



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

Presented by:

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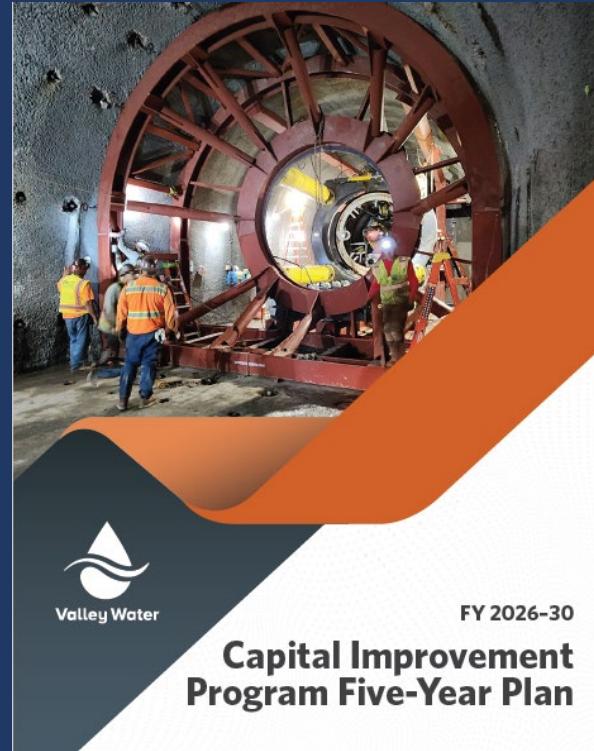


# Recommended Board Actions

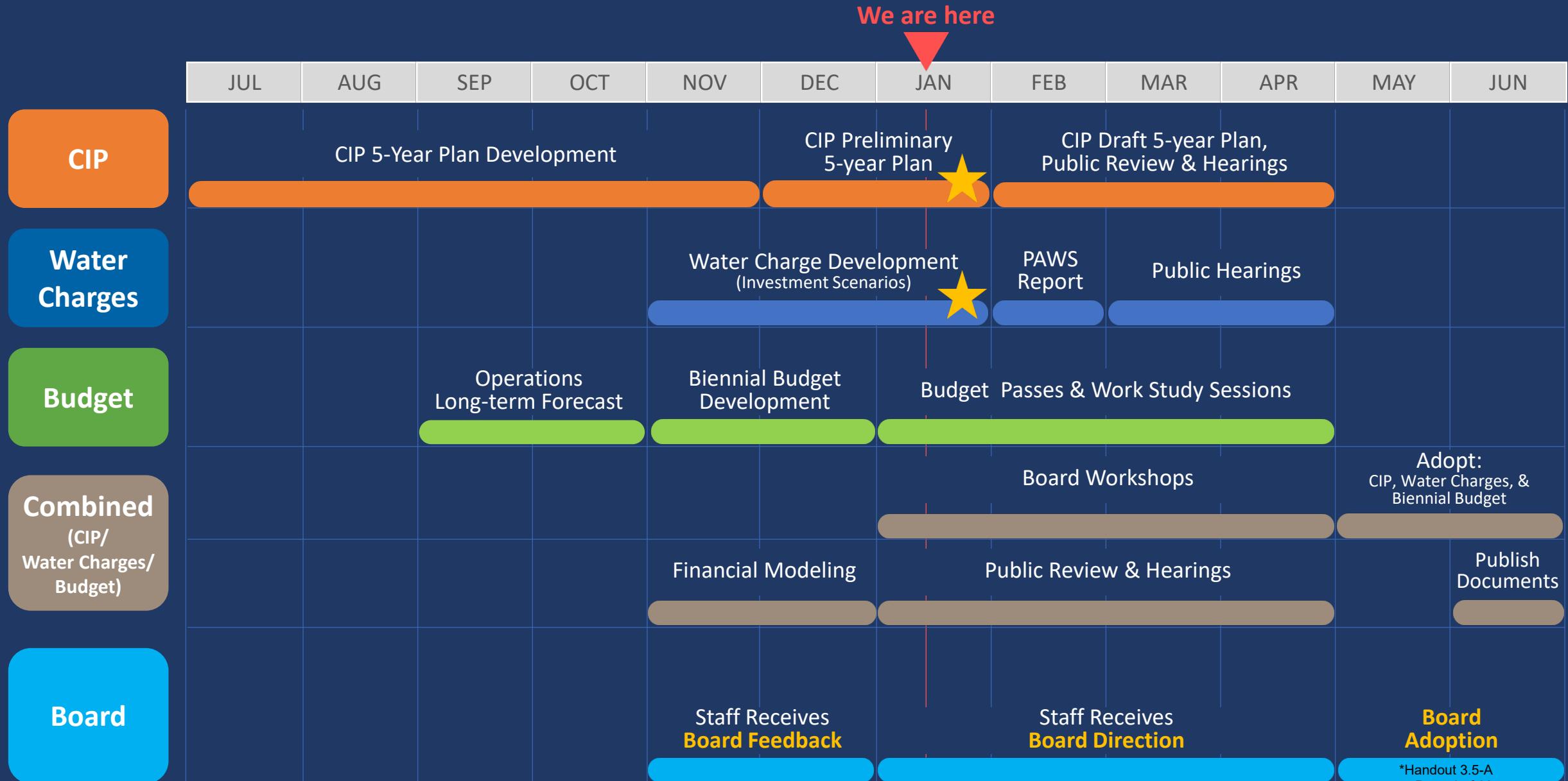
- A. Review the recommended funding scenarios for the CIP Preliminary Fiscal Year 2027-2031 (FY 2027-31) Five-Year Plan and approve the recommendations and the inclusion of three projects in the CIP Draft FY 2027-31 Five-Year Plan; and
- B. Discuss and provide direction on the preliminary FY 2026-2027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

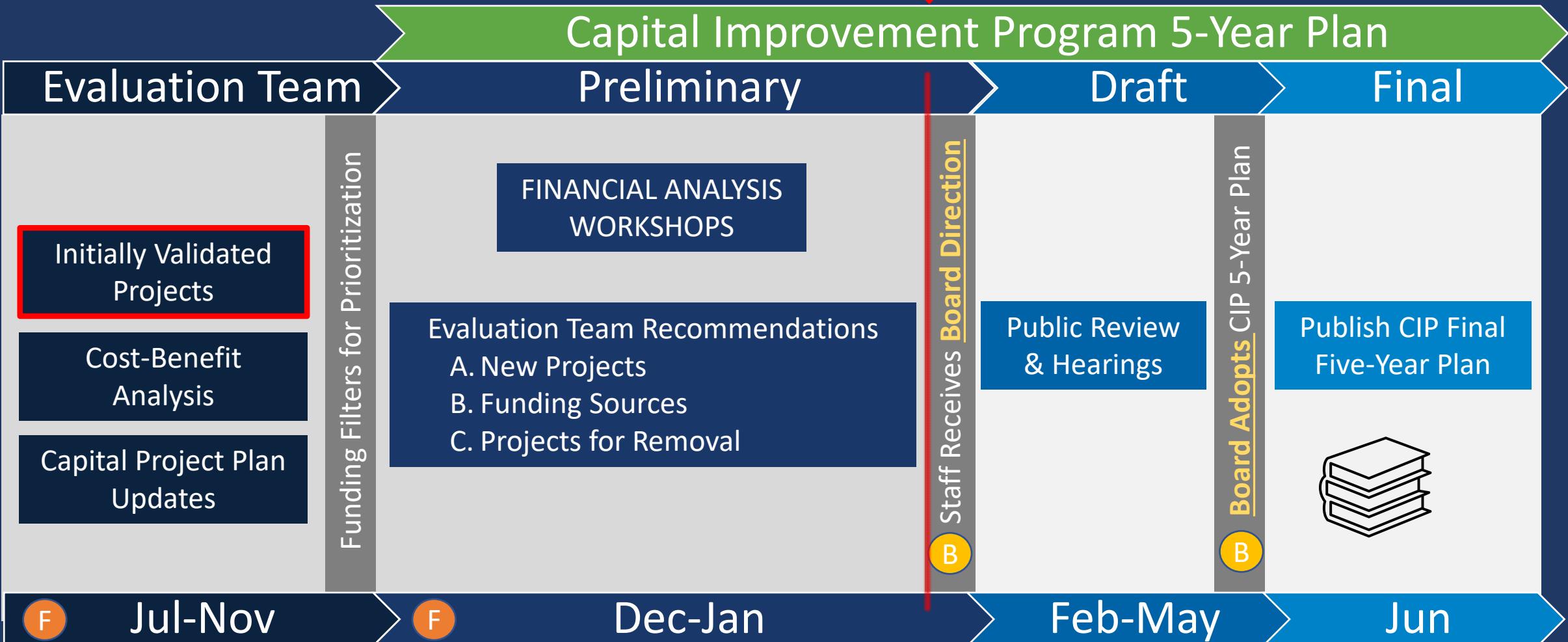


# Annual CIP, Biennial Budget & Water Charges Development Timeline



# 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            |
| <b>Total</b>   | <b>-\$2,597.65M</b> |

\* 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<br>Adopted  | FY27-31<br>Preliminary<br>(Baseline) | Change in<br>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              |
| <b>Totals:</b>   | <b>\$10,357.65M</b> | <b>\$7,760.00M</b>                   | <b>-\$2,597.65M</b>   |

## 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

## 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

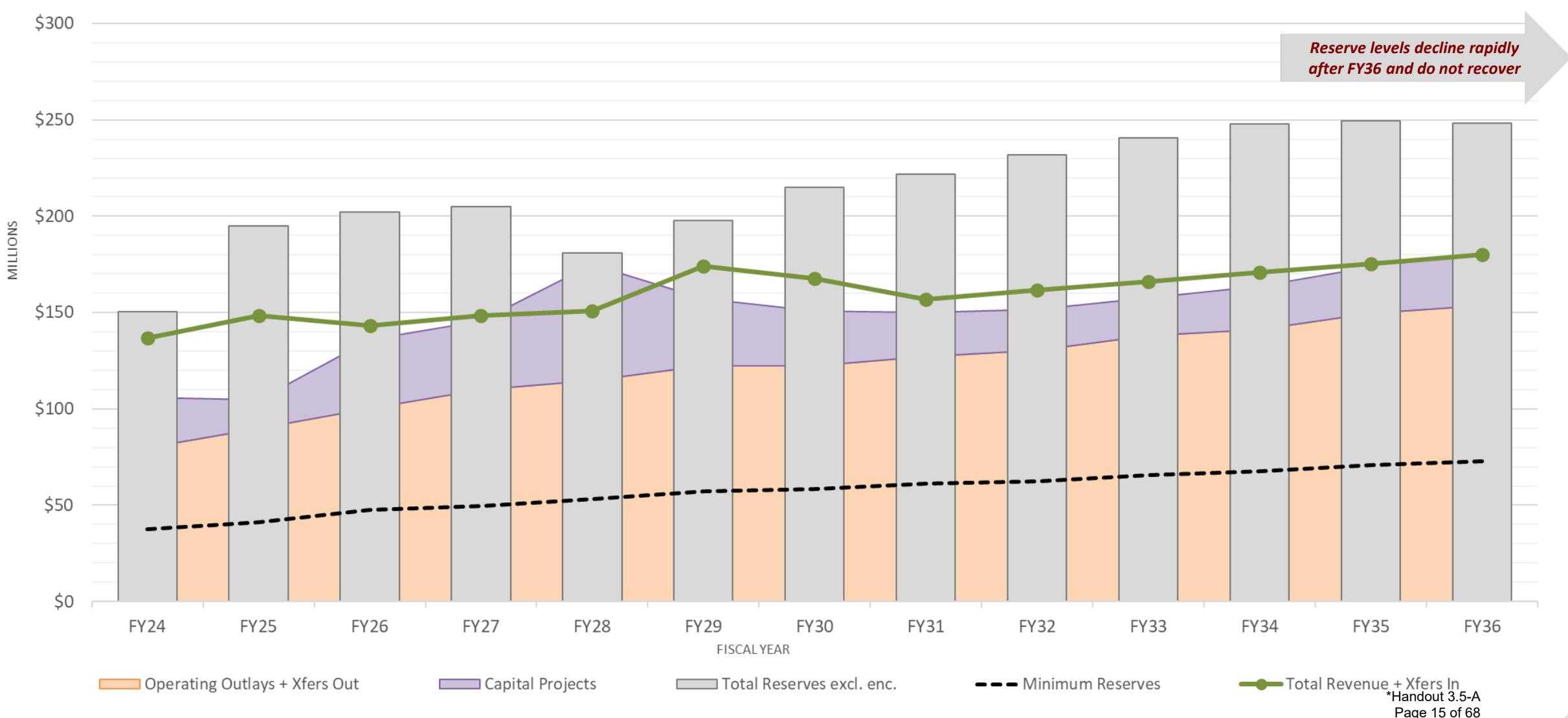
\*\* This Delta only reflects the changes due to CMMs  
(the overall change to Fund 12 is shown on slide 9)

| 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



Note: capital project expenditures stacked above operating outlays.

Reserve levels decline rapidly  
after FY36 and do not recover

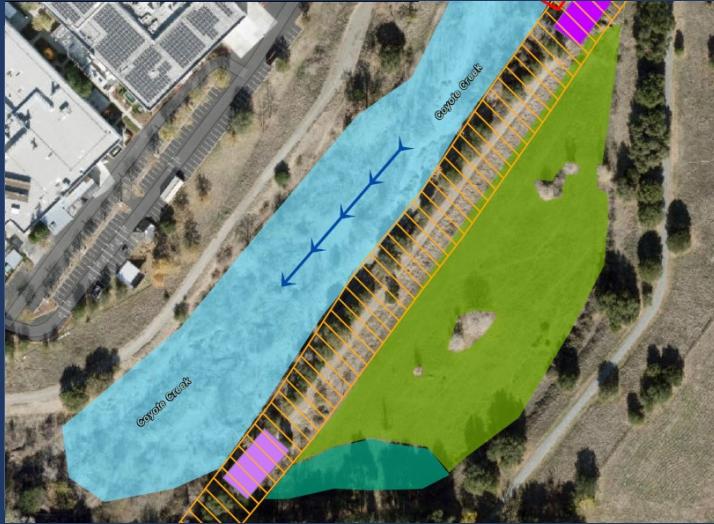
# CIP Evaluation Team Recommendations – Fund 12

**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

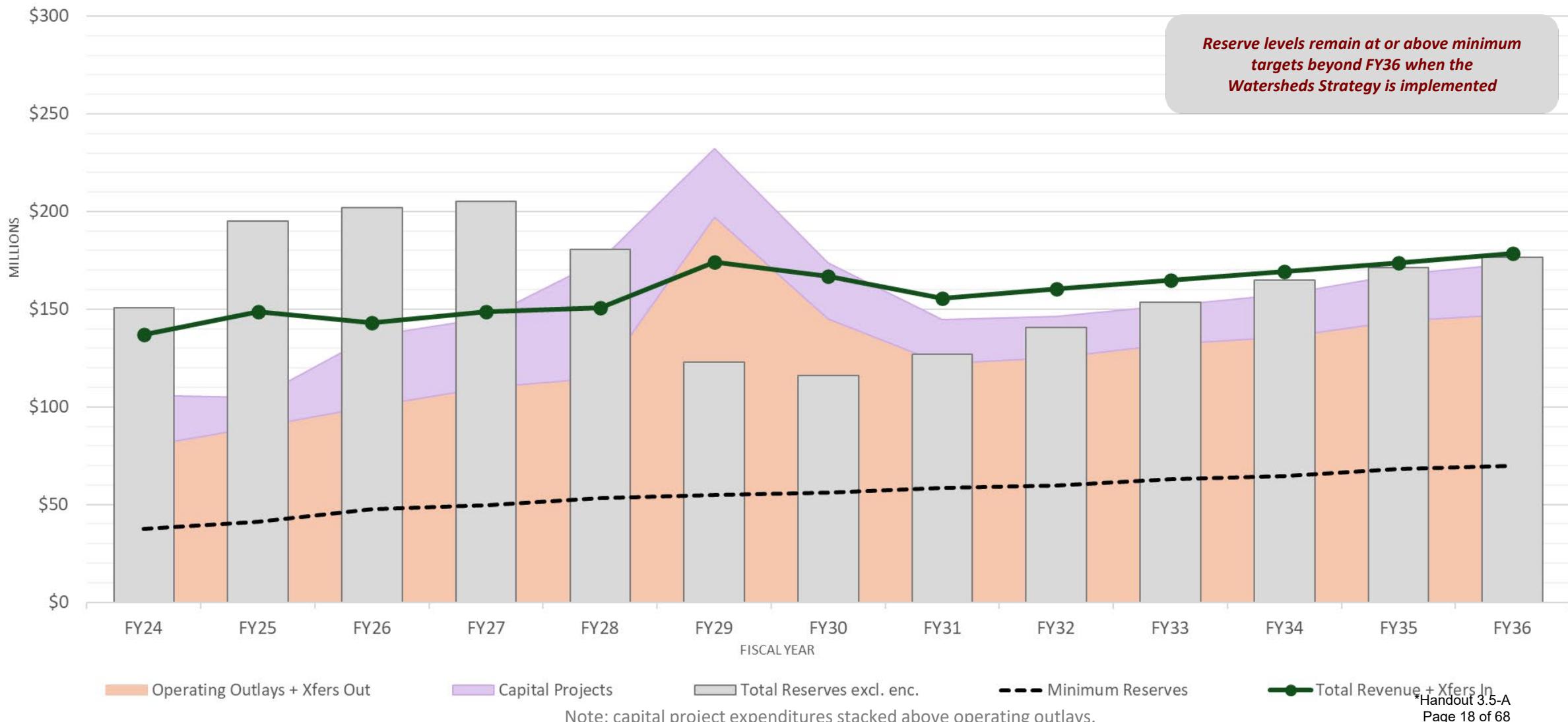
\* This project will be funded by Fund 12, but this fund will be reimbursed based upon the projects/funds that receive mitigation credit.

# 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



## 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 (EI) (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

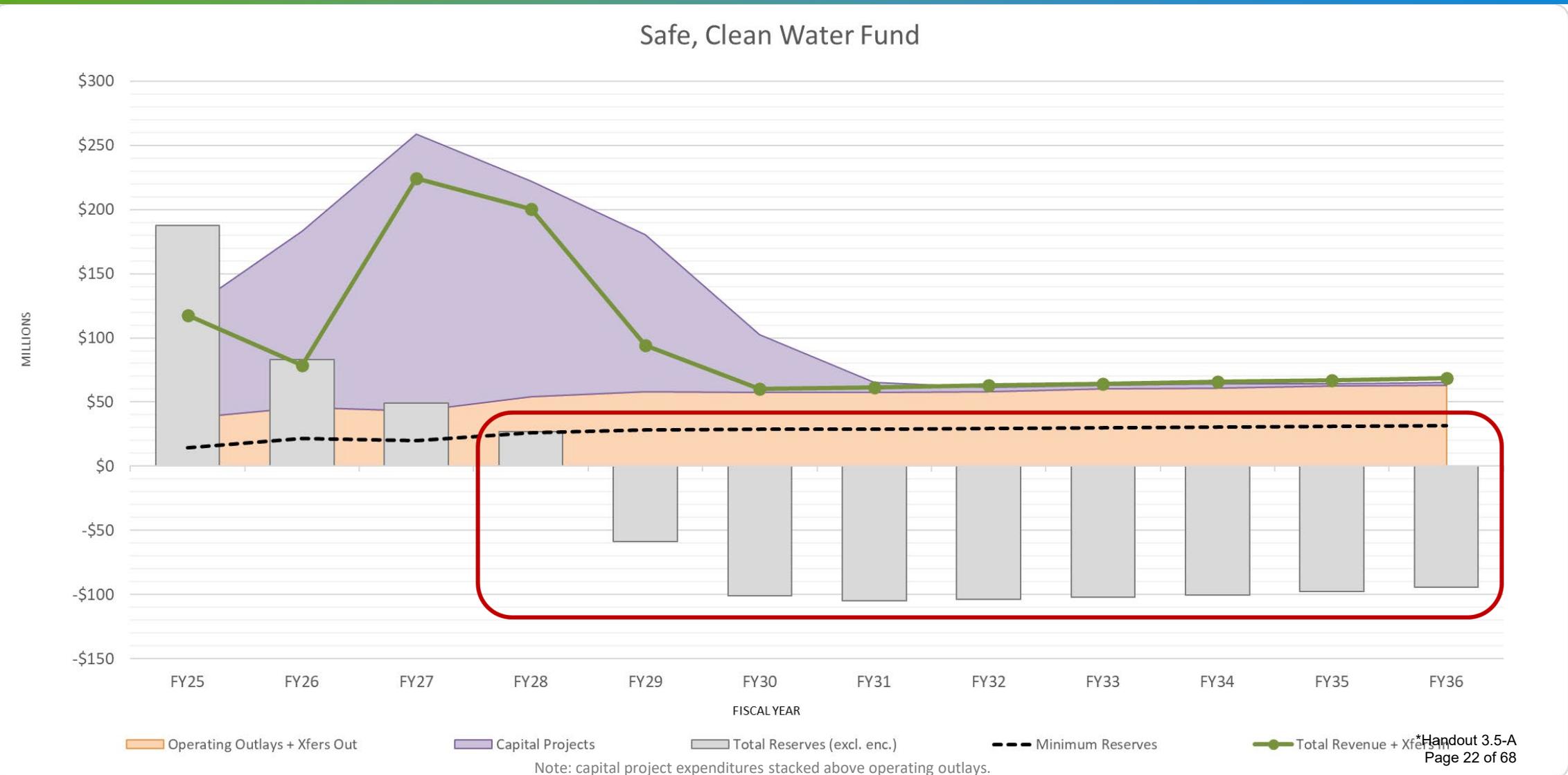
\*\* No change to Total Project Cost (TPC), inflation only

\*\*\* 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

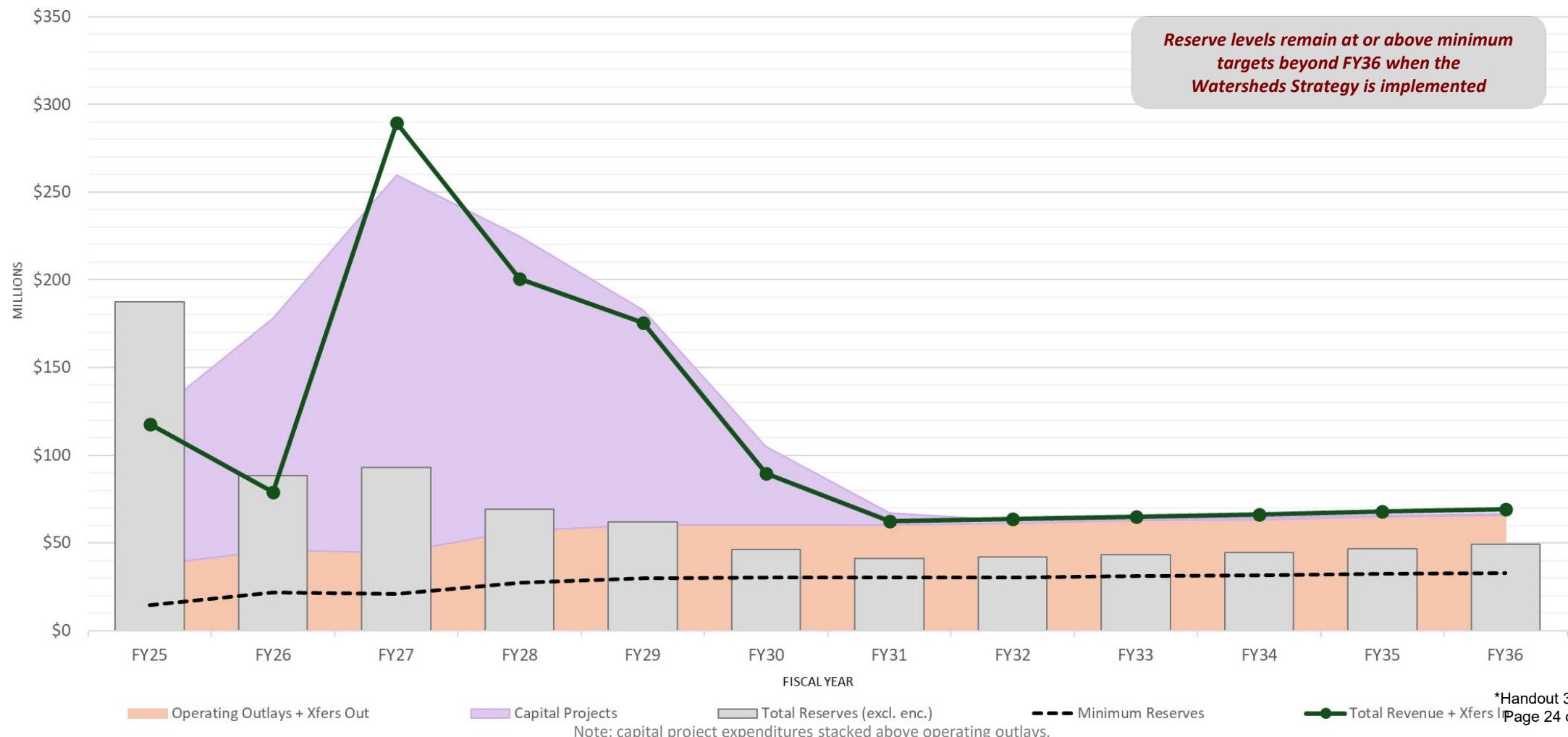
Includes: \$80M in NRCS funding for Upper Llagas Creek– Phase 2B.

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

Safe, Clean Water Fund

*Reserve levels remain at or above minimum targets beyond FY36 when the Watersheds Strategy is implemented*



# 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:

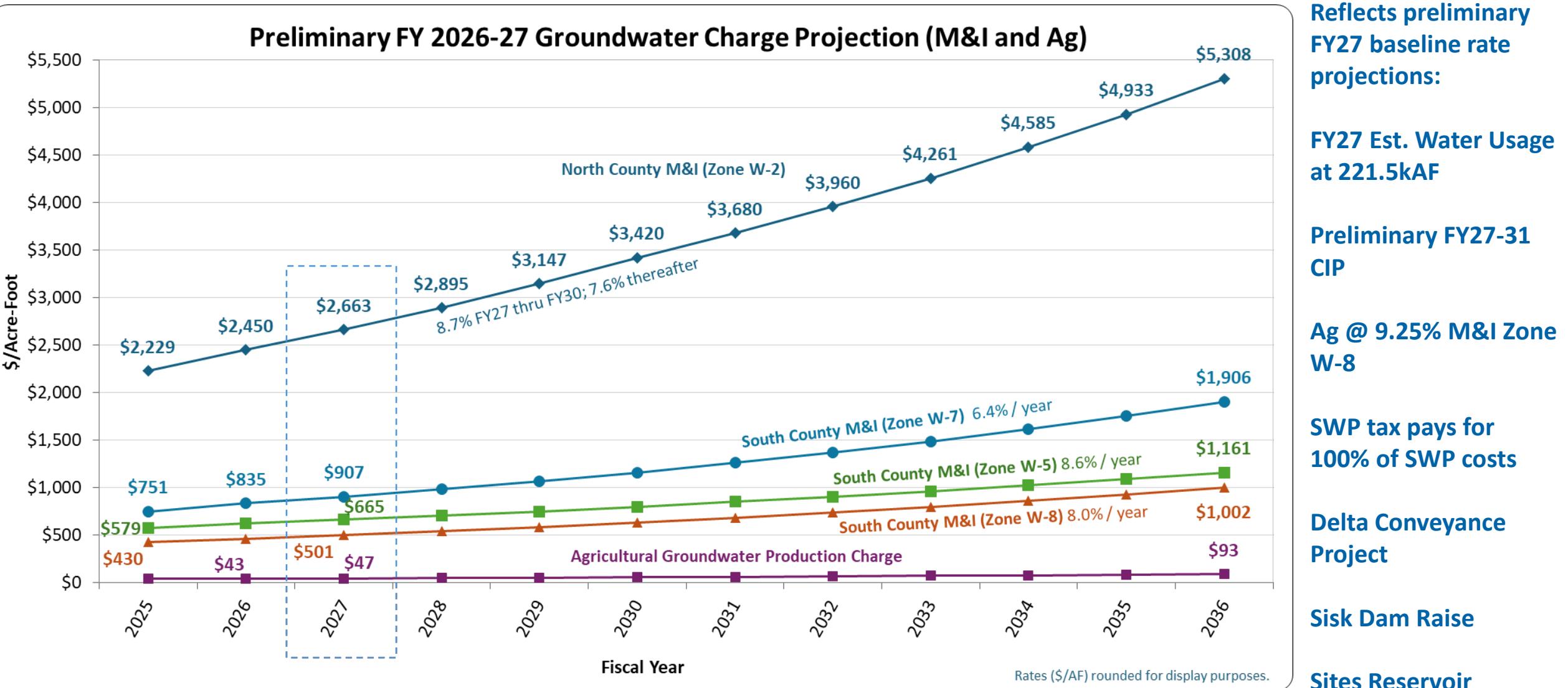
| Project Number | Project Name  | Scope   | Schedule Impact (±) | Cost Impact* (±) |
|----------------|---|---------|---------------------|------------------|
| 91954002       | Pacheco Reservoir Expansion                           | Y/Close | -10.5 Yrs.          | - \$2,586.22M    |
| 91864005       | 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** |

# Water Utility Fund 61 – Preliminary Baseline Rate Projections



# 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.

\* Placeholder dollars for these projects were included in the 2025 PAWS Report. As a result, there is no significant impact on projected water rates.

# Pure Water Silicon Valley

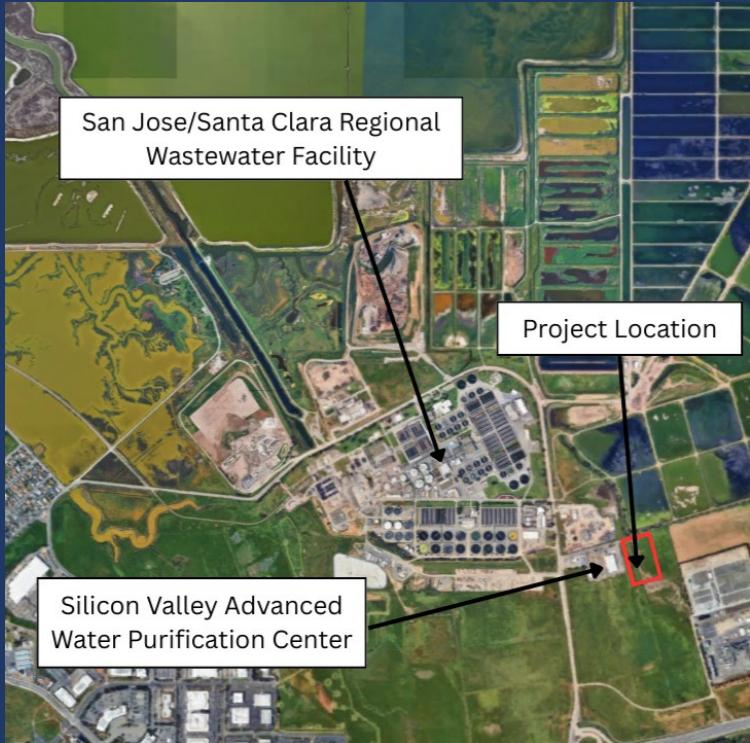
**TPC:** \$2,448.90M

## Funding: Funds 61\*

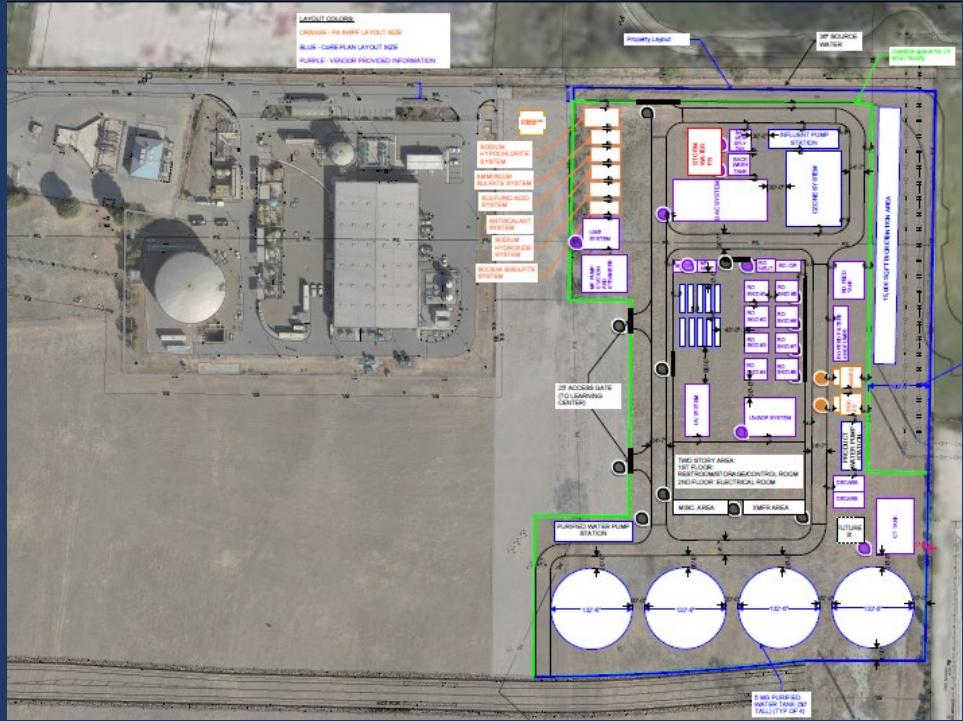
**Duration: 10 Years**

**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)

## Project Site

**TPC:** \$242.67M

**Funding:** Fund 61\*

**Duration:** 8 Years

**Location:** San Jose, CA



***Protect and Maintain Existing Water Infrastructure***

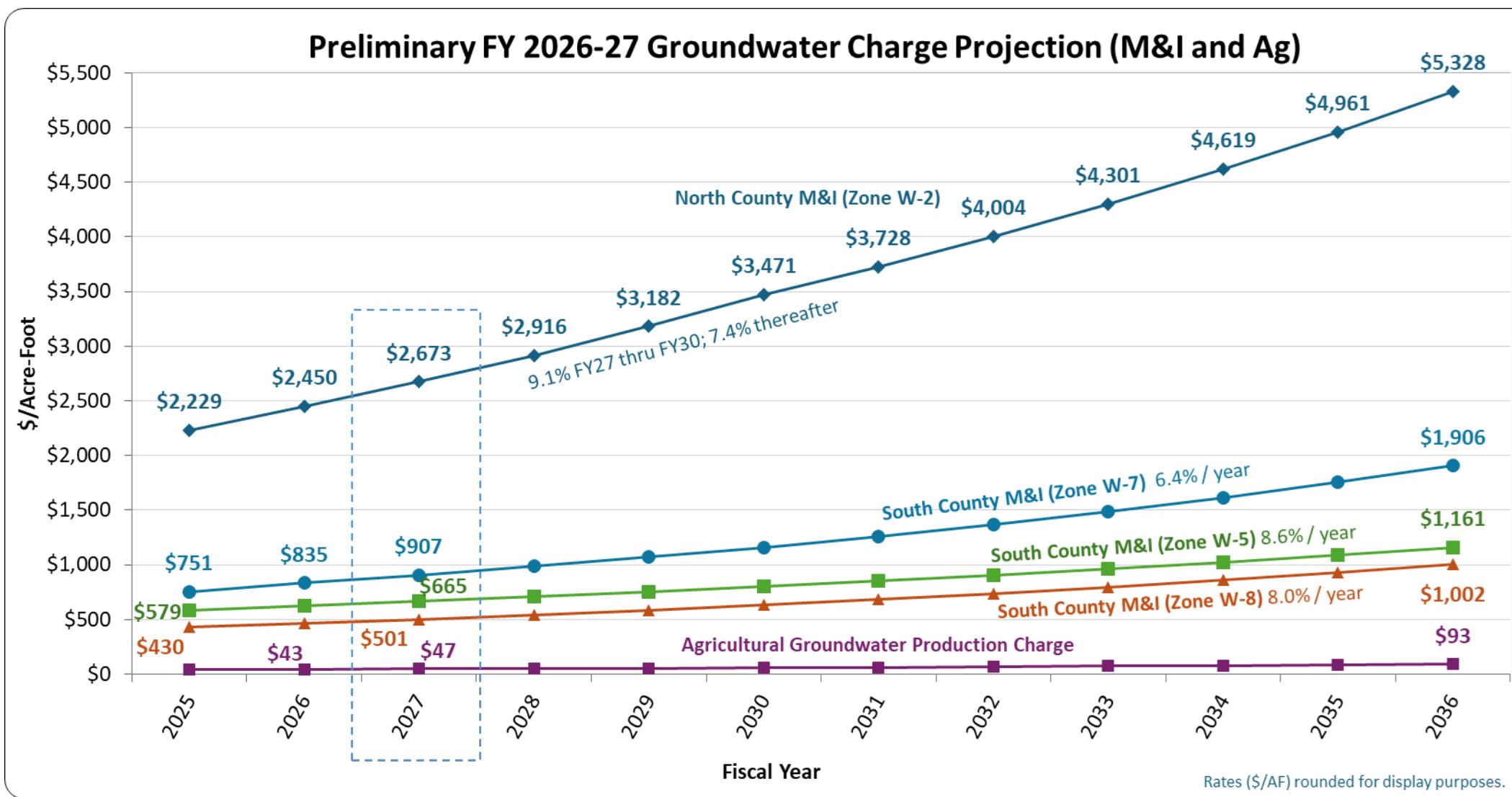
## Objectives:

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



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 trsfr. in from SCW Fund 26

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

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

| Fund   | FY26-30<br>Adopted  | FY27-31<br>Preliminary<br>(Recommended)* | Change in<br>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             |
| <b>Totals:</b>   | <b>\$10,357.65M</b> | <b>\$10,457.93M</b>                      | <b>\$100.28M</b>      |

## 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<br>Preliminary<br>(Baseline) | FY27-31 Preliminary<br>(Recommended)* | Change in<br>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                   |
| <b>Totals:</b>                          | <b>\$7,760.00M</b>                   | <b>\$10,457.93M</b>                   | <b>\$2,697.93</b>     |

*\*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

| <b>FY 2025-26 Initially Validated Projects</b>   |   |          |                          |                                    |                                     |
|--|---|----------|--------------------------|------------------------------------|-------------------------------------|
| Project Name   | Estimated Total Project Cost (\$ thousands w/inflation) | Phase    | Potential Funding Source | Type of Improvement/Infrastructure | CIP Evaluation Team Recommendations |
| 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                           |
|--|--|--------------|--------------------------|------------------------------------|---|
| <b>Current Unfunded Projects</b>   |  |              |                          |                                    |   |
| 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"><li>• Alignment with Strategic Plans<ul style="list-style-type: none"><li>• e.g., Water Supply Master Plan</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Flood Risk</li></ul> | <ul style="list-style-type: none"><li>• Flood Risk</li><li>• SCW Voter Commitments</li></ul> |

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

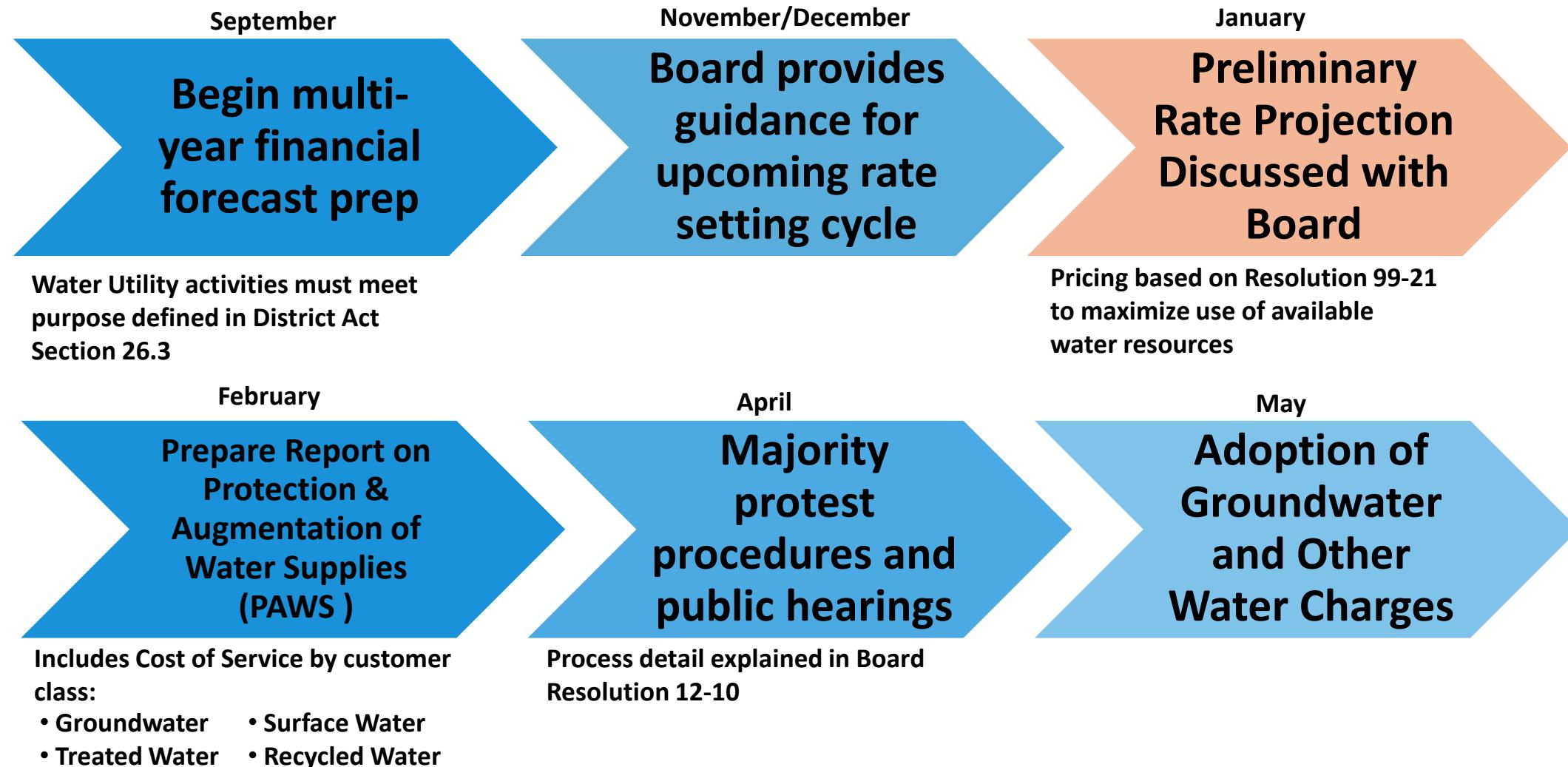
**\*The Asset Management Program and Master Plans assess a wide range of needs and criteria that depend on the complexity of the system and assets, including environmental, social, and economic risk evaluations.**

# 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 WIFI 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

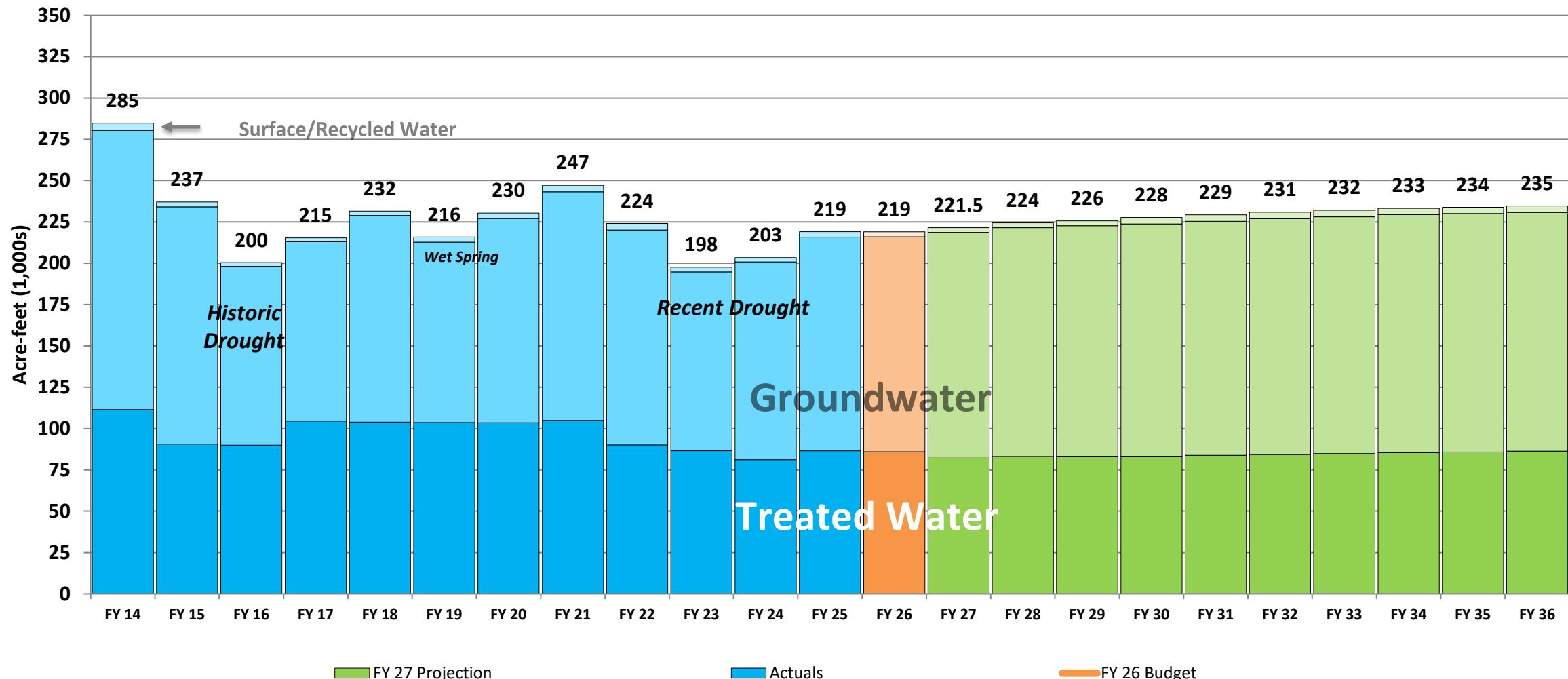
## FY 27 Rate Scenario Ideas

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

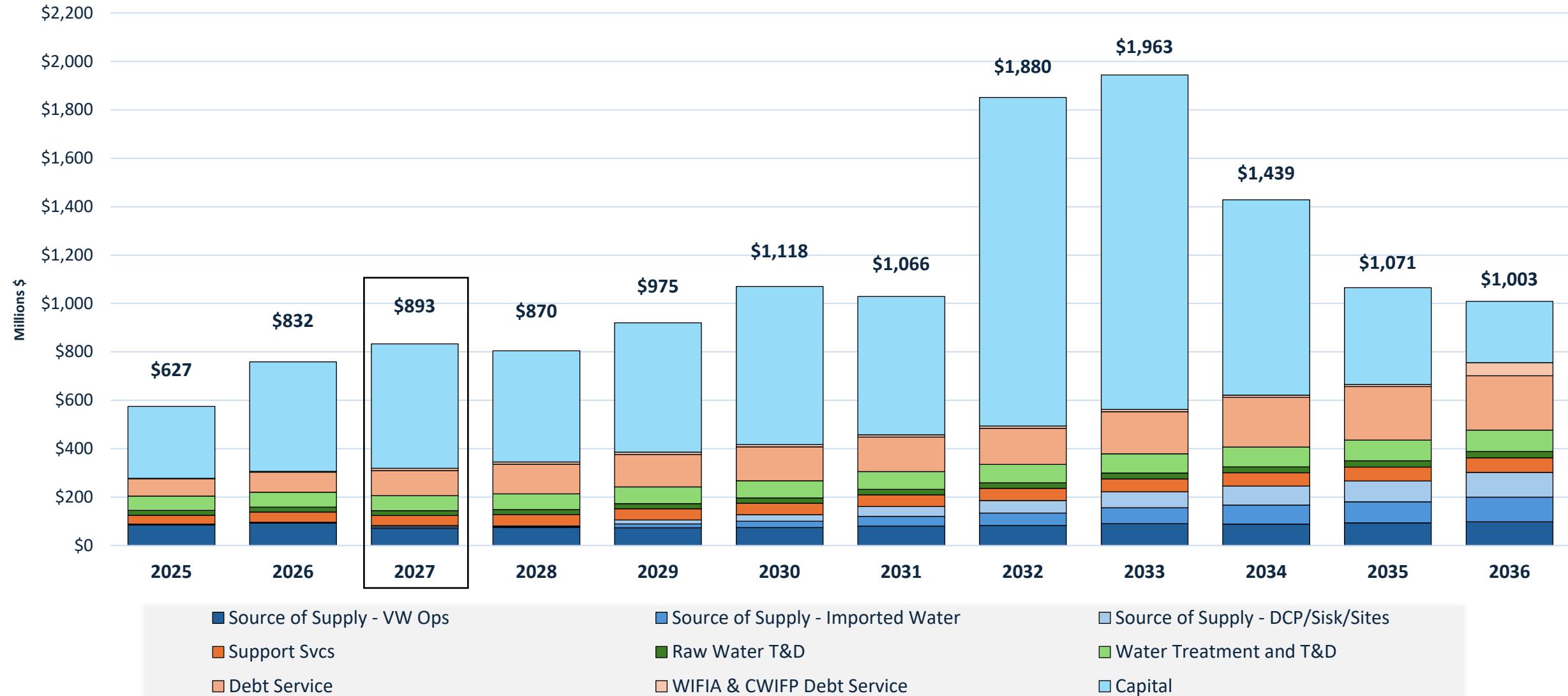
# District Managed Water Usage

Reflects Lower Water User Projections Post 2023 Drought Rebound

District Managed Water Usage (TAF)



# Preliminary Water Utility Cost Projection



# Preliminary Groundwater Charge Increase Projection

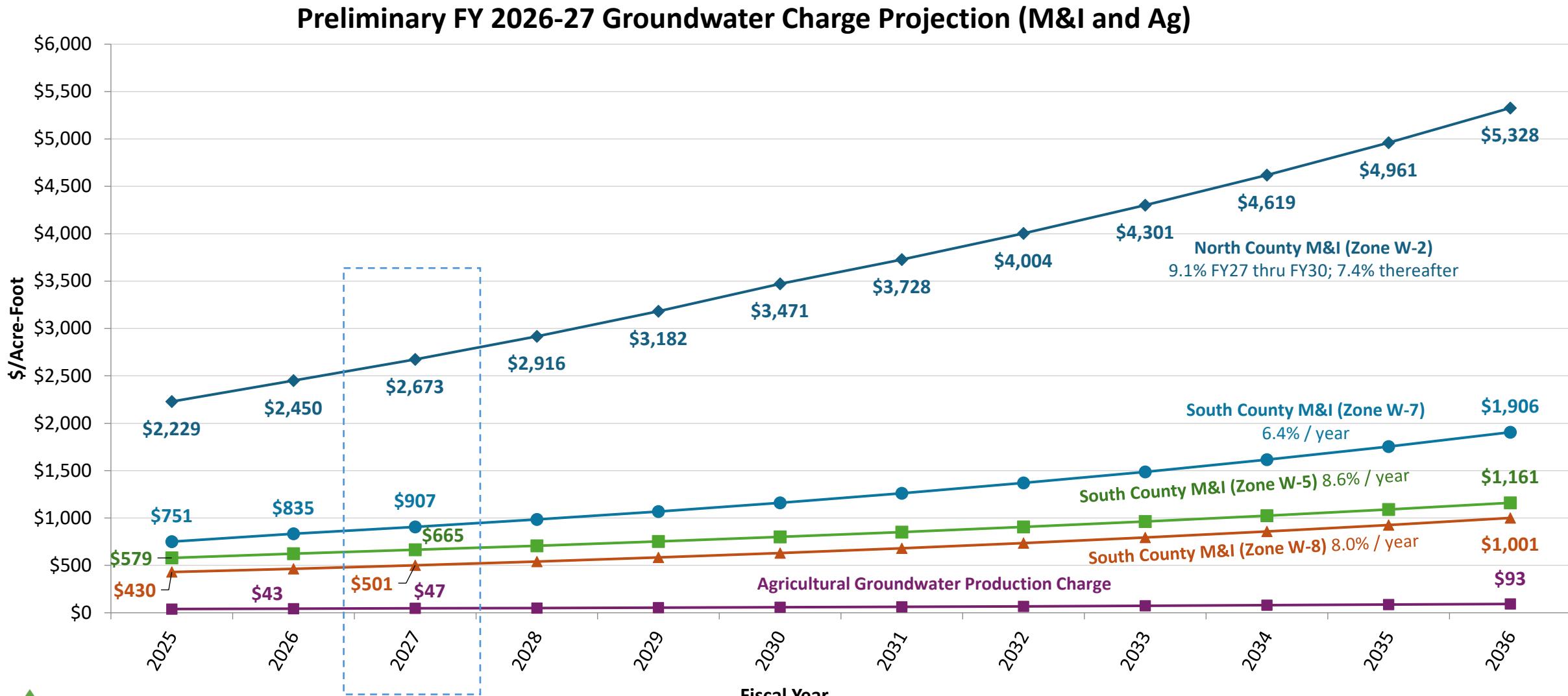
## Baseline Scenario

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

| Baseline Scenario 1          | FY27        | FY28        | FY29        | FY30        | FY31        | FY32        | FY33        | FY34        | FY35        | FY36        |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <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%        |             |

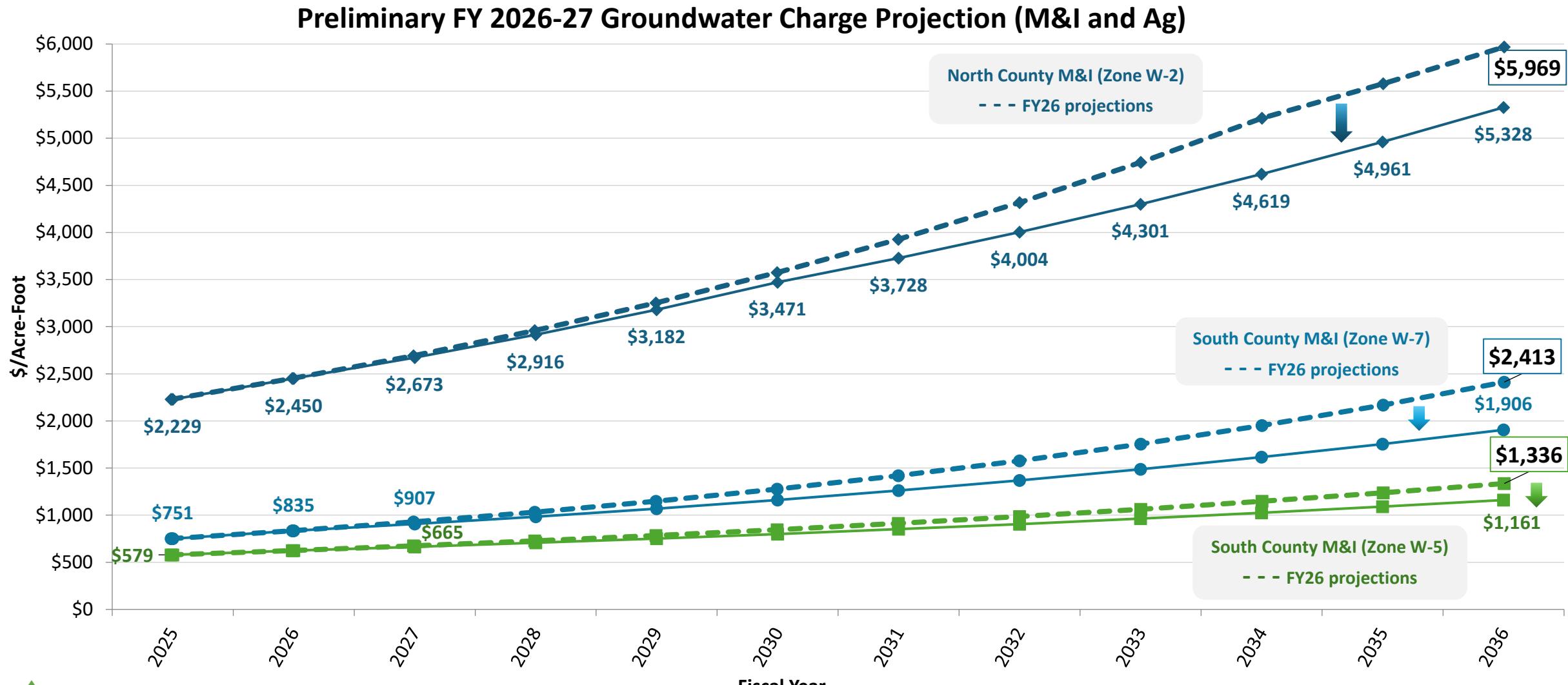
# Preliminary Groundwater Production Charge Projection

## Baseline Scenario



# Preliminary Groundwater Production Charge Projection

## Impact of Pacheco Reservoir Expansion Project suspension



# FY 2026-27 Preliminary Groundwater Production Charge Projection

| Municipal & Industrial<br>Rate by Zone | FY 2025-26<br>GW Production<br>Charge | FY 2026-27<br>Preliminary<br>GW Production<br>Charge | Preliminary<br>% Increase | Increase to<br>Average<br>Monthly Bill<br>(11 HCF/month) |
|--|---------------------------------------|--|---------------------------|--|
| North County W-2                       | \$2,450.00                            | \$2,673.00   | 9.9%*<br>9.1%             | \$5.63   |
| South County W-5                       | \$624.50                              | \$664.50   | 7.9%*<br>6.4%             | \$1.01   |
| South County W-7                       | \$834.50                              | \$906.50   | 11.2%*<br>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**   |

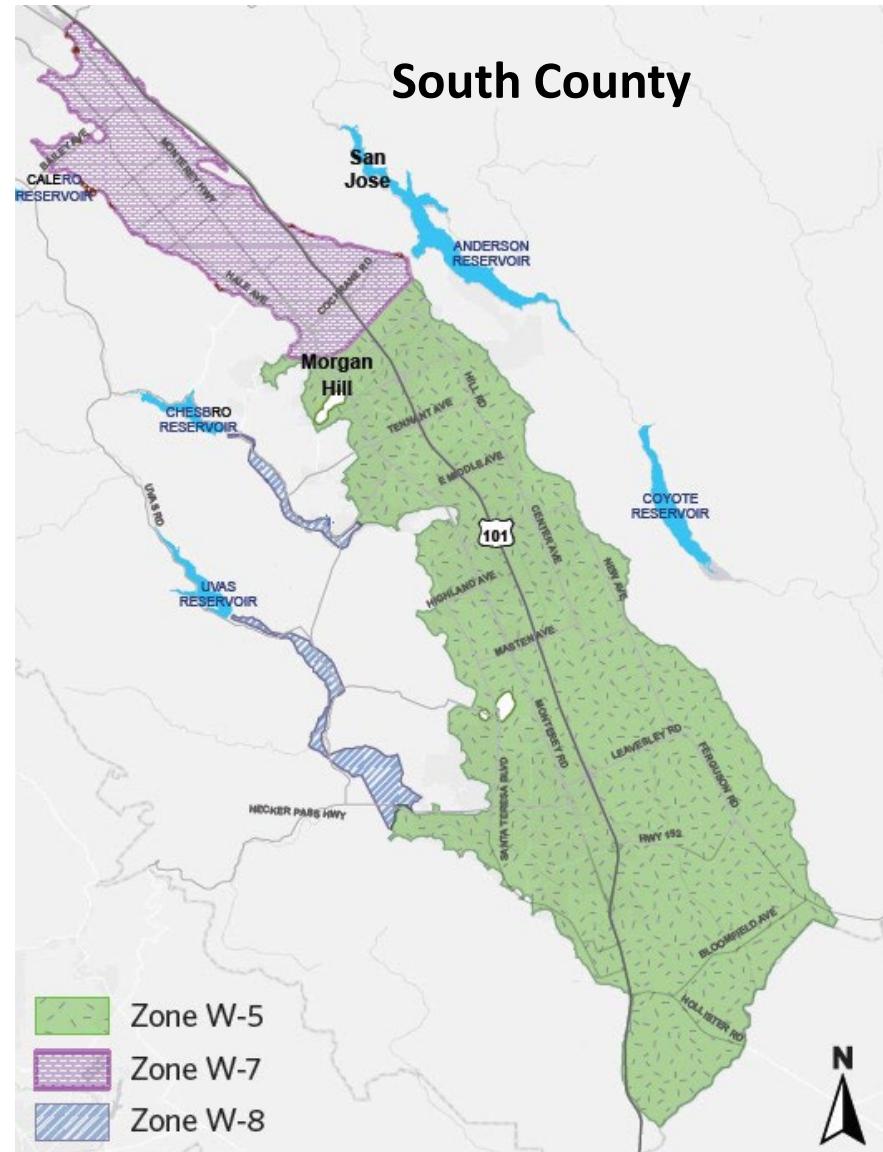
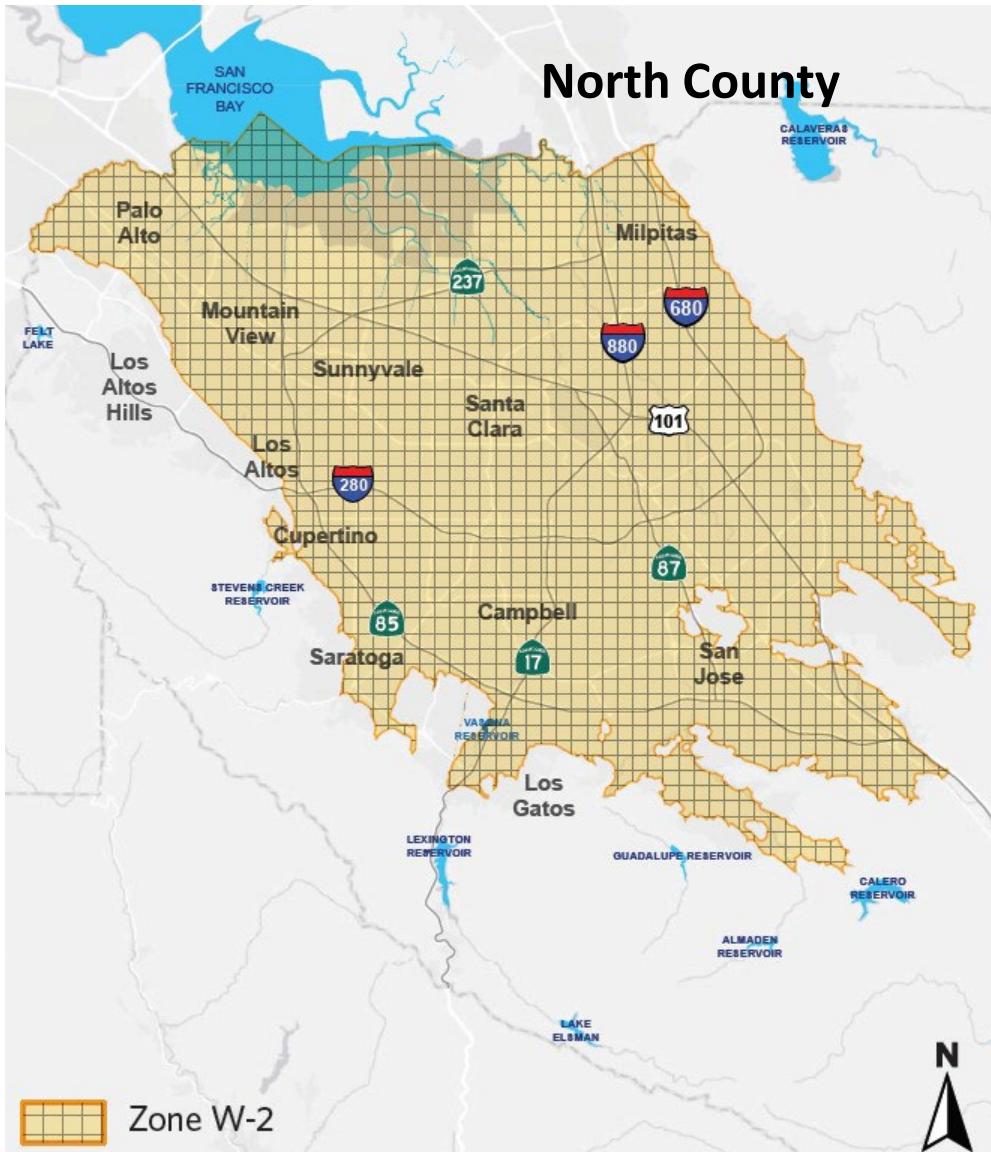


\* Reflects prior rate increases (%) projected during the FY2025-26 planning cycle. \*\* Assumes Agricultural users who pump 2 AF of water, per acre, per year.

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# Groundwater Benefit Zones



# 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 |

# 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 |

# 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 |

# 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 |

# 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](http://www.watersavings.org)



\*Handout 3.5-A [WaterSavings.org](http://WaterSavings.org)  
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# 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<br>Water Rate Planning Overview<br>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)<br>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<br>CIP SCW/WS Preliminary 10-yr Financial Analysis<br>Preliminary Water Rate Analysis & Scenarios<br>Set time and place for SCW Public Hearing (if required) |
| 7     |          | 1/27/26   | Open SCW Public Hearing and Cont. (if required)<br>1 <sup>st</sup> 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 <sup>nd</sup> Pass Budget Update<br>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<br>CIP Public Hearing Begins   |
| 14    |          | 4/29/26   | Budget Work-study Session<br>CIP Public Hearing Continues  |
| 15    |          | 5/12/26   | Close CIP Public Hearing<br>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) |



# 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](http://delivr.com/24wqn)

# END OF PRESENTATION

## Questions & Answers

