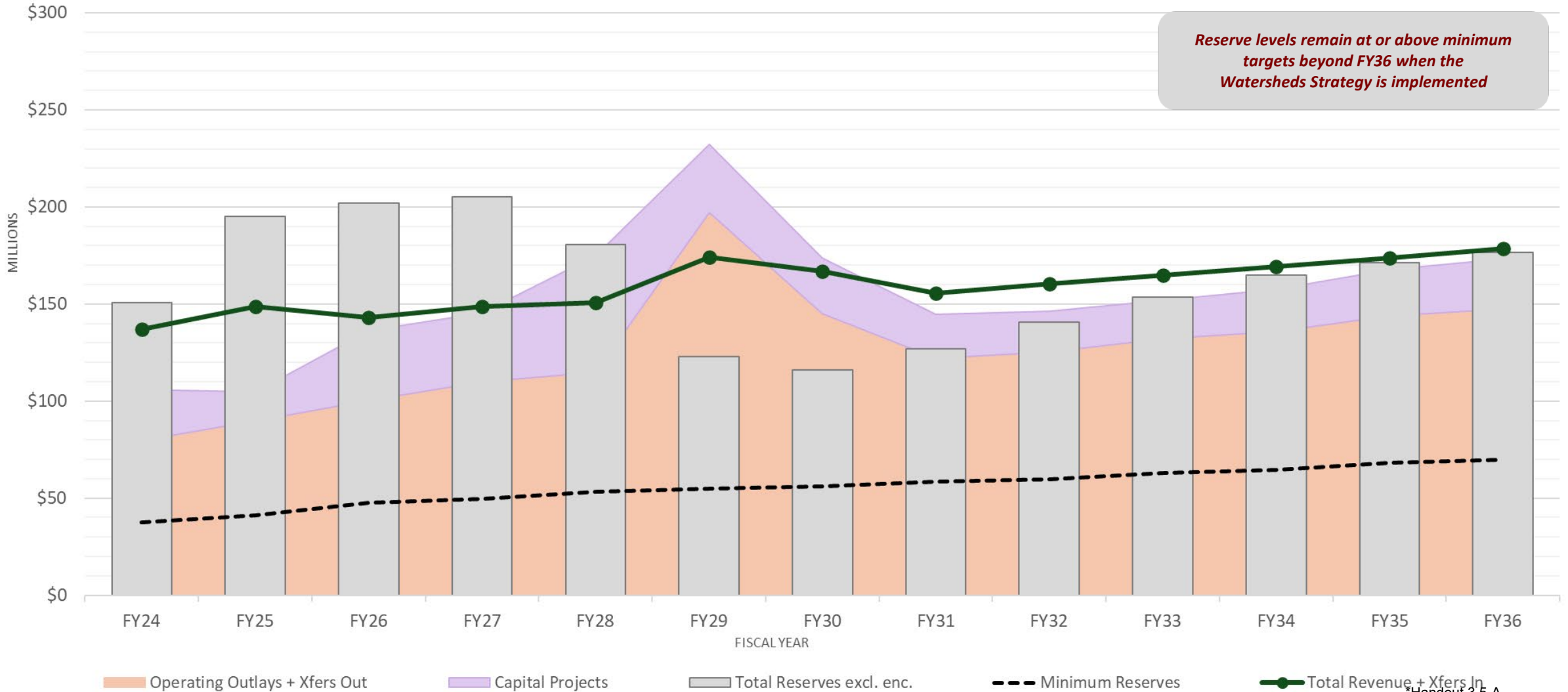
* This project will be funded by Fund 12, but this fund will be reimbursed based upon the projects/funds that receive mitigation credit.

Watershed Stream Stewardship Fund 12 – Recommended Scenario

Includes: Aquatic Resource Creation at Ford Rd Perc Pond (\$6.4M)

Includes transfers out: \$110M to SCW Fund 26 for capital project delivery (FY29-FY30)

Watershed Stream Stewardship Fund



Note: capital project expenditures stacked above operating outlays.

Alignment with Watershed Strategy – Fund 26

In alignment with the Watersheds Strategy for Project Implementation, prioritizing the highest flood risk, the following capital projects were recommended to continue:

1. Coyote Creek Flood Protection Project (E1) (26174043)*
2. Sunnyvale East and West Channels Flood Protection (E2) (26074002)*
3. Llagas Creek Flood Protection (E6) (26174052)*
4. Upper Guadalupe River Flood Protection (E8) (26154003)*
 - A. Continue USACE Partnership/Explore Local-Funding Only Options

* Project plan updates have been included in the Baseline model and are shown in detail in Attachment 1.

Alignment with Watershed Strategy – Fund 26 cont.

In alignment with the Watersheds Strategy for Project Implementation, the following capital project updates have been identified:

1. Upper Penitencia Creek Flood Protection Project (E4) (26324001)*
 - A. Advance Design Phase

2. Lower Berryessa, Phase 3 - Design Only (E3) (26C40420)**
 - A. Re-Evaluate Scope/move placeholder (Pending)

* Project plan updates have been included in the Baseline model and are shown in detail in Attachment 1.

** Currently, this placeholder project is slated to begin in 2032; however, the Recommended Scenario model moved the start date to outside of the CIP 15-year forecast.

Safe, Clean Water and Natural Flood Protection Program Fund (Fund 26)

Largest/Most Impactful changes from Adopted CIP FY 2026-30 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

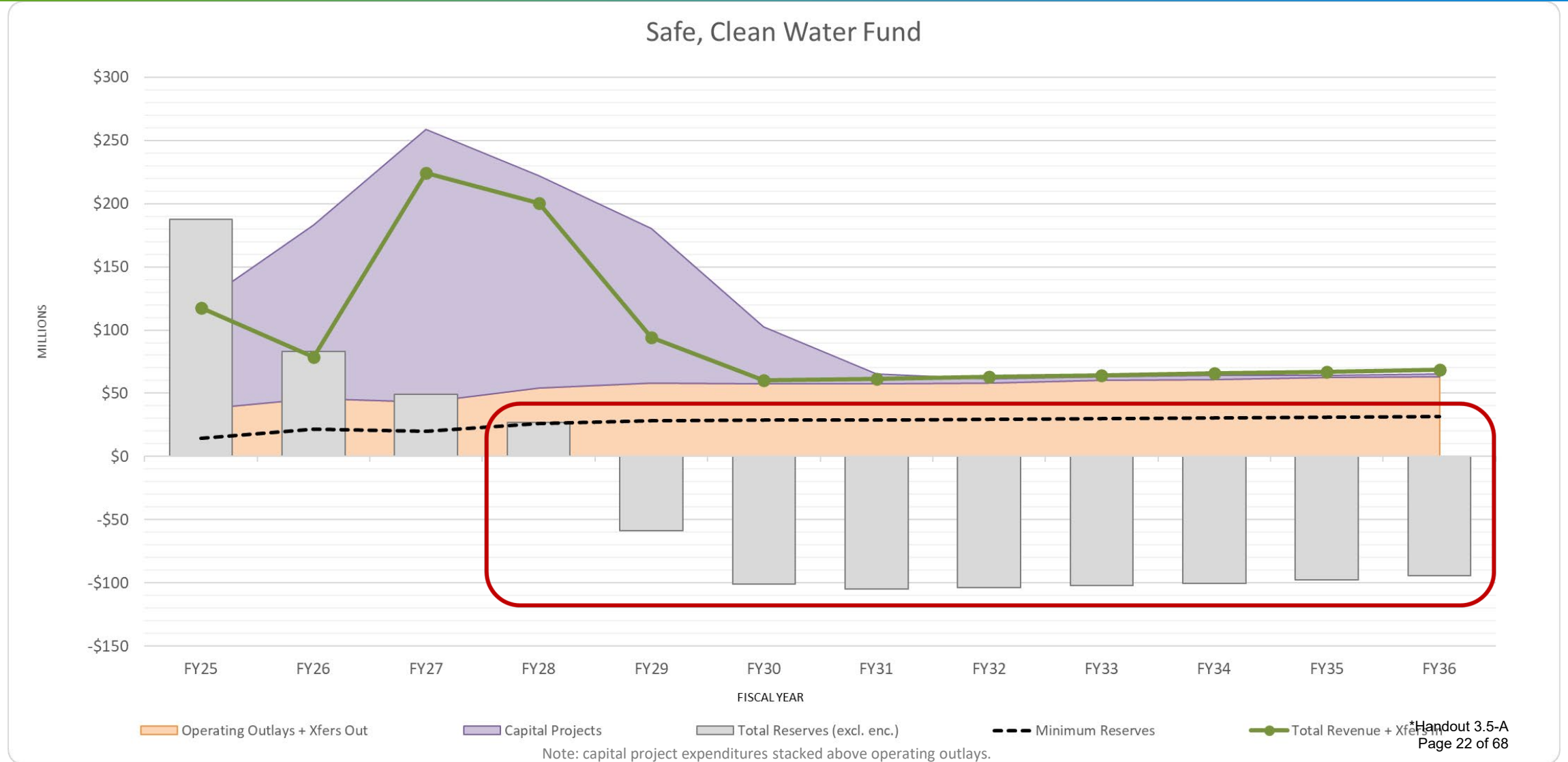
Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
26074002	Sunnyvale East and West Channels	-	+ 3 Yrs.	+ \$70.49M
26174043	Coyote Creek, Montague Expwy to Tully (E1)	-	Phase Only	+ \$37.18M
26324001	Upper Penitencia Ck, Coyote Crk to Dorel Dr (E4)	Y	- 3 Yrs.	+ \$15.68M
26154003	Guadalupe Rv – Upper, SPRR-Blossom Hill (R7-12)	-	+ 5 Yrs./ 9 Mos.	+ \$4.33M**
26044003	Ogier Ponds Separation from Coyote Creek (D4.2)	-	- 1 Yr./ 10 Mos.	+ \$2.57M
26174052	Llagas Creek – Upper, Corps Coordination	-	-	+\$1.17M
26284002	San Francisquito Creek – Bay to Searsville	-	-	- \$2.41M**

- * Cost impact is shown in inflated dollars
- ** No change to Total Project Cost (TPC), inflation only
- *** This Delta only reflects the changes due to CMMs (the overall change to Fund 26 is shown on slide 9)

Total Increases	Total Decreases	Delta
\$131.41 M	\$3.89 M	\$127.52 M***

Safe, Clean Water Fund 26 – Baseline

Includes: \$80M in NRCS funding for Upper Llagas Creek Flood Protection Project – Phase 2B; transfers in include \$18.5M from WUE Fund 61 for IRP2 and \$11.4M from WSS Fund 12.



CIP Evaluation Team Recommendations – Fund 26

Recommended Scenario = Baseline, with the following modifications:

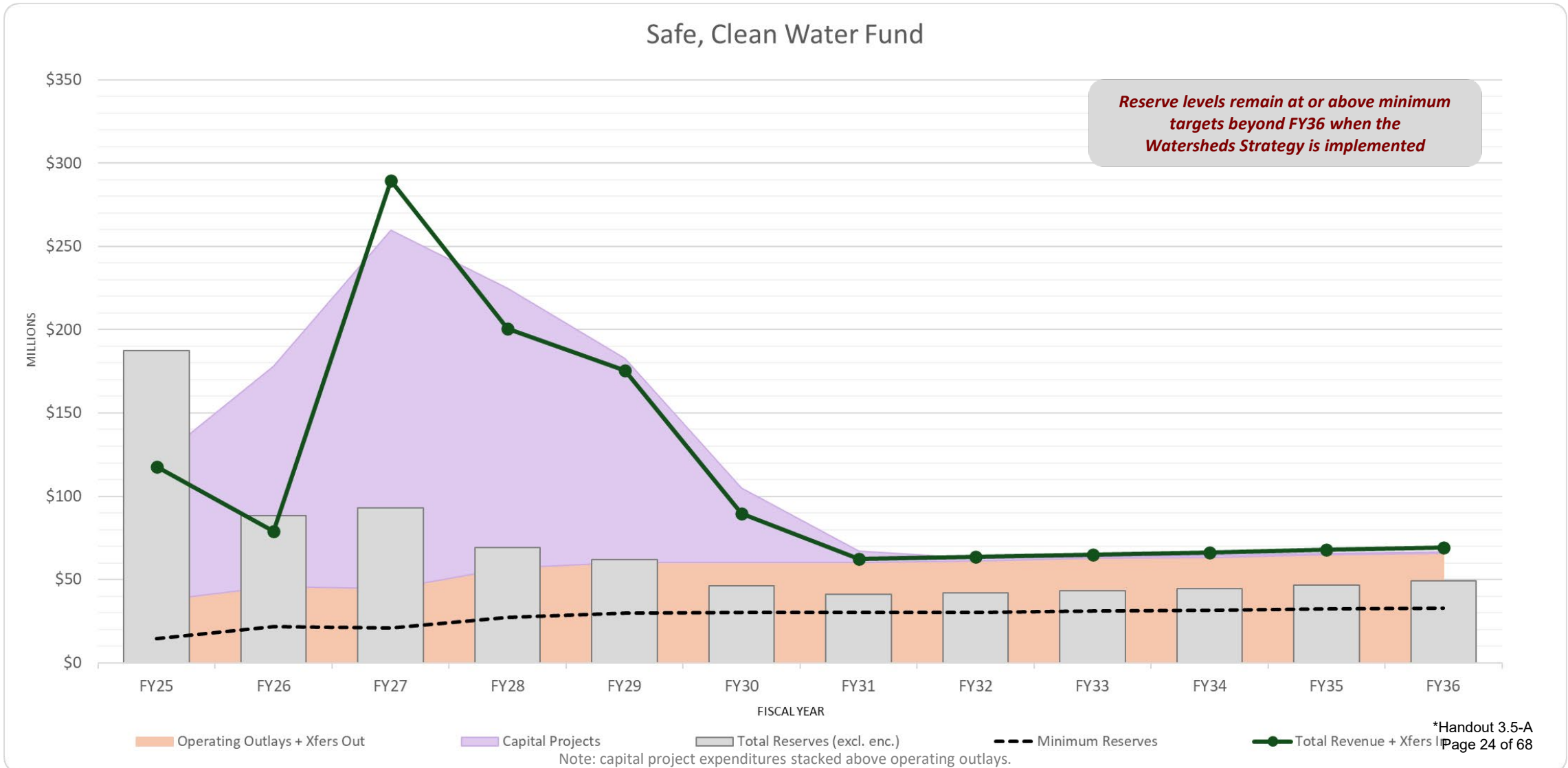
1. Cancellation of up to ~\$48M in fund transfer from Fund 26 to Fund 61 for Project C1 – Anderson Dam Seismic Retrofit; and
2. Transfer of Project E5 – San Francisquito Creek Flood Protection from the CIP Five-Year Plan into an Operating Project for budgeting and long-term forecasting (pending).

Safe, Clean Water Fund 26 – Recommended Scenario

Includes: \$80M in NRCS funding for Upper Llagas Creek– Phase 2B.

Includes transfers in: \$18.5M from WUE Fund 61 for IRP2 (FY25-FY28) & \$110M from WSS Fund 12 for capital project delivery (FY29-FY30).

Eliminates: ~ \$48M transfer out to Water Utility for Anderson Dam SRP



Water Utility Enterprise Fund (Fund 61)

Largest/Most Impactful changes from Adopted CIP FY 2026-30 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
91954002	Pacheco Reservoir Expansion	Y/Close	-10.5 Yrs.	- \$2,586.22M
91864005	Anderson Dam Seismic Retrofit	-	Phase only	+ \$56.45M
93234044	PWTP Residuals Management	Y	Phase only	+ \$36.27M
92304001	Almaden Valley Pipeline Replacement Project	-	+ 1 Yr.	+ \$36.15M
91864006	Anderson Dam Tunnel	-	- 9 Mos.	+ \$12.26M
93044001	WTP Master Plan Implementation	Y	+ 5.5 Yrs.	+ \$7.80M
95084006	Santa Teresa Force Main Inspection & Rehab	Y	Phase only	+ \$6.98M
91894002	Guadalupe Dam Seismic Retrofit – Design and Construct	-	Phase only	+ \$5.36M
91084020	Calero & Guadalupe Dams Seismic Retrofits - Planning	Y	Phase only	+ \$4.62M

* Cost impact is shown in inflated dollars

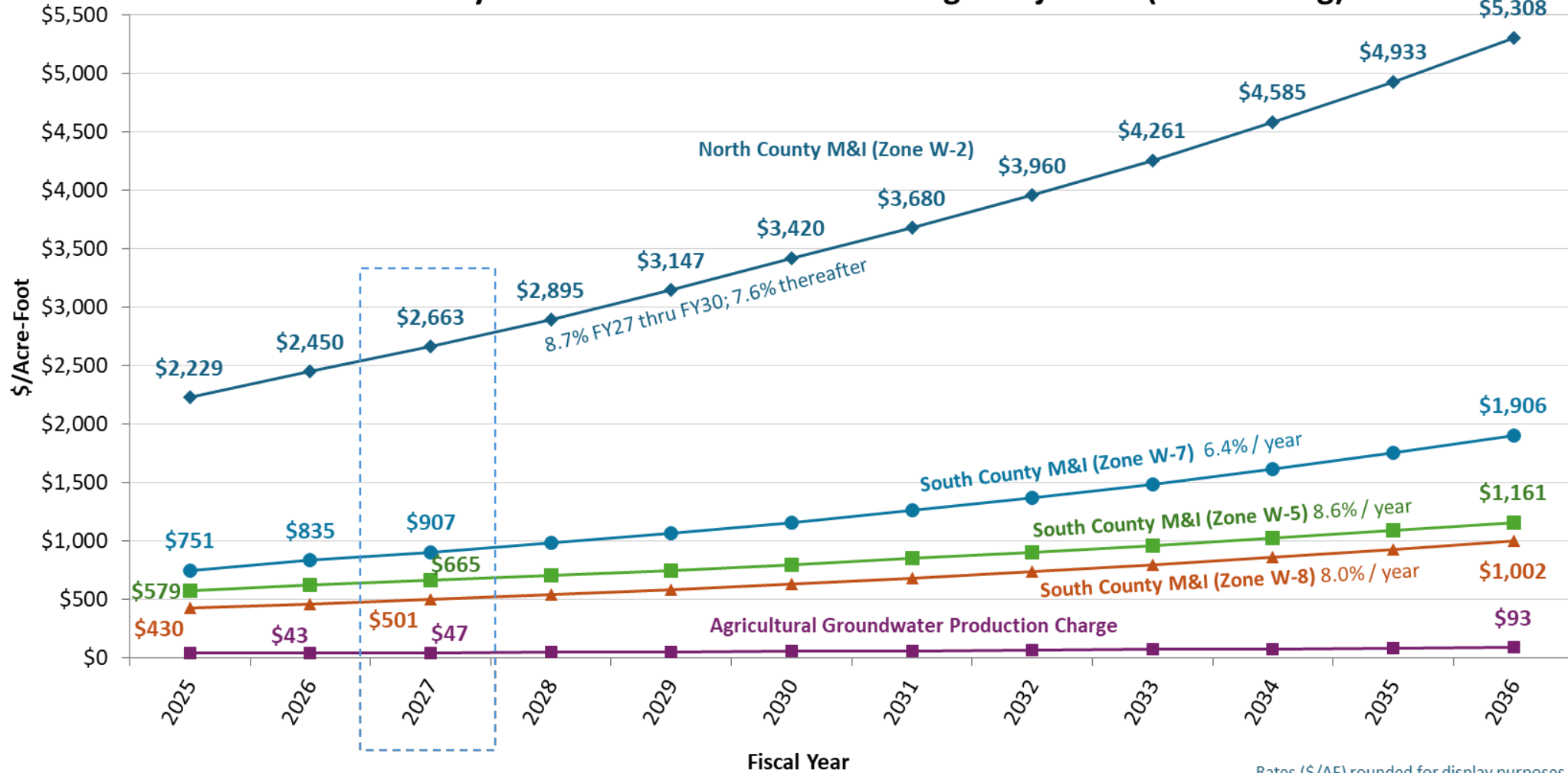
** This Delta only reflects the changes due to CMMs (the overall change to Fund 61 is shown on slide 9)

Total Increases	Total Decreases	Delta
\$178.59 M	\$2,607.73 M	\$-2,429.14 M**

*Handout 3.5-A
Page 25 of 68

Water Utility Fund 61 – Preliminary Baseline Rate Projections

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



Rates (\$/AF) rounded for display purposes.

Reflects preliminary FY27 baseline rate projections:

FY27 Est. Water Usage at 221.5kAF

Preliminary FY27-31 CIP

Ag @ 9.25% M&I Zone W-8

SWP tax pays for 100% of SWP costs

Delta Conveyance Project

Sisk Dam Raise

Sites Reservoir

CIP Evaluation Team Recommendations – Fund 61

Recommended Scenario = Baseline, with the following modifications:

1. Include Pure Water Silicon Valley - Full-Scale Direct Potable Reuse (DPR) Facility ~\$2,448.90M*
2. Include Santa Teresa Water Treatment Plant Infrastructure Rehabilitation (WTP Master Plan Implementation) ~\$242.67M*
3. Cancellation of up to ~\$48M in fund transfer from Fund 26 to Fund 61 for Project C1 – ADSRP.

Pure Water Silicon Valley

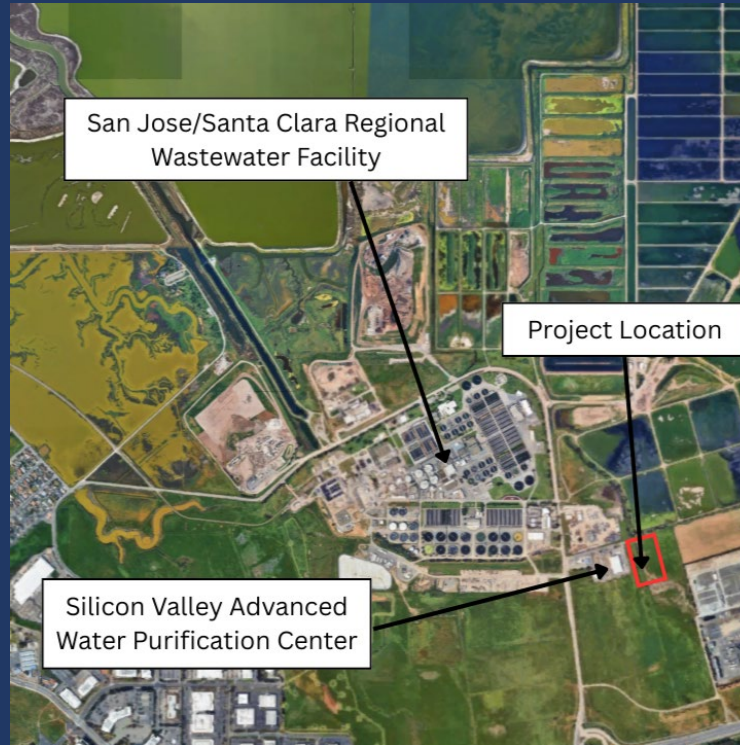
TPC: \$2,448.90M

Funding: Funds 61*

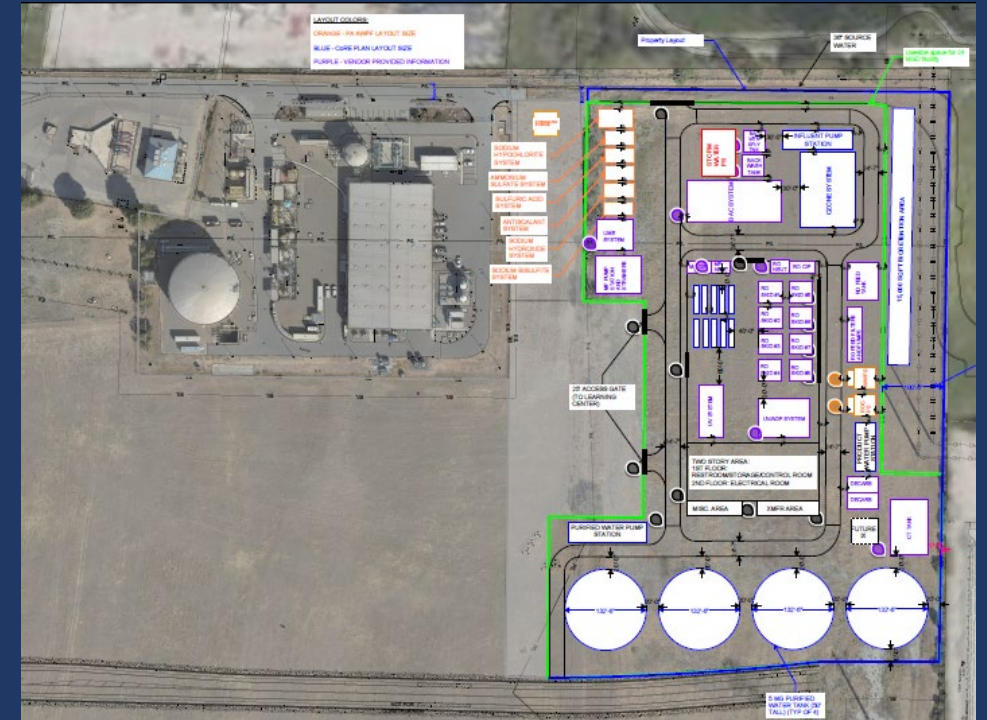
Duration: 10 Years

Location: San Jose, CA

Facility near SVAWPC



Direct Potable Reuse Facility



Objectives:

1. Provide a drought-proof and locally controlled water supply
2. Design, construct and permit a Direct Potable Reuse Full-Scale Facility
3. Meet the Board's approved goal of 24,000 Acre-Feet per Year (AFY) of potable reuse by 2035

* Placeholder dollars for this project are included in the 2025 PAWS Report.

STWTP Rehabilitation Project

(Water Treatment Plant Master Plan Implementation Project)

TPC: \$242.67M

Funding: Fund 61*

Duration: 8 Years

Location: San Jose, CA

Project Site



Protect and Maintain Existing Water Infrastructure

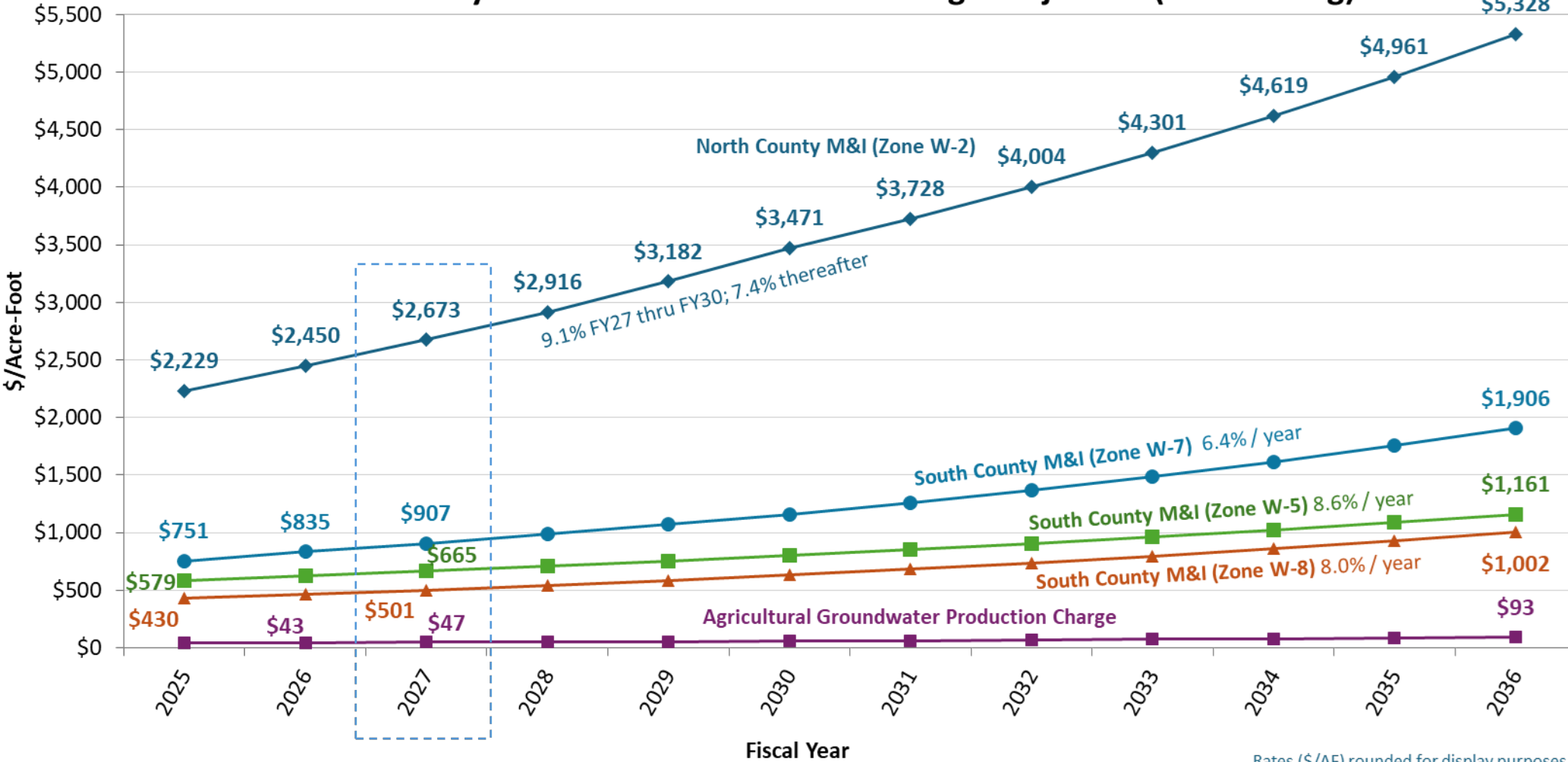
Objectives:

1. Replace aging assets throughout the treatment plant.
2. Implement process improvements to increase plant reliability.

* Placeholder dollars for this project are included in the 2025 PAWS Report.

Water Utility Fund 61 – Preliminary Baseline Rate Projections Including CIP Evaluation Team Recommendations

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



Reflects CIP Evaluation Team Recommendations in preliminary FY27 baseline rate projections:

1. Include Pure Water Silicon Valley Full-Scale DPR Facility
 - No longer a placeholder
2. Include Santa Teresa WTP Rehabilitation Project
 - No longer a WTP Master Plan Implementation Project placeholder
3. Cancel ~ \$48M trsrfr. in from SCW Fund 26

Rates (\$/AF) rounded for display purposes.

CIP Preliminary FY 2027-31 Five-Year Plan (Recommended)

With changes from Adopted CIP FY 2026-30 Five-Year Plan

Fund	FY26-30 Adopted	FY27-31 Preliminary (Recommended)*	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$96.21M	\$93.43M	- \$2.78M
Watersheds Stream Stewardship (Fund 12)	\$966.81M	\$840.54M	- \$126.28M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	\$1,305.54M	\$1,322.93M	\$17.39M
Water Utility Enterprise (Fund 61)	\$7,940.22M	\$8,156.03M	\$215.81M
Information Technology (Fund 73)	\$48.87M	\$45.00M	- \$3.87M
Totals:	\$10,357.65M	\$10,457.93M	\$100.28M

Recommended CIP Preliminary FY 2027-31 Five-Year Plan Includes:

- CIP Evaluation Team Recommendations *(includes 3 Newly Validated Projects)*
- Cost increases/decreases resulting from inflation
- Board approved project closures in FY 25
- All processed CMMs

* FY 2027-31 Preliminary Recommended totals are estimated based on recommendations and will be updated for 3/10/26 Board meeting.

CIP Preliminary FY 2027-31 Five-Year Plan (Baseline vs. Recommended)

Fund	FY27-31 Preliminary (Baseline)	FY27-31 Preliminary (Recommended)*	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$93.43M	\$93.43M	\$0
Watersheds Stream Stewardship (Fund 12)	\$834.17M	\$840.54M	\$6.37M
Safe, Clean Water Program (Fund 26)	\$1,322.93M	\$1,322.93M	\$0M
Water Utility Enterprise (Fund 61)	\$5,464.46M	\$8,156.03M	\$2,691.57M
Information Technology (Fund 73)	\$45.00M	\$45.00M	\$0
Totals:	\$7,760.00M	\$10,457.93M	\$2,697.93

The estimated recommended preliminary totals do not incorporate all **pending project plan updates reflected on **slide 9**, only those included in the CIP Evaluation Team Recommendations. Those not included will be incorporated and modeled for the March 10, 2026, Board Meeting.*

Evaluation Team Recommendations – Initially Validated Projects

Project Name	Estimated Total Project Cost (\$ thousands w/inflation)	Phase	Potential Funding Source	Type of Improvement/Infrastructure	CIP Evaluation Team Recommendations
FY 2025-26 Initially Validated Projects					
Pure Water Silicon Valley - Full-Scale Direct Potable Reuse (DPR) Facility	\$2,448,896	Planning	Fund 61	WS - NEW Infrastructure	Move into funded CIP
Santa Teresa Water Treatment Plant (STWTP) Rehabilitation (Water Treatment Plant Master Plan Implementation)	\$242,668	Design	Fund 61	WS - Existing Infrastructure	Move into funded CIP
Aquatic Resource Creation at Ford Road Percolation Pond	\$6,366	Planning	Funds 12/26/61	WRS - Existing Infrastructure	Move into funded CIP

Water Supply - WS

Water Resources Stewardship – WRS

Flood Protection - FP

Evaluation Team Recommendations – Current Unfunded Projects

Project Name	Estimated Total Project Cost (\$ thousands winflation)	Phase	Potential Funding Source	Type of Improvement/Infrastructure	CIP Evaluation Team Recommendations
Current Unfunded Projects					
Llagas Creek - Lower, Capacity Restoration, Buena Vista Road to Pajaro River	\$98,831*	Planning	Fund 12	FP - Existing Infrastructure	Re-validate following emergency repair work.
Permanente & Hale Creek Concrete Replacement	\$20,810	Design	Fund 12	FP - Existing Infrastructure	Remain on unfunded list (due to interim WARP work being done)
Calabazas/San Tomas Aquino Creek Marsh Connection - Construction (ONLY)**	\$34,562	Construction	Fund 12	WRS - Existing Infrastructure	Remain on unfunded list pending CCAP credit and funding
Pond A4 - Phase 2 (Construction ONLY)**	\$32,128	Construction	Fund 12	WRS - NEW Infrastructure	Remain on unfunded list pending grant funding
South Babb Flood Protection - Long-Term	\$22,070	Planning	Fund 12	FP - Existing Infrastructure	Remain on unfunded list
Almaden-Calero Canal Rehabilitation - Phase II	\$13,071	Planning	Fund 61	WS - Existing Infrastructure	Remain on unfunded list
Alamitos Operable Dam Replacement	\$13,889	Planning	Fund 61	WS - Existing Infrastructure	Remain on unfunded list

- **The Current Unfunded Project List is under review to ensure alignment with the recently enhanced CIP prioritization process and categories.**

Water Supply - WS

Water Resources Stewardship – WRS

Flood Protection - FP

* Llagas Capacity has prior year actuals = \$6,947, TPC = \$105,778

** Planning and Design phases of these projects are currently funded in the CIP Five-Year Plan.

Enhancing CIP Prioritization

(Funding Filters Categories/Criteria)

Background

Enhancements To CIP Prioritization Criteria (Aug 2025 Workshop)

Criteria for Consideration

1. Fund-Specific Prioritization:

Water Supply Projects	Watersheds Flood Protection Projects	Safe, Clean Water Flood Protection Projects
<ul style="list-style-type: none">Alignment with Strategic Plans<ul style="list-style-type: none">e.g., Water Supply Master Plan	<ul style="list-style-type: none">Flood Risk	<ul style="list-style-type: none">Flood RiskSCW Voter Commitments

2. Financial Viability:

- Funding Availability (internal or external)
- Cost Certainty

3. Feasibility of Phasing:

- Lower Cost, Alternative Solutions (e.g., interim repairs or upgrades in lieu of full replacement)

4. Operational Impacts and Sustainability

Funding Categories

Category 1 Projects

- ❖ **High** Risk Exposure
 - Urgent repair/replacement
 - **Regulatory/Mandated or public health & safety driven**
- ❖ Under **construction**



Category 2 Projects

- ❖ **Moderate** Risk Exposure
 - Critical repair or replacement
 - **Public health & safety driven**

Category 3 Projects

- ❖ **Low** Risk Exposure
- ❖ New infrastructure or placeholder project
- ❖ Alignment with long-term plans

Evaluation Criteria

Criteria	
A	 <p>PUBLIC HEALTH & SAFETY / REGULATORY</p> <p>Includes Public Health and Safety and SCW/VW Commitments</p>
B	 <p>IMPLICATIONS OF DEFERRAL</p> <p>Evaluates operational, financial, or compliance impacts if delayed</p>
C	 <p>ALIGNMENT WITH STRATEGIC & MASTER PLANS/PROGRAMS*</p> <p>Assesses consistency with Valley Water's Watersheds Master Plans, Water Supply Master Plan, and regional objectives</p>
D	 <p>FUNDING AND PARTNERSHIP OPPORTUNITIES</p> <p>Assesses financial feasibility, partnerships, and cost certainty</p>

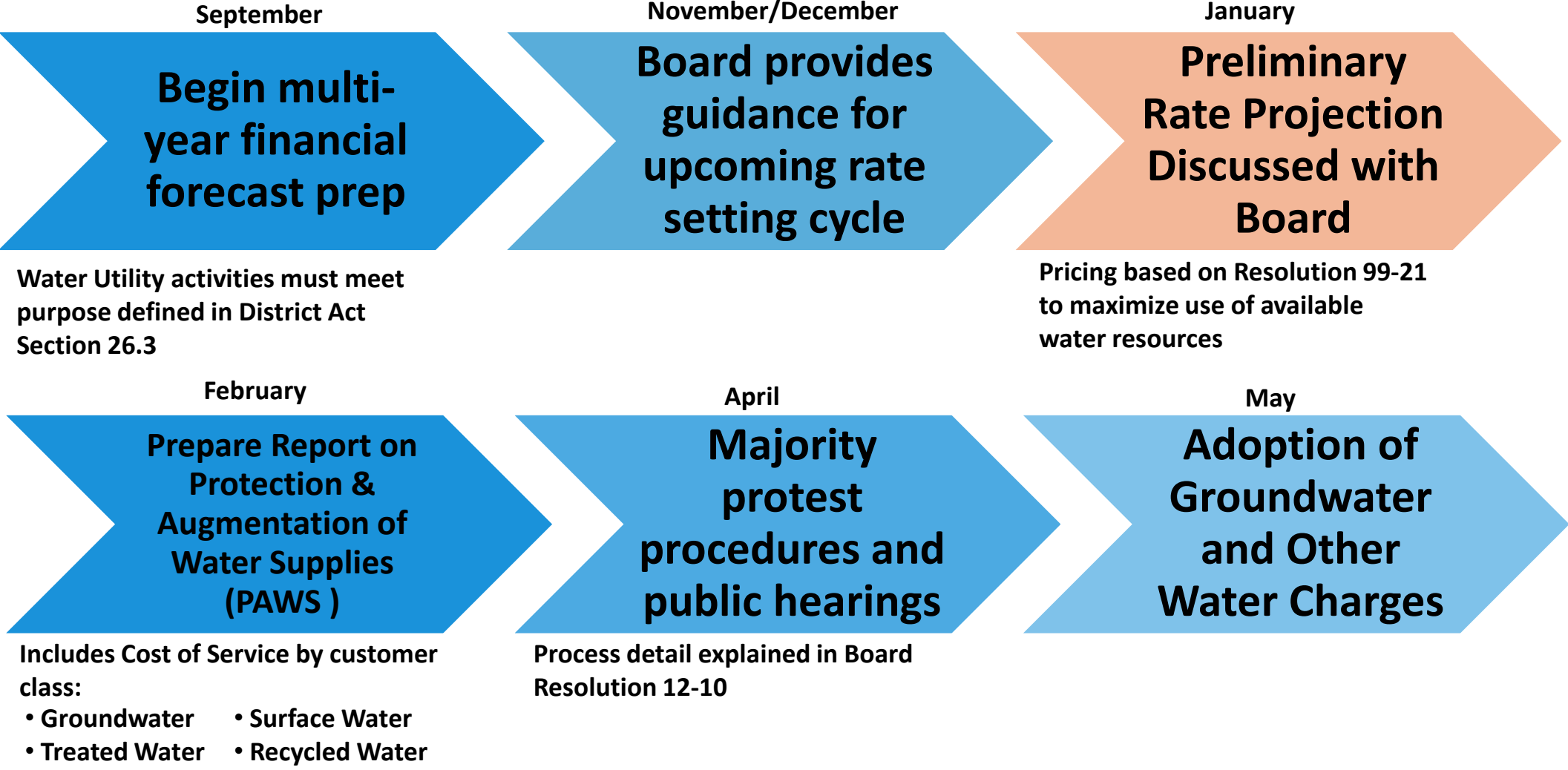
***The Asset Management Program and Master Plans assess a wide range of needs and criteria that depend on the complexity of the system and assets, including environmental, social, and economic risk evaluations.**

Preliminary FY 2026-27 Groundwater Production Charge Analysis

Topics

- 1. Strategic Outlook & Funding Opportunities**
- 2. Water Usage Projections**
- 3. Scenario Assumptions: Baseline & Alternative Scenarios**
- 4. Preliminary Groundwater Charge Forecast (Baseline & Alt. Scenarios)**
- 5. Other Information**
- 6. Schedule & Summary**

Groundwater Charge-Setting Approach



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

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.*

Regional Funding Outlook

Sisk Dam

- AB707 - Advanced only 25%, would have appropriated \$400M
- SB 695 - Passed, mandates a list of projects by Summer 2026, no appropriation
- California Transportation Commission (CTC)
 - Letter from delegation requesting \$400M, 2027 earliest likely
 - 10-year project list for climate impacted projects
 - Transportation dollars only
 - Plan was Federally heavy
- Federal contributions to date total \$295M

Regional Funding Outlook continued

Sites Reservoir

- Proposition 1 (\$1.094B maximum conditional award as of August 2025)
- Federal WIIN Act (\$780M as of August 2025)
- \$2.2B WIFIA application submitted.
- New State and Federal sources pending.

Delta Conveyance

- Participating State Water Project (SWP) public water agencies via revenue bonds, contract revenues and ratepayers.
- Possible State sources include Delta Conservancy (concept paper stage, no floor or ceiling yet). Groundwater Recharge or Pure Water might be eligible.
- Other State and Federal sources pending.

Current Funding Opportunities

- **State and Federal Grants**
 - **Federal Nexus**
- **Local and Regional Grants**
- **Non-profits and Foundations**
- **Corporate Donors**



Rate Setting Outlook for FY 2026-27

FY 27 Baseline Case Assumptions

- Plan for moderate 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

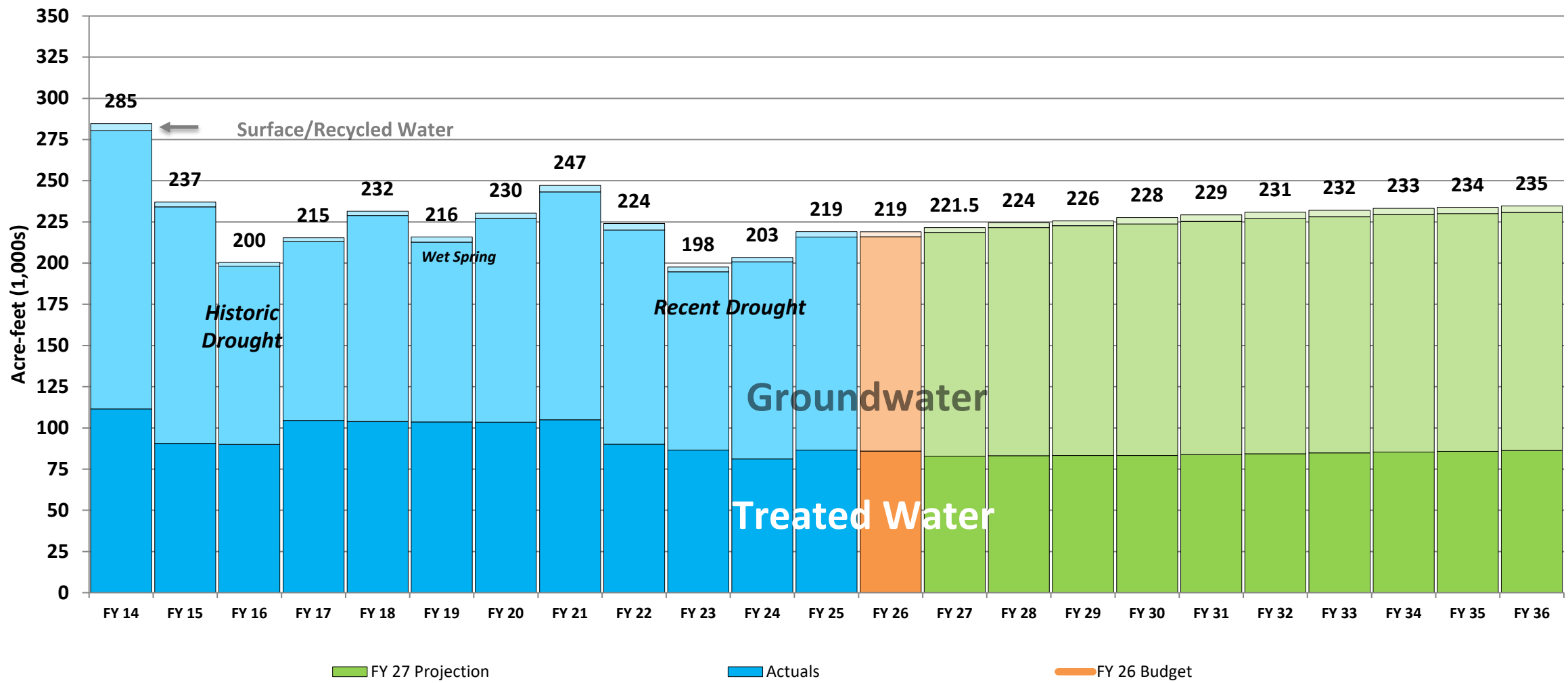
FY 27 Rate Scenario Ideas

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

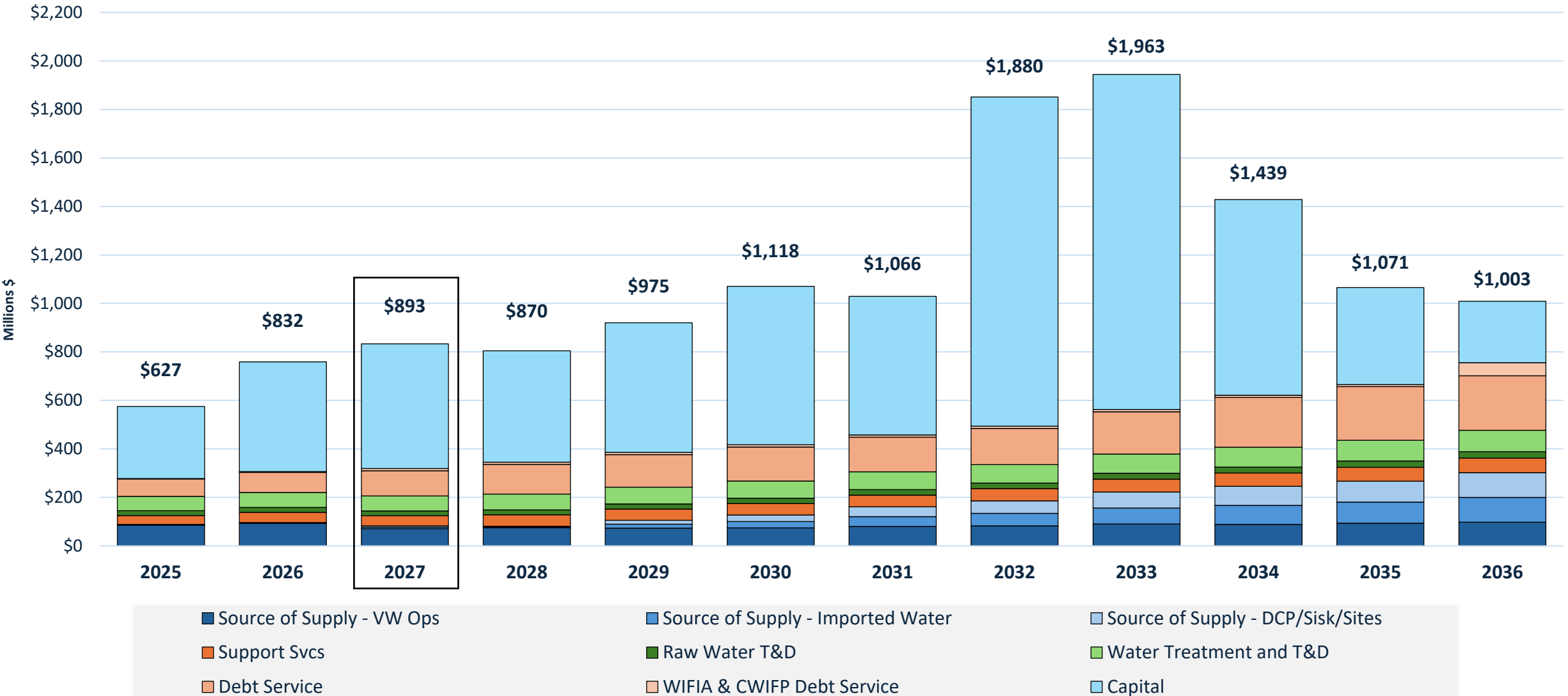
District Managed Water Usage

Reflects Lower Water User Projections Post 2023 Drought Rebound

District Managed Water Usage (TAF)



Preliminary Water Utility Cost Projection



Cost Projection reflects Baseline Assumptions.

Preliminary Groundwater Charge Increase Projection

Baseline Scenario

Municipal & Industrial Groundwater Charge Year to Year Growth %

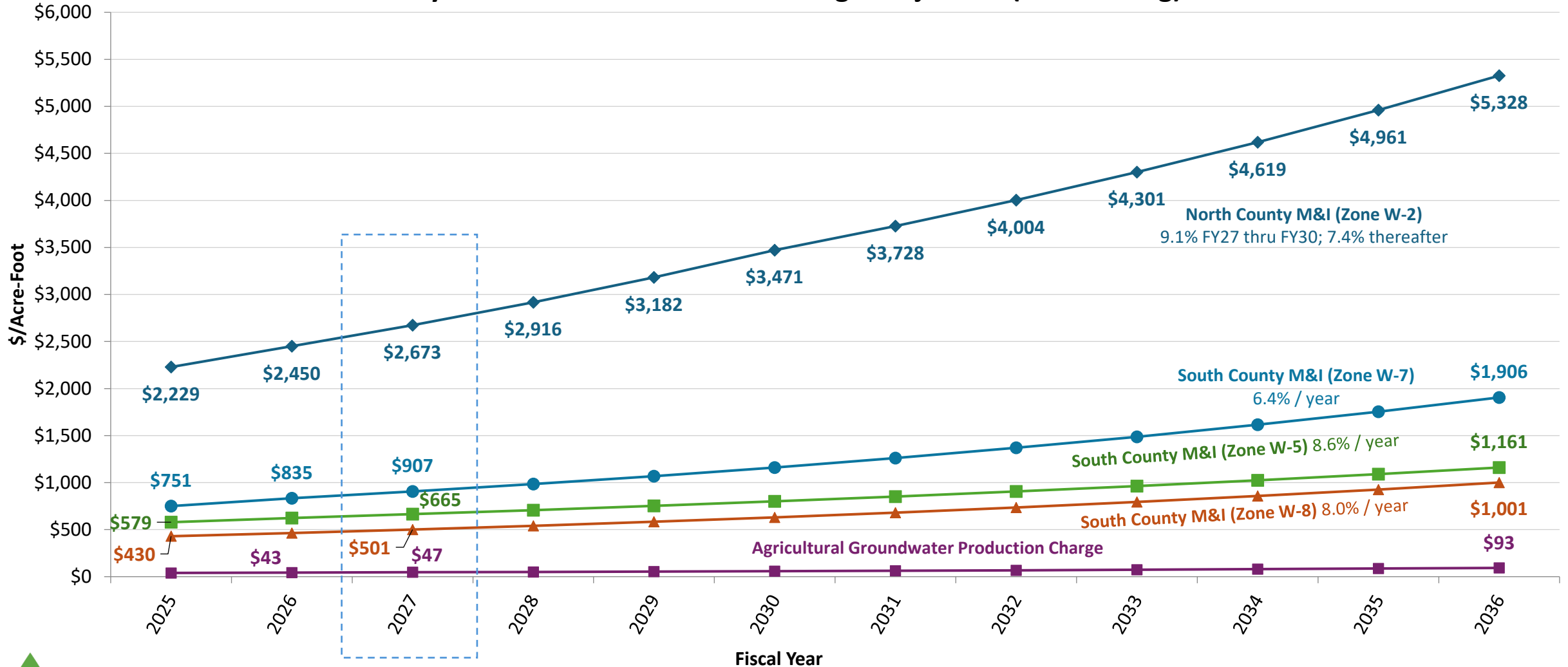
Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
North County Zone W-2	9.1%	9.1%	9.1%	9.1%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
<i>Prior Year</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>7.0%</i>	
South County Zone W-5	6.4%	6.4%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



Preliminary Groundwater Production Charge Projection

Baseline Scenario

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



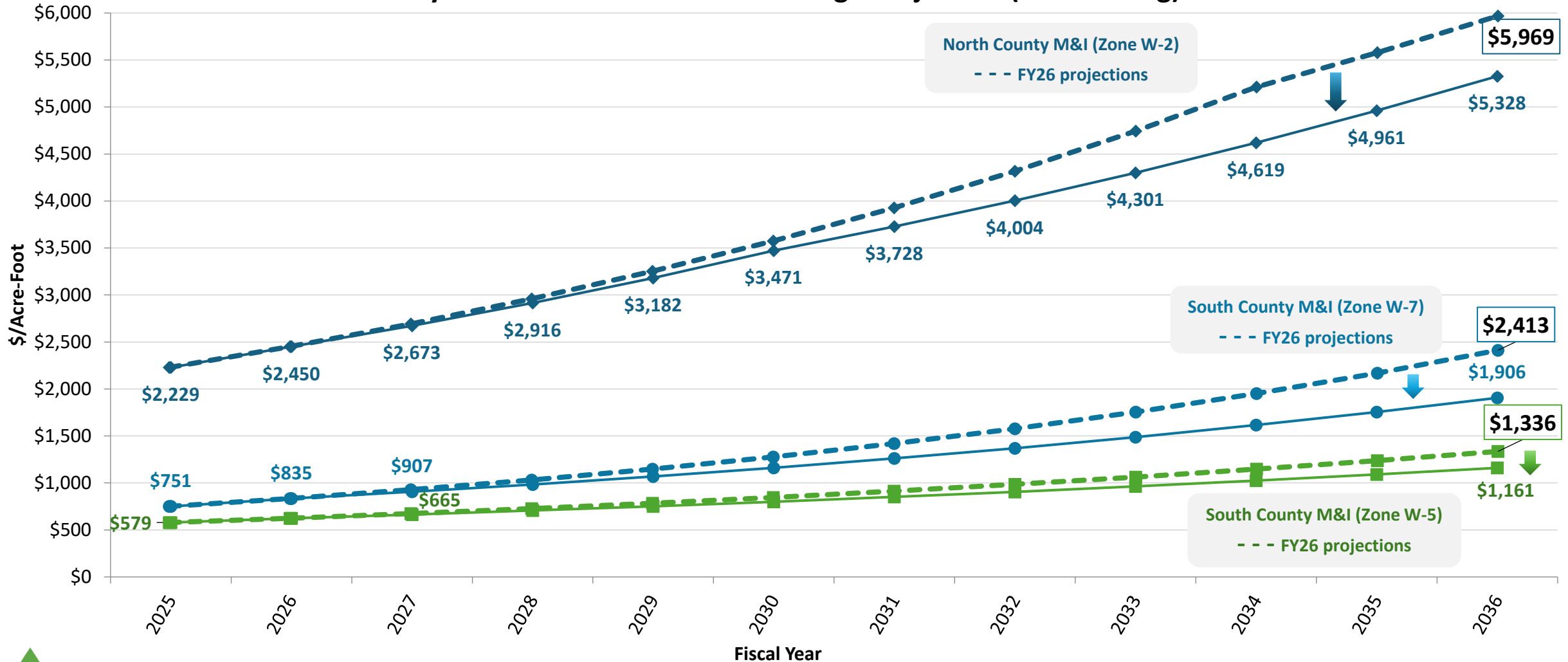
Rates (\$/AF) rounded for display purposes.

*Handout 3.5-A
Page 52 of 68

Preliminary Groundwater Production Charge Projection

Impact of Pacheco Reservoir Expansion Project suspension

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



FY 2026-27 Preliminary Groundwater Production Charge Projection

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**

Preliminary Groundwater Charge Increase Scenarios

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



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

Preliminary Groundwater Charge Increase Scenarios

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



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

Preliminary Groundwater Charge Increase Scenarios

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



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

Preliminary Groundwater Charge Increase Scenarios

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



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

Agricultural Groundwater Charges

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

	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

WATER EFFICIENT HOMES WITH VALLEY WATER



Water Conservation Programs

Making water conservation a California way of life.

www.watersavings.org



Customer Assistance Programs – Local Options

Multiple Retailers offer Customer Assistance Programs (CAP) to help residents with their water bills.

Valley Water's Water Rate Assistance Program (WRAP) has been renewed for 3 years.



Water Use Projections, Demand Elasticity & Rate Affordability Study Updates

Study Goals:

- Identify how Valley Water's rates impact water demand (elasticity) and affordability of water service in Santa Clara County
- Validate and/or refine water demand forecasting for purposes of annual rate setting and long-term capital planning

Three key tasks with status:

1. Analyze Water Use Projections → task complete and report is in production
2. Demand Elasticity Analysis → task largely complete
3. Water Rate Affordability Analysis → task complete and report is in production

Next Steps: present finalized Task 2 results and draft reports early 2026

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 18 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 16 Continue Public Hearing in South County
- 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

Next Steps: Integrated Financial Planning Schedule

REF #	MEETING		MILESTONE
	CIP CMTE	BOARD	
1	9/29/25		Annual CIP Development Process Overview/Integrated Financial Planning Schedule
2		10/14/25	Annual CIP Development Process Overview/Integrated Financial Planning Schedule
3	10/20/25		New Initially Validated & Unfunded Projects Presentation
4		11/12/25	Review Proposed Improvements to CIP Prioritization; and New Initially Validated & Unfunded Projects Water Rate Planning Overview Biennial Budget Process Overview
5	12/15/25		Review Significant Project Plan Updates; List of Re-Prioritized Capital Projects; and CIP Preliminary FY 27-31 Five-Year Plan (Financial Modeling & CIP Updates From Adopted FY26-30 Plan) Initiate SCW Public Hearing Process (if required)
6		★ 1/13/26	CIP Preliminary 5-yr Plan Workshop (Financial Modeling & Significant Updates); Board to Provide Direction CIP SCW/WS Preliminary 10-yr Financial Analysis Preliminary Water Rate Analysis & Scenarios Set time and place for SCW Public Hearing (if required)
7		1/27/26	Open SCW Public Hearing and Cont. (if required) 1 st Pass Budget Update
8		2/10/26	Cont. or Close SCW Public Hearing (if required)
9		2/24/26	Close SCW Public Hearing (if required)
10		3/10/26	2 nd Pass Budget Update Draft CIP (Authorize to Distribute for Public Review)
11		4/14/26	Ground Water Charge Public Hearings Begin
12		4/16/26	Ground Water Charge Public Hearing in South County (Gilroy)
13		4/28/26	Ground Water Charge Public Hearings Close CIP Public Hearing Begins
14		4/29/26	Budget Work-study Session CIP Public Hearing Continues
15		5/12/26	Close CIP Public Hearing Board Adoption of Water Rates, CIP, Budget, Investment and Debt Resolutions (w/Final CIP and Budget Reports by 6/30/2025)

LEGEND
CIP
Budget
Water Rates
Safe Clean Water (SCW)

} Combined Presentation



Recommended Board Actions

- A. Review the recommended funding scenarios for the CIP Preliminary Fiscal Year 2027-2031 (FY 2027-31) Five-Year Plan and approve the recommendations and the inclusion of three projects in the CIP Draft FY 2027-31 Five-Year Plan; and
- B. Discuss and provide direction on the preliminary FY 2026-2027 (FY 27) Groundwater Production Charge analysis.

CIP Five-Year Plan Available Online

SCAN THE QR CODE:



Or visit this website:
delivr.com/24wqn

END OF PRESENTATION

Questions & Answers

