



Valley Water

Fiscal Year Ended June 30, 2023

Santa Clara Valley Water District Annual Comprehensive Financial Report

Serving Santa Clara County, California

Santa Clara Valley Water District

also referred to as

Valley Water

Serving Santa Clara County, California

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Prepared by the General Accounting Services Unit

Darin Taylor, Chief Financial Officer
Jimmy Salandanan, Accounting Manager

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December 20, 2023

TO THE BOARD OF DIRECTORS OF VALLEY WATER AND CITIZENS OF SANTA CLARA VALLEY:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the Santa Clara Valley Water District (Valley Water) for the fiscal year ended June 30, 2023. The ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Valley Water. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of Valley Water. All disclosures necessary to enable the reader to gain an understanding of Valley Water's financial activities have been included.

To provide a reasonable basis for making these representations, management of Valley Water has established a comprehensive internal control framework that is designed both to protect Valley Water's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of Valley Water's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Valley Water's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Valley Water's financial statements have been audited by Vasquez and Company LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of Valley Water for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit included obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on Valley Water's financial statements for the fiscal year ended June 30, 2023. The opinion rendered concluded that the financial statements are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Letter of Transmittal (continued)

The independent audit of the financial statements of Valley Water is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on Valley Water’s internal controls and compliance over the administration of federal awards. The single audit review is applicable when Federal funded expenditures equal \$750 thousand or more. This audit is typically completed after the audit of the financial statements and will be issued separately for Valley Water’s Board of Directors (Board) acceptance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Valley Water’s MD&A can be found immediately following the report of the independent auditor.

Valley Water Profile

The mission of Valley Water is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy. Valley Water operates as a State of California special district under the authority of the 1929 Santa Clara Valley Water District Act or District Act (Wat. Code, § Ch. 60, Refs & Annos). The District Act governs the structure, function, and operations of the Board, which governs Valley Water and directs the Chief Executive Officer.

Valley Water is the primary water resource agency for Santa Clara County (County), California. It is the largest multi-purpose water supply, watershed stewardship, and flood management special district in California. It acts not only as the County’s primary water wholesaler but also as its flood protection agency and is the steward for its streams and creeks, underground aquifers, and Valley Water-built reservoirs. For fiscal year 2023, Valley Water adopted a net operating and capital budget of \$917.2 million to provide these critical services¹.

Valley Water serves the nearly two million residents of the County, an area of approximately 1,300 square miles which includes the County’s 15 cities and towns: Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, and Sunnyvale. Valley Water also serves certain unincorporated areas of the County. For Fiscal Year 2023, total budgeted outlays for water supply management totaled \$675.9 million².

Valley Water sells treated water to 8 water retail companies, cities, and towns that service communities within the County via their own distribution systems. There are also private well owners in the County, for which Valley Water levies a groundwater production charge for water pumped from the ground. San Jose Water Company is the largest water retailer served by Valley Water, and currently provides water service to over one million customers. Revenues from San Jose Water Company for the sale of treated water and production of groundwater comprise over 50% of the water charge related revenue for Valley Water’s Water Enterprise.

¹ Valley Water FY2022-23 Operating and Capital Budget, chapter 3, page 6

² Valley Water FY2022-23 Operating and Capital Budget, chapter 6, page 50

Letter of Transmittal (continued)

A steady supply of safe, clean water to the County residents requires Valley Water to operate and maintain a complex delivery and treatment system that includes 3 water treatment plants, an advanced water purification center, 10 local reservoirs and dams, a water quality laboratory, dozens of groundwater recharge basins, 3 pumping stations and approximately almost 150 miles of pipelines. Water supplies include local surface water and groundwater, imported water, and recycled water. Water conservation is also an important part of the water supply strategy because it reduces water demands and helps improve water supply reliability.

The Board has established groundwater benefit zones in accordance with the District Act. The objective of establishing various groundwater benefit zones is to recover costs for the benefits resulting from Valley Water activities within that zone. In Fiscal Year 2021, the Board modified the boundaries of existing groundwater benefit zones W-2 and W-5 and created two new zones; Zone W-7, which overlays the Coyote Valley, and Zone W-8, which includes areas below Uvas and Chesbro Reservoirs. The four modified zone boundaries ensure that rate payers are grouped in a way that reflects the most recent and relevant data regarding services and benefits received by well users.

To ensure an adequate and reliable supply of high-quality water, Valley Water has partnered with cities and water retailers in the county to develop recycled water supplies. About 5% of the County's total water use currently consists of recycled water, limited primarily to landscaping and industrial uses. The Board's plan is to expand the use of recycled water in the coming years.

In 2010, the Board approved agreements with the City of San Jose to partner and build the Silicon Valley Advanced Water Purification Center (SVAWPC), a facility designed to produce about eight million gallons per day (MGD) or about nine thousand acre-feet per year of highly purified water. Valley Water and the City of San Jose entered into a ground lease and property use agreement (the "Ground Lease") with respect to the City of San Jose owned site in North San Jose on which the SVAWPC is located. In addition, Valley Water and the City of San Jose entered into an integration agreement (the "Integration Agreement") with respect to the operation of the SVAWPC. Valley Water and the City of San Jose each have the annual option to terminate the Integration Agreement on or after June 30, 2021, in accordance with its terms. The Ground Lease provides that if the Integration Agreement is terminated, the Ground Lease will simultaneously terminate and upon such termination, Valley Water would be required to surrender the facilities of the SVAWPC to the City of San Jose. The book value of the SVAWPC facilities as of June 30, 2023 is \$64.3 million. The option to terminate the Integration Agreement provides an opportunity for the City of San Jose and Valley Water to re-evaluate the continued need for integrated management of their respective facilities (i.e., Valley Water's SVAWPC and City of San Jose's Regional Wastewater Facility), financial support, and opportunities for the use of recycled water. Both parties would be required to meet and discuss potential amendments to the Integration Agreement in lieu of terminating the Integration Agreement to address the parties' concerns.

The SVAWPC in North San Jose commenced full operation in March 2014. Currently, purified water produced by the SVAWPC is not used for potable (drinking) purposes and is instead blended with existing recycled water to enhance its quality for non-potable purposes such as irrigation, cooling towers and industrial applications.

In December 2019, Valley Water's Board approved a 76-year agreement with the cities of Palo Alto and Mountain View to secure a minimum of 9 MGD or about ten thousand acre-feet per year of wastewater effluent through an effluent transfer option. Under the agreement, Valley Water will pay

Letter of Transmittal (continued)

\$0.2 million per year for the option to receive the wastewater effluent until June 1, 2033 or the point in time when Valley Water begins to receive the wastewater effluent, whichever occurs first. If Valley Water exercises its option, 9 MGD of effluent would be delivered to a regional purification facility to be constructed and owned by Valley Water. The purified water, which would be a locally controlled drought resilient supply, could be used for either indirect potable reuse (e.g., recharge local groundwater basins) or direct potable reuse (raw water or treated water augmentation, subject to future regulatory requirements). If Valley Water exercises the option, Valley Water would pay \$1.0 million per year for the effluent plus an inflation escalator for the 76-year term of the agreement. Valley Water has not made a decision as to whether it will exercise the option to receive wastewater effluent under the agreement. In addition to the foregoing option, Valley Water will contribute \$16.0 million to be used to fund either: (1) a portion of the costs of a local salt removal facility at the Regional Water Quality Control Plant in the City of Palo Alto to provide a higher quality of recycled water for irrigation and cooling towers; or (2) in the event that the cities of Palo Alto and Mountain View decide not to construct the local plant within 13 years of the effective date of the agreement, to fund other recycled water or water supply projects.

Valley Water also provides stream stewardship that encompasses managing flood and storm waters within the County. The 1929 Santa Clara Valley Water District Act requires Valley Water to uphold the safety of the Santa Clara County residents from floods and storm waters, monitor the condition affecting watersheds and riparian corridors, and provide for the protection of property and the natural environment along creeks and rivers, and at the edge of the San Francisco Bay. For fiscal year 2023, total budgeted outlays for watershed management and flood protection totaled \$288.7 million³.

Factors Affecting Financial Condition

Local Economy

Located south of the San Francisco Bay Area, Santa Clara County is the sixth largest county in California, with a population of approximately 1.9 million⁴ and measures approximately 1,300 square miles. The northwest portion of the County, known as Silicon Valley, is home to many leading computer and electronics companies such as Google, Apple, Cisco, Intel, VMware, Hewlett Packard, Applied Materials, Adobe, and several other Fortune 500 companies. It ranks as the 3rd wealthiest county in the nation and second in annual median income at \$140,258⁵. Real estate value remains solid with the median home valued at \$1.47 million compared to \$0.23 million nationwide⁶.

Silicon Valley's economy and job market remains sturdy despite waves of layoffs experience around the rest of the wider Bay Area. While the rest of the Bay Area were experiencing job losses, the Silicon Valley region, defined as Santa Clara County, San Mateo County and the Fremont area, was adding jobs, according to the new report from Joint Venture Silicon Valley, a San Jose-based think

³ Valley Water FY2022-23 Operating and Capital Budget, chapter 6, page 4

⁴ California Department of Finance, Demographic Research Unit, Report E-4, Population Estimates

⁵ KRON4, Four of the Wealthiest US Counties are in the Bay Area, Aaron Tolentino, May 25, 2023

⁶ SmartAsset 2023 study, <https://smartasset.com/investing/asset-allocation-calculator#us/overallWealth-0>

Letter of Transmittal (continued)

tank⁷. Unemployment rate stood at 3.1% as of June 2023⁸, which was better than the nation (3.6%) and the rest of California (4.6%)⁹.

Meanwhile, the region's population estimate (as of January 2023) of 1.9 million posted a slight 0.2% decline when compared to the prior year¹⁰. This slight drop can be attributed to the normal migration of residents in and out of California.

Inflation rate started to show signs of slowing down as the Federal Reserve cautiously raised interest rates as a counter measure to rising prices. The consumer price index (CPI) for the San Francisco Bay Area, California and the nation as of April 2023 showed an increase of 4.2%, 4.2% and 4.9%, respectively when compared to the same month last year. This is in contrast to the prior year (April 2022) CPI increase of 5.0%, 7.7%, and 8.3%, respectively¹¹. Despite the inflation slowdown, rising prices, increased construction and manufacturing cost, and the rising cost of borrowing remain a concern for both consumers and business owners.

California's concern about the impact of the drought experienced during the last 2 fiscal years was alleviated by the abundant rain and snow fall experienced during the winter months of this fiscal year. Nevertheless, Valley Water continues to implore residents, businesses and farms to make water conservation a way of life and encourage a voluntary 15% reduction in water use when compared to the 2019 consumption level. As climate change creates extreme weather events such as severe droughts and flooding, Valley Water continues to invest in water infrastructure to ensure a reliable water supply for generations to come. This includes upgrading and maintaining existing pipelines and water treatment plants, evaluating new water storage projects, increasing the use of recycled and purified water, and progressing on the Anderson Dam Seismic Retrofit project. In addition, Valley Water is using all financial resources available to offset the negative effects of the prior years of drought on water rate charges to constituents by vigorously pursuing federal and state grant funding.

Long-term Financial Planning

Valley Water plans, manages, and carries out work to meet policies established by the Board. Under Valley Water's form of Policy Governance, these "Ends" policies describe the mission, outcomes, or results to be achieved by Valley Water staff. Balancing the Ends policies are Executive Limitations, which set limits on staff activities in fulfilling the Ends. Alignment of plans and resources with the Ends policies helps the Board fulfill the critical responsibility of defining, balancing, and prioritizing "what benefits, for what people, at what cost," and enhances Valley Water staff's accountability in using budgeted resources to accomplish those ends.

Valley Water supports activities that carry out its mission through the following three highest-level "End Policies"¹².

- E2 - Valley Water provides a reliable, safe, and affordable water supply for current and future generations in all communities served.

⁷ The Mercury News, Silicon Valley Stays Sturdy Despite 'Gloom and Doom', George Avalos, Feb 14, 2023

⁸ FOX2 KTVU, Unemployment rate in Silicon Valley lower than rest of California, July 8, 2023, Annalise Freimarck

⁹ Bureau of Labor Statistics, News Release, July 21, 2023

¹⁰ California Department of Finance, Demographic Research Unit, Report E-4, Population Estimates

¹¹ State of California, Department of Industrial Relations, 06/14/2023 update

¹² www.valleywater.org/how-we-operate/board-governance-policies

Letter of Transmittal (continued)

- E3 - Natural flood protection is provided to reduce risk and improve health and safety for residents, businesses, and visitors, now and into the future.
- E4 - Water resources stewardship to protect and enhance ecosystem health in Santa Clara County.

The fiscal year 2023 budget included over \$59.0 million for the contractual obligations of water purchases with the federal Central Valley Project and the State Water Project. In addition to contract water, Valley Water's budget included Water Banking expenses of approximately \$8.0 million to bring approximately 32,000-acre feet of water to the county from Semitropic Water Storage District located in Kern County and an additional \$17.0 million in supplemental water purchases to help mitigate the impact on water supply of the historic drought and the multi-year storage capacity loss of Valley Water's largest dam at Anderson Reservoir¹³.

Valley Water's Semitropic groundwater bank reserves were at 75% or 261,387 acre-feet and valued at \$109.0 million as of June 30, 2023. Semitropic Water Storage District has reported elevated concentration of 1, 2, 3 trichloropropane in some of its underground wells. There is currently insufficient information to conclude whether these detections could impact banking operations. Impacts could potentially include higher pumping, recovery and treatment costs, and possible impaired recovery of banked water supplies. Because the Semitropic water bank is located in Kern County, downstream of Valley Water, banked water must be returned by exchange with State Water Project water from the Delta. In critically dry years or in the event of a Delta disruption, there may be insufficient State Water Project supplies to facilitate withdrawal of supplies from the bank.

The State has placed operating restrictions on five of Valley Water's ten dams due to Seismic safety conditions. Valley Water's immediate response was to allocate a total of \$1.3 billion in its FY24-28 Capital Improvement Program to fix four of these dams (Almaden, Anderson, Calero and Guadalupe). The scope for the fifth dam (Pacheco) was expanded to include a significant capacity expansion of the reservoir at an estimated cost of \$2.8 billion¹⁴.

For the Pacheco Reservoir Expansion Project, Valley Water is partnering with Pacheco Pass Water District and San Benito County Water District. This Project will encompass the acquisition and expansion of this reservoir from 6,000 AF to 140,000 AF and will provide water quality benefits, operational flexibility, emergency storage, flood protection, and ecosystem benefits. On July 24, 2018, the California Water Commission awarded \$484.55 million to support the project, including an early funding award of \$24.2 million. In February 2021, the maximum conditional eligibility determination was increased to \$496.7 million to reflect an inflation adjustment of 1%¹⁵. In March 2022, the maximum conditional eligibility was increased to \$504.1 million to redistribute available funds to account for inflation and increased project costs.

The Five-Year Capital Improvement Plan (CIP) includes 63 projects totaling \$10.0 billion to implement the goals and objectives of Valley Water's program and master plans. Valley Water has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$10.0 billion total funding needed, \$1.3 billion is expected from Valley Water's various partners, such as the U.S. Army Corps of Engineers (USACE), and the

¹³ Valley Water FY2022-23 Operating and Capital Budget, chapter 4, page 5

¹⁴ Valley Water FY2024-28 Capital Improvement Program, chapter 2, page 6

¹⁵ Valley Water FY2024-28 Capital Improvement Program, chapter 2, page 2

Letter of Transmittal (continued)

remaining, \$8.7 billion, from Valley Water. These projects are grouped into five types of improvements¹⁶:

- Water supply capital improvements – 29 projects contributing to “End Policy E-2”
- Flood protection capital improvements – 16 projects contributing to “End Policy E-3”
- Water resource stewardship capital improvement – 10 projects contributing to “End Policy E-4”
- Buildings and grounds capital improvements – 3 projects supporting Valley Water efforts to achieve the “End Policies”
- Information Technology capital improvements – 5 projects supporting Valley Water efforts to achieve the “End Policies”

On November 3, 2020, the Measure S (Safe, Clean Water and Natural Flood Protection or Safe Clean Water) parcel tax met the two-thirds super majority vote required for approval with a voter passing result of 75.6%. The measure renewed Valley Water’s existing parcel tax, without significantly increasing rates. The voter-approved special parcel tax funds projects addressing the following community priorities:

- Ensure a safe reliable water for the future.
- Reduce toxins, hazards, and contaminants in our waterways.
- Protect our water supply and dams from earthquakes and other natural disasters.
- Restore wildlife habitat and providing open space.
- Provide flood protection to homes, businesses, schools, streets, and highways.
- Support public health and public safety for our community.

Safe, Clean Water and Natural Flood Protection builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000, as well as the Safe, Clean Water and Natural Flood Protection Program that replaced the Clean, Safe Creeks measure, which was approved by voters in November 2012. The program is funded by a combination of revenues from the continuation of an annual special tax, reserves carried forward from the 2012 program, and state and federal funding.

The revenue receipt from the special parcel tax for fiscal year 2023 was \$49.5 million.

Relevant Financial Policies

End of Year Balances

Valley Water policies for end-of-year balance re-appropriations are as follows:

- Any remaining appropriation balances at the end of the fiscal year for capital projects are annually re-appropriated for continued use in those same projects in the following fiscal year. These amounts shall be consistent with the planned expenditure schedule identified in the 5-year CIP.

¹⁶ Valley Water FY2024-28 Capital Improvement Program, chapter 1, pages 7 and 8

Letter of Transmittal (continued)

- Any variances at the end of the current fiscal year in Operating and Capital Reserves from those estimated in the budget not otherwise re-appropriated above shall result in corresponding adjustments to the estimated reserve appropriations in accordance with Valley Water Reserve policy.

Valley Water, through the Public Facilities Financing Corporation (PFFC), also maintains a commercial paper program for funding capital projects. Commercial paper is used to provide low-cost interim financing during construction. Valley Water issues long-term debt obligations over a 30-year term to repay principal outstanding on the commercial paper. In October 2020, Valley Water established a \$170.0 million syndicated bank line of credit to ensure that Valley Water will have ample liquidity to continue funding ongoing capital projects and meet general financing needs despite the economic uncertainties related to the COVID-19 pandemic. To contribute towards the development of the local economy, \$20.0 million of this credit capacity is reserved for small local banks (having total assets of under \$10.0 billion) located within the nine Bay Area counties.

Budgetary Controls

Valley Water maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Plan. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories - the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures).

Valley Water also maintains an encumbrance accounting system as a means for accomplishing budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For governmental funds, this comparison is presented starting on page 126 as part of required supplementary information and selected watershed activities starting on page 134 as part of supplemental information. For proprietary funds, this comparison is presented starting on page 138 as part of the combining and individual fund statements and schedules.

The guidelines used by Valley Water in developing its formal budget process are from those recommended by the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association (GFOA).

Reserve Requirements

Valley Water's financial policies establish the levels at which reserves shall be maintained. Valley Water reserve policies address the need for both operating and capital reserves, and funding of contingency and future liabilities. The level of reserves maintained and the policies behind them are reviewed annually with the Board of Directors during budget deliberations.

Letter of Transmittal (continued)

More information about Valley Water's reserve policy is discussed in Valley Water's FY 2022-23 Operating and Capital Budget.

Major Initiatives

Highlights of activities and accomplishments for the fiscal year ended June 30, 2023 include the following:

- For this fiscal year, Valley Water met all of Santa Clara Valley's annual water needs despite the challenges of the lingering drought. The quality of the treated water it supplied to the community met or exceeded that of the primary drinking water quality standards.
- Valley Water completed the project planning phase and 30% of the project design phase for the Pacheco Reservoir Expansion Project. It also completed the Environmental Impact Report and 90% of the level design for the Anderson Dam Seismic Retrofit Project. In addition, Valley Water met all of the required inspections for all of its dams from the Federal Energy Regulatory Commission (FERC) and the California Division of Safety of Dams (DSOD).
- For field maintenance and environmental support, Valley Water repaired 4,247 linear feet of erosion, cleared 772 cubic yards of trash through the Good Neighborhood Maintenance program, removed 2,509 cubic yard of debris around creeks and ponds, and cleaned 670 tons of trash and debris under the Good Neighborhood Encampment Cleanup program.
- As part of Valley Water's water conservation initiative, the community was able to convert 1.7 million square feet of residential and commercial turf with drought-resistant alternatives through Valley Water's Landscape Rebate Program.
- Valley Water secured \$22.6 million in new grants for the Calabazas/San Tomas Aquino Creek-Marsh Connection project, the Nine Creek Cleanup project, the South San Francisco Bay Shoreline Phase 1 project, the Coyote Creek Flood Protection project, the Pope Chaucer Bridge Replacement, and the Cross Valley Pipeline Extension projects.
- Valley Water closed the Water Infrastructure Finance and Innovation Act (WIFIA) loan Master Agreements amounting to \$147.0 million for the Safe Clean Water program, \$580.0 million for the Anderson Dam Seismic Retrofit and Coyote Percolation Dam projects.

Letter of Transmittal (continued)

Completed capital projects in fiscal year 2023 include the following:

- Construction of the Lower Berryessa Creek Flood Protection Project – Phase 2, Able Street to East Calaveras Boulevard.
- Construction of the Permanente Creek Flood Protection Project – Floodwall Retrofit.
- Construction of the Hale Creek Enhancement Pilot Project.
- Construction of the Piedmont Creek Concrete Repair Project.

Letter of Transmittal (continued)

Awards and Acknowledgements

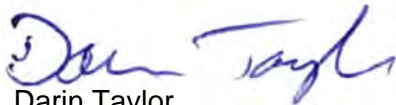
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Valley Water for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the 26th consecutive year that Valley Water has received this prestigious award. To be awarded a Certificate of Achievement, Valley Water must publish an easily readable and efficiently organized comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this ACFR represents the culmination of months of concerted team effort by diverse Valley Water staff, including team members from Financial Planning and Management Services Division, Water Supply Division, Information Technology Division, General Services Division, Human Resources Division, and Office of the District Counsel. In addition, special thanks to Valley Water staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Vasquez and Company LLP is also acknowledged for their significant technical contribution and assistance.

Special thanks go to Jimmy Salandanan, General Accounting Unit Manager; the following Accounting staff: Oliva Manaloto, Veronica Martinez, Ofelia Hsieh, Gloria Chou, Elaine Lee, Fanny Chan, Fen Lim, and Kim Burke; and the rest of the Financial Planning staff: Carmen Narayanan, Charlene Sun, Enrique De Anda, Hoan Cutler, Steven Peters, Kristie Resendez, and Chenlei Yao, for their talent and dedication in preparing this financial report.

Finally, we wish to express our sincere appreciation to Valley Water's Board of Directors and management for providing policy direction and a firm foundation of support for the pursuit of Valley Water's mission.



Darin Taylor
Chief Financial Officer



Rick Callender
Chief Executive Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Clara Valley Water District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

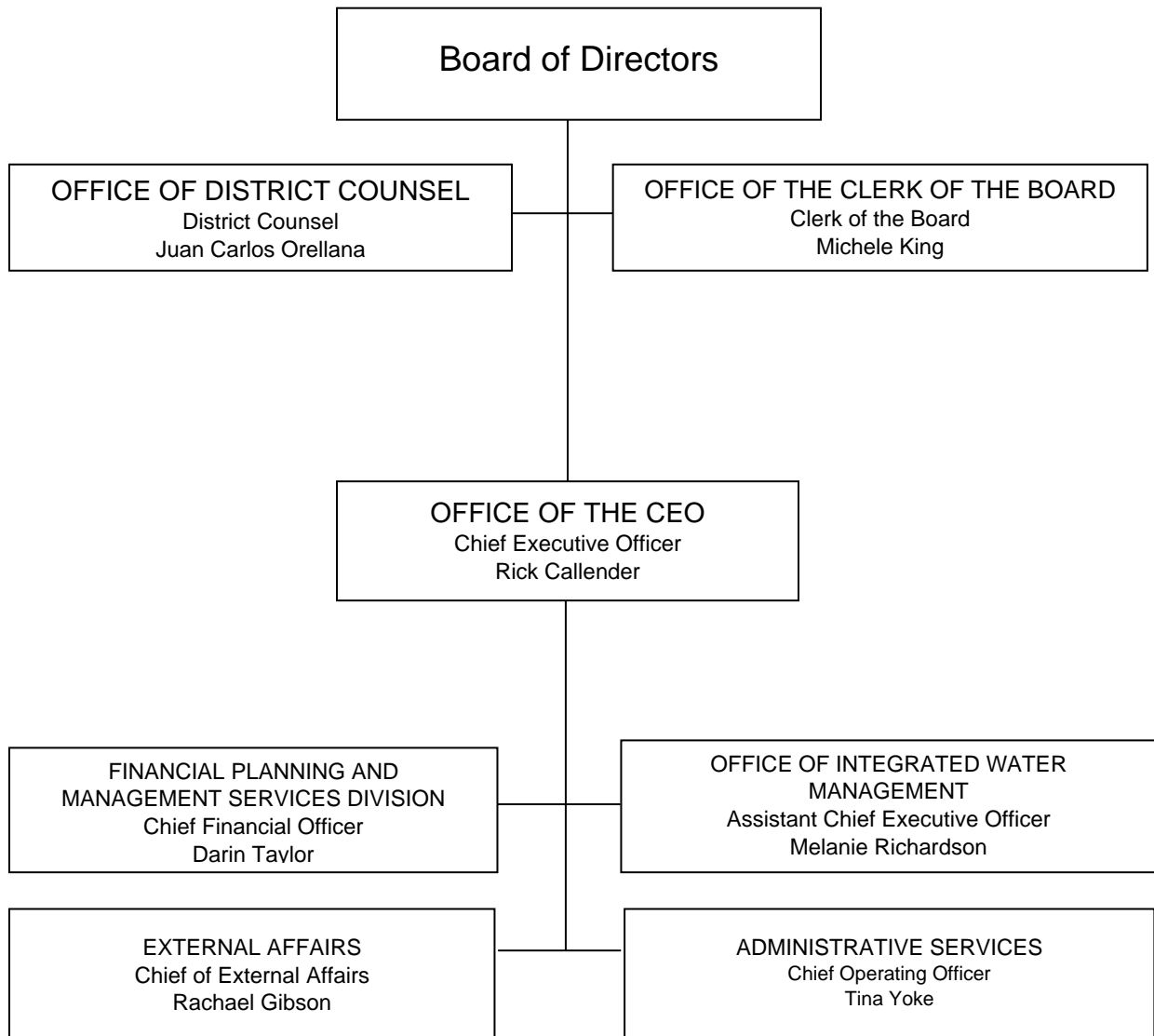
June 30, 2022

Christopher P. Morill

Executive Director/CEO

VALLEY WATER

Board of Directors & Executive Management



**VALLEY WATER
2022 – 2023
BOARD OF DIRECTORS**



John L. Varela
District 1



Barbara Keegan
District 2



Richard P. Santos
District 3



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Independent Auditor's Report

Board of Directors
Santa Clara Valley Water District
San Jose, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Water District (Valley Water), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Valley Water's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley Water as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Valley Water and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Notes 2, 6 and 7 which describe that the Valley Water adopted the provisions of Governmental Accounting Standards Board Statement No. 96, Subscription-based Information Technology Arrangements, which became effective during the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

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Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Valley Water's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Valley Water's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Valley Water's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary Information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Valley Water's basic financial statements. The combining individual fund statements and schedules on pages 131 through 150 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of the Valley Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Valley Water's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Valley Water's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
December 20, 2023

Management's Discussion and Analysis

Management's discussion and analysis of financial performance provides an overview of Valley Water's financial activities for the fiscal year ended June 30, 2023. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- Valley Water's total net position was \$3.1 billion as of June 30, 2023. Of this amount, \$435.1 million (unrestricted, but committed and assigned net position) may be used to meet Valley Water's ongoing obligations to citizens, businesses, stakeholders, and creditors.
- Valley Water's total net position increased by \$140.4 million during the current fiscal year. The net position for governmental activities increased by \$47.2 million. Net position for business-type activities increased by \$93.2 million.
- Cash and investments for governmental and business-type activities increased by \$27.4 million and \$112.8 million, respectively.
- The fund balance for the General Fund was \$21.9 million, an increase of \$9.2 million from the prior fiscal year fund balance of \$12.7 million. Committed and assigned fund balances were \$21.9 million or 100% of the total fund balance.
- The fund balance for the Watershed & Stream Stewardship and Safe, Clean Water & Natural Flood Protection Funds was \$367.1 million, an increase of \$114.2 million from the prior fiscal year balance of \$252.9 million.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

The ACFR is presented in the following three sections:

1. The Introductory Section that includes the Transmittal and general information
2. The Financial Section that includes:
 - Management's Discussion and Analysis
 - The Basic Financial Statements that include the Government-wide and Fund Financial Statements, along with the accompanying Notes to the financial statements
 - Required and Other Supplementary information
3. Statistical Section

Management's Discussion and Analysis (continued)

Basic Financial Statements

The Basic Financial Statements contain the Government-wide Financial Statements, the Fund Financial Statements, and the Notes to the financial statements. The financial statements presented herein include all the activities of Valley Water and its component units using the integrated approach as prescribed by Generally Accepted Accounting Principles (GAAP). This report also includes supplementary information intended to furnish additional detail to support the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements present the financial picture of Valley Water from an economic resources' measurement focus using the accrual basis of accounting.

They include the Statement of Net Position and the Statement of Activities:

The Statement of Net Position. The Statement of Net Position presents information on all Valley Water's assets, deferred outflow, liabilities, and deferred inflow, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Valley Water is improving or deteriorating.

The Statement of Activities. The Statement of Activities presents information showing how Valley Water's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues earned, and expenses incurred are reported in this statement even if the resulting cash flows will occur in future fiscal periods (e.g., earned but uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities are presented for Governmental and Business-type activities.

Governmental activities are principally supported by taxes and intergovernmental revenues and include general government, watershed management, and construction and debt service funding.

Business-type activities are those that are intended to recover all of a significant portion of their costs through user fees and charges and include the water utility operation fund.

The government-wide financial statements include not only Valley Water itself (known as the primary government), but also the Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) for which Valley Water is financially accountable. Financial information for this blended component unit is reported as if it were part of the primary government because its sole purpose is to provide financing to Valley Water under the debt issuance documents of Valley Water. Additional information on this legally separate entity can be found in Note 1(b) in the notes to basic financial statements.

The Government-wide Financial Statements can be found starting on page 38 of this report.

Management's Discussion and Analysis (continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Valley Water, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Valley Water are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Valley Water's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of Valley Water's general government operations and the basic services it provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Valley Water's projects.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, which are reported using the accrual basis, governmental funds statements, which are reported using the modified accrual basis, focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and change in fund balances to the government-wide statements are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Watershed & Stream Stewardship and Safe and Clean Water & Natural Flood Protection Program, which are considered to be major funds. These can be found on pages 40 to 46.

Proprietary funds.

Valley Water maintains two-different types of proprietary funds: enterprise funds and internal service funds.

Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements but provide more detail and additional information. Valley Water uses enterprise funds to account for its water utility operations fund. All of the enterprise funds are considered to be major funds.

The proprietary funds financial statements can be found on pages 47 to 49.

Internal Service Funds are used to accumulate and allocate costs internally among Valley Water's various functions. Valley Water uses internal service funds to account for its fleet of vehicles and computer equipment, risk management, and information technology activities. All of the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial

Management's Discussion and Analysis (continued)

statements. The internal service funds have been included within governmental and business-type activities in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside Valley Water. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Valley Water's own programs.

The fiduciary fund financial statements can be found on pages 50 to 51.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found starting on page 52 of this report.

Other Information

The "Required Supplementary Information" related to Valley Water's pension and OPEB plans and budget and actual for budgeted governmental funds is included after the Notes to the Financial Statements and can be found starting on page 120 of this report.

Management's Discussion and Analysis (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The balance in net position is a useful indicator of a government's ability to finance its operations. In the case of Valley Water, assets and deferred outflows exceeded liabilities and deferred inflows by \$3.1 billion at the end of the current fiscal year.

Valley Water Condensed Statement of Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Cash and investments	\$ 440,697	\$ 413,331	\$ 532,995	\$ 420,192	\$ 973,692	\$ 833,523
Other assets	15,725	17,832	168,554	159,863	184,279	177,695
Capital assets	1,819,995	1,757,663	1,667,984	1,468,088	3,487,979	3,225,751
Total assets	<u>2,276,417</u>	<u>2,188,826</u>	<u>2,369,533</u>	<u>2,048,143</u>	<u>4,645,950</u>	<u>4,236,969</u>
Deferred amount on refunding	-	-	207	238	207	238
Pension and OPEB related	40,169	19,946	98,858	43,328	139,027	63,274
Total deferred outflow of resources	<u>40,169</u>	<u>19,946</u>	<u>99,065</u>	<u>43,566</u>	<u>139,234</u>	<u>63,512</u>
Current liabilities	15,887	115,357	86,052	171,534	101,939	286,891
Long-term liabilities	391,804	180,747	1,189,165	780,511	1,580,969	961,258
Total liabilities	<u>407,691</u>	<u>296,104</u>	<u>1,275,217</u>	<u>952,045</u>	<u>1,682,908</u>	<u>1,248,149</u>
Deferred amount on refunding	213	150	-	-	213	150
Pension and OPEB related	6,000	56,864	4,763	44,141	10,763	101,005
Capital leases	176	314	152	245	328	559
Total deferred inflow of resources	<u>6,389</u>	<u>57,328</u>	<u>4,915</u>	<u>44,386</u>	<u>11,304</u>	<u>101,714</u>
Net position						
Net investment in capital assets	1,639,659	1,701,199	603,803	642,319	2,243,462	2,343,518
Restricted	262,847	154,141	149,595	104,048	412,442	258,189
Unrestricted	-	-	435,068	348,911	435,068	348,911
Total net position	<u>\$ 1,902,506</u>	<u>\$ 1,855,340</u>	<u>\$ 1,188,466</u>	<u>\$ 1,095,278</u>	<u>\$ 3,090,972</u>	<u>\$ 2,950,618</u>

The largest portion of Valley Water's net position, at \$2.2 billion (72.6%), reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets still outstanding. Investment in capital assets is *not* available for future spending. Although Valley Water's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For governmental activities, net investment in capital assets decreased by \$61.5 million from the prior fiscal year. Capital assets, net of depreciation, increased by \$62.3 million. Noncurrent liabilities, which include related debt outstanding, increased by \$211.1 million due mainly to the issuance of the 2022A/B revenue bonds and increases in net pension and other post-employment benefit liabilities.

Management's Discussion and Analysis (continued)

For business type activities, net investment in capital assets decreased by \$38.5 million from the previous fiscal year. Capital assets, net of depreciation, increased by \$199.9 million, reflecting the increase in work in progress for the following main projects: Anderson Dam Tunnel (\$55.5 million), 10-year Pipeline Inspection and Rehab (\$27.3 million), Upper Llamas Creek E6a (\$24.6 million), Anderson Dam Seismic Retrofit (\$21.9 million), Recycled Water Residual Remediation (\$16.7 million), South County Recycled Water Pipeline 1B (\$16.3 million), Pacheco Reservoir Expansion (\$12.8 million), and Lower Penitencia Creek Improvements (\$10.4 million). Noncurrent liabilities, which include related debt outstanding, increased by \$408.7 million due mainly from the issuance of the 2023C/D certificates of participation and increases in net pension and other post-employment benefit liabilities.

Unrestricted net position may be used to meet Valley Water's ongoing obligations to citizens, customers, and creditors. For the current fiscal year, Valley Water's total unrestricted net position of \$435.1 million increased by \$86.2 million or 24.7%.

Valley Water Condensed Statement of Net Activities (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Water charges	\$ -	\$ -	\$ 268,101	\$ 272,397	\$ 268,101	\$ 272,397
Operating grants and contributions	-	-	5,376	5,340	5,376	5,340
Capital grants and contributions	34,781	29,219	13,624	5,609	48,405	34,828
General revenues:						
Property taxes	177,788	164,604	39,394	39,715	217,182	204,319
Investment earnings	1,827	(9,891)	7,582	(8,328)	9,409	(18,219)
Miscellaneous	5,600	4,584	2,049	3,389	7,649	7,973
Total revenues	<u>219,996</u>	<u>188,516</u>	<u>336,126</u>	<u>318,122</u>	<u>556,122</u>	<u>506,638</u>
Expenses:						
General government	11,757	27,092	-	-	11,757	27,092
Watersheds	134,027	33,545	-	-	134,027	33,545
Interest on long-term debt	4,834	2,076	-	-	4,834	2,076
Water enterprise	-	-	265,150	309,930	265,150	309,930
Total expenses	<u>150,618</u>	<u>62,713</u>	<u>265,150</u>	<u>309,930</u>	<u>415,768</u>	<u>372,643</u>
Increase in net position before transfers	69,378	125,803	70,976	8,192	140,354	133,995
Transfers	(22,212)	(65,964)	22,212	65,964	-	-
Change in net position	47,166	59,839	93,188	74,156	140,354	133,995
Net position, beginning	1,855,340	1,795,501	1,095,278	1,021,122	2,950,618	2,816,623
Net position, ending	<u>\$ 1,902,506</u>	<u>\$ 1,855,340</u>	<u>\$ 1,188,466</u>	<u>\$ 1,095,278</u>	<u>\$ 3,090,972</u>	<u>\$ 2,950,618</u>

Valley Water's net position for the current fiscal year was \$3.09 billion, an increase of \$140.4 million or 4.8% from the prior fiscal year.

Management's Discussion and Analysis (continued)

Governmental activities

Net position of governmental activities increased by \$47.2 million during the fiscal year. Total revenues and expenses were \$220.0 million and \$150.6 million respectively. Net transfers out were at \$22.2 million.

Total revenues of \$220.0 million were \$31.5 million higher than the \$188.5 million earned in the prior fiscal year.

- Capital grants and contributions of \$34.8 million went up by \$5.6 million mainly from the higher capital costs reimbursements of \$12.1 million received from the State of California, Department of Water Resources.
- Property taxes, the largest general revenue source at \$177.8 million, increased by \$13.2 million, and is an indication of the strong property values in the Santa Clara County and the surrounding bay area.
- Investment earnings of \$1.8 million went up by \$11.7 million when compared to the \$9.9 million loss experienced in the prior fiscal year. Investment earnings include an unrealized loss of \$6.2 million due to the decline in the portfolio's fair value. This unrealized loss is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.
- Miscellaneous revenues of \$5.6 million went up by \$1.0 million compared to the \$4.6 million earned in the prior fiscal year.

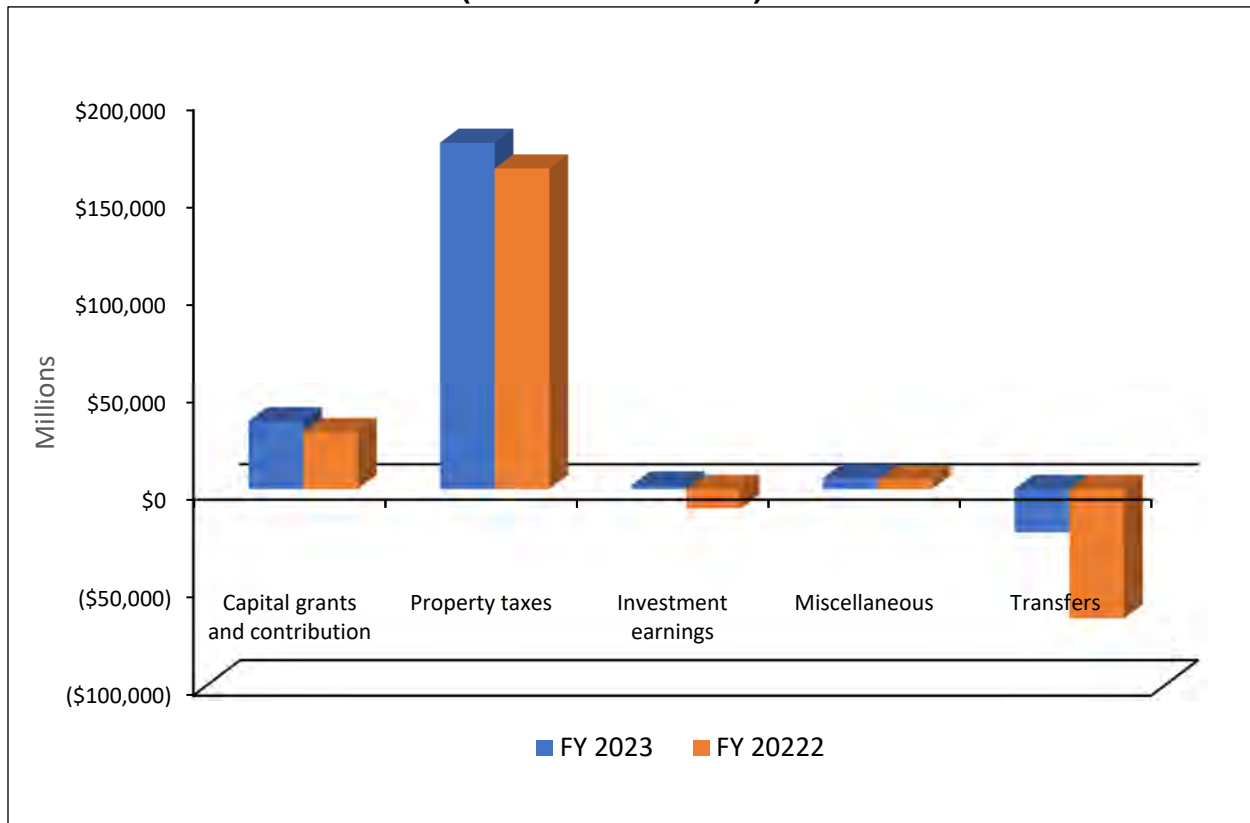
Total expenses were \$150.6 million or \$87.9 million higher than the prior fiscal year.

- General government expenses of \$11.8 went down by \$15.3 million.
- Watershed operating cost of \$134.0 million went up by \$100.5 million, mainly from increased pension cost of \$78.9 million.
- Interest on long-term debt of \$4.8 million went up by \$2.8 million and is consistent with the issuance of additional bonds during the fiscal year.

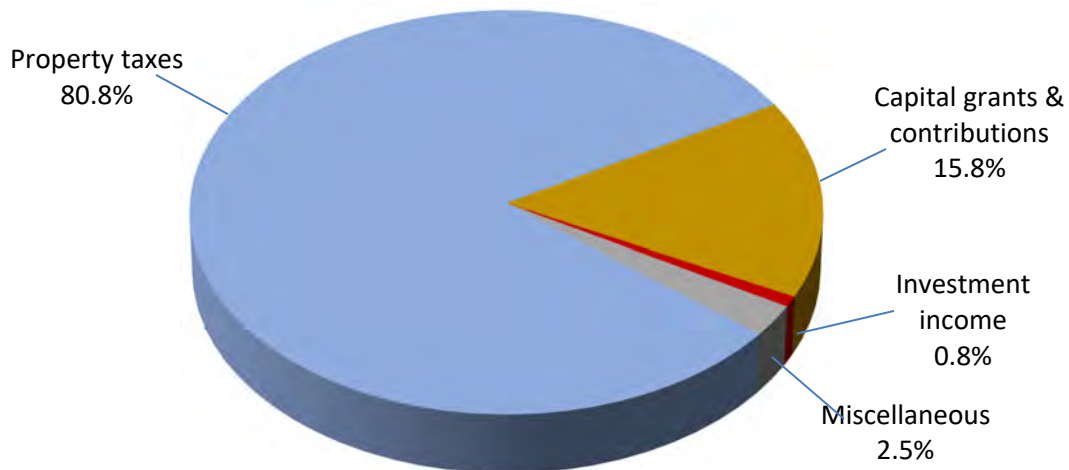
Net transfers out of \$22.2 million were lower by \$43.8 million from the prior fiscal. See Note 14 of the basic financial statements for more information on the transfers made during the current fiscal year.

Management's Discussion and Analysis (continued)

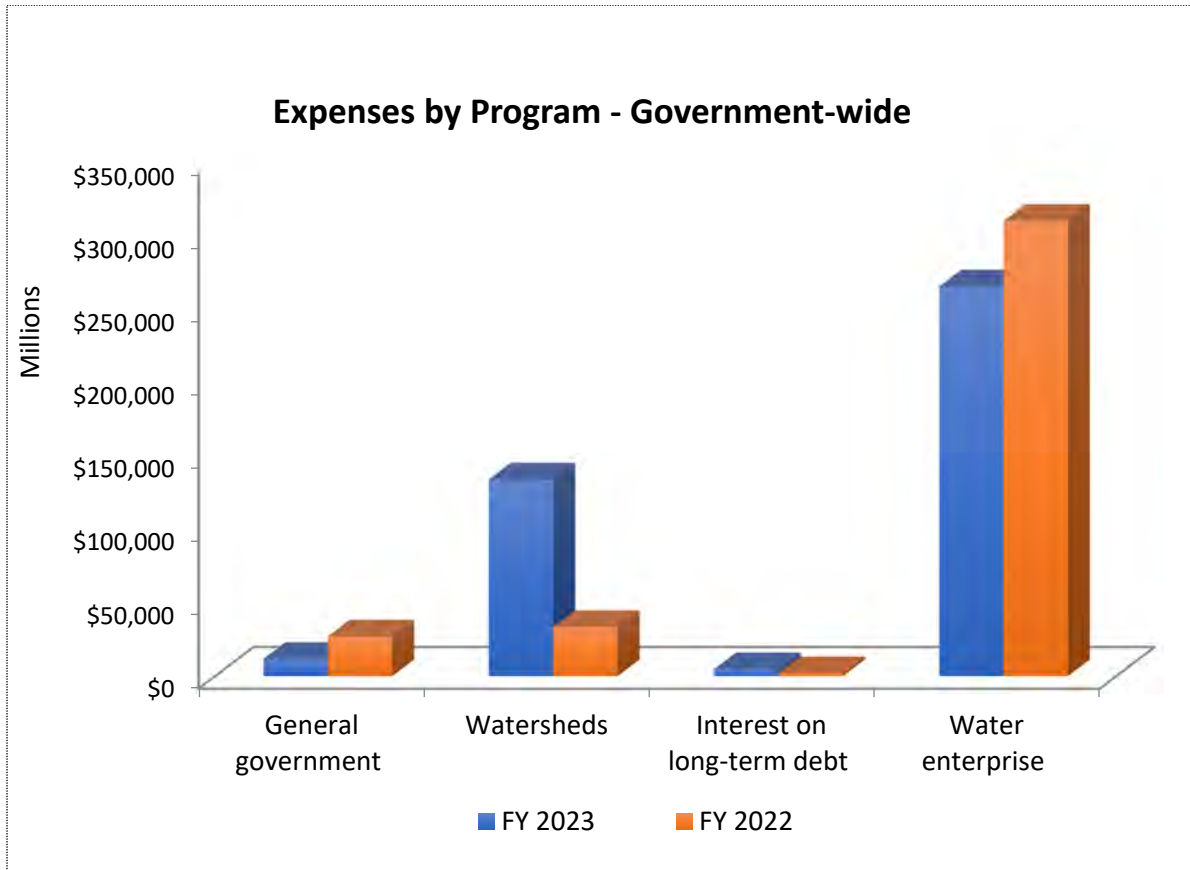
Revenue by Sources – Governmental Activities (FY 2023 & FY 2022)



Revenues by Sources – Governmental Activities (FY 2023)



Management's Discussion and Analysis (continued)



Business-type activities

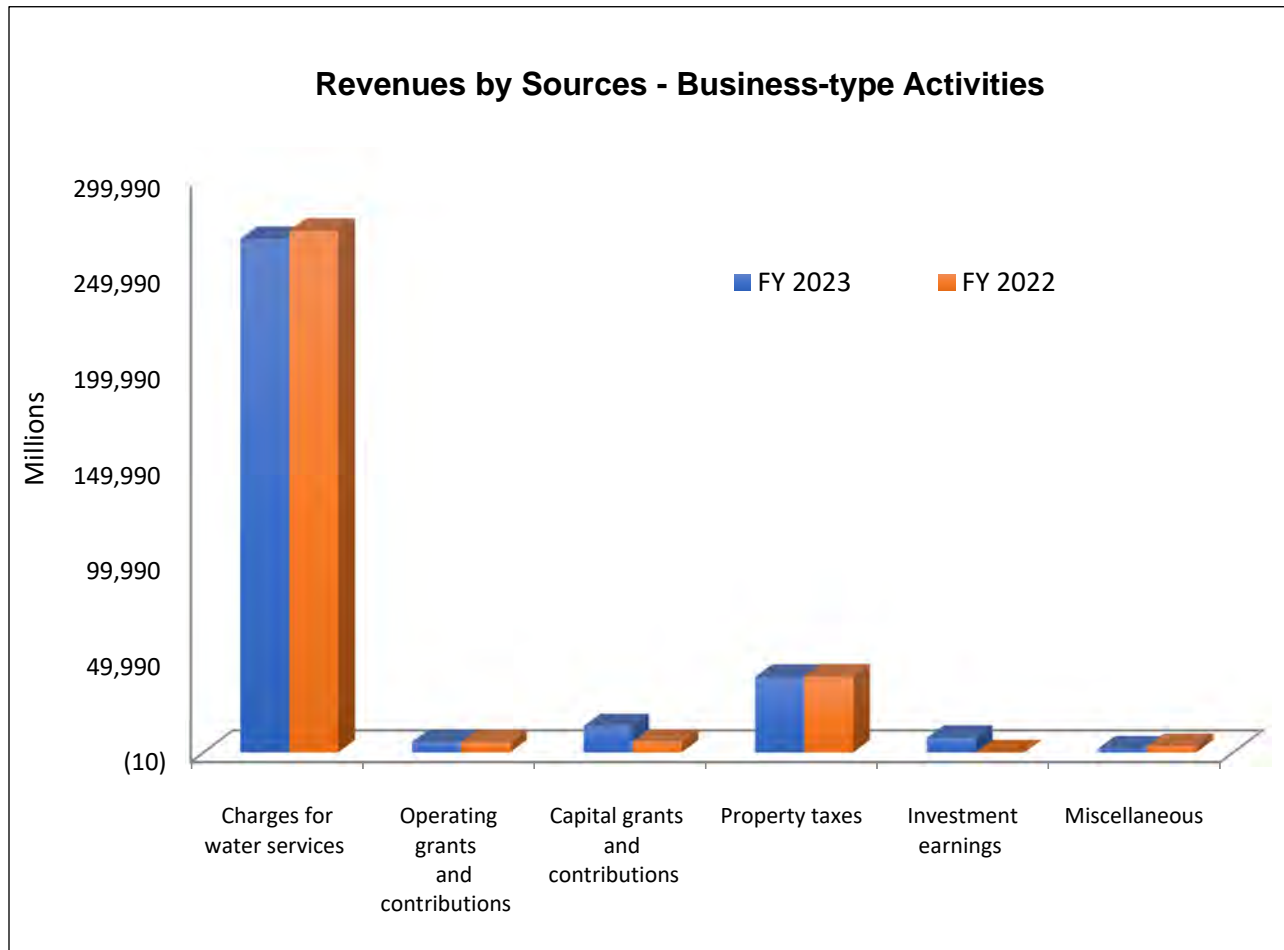
Net position in business-type activities increased by \$93.2 million during the current fiscal year from \$1.1 billion in the prior fiscal year to \$1.2 billion at the end of the current fiscal year. Total revenues and expenses were \$336.1 million and \$265.1 million, respectively. Net revenues before transfers were \$71.0 million. Net transfers in during the current fiscal year were \$22.2 million.

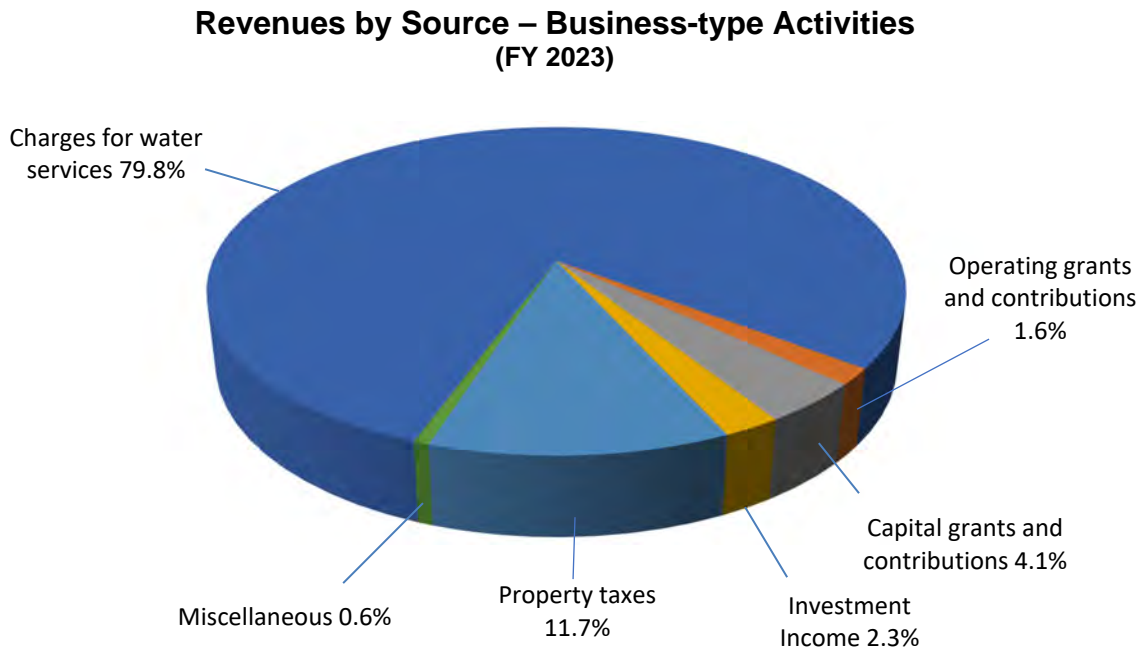
Compared to the prior fiscal year, total revenues increased by \$18.0 million. Key elements of the changes in revenues and expenses from prior year are as follows:

- Total water revenue of \$268.1 million was \$4.3 million lower from the prior fiscal year and is consistent with Valley Water's water conservation partnership with the community to mitigate the effects of the drought. The decrease in groundwater revenues of \$18.1 million was partially offset by \$13.8 million increase in treated water revenues.
- Capital grants and contributions increased by \$8.0 million compared to last fiscal year due mainly to the higher cost reimbursements received from the State of California, Department of Water Resources (\$4.5 million) and the US Bureau of Reclamation (\$2.8 million) for the Pacheco Reservoir Expansion Project under the Water Storage Investment Program.

Management's Discussion and Analysis (continued)

- Investment earnings for the current fiscal year was \$7.6 million or \$15.9 million higher than the \$8.3 million investment loss posted in the prior fiscal year. Investment earnings include an unrealized loss of \$0.7 million due to the decline in the portfolio's fair value. This unrealized loss is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.





FINANCIAL ANALYSIS OF VALLEY WATER'S FUNDS

Valley Water uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following analysis refers to the Basic Financial Statements for the Governmental and Proprietary Funds beginning on page 40.

Governmental funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of June 30, 2023, Valley Water's governmental funds reported combined ending fund balances of \$394.4 million, an increase of \$123.5 million for the fiscal year.

Total revenues of \$219.9 million increased by \$30.9 million when compared to the prior fiscal year. Total expenditures of \$203.2 million decreased by \$22.4 million.

- Revenues from property taxes of \$177.8 million increased by \$13.2 million, an indication of the strong property values in Santa Clara County and the surrounding bay area. Benefits assessments at \$13.2 million went slightly down by \$0.2 million. Capital reimbursements of \$21.6 million increased by \$5.8 million due to the higher receipts from the State of California, Department of Water Resources. Investment earnings of \$2.0 million increased by \$11.0 million. Investment earnings include an unrealized loss of \$5.4 million due to the decline in the portfolio's fair value. This unrealized loss is temporary and should not materialize due to Valley Water's investment policy of holding all securities to their maturity under normal operating conditions.

Management's Discussion and Analysis (continued)

- Spending from operations and operating projects of \$94.6 increased by \$3.7 million from the prior fiscal year.
- Expenditures from capital improvement projects amounted to \$94.1 million or \$28.0 million lower than the prior fiscal year.
- \$46.7 million or 11.8% of the total fund balance of \$394.4 million constitutes committed and assigned for specific purposes. The \$347.8 million is restricted to indicate that it is not available for new spending because of the external enforceable limitations on its use for 1) Safe, Clean Water & Natural Flood Protection projects (\$232.7 million), 2) Watershed and Stream Stewardship projects (\$109.7 million), and 3) debt service payments (\$5.4 million).

General Fund

The General Fund is the chief operating fund of Valley Water supporting all administrative and strategic support services costs for the organization. It accounts for all financial resources except those required to be accounted for in another fund and is supported primarily by overhead reimbursements from other funds. At the end of the current fiscal year, total fund balance of \$21.9 million increased by \$9.2 million mainly from higher benefits and overhead reimbursements received from other Valley Water funds. The excess of revenues over expenditures was \$5.4 million. Net transfers in were \$3.7 million.

Special revenue funds

The special revenue funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance the watershed functions or activities of Valley Water.

-Watershed and Stream Stewardship Fund

The decrease in fund balance for the Watershed and Stream Stewardship Fund was \$6.4 million. Revenues in excess of expenditures was \$33.2 million. Net transfers out were \$39.6 million.

Current fiscal year revenues for the Watershed and Stream Stewardship Fund increased by \$16.3 million. Higher revenues were realized from property taxes, investment income and capital cost reimbursements of \$9.7 million, \$4.0 million and \$2.8 million, respectively. Meanwhile, total expenditures went down by \$7.3 million, with the \$6.1 million increase in operating project cost more than offset by the \$13.4 million drop in expenditures from capital related projects.

-Safe, Clean Water and Natural Flood Protection Program Fund

Fund Balance for the Safe, Clean Water and Natural Flood Protection Program Fund increased by \$120.6 million mainly from the \$133.0 million proceeds from borrowings. Expenditures exceeded revenues by \$10.6 million, while net transfer out amounted to \$1.8 million.

Current fiscal year revenues for the Safe, Clean Water and Natural Flood Protection Program of \$59.7 million were \$12.3 million higher than the prior fiscal year. Property tax, investment income, and reimbursement of capital cost posted increases of \$2.5 million, \$6.9 million and \$3.0 million, respectively. Miscellaneous revenues went slightly down by \$0.1 million.

Management's Discussion and Analysis (continued)

Current year expenditures of \$70.2 million were \$6.8 million lower than last fiscal year. Operating project cost and debt service payments increased by \$3.7 million and \$1.9 million, respectively. Expenditures for capital-related projects went down by \$12.5 million and is reflective of the operational challenges brought by the COVID pandemic and the delays encountered when acquiring the required construction permits.

COP Construction Fund

The COP Construction Fund is used to account for resources used for the acquisition or construction of major capital projects. At fiscal year-end, fund balance was \$0.0 million. Investment earnings of \$24 thousand were transferred out to the Water Utility Fund's 2020C payment fund account held by fiscal agent for debt service payment.

COP Debt Service Fund

The COP Debt Service Fund is used to account for resources used for debt service payments. At fiscal year-end, fund balance was \$5.4 million.

Proprietary funds

Valley Water's proprietary funds provide a detailed breakdown of the same type of information found in the government-wide financial statements.

Water Enterprise fund

The Water Enterprise fund accounts for operations in a manner similar to a private business enterprise. Operations are accounted for to show net income or loss from operations. The fund is intended to be entirely or predominantly self-supported by water charges.

Net position of the Water Enterprise fund at the end of the fiscal year was \$1.2 billion, an increase of \$87.6 million from the prior year. Net operating income was \$60.1 million, with operating revenues and operating expenses of \$268.1 million and \$208.0 million, respectively. Nonoperating revenues (expenses) posted a net loss of \$8.3 million, with \$24.2 million of the nonoperating revenues being more than offset by the \$32.5 million of financing cost incurred for interest and fiscal agent fees. Income before capital contribution and transfers were \$51.8 million. Capital contributions for the fiscal year was \$13.6 million. Net transfers in were \$22.2 million. Please refer to Note 14 for more information on transfers in and out.

Operating revenues for the current fiscal year were \$4.3 million lower than last fiscal year, the result of the water conservation efforts instituted by Valley Water in partnership with the community to mitigate the effects of the drought. Operating expenses went down by \$34.7 million as savings were realized in almost all areas of operation. Nonoperating revenues increased by \$10.4 million, mainly from the \$15.9 million rise in investment income less the \$5.6 million cost increase in interest and fees from borrowing.

Management's Discussion and Analysis (continued)

State Water Project fund

The State Water Project fund was established and approved by the Board on October 26, 2010. This fund accounts for the State Water Project Tax receipts pursuant to Section 1B of Article 13A of the California Constitution to pay for county-wide voter-approved State Water Project contract obligations. Fund resources are used for the Water System Revenue Bond and other related capital expenditures billed by the State of California Department of Water Resources and are accounted for in such a manner as to restrict the use of the resources exclusively for the State Water Project related costs.

Ending net position was \$30.6 million or \$6.0 million higher than the prior fiscal year. Net operating losses of \$24.1 million were \$10.8 million lower than the prior fiscal year. Net non-operating revenues of \$30.1 million were \$1.6 million lower than the prior fiscal year and is comprised of property taxes and refunds from the Department of Water Resources of \$28.9 million and \$1.2 million, respectively.

Internal Service Funds

Valley Water has three internal service funds - the Equipment Fund, Risk Management Fund, and Information Technology Fund. Revenues of the funds are generated from fees charged for services provided to other Valley Water operating programs.

The Equipment fund charges replacement and maintenance costs to all operations, operating, and capital projects based on equipment assignment and usage of equipment on projects. The fund's annual reimbursement charge for the replacement and maintenance cost of equipment is determined during the budget process and varies yearly depending upon need.

The Risk Management fund charges premiums based on exposure levels by project for liability, property, worker's compensation, and self-insurance costs. Revenues required to properly reimburse the Risk Management Fund are determined during the budget process and varies yearly depending upon need.

The Information Technology fund was established on July 1, 2014 to account for the acquisition, installation, replacement, and maintenance costs of capital charges related to information technology projects for Valley Water. Beginning with fiscal year 2019, the fund also accounts for annual operations associated with information technology activities. The annual reimbursement charge to the Information Technology Fund is determined during the budget process and varies yearly depending upon need.

The Internal Service Fund's ending net position was \$35.1 million, or \$3.3 million higher than the prior fiscal year. The increase in net position was the result of the decrease in administration and general expenses in the Risk Management Fund and lower equipment maintenance cost in the Information Technology Fund.

Management's Discussion and Analysis (continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The summary table below shows a final budget of \$89.7 million for operating and capital expenditures for fiscal year 2023. The adopted budget was \$88.8 million. The budget adjustments made during the fiscal year were \$0.9 million.

(A) Adopted Budget	(B) Capital Projects Budget Remaining Carry-forward	(C) Fiscal Year Budget Adjustments	(A + B + C) Final Budget
\$88.8 million	\$0.0 million	\$0.9 million	\$89.7 million

Total expenditures on a budgetary basis (which recognizes encumbrances as expenditures) in the General Fund for fiscal year 2023 was \$79.4 million, which is \$1.4 million higher than the prior fiscal year.

Beginning fiscal year 2019, all project expenditures relating to the Information Technology Department were moved to the Information Technology Internal Service Fund. These expenditures were previously accounted for in the General Fund.

CAPITAL ASSETS

Valley Water's capital assets, net of accumulated depreciation, for governmental and business-type activities amounted to \$3.5 billion as of June 30, 2023. Capital asset components include intangible rights and software, land, buildings, structures and improvements (which include the flood control improvement), machinery and equipment. During fiscal year 2023, the net increase in Valley Water's capital assets was \$263.4 million or 8.2%. Governmental and business-type activities increased by \$63.5 million and \$199.9 million, respectively.

Detailed information on Valley Water's capital assets activity for the current fiscal year can be found in Note 6 of the notes to the financial statements.

Management's Discussion and Analysis (continued)

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, Valley Water had total long-term obligations of \$1.6 billion. Valley Water's long-term obligations outstanding at the end of the fiscal year consisted of the following:

Valley Water						
Long-Term Obligations						
(Dollars in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Certificates of Participation	\$ 38,900	\$ 48,150	\$ 422,055	\$ 215,140	\$ 460,955	\$ 263,290
Revenue bonds	121,740	-	526,540	409,470	648,280	409,470
Premium on debt issuances	16,157	6,847	66,164	51,643	82,321	58,490
Total long-term debt	<u>176,797</u>	<u>54,997</u>	<u>1,014,759</u>	<u>676,253</u>	<u>1,191,556</u>	<u>731,250</u>
Compensated absence	13,309	12,812	8,605	8,210	21,914	21,022
Semitropic water banking liability	-	-	11,919	12,200	11,919	12,200
Claims payable	8,337	7,715	-	-	8,337	7,715
Net pension liability	163,436	88,307	129,765	68,090	293,201	156,397
Other post-employment benefits liability	26,631	15,727	21,144	12,126	47,775	27,853
Lease liability	3,293	1,189	2,974	3,632	6,267	4,821
Total	<u>\$ 391,803</u>	<u>\$ 180,747</u>	<u>\$ 1,189,166</u>	<u>\$ 780,511</u>	<u>\$ 1,580,969</u>	<u>\$ 961,258</u>

The credit ratings for Valley Water outstanding debt reflect a high-grade investment quality debt. They are based on Valley Water's positive fiscal policy and financial strengths. The bond ratings are either the highest or among the highest for a water related governmental entity in the State of California. Bonds issued at this credit rating result in lower interest rates and corresponding lower debt service payments. Valley Water's ratings are the same on a secured and unsecured basis pursuant to the rating methodologies of the respective rating agencies.

Please see table below for current ratings.

	<u>Water Utility</u>	<u>Watershed</u>
	<u>Parity Debt</u>	<u>Debt</u>
Moody's	Aa1	Aa1
Standard & Poor's	N/A	AAA
Fitch	AA+	AA+

Valley Water's total long-term obligations increased by \$619.7 million during fiscal year 2023. \$211.1 million of the increase was from the governmental activities and \$408.6 million was from the business-type activities.

Management's Discussion and Analysis (continued)

Significant factors for the increase in long-term obligations are as follow:

- Issuance of the 2022A/B revenue bonds of \$121.7 million in the governmental activities and 2023A/B/C/D of \$343.4 million in the business-type activities.
- Increase in net pension liability of \$136.8 million as reflected in Valley Water's actuarial study under GASB 68.
- Increase in other post-employment benefits liability of \$19.9 million as reflected in Valley Water's actuarial study under GASB 75.

Additional information on Valley Water's long-term debt can be found in Note 7 of the notes to the financial statements.

NEXT YEAR'S BUDGET

Valley Water's net operating and capital budget for fiscal year 2024 is at \$856.6 million¹⁷. This budget was developed to meet the objective and challenges facing Valley Water that includes the following:

- Maintaining optimal conditions in all Valley Water infrastructure such as levees, concrete channels, culverts, percolation ponds, dams and reservoirs, water distribution systems, water treatment plants, various operations buildings, and other facilities
- Delivering an ambitious capital program on time and within budget
- Advancing Valley Water's interests in countywide stormwater resource planning
- Actively participating in decisions regarding California Delta Conveyance
- Leading efforts to advance recycled and purified water efforts within Santa Clara County
- Pursuing new water supply and increased water storage opportunities
- Providing safe, clean water and natural flood protection equitably to all Santa Clara County while protecting ecosystem functions and enhancing habitats
- Attaining net positive impact on the environment when completing projects
- Addressing future impacts of climate change to Valley Water's mission and operations.
- Addressing encampments in coordination with regional partners and progressing on an Unhoused Task Force framework

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of Valley Water's finances, and to demonstrate Valley Water's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Accounting Unit as noted below.

Mail - 5750 Almaden Expressway, San Jose, CA 95118

Phone - (408) 265-2600

Email - jsalandanan@valleywater.org

¹⁷ Valley Water FY2022-23 Operating and Capital Budget, chapter 3, page 6

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BASIC FINANCIAL STATEMENTS

VALLEY WATER
Statement of Net Position
June 30, 2023
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$ 388,400	\$ 320,129	\$ 708,529
Restricted cash and investments (Note 3)	52,297	212,866	265,163
Receivables (net):			
Accounts	1,452	40,914	42,366
Interest	2,487	-	2,487
Taxes	475	152	627
Leases	143	107	250
Inventory - water	-	133,630	133,630
Deposits and other assets	2,184	2,735	4,919
Total current assets	447,438	710,533	1,157,971
Internal balances	8,984	(8,984)	-
Capital assets (Note 6):			
Contract water and storage rights, net	-	31,218	31,218
Depreciable, net	832,422	696,396	1,528,818
Lease assets, net	3,236	2,712	5,948
Nondepreciable	984,337	937,658	1,921,995
Total assets	2,276,417	2,369,533	4,645,950
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	207	207
Deferred outflows of resources - pension activities (Note 11)	24,489	86,408	110,897
Deferred outflows of resources - OPEB (Note 12)	15,680	12,450	28,130
Total deferred outflows of resources	40,169	99,065	139,234
LIABILITIES			
Accounts payable	6,352	22,830	29,182
Accrued liabilities	5,801	26,271	32,072
Commercial paper debt (Note 7)	-	35,000	35,000
Claims payable	2,211	-	2,211
Compensated absences	2,839	1,837	4,676
Deposits payable	1,056	1,951	3,007
Accrued interest payable	2,678	-	2,678
Total current liabilities	20,937	87,889	108,826
Noncurrent liabilities (Note 7):			
Claims payable	6,126	-	6,126
Compensated absences	10,470	6,768	17,238
Bonds payable	176,797	1,014,758	1,191,555
Pension	163,437	129,765	293,202
Other post employment benefits	26,631	21,144	47,775
Lease liability	3,293	2,974	6,267
Other debts	-	11,919	11,919
Total liabilities	407,691	1,275,217	1,682,908
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding	213	-	213
Deferred inflows of resources - OPEB (Note 12)	6,000	4,763	10,763
Deferred inflows of resources - leases	176	152	328
Total deferred inflows of resources	6,389	4,915	11,304
NET POSITION (Note 10)			
Net investment in capital assets	1,639,659	603,803	2,243,462
Restricted:			
Debt service	2,754	16,545	19,299
Construction	-	42,973	42,973
Safe, Clean Water - other activities	260,093	-	260,093
Water Utility San Felipe emergency	-	3,527	3,527
GP5 Reserve	-	20,545	20,545
Water Utility rate stabilization	-	41,067	41,067
Water Utility state water project	-	18,363	18,363
Advanced water purification center	-	1,298	1,298
Supplemental water supply	-	5,277	5,277
Unrestricted	-	435,068	435,068
Total net position	\$ 1,902,506	\$ 1,188,466	\$ 3,090,972

See accompanying notes to basic financial statements

VALLEY WATER
Statement of Activities
For the Year Ended June 30, 2023
(Dollars in Thousands)

Description	Governmental Activities			Total	Business-Type Activities	Total
	General Government	Watersheds	Interest on Long-term Debt			
Expenses:						
Operations and operating projects	\$ 11,757	\$ 134,027	\$ 4,834	\$ 150,618	\$ -	\$ 150,618
Water cost of production	-	-	-	-	265,150	265,150
Program revenues:						
Charges for water services	-	-	-	-	268,101	268,101
Operating grants and contributions	-	-	-	-	5,376	5,376
Capital grants and contributions	-	34,781	-	34,781	13,624	48,405
Net program revenue (expense)	<u>\$ (11,757)</u>	<u>\$ (99,246)</u>	<u>\$ (4,834)</u>	<u>(115,837)</u>	<u>21,951</u>	<u>(93,886)</u>
General revenues:						
Property taxes (Note 8)				177,788	39,394	217,182
Unrestricted investment earnings, Net				1,827	7,582	9,409
Lease revenue				-	94	94
Miscellaneous				5,600	1,955	7,555
Transfers				<u>(22,212)</u>	<u>22,212</u>	<u>-</u>
Total general revenues and transfers				<u>163,003</u>	<u>71,237</u>	<u>234,240</u>
Change in net position				<u>47,166</u>	<u>93,188</u>	<u>140,354</u>
Net position, beginning of year				<u>1,855,340</u>	<u>1,095,278</u>	<u>2,950,618</u>
Net position, end of year				<u>\$ 1,902,506</u>	<u>\$ 1,188,466</u>	<u>\$ 3,090,972</u>

See accompanying notes to basic financial statements.

VALLEY WATER

Balance Sheet
Governmental Funds
June 30, 2023
(Dollars in Thousands)

	<u>Special Revenue Fund</u>	
	<u>General Fund</u>	<u>Watershed & Stream Stewardship</u>
ASSETS		
Cash and investments (Note 3)	\$ 20,619	\$ 137,710
Restricted cash and investments (Note 3)	-	77
Receivables:		
Accounts	17	840
Interest	2,487	-
Taxes	42	433
Deposits and other assets	1,594	-
Total assets	<u>24,759</u>	<u>139,060</u>
LIABILITIES		
Accounts payable	233	2,731
Accrued liabilities	2,623	1,318
Deposits payable	10	565
Total liabilities	<u>2,866</u>	<u>4,614</u>
FUND BALANCES (Note 9):		
Restricted fund balance	-	109,659
Committed fund balance	15,848	-
Assigned fund balance	6,045	24,787
Total fund balances	<u>\$ 21,893</u>	<u>\$ 134,446</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 189,653	\$ -	\$ 70	\$ 348,052
46,858	-	5,362	52,297
595	-	-	1,452
-	-	-	2,487
-	-	-	475
481	-	-	2,075
237,587	-	5,432	406,838
3,106	-	-	6,070
1,322	-	-	5,263
481	-	-	1,056
4,909	-	-	12,389
232,678	-	5,432	347,769
-	-	-	15,848
-	-	-	30,832
\$ 232,678	\$ -	\$ 5,432	\$ 394,449

VALLEY WATER

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2023
(Dollars in Thousands)

Amount reported for governmental activities in the statement of net position are different because:

Fund balances of governmental funds	\$ 394,449
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.	1,804,311
Lease and subscription assets	3,380
Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Internal service funds included in governmental activities	35,106
Transfer of internal service funds from business-type activities	8,984
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.	(2,678)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:	
Certificates of participation	(160,640)
Deferred amount on refunding	(213)
Net original issue premium	(16,157)
Compensated absences	(12,541)
Net pension liability and related deferrals	(132,940)
Net OPEB liability and related deferrals	(15,085)
Lease and subscription liabilities and related deferrals	(3,470)
Net position of governmental activities	<u>\$ 1,902,506</u>

See accompanying notes to basic financial statements

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VALLEY WATER
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

		<u>Special Revenue Fund</u>
	General Fund	Watershed & Stream Stewardship
Revenues:		
Property taxes (Note 8)	\$ 11,581	\$ 116,706
Benefit assessments (Note 8)	-	13,229
Use of money and property:		
Investment income (Note 5)	(375)	297
Rental	-	1,744
Reimbursement of capital costs (Note 4)	-	13,576
Other	2,106	1,176
Total revenues	<u>13,312</u>	<u>146,728</u>
Expenditures:		
Current:		
Operations and operating projects	5,592	68,977
Capital improvement projects	2,271	44,519
Debt service:		
Principal repayment	-	-
Interest and fiscal agent fees	-	8
Total expenditures	<u>7,863</u>	<u>113,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,449</u>	<u>33,224</u>
Other financing sources (uses):		
Proceeds from borrowing	-	-
Transfers in (Note 14)	4,214	-
Transfers out (Note 14)	(472)	(39,597)
Total other financing sources (uses)	<u>3,742</u>	<u>(39,597)</u>
Net change in fund balances	9,191	(6,373)
Fund balances, beginning of year	12,702	140,819
Fund balances, end of year	<u>\$ 21,893</u>	<u>\$ 134,446</u>

See accompanying notes to basic financial statements.

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	
Safe, Clean Water & Natural Flood Protection Program	COP Construction Fund	COP Debt Service Fund	Total Governmental Funds
\$ 49,501	\$ -	\$ -	\$ 177,788
-	-	-	13,229
1,803	24	215	1,964
333	-	-	2,077
7,976	-	-	21,552
56	-	-	3,338
<u>59,669</u>	<u>24</u>	<u>215</u>	<u>219,948</u>
19,999	-	-	94,568
47,296	-	-	94,086
-	-	9,250	9,250
2,950	-	2,308	5,266
<u>70,245</u>	<u>-</u>	<u>11,558</u>	<u>203,170</u>
<u>(10,576)</u>	<u>24</u>	<u>(11,343)</u>	<u>16,778</u>
132,952	-	-	132,952
-	-	11,385	15,599
<u>(1,779)</u>	<u>(24)</u>	<u>-</u>	<u>(41,872)</u>
<u>131,173</u>	<u>(24)</u>	<u>11,385</u>	<u>106,679</u>
120,597	-	42	123,457
112,081	-	5,390	270,992
<u>\$ 232,678</u>	<u>\$ -</u>	<u>\$ 5,432</u>	<u>\$ 394,449</u>

VALLEY WATER

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2023 (Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 123,457
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays, net of depreciation.	
Capital Outlay	72,632
Depreciation	(11,467)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. This amount represents the net change in accrued interest expense not reported in governmental funds.	
	(1,565)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	
Certificates of participation issuance	(121,740)
Certificates of participation repayment	9,250
Deferred amount on refunding	(63)
Net original issue premium	(9,310)
Internal service funds are used by management to charge the costs of equipment, information technology, and risk management to individual funds. The net revenue of internal service funds is reported with governmental activities.	
	3,783
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:	
Compensated absences	(443)
Change in net OPEB liability, deferred inflows and outflows	5,654
Change in net pension liability, deferred inflows and outflows	(23,081)
Capital lease and SBITA expenses	59
Change in net position of governmental activities	<u>\$ 47,166</u>

See accompanying notes to basic financial statements

VALLEY WATER

Statement of Net Position

Proprietary Funds

June 30, 2023

(Dollars in Thousands)

	Business-type Activities			Governmental
	Water	State Water	Total	Internal
	Enterprise Fund	Project Fund	Enterprise Funds	Service Funds
ASSETS				
Current assets:				
Cash and investments (Note 3)	\$ 301,842	\$ 18,287	\$ 320,129	\$ 40,348
Receivables:				
Accounts	40,914	-	40,914	-
Taxes	39	113	152	-
Leases	107	-	107	-
Inventory - water	133,630	-	133,630	-
Deposits and other assets	2,735	-	2,735	109
Total current assets	479,267	18,400	497,667	40,457
Non current assets:				
Restricted cash and investments (Note 3)	212,866	-	212,866	-
Capital assets (Note 6):				
Contract water rights, net	18,941	12,277	31,218	-
Depreciable, net	696,396	-	696,396	12,448
Lease assets, net	2,712	-	2,712	-
Nondepreciable	937,658	-	937,658	-
Total non current assets	1,868,573	12,277	1,880,850	12,448
Total assets	2,347,840	30,677	2,378,517	52,905
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	207	-	207	-
Deferred outflows of resources - pension activities (Note 11)	86,408	-	86,408	11,974
Deferred outflows of resources - OPEB (Note 12)	12,450	-	12,450	1,725
Total deferred outflows of resources	99,065	-	99,065	13,699
LIABILITIES				
Current liabilities:				
Accounts payable	22,830	-	22,830	282
Accrued liabilities	26,234	37	26,271	538
Commercial paper debt (Note 7)	35,000	-	35,000	-
Deposits payable	1,951	-	1,951	-
Claims payable (Note 13)	-	-	-	2,211
Bonds payable - current (Note 7)	27,271	-	27,271	-
Compensated absence (Note 7)	1,837	-	1,837	163
Lease liability (Note 7)	283	-	283	-
Total current liabilities	115,406	37	115,443	3,194
Non current liabilities:				
Bonds payable - net of discounts and premiums (Note 7)	987,487	-	987,487	-
Claims payable (Note 13)	-	-	-	6,126
Compensated absence (Note 7)	6,768	-	6,768	605
Net pension liability (Note 11)	129,765	-	129,765	17,982
Other post employment benefits liability (Note 12)	21,144	-	21,144	2,930
Lease liability (Note 7)	2,691	-	2,691	-
Other debt	11,919	-	11,919	-
Total non current liabilities	1,159,774	-	1,159,774	27,643
Total liabilities	1,275,180	37	1,275,217	30,837
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB (Note 12)	4,763	-	4,763	661
Deferred inflows of resources - leases (Note 2d)	152	-	152	-
Total deferred inflows of resources	4,915	-	4,915	661
NET POSITION (Note 10)				
Net investment in capital assets	591,526	12,277	603,803	12,448
Restricted:				
Debt service	16,545	-	16,545	-
Construction	42,973	-	42,973	-
San Felipe operations	3,527	-	3,527	-
GPS reserve	20,545	-	20,545	-
State water project	-	18,363	18,363	-
Rate stabilization	41,067	-	41,067	-
Advanced water purification center	1,298	-	1,298	-
Supplemental water supply	5,277	-	5,277	-
Unrestricted	444,052	-	444,052	22,658
Total net position	\$ 1,166,810	\$ 30,640	1,197,450	\$ 35,106
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			(8,984)	
Net position of business-type activities			\$ 1,188,466	

See accompanying notes to basic financial statements.

VALLEY WATER

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2023 (Dollars in Thousands)

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	State Water Project Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:				
Ground water production charges	\$ 106,936	\$ -	\$ 106,936	\$ -
Treated water charges	159,215	-	159,215	-
Surface and recycled water revenue	1,950	-	1,950	-
Charges for services	-	-	-	37,936
Other	51	-	51	-
Total operating revenues	268,152	-	268,152	37,936
Operating expenses:				
Sources of supply	88,844	23,168	112,012	-
Water treatment	52,341	-	52,341	-
Transmission and distribution:				
Raw water	19,226	-	19,226	-
Treated water	2,509	-	2,509	-
Administration and general	12,271	-	12,271	6,865
Equipment maintenance	-	-	-	29,013
Depreciation and amortization	32,838	944	33,782	2,888
Total operating expenses	208,029	24,112	232,141	38,766
Operating income (loss)	60,123	(24,112)	36,011	(830)
Nonoperating revenues (expenses):				
Property taxes (Note 8)	10,522	28,872	39,394	-
Investment income (Note 5)	7,582	-	7,582	(139)
Operating grants	5,376	-	5,376	-
Rental income	49	-	49	-
Lease revenue	94	-	94	-
Other	595	1,260	1,855	249
Interest and fiscal agent fees	(32,568)	-	(32,568)	-
Net nonoperating revenues (expenses)	(8,350)	30,132	21,782	110
Income/(loss) before capital contributions and transfers	51,773	6,020	57,793	(720)
Capital contributions (Note 4)	13,624	-	13,624	-
Transfers in (Note 14)	26,085	-	26,085	4,062
Transfers out (Note 14)	(3,873)	-	(3,873)	-
Change in net position	87,609	6,020	93,629	3,342
Net position, beginning of year	1,079,201	24,620	1,103,821	31,764
Net position, end of year	\$ 1,166,810	\$ 30,640	1,197,450	\$ 35,106
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			(8,984)	
Net position of business-type activities			\$ 1,188,466	

Reconciliation of the Statement of Revenues, Expenses and Change in Net Position to the Statement of Activities:

Amounts reported as business-type activities in the statement of activities are different because:

Net change in net position - enterprise funds	\$ 93,629
Adjustment to the net effect of the current year activity between the internal service funds and the enterprise funds	(441)
Change in net position of business-type activities	\$ 93,188

See accompanying notes to basic financial statements.

VALLEY WATER
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	State Water Project Fund	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 260,806	\$ -	\$ 260,806	\$ -
Payments to suppliers	(64,468)	(23,717)	(88,185)	(26,433)
Payment for interfund services provided	-	-	-	37,936
Payments to employees	(123,273)	-	(123,273)	(12,877)
Other receipts	689	1,260	1,949	217
Net cash provided by (used for) operating activities	73,754	(22,457)	51,297	(1,157)
Cash flows from noncapital financing activities:				
Property taxes received	10,540	28,935	39,475	-
Operating grant	5,376	-	5,376	-
Transfers in from other funds	26,085	-	26,085	-
Net cash provided by noncapital financing activities	42,001	28,935	70,936	-
Cash flows from capital and related financing activities:				
COP/revenue bonds issuance/(payment)	338,537	-	338,537	-
Commercial paper issuance/(payment)	(99,195)	-	(99,195)	-
Capital grants	13,624	-	13,624	-
Interest and fiscal agent fees paid	(32,568)	-	(32,568)	-
Payments for contract water rights	(11,120)	-	(11,120)	-
Acquisition and construction of capital assets	(222,560)	-	(222,560)	(1,956)
Transfers in from other funds	-	-	-	4,062
Transfers out to other funds	(3,873)	-	(3,873)	-
Net cash provided by/(used for) capital and related financing activities	(17,155)	-	(17,155)	2,106
Cash flows from investing activities:				
Sale/(purchase) of investments	(212,856)	-	(212,856)	-
Rental income received	143	-	143	-
Interest received on cash and investments	7,582	-	7,582	(139)
Net cash provided by/(used for) investing activities	(205,131)	-	(205,131)	(139)
Net increase (decrease) in cash and cash equivalents	(106,531)	6,478	(100,053)	810
Cash and cash equivalents, beginning of year	408,373	11,809	420,182	39,538
Cash and cash equivalents, end of year	\$ 301,842	\$ 18,287	\$ 320,129	\$ 40,348
Cash and cash equivalents are reported on the Statement of Net Position as follows:				
Cash and investments	\$ 301,842	\$ 18,287	\$ 320,129	\$ 40,348
Cash and cash equivalents, end of year	\$ 301,842	\$ 18,287	\$ 320,129	\$ 40,348
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 60,123	\$ (24,112)	\$ 36,011	\$ (830)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other receipts/(payments)	689	1,260	1,949	217
Depreciation and amortization	32,838	944	33,782	2,888
Change in operating assets and liabilities:				
(Increase)/decrease in deposits and other assets	(1,960)	-	(1,960)	59
(Increase)/decrease in accounts receivable	(1,003)	-	(1,003)	-
(Increase)/decrease in water inventory	(6,343)	-	(6,343)	-
Increase/(decrease) in accounts payable	8,252	1	8,253	192
Increase/(decrease) in accrued liabilities	4,204	(550)	3,654	(1,878)
Increase/(decrease) in lease payable	(658)	-	(658)	-
Increase/(decrease) in compensated absences	395	-	395	55
Increase/(decrease) in deposits payable	1,806	-	1,806	-
Increase/(decrease) in claims payable	-	-	-	622
Increase/(decrease) in other post employment benefits payable	9,018	-	9,018	1,353
Increase/(decrease) in deferred inflows/outflow of resources	(95,002)	-	(95,002)	(12,956)
Increase/(decrease) in pension liabilities	61,676	-	61,676	9,121
Increase/(decrease) in payable to Semitropic	(281)	-	(281)	-
Net cash provided (used) by operating activities	\$ 73,754	\$ (22,457)	\$ 51,297	\$ (1,157)
Noncash investing, capital, and financing activities:				
Acquisition/(disposition) of capital assets	\$ (1)	\$ -	\$ (1)	\$ 31

See accompanying notes to basic financial statements.

VALLEY WATER
Statement of Fiduciary Net Position
Custodial Fund
June 30, 2023
(Dollars in Thousands)

ASSETS

Cash and investments (Note 3)	\$ 404
Total assets	<u>404</u>

LIABILITIES

Deposits payable	<u>404</u>
Total liabilities	<u>404</u>

NET POSITION

<u>\$ -</u>

See accompanying notes to basic financial statements.

VALLEY WATER
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended June 30, 2023
(Dollars in Thousands)

Deposit Fund

Additions:

Contributions	\$ 228
Total additions	<u>228</u>

Deductions:

Withdrawals	<u>228</u>
Total deductions	<u>228</u>

Net increase in fiduciary net position

-

Net Position, beginning

-

Net Position, ending

\$ -

See accompanying notes to basic financial statements.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1 - THE FINANCIAL REPORTING ENTITY

(a) Description of the Reporting Entity

The Santa Clara Valley Water District (Valley Water) is a special district created by an act of the legislature of the State of California (State) in 1951 and as amended. Valley Water encompasses all of Santa Clara County.

Valley Water is governed by a seven-member Board of Directors (Board). Each member represents one of the equally divided districts drawn through a formal process. The term of office of a director is four years.

On October 12, 2009, Assembly Bill 466 was signed by the Governor of California revising the composition of the Board to an all-elected board that, on or after noon on December 3, 2010, consists of seven directors who are elected pursuant to specified requirements. On May 14, 2010, the Board adopted a resolution that officially set the boundaries of the seven electoral districts. As required by state law, Valley Water redrew its boundaries to reflect the 2010 Census results, and on October 11, 2011, the Board adopted Resolution No. 11-63 selecting the Redistricting Plan, known as the Current Adjusted Map.

Under the Santa Clara Valley Water District Act (District Act), Valley Water has broad powers relating to all aspects of flood control and storm waters within Santa Clara Valley, whether such waters have their sources within Valley Water. It is also authorized to import, store, treat, and distribute water for use within its jurisdictional boundaries and to provide sufficient water for present or future beneficial use of the lands and inhabitants of Santa Clara Valley. Valley Water acquires, stores, and distributes water for groundwater recharge and for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. In addition to the broad authorities provided by the District Act, the Sustainable Groundwater Management Act (SGMA) provides several additional specified powers to Valley Water. These legal authorities under SGMA include the ability to regulate groundwater pumping and assess different types of groundwater charges as potential tools to support continued groundwater sustainability. Valley Water also directly supports the environment and the community through careful stewardship.

As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying basic financial statements present Valley Water and its component unit. The component unit discussed below is included in Valley Water's reporting entity because of the significance of its operational and financial relationship with Valley Water.

(b) Blended Component Unit

The Santa Clara Valley Water District Public Facilities Financing Corporation (PFFC) was established on December 16, 1987 to provide assistance in financing the acquisition, construction, and improvement of public buildings, works and equipment for Valley Water. Although legally separate from Valley Water, the PFFC is reported as if it were part of the primary government because its governing board is also Valley Water's Board of Directors. Its sole purpose is to provide financing to Valley Water under the debt issuance documents of Valley Water.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

The operations of the PFFC are accounted for as a blended component unit in the debt service and capital project funds of Valley Water. No separate financial statements are issued for the PFFC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (Valley Water) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of Valley Water. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees charged to external parties.

Certain eliminations have been made in regard to interfund activities. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between the governmental and business-type activities have not been eliminated.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of Valley Water and for each function of Valley Water's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position is available, restricted resources are used for qualified expenses before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about Valley Water's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Valley Water reports the following Governmental Funds, all of which are major funds:

The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental functions of Valley Water that are not accounted for through other funds.

The *Special Revenue Type Funds* are used to account for specific revenue sources for which expenditures are restricted by law or regulation or committed by board resolutions to finance particular watershed or safe, clean water and natural flood protection functions or activities of Valley Water. Valley Water has the following special revenue funds:

- The *Watershed and Stream Stewardship Fund* is funded by Valley Water's one percent property tax allocation and benefit assessments and used to protect, restore, or enhance the watersheds, streams, and natural resources therein. Starting from fiscal year 2009, this fund was redefined to consolidate all watershed stewardship activities from a portion of Valley Water's ad valorem property tax allocation.

This fund includes the following watershed activities that are based on their geographic boundaries (zone funds):

- ♦ The *Lower Peninsula Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Mountain View, the Town of Los Altos Hills, and portions of Cupertino.
 - ♦ The *West Valley Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes portions of the Cities of Sunnyvale, Cupertino, Monte Sereno, San Jose, Santa Clara, Campbell, Saratoga and the Town of Los Gatos.
 - ♦ The *Guadalupe Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamitos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.
 - ♦ The *Coyote Watershed* is defined by geographic boundaries encompassing the tributaries and watersheds of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.
- The *Safe, Clean Water & Natural Flood Protection Program Fund* is used to account for the countywide special parcel tax approved by voters on November 3, 2020. This program replaces the Safe, Clean Water and Natural Flood Protection Program that was approved by the voters in November 2012, which replaces the original Clean, Safe Creeks and Natural Flood Protection Plan that was approved by the voters in November 2000.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

- The *Capital Project Funds* are used to account for Certificate of Participation (COP) proceeds used for the construction of major capital projects. The COP Construction Fund is Valley Water's sole capital project fund.
- The *Debt Service Funds* are used to account for monies being held for reserve requirements and arbitrage rebate for Valley Water's debt payments. The COP Debt Service Fund is Valley Water's sole debt service fund.

Valley Water reports the following Proprietary Funds:

- The *Water Enterprise Fund* (major fund) accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- The *State Water Project Fund* (major fund) accounts for all revenues and costs associated with the State Water Project.
- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency of Valley Water to other departments or agencies on a cost-reimbursement basis.
 - The *Equipment Fund* accounts for the maintenance and operation of Valley Water's vehicle fleet and heavy construction equipment used in the field.
 - The *Risk Management Fund* accounts for the monies set aside to pay for all claims, judgments, and premium cost.
 - The *Information Technology Fund* accounts for the replacement, operations, and maintenance of information technology projects for Valley Water.

All of the internal service funds are combined into a single, aggregated presentation in the Proprietary Funds financial statements. In the government-wide financial statements, the activities of the internal service funds are allocated between the Governmental and Business-type Activities.

Valley Water reports the following Fiduciary Fund - *Custodial Fund* to account for assets held by Valley Water as an agent for private organizations and/or other governments.

- The *Custodial Fund* is used to account for the collection and payment of funds held by Valley Water as an agent for private organizations and/or other governments. There is no trust agreement between Valley Water and these third parties.

The Fiduciary Fund is not included in the government-wide financial statements as it is not an asset of Valley Water.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

(b) Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which Valley Water gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when received within sixty days after the end of the fiscal year so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Fund is the sale of water to outside customers. The principal operating revenues of Valley Water's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds *operating* revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Fiduciary Funds

Fiduciary funds are used to account for assets held by Valley Water in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary funds use the economic resource measurement focus and accrual basis of accounting for reporting assets and liabilities.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

(c) Cash and Investments

While maintaining safety and liquidity, Valley Water maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

Valley Water reported investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, and all other investments at fair value. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

(d) Lease Receivable

Lease receivable is measured at the present value of lease payments expected to be received during the lease term.

Valley Water has entered into property leases with telecommunication companies and other parties for antennae and pipeline sites for a term of 5 years and 10 years, respectively. The discount rate used is equivalent to Valley Water's average annual investment earnings rate of 1.6% starting fiscal year 2022.

Deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. Deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

(e) Inventory

Proprietary fund inventory consists of materials and supplies held for consumption and stored water inventory. In fiscal year 2022, Valley Water implemented a new enterprise resource financial system that resulted in a change in accounting methodology. Purchases for inventory items stored in the warehouse that previously were being expensed are now being recorded as inventory and then expensed as incurred or issued.

For financial statement purposes, chemical inventories are presented under deposits and other assets. Water inventory is valued based on the rolling average of imported water purchase cost. The components of water inventory as of the end of the current fiscal year are shown on the succeeding page.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

<u>Type</u>	<u>Acre Feet</u>		<u>Total</u> <u>(in thousands)</u>
	<u>Volume</u>	<u>Average</u> <u>Unit Cost</u>	
Semitropic storage	261,387	\$ 417	\$ 108,998
Local Reservoir Storage	59,069	417	24,632
Total inventory - water			<u>\$ 133,630</u>

(f) Lease or Right-to-Use Assets

Valley Water has recorded lease or right-to-use assets as a result of implementing Governmental Accounting Standard Board Statement No. 87 (Leases) and Governmental Accounting Standard Board Statement No. 96 (Subscription-based Information Technology Arrangements). The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The lease assets are amortized on a straight-line basis over the term of the related leases or useful life of the underlying assets, whichever is shorter.

(g) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and re-vegetation.

Valley Water defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, including assets under capital leases used in operations, are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. The estimated useful lives are as follows:

Water treatment facilities	50 Years
Buildings, structures, and trailers	25 - 50 Years
Flood control projects	30 - 100 Years
Dams, structures, and improvements	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

(h) Amortization of Contract Water Rights

Valley Water has contracted with the State of California for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(i) Amortization of Water Banking Rights

Valley Water has contracted with the Semitropic Water Storage District and its Improvement Districts for the water banking and exchange program. The program is in effect through calendar year 2035. Participation in the program provides Valley Water a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Water Enterprise Fund has capitalized the cost of the program and amortizes its cost over the 40-year entitlement period using the straight-line method. See Note 16c for more information on Valley Water's participation in the Semitropic water banking and exchange program.

(j) Amortization of Water Delivery Rights

Valley Water has contracted with the United States Department of the Interior Bureau of Reclamation for water deliveries from the California Central Valley through calendar year 2027. A portion of this contract represents reimbursement of capital costs for general construction of the San Felipe Division facilities. The San Felipe Division transports water from San Luis Reservoir to the Santa Clara – San Benito service area through Pacheco Tunnel and other project features, which include 48.5 miles of closed conduits, two pumping plants and one small reservoir. The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(k) Receivables

Receivables include amounts due from water utility customers, as well as from other miscellaneous revenue sources. All receivables are shown net of an allowance for doubtful accounts. At the end of the fiscal year, a review of outstanding receivables results in an updated estimate of the bad debt allowance at year-end, whereby delinquent balances greater than 3 years are assigned a weight of 75%, up to 3 years a weight of 50%, up to 2 years a weight of 20%, and up to 1 year a weight of 5%. The totals of each of these amounts are then combined to determine the fiscal year's ending bad debt allowance. On June 30, 2023, the bad debt allowance was \$0.9 million.

(l) Compensated Absences - Accrued Vacation and Sick Leave Pay

It is the policy of Valley Water to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net position.

Maximum vacation accruals may not exceed three times the employee's annual accrual rate, per

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

employee. All regular full-time employees are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried forward to the following fiscal year without limitation. Upon retirement, up to 480 hours of accrued sick leave shall be paid to the eligible employee at the rate of 50% of the equivalent cash value. Upon resignation with ten or more years of service, or upon separation by layoff regardless of service, up to 480 hours of accrued sick leave shall be paid off at the rate of 25% of the cash value.

The compensated absences liability is recognized in Valley Water's proprietary funds and on the government-wide activities column in the statement of net position.

(m) Bond Premiums, Discounts and Issuance Costs

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums or discounts. Refunding differences associated with debt refinancing are reported as deferred outflows or inflows of resources and amortized over the life of the bonds. Issuance costs are recorded as an expense of the current period.

Premiums and discounts related to outstanding debt are deferred and amortized over the life of the debt. Debt payables are reported net of the applicable bond premiums or discounts. Prepaid insurance associated with the issuance of debts are reported as prepaid expenses.

(n) Encumbrances

Valley Water employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts, and other commitments for expenditure of funds are recorded as assignment of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

(o) Net position

Fund net position is classified based primarily to the extent to which Valley Water is bound to observe constraints imposed upon the use of the resources. When both restricted and unrestricted resources are available for expenses, Valley Water expends the restricted funds and then the unrestricted funds.

(p) Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

(q) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Valley Water's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(r) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Valley Water's plan (OPEB Plan) and additions to/deductions from the OPEB's Plan's fiduciary net position have been determined on the same basis as reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(s) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(t) New Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on Valley Water's financial reporting process. Current and future new standards which may impact Valley Water include the following:

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

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GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Errors Corrections – an amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections, the required disclosure in the notes to the financial statements, and how information that is affected by a change in accounting principle or error correction should be presented in the required supplementary information (RSI) and supplementary information (SI). The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Valley Water has not yet determined the impact of this pronouncement on the financial statements.

GASB Statement No. 98 – In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). This statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for fiscal years ending after December 15, 2021. Valley Water has implemented GASB 98 as of and for the year ended June 30, 2022.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. In addition, this statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this statement pertaining to the component unit are effective immediately, and those pertaining to the 457 plans are effective for fiscal years beginning after June 15, 2021. The implementation of this standard does not have an impact to Valley Water's financial statement.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for

VALLEY WATER
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government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Valley Water has implemented GASB 96 as of and for the year ended June 30, 2023.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The implementation of this standard does not have an impact to Valley Water's financial statement.

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NOTE 3 - CASH AND INVESTMENTS

Valley Water's total cash and investments on June 30, 2023 are as follows (in thousands):

	Governmental	Business-type	Total		
	Activities	Activities	Government	Fiduciary	Total
			Wide	Fund	
Cash and investments	\$ 388,400	\$ 320,129	\$ 708,529	\$ 404	\$ 708,933
Restricted cash and investments	52,297	212,866	265,163	-	265,163
Total cash and investments	<u>\$ 440,697</u>	<u>\$ 532,995</u>	<u>\$ 973,692</u>	<u>\$ 404</u>	<u>\$ 974,096</u>

Deposits and Investments

On June 30, 2023, Valley Water's cash and investments consisted of the following (in thousands):

U.S. Government Agencies	\$ 284,234
U.S. Treasury Obligations	239,918
Medium Term Notes	1,827
State of California Investment Pool -	
Local Agency Investment Fund (LAIF)	63,188
Mutual Funds	124,340
Supranational Obligations	13,895
Municipal Bonds	37,167
Negotiable Certificates of Deposit	223
Time Certificates of Deposit	162,765
Money Market Funds	43,489
Total Investments	<u>971,046</u>
Deposits	<u>3,050</u>
Total Deposits and Investments	<u>\$ 974,096</u>

As of June 30, 2023, the fair value of Valley Water's investment in the State of California investment pool (LAIF) was \$63.2 million. The Local Investment Advisory Board (LIA Board) has oversight responsibility for LAIF. The LIA Board consists of five members as designated by State Statute. Valley Water is a voluntary participant in the pool. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of Valley Water's position in LAIF. The pool is not registered with the Securities and Exchange Commission.

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For the Year Ended June 30, 2023

Authorized Investments by Valley Water

Valley Water's Investment Policy and the California Government Code allow Valley Water to invest in the following types of investments, provided the credit ratings of the issuers are acceptable to Valley Water. The following items also identify certain provisions of Valley Water and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This list does not address Valley Water's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of Valley Water, rather than the general provisions of the California Government Code or Valley Water's investment policy, when more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	(Exempt from disclosure)	None	None
U.S. Government Agency Issues ^(A)	5 years	(Exempt from disclosure)	None	None
Bankers Acceptances	180 days	AA-	40%	4.8%
Commercial Paper	90 days	AA-	15%	1.8%
Negotiable Certificates of Deposit	5 years	AA-	30%	3.6%
Time Certificates of Deposit ^(B)	5 years	Satisfactory CRA	5%	\$250,000 & FDIC Membership
Collateralized Repurchase Agreements	30 days	AA-	None	None
Medium Term Notes	5 years	AA-	15%	1.8%
Municipal Obligations	5 years	AA-	15%	1.8%
LAIF ^(C)	N/A	N/A	(B)	(B)
Mutual Funds	N/A	AAA	10%	- -
Supranational Obligations	5 years	AA	15%	1.8%

^(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Agricultural Mortgage Corporation of America and the Tennessee Valley Authority.

^(B) Valley Water Board of Directors approved investments in California based local banks with a threshold of a minimum of 4% invested in banks with up to \$10 billion in assets and 1% in banks with up to \$2 billion in assets for a limit of 5 years in the form of collateralized deposits, FDIC/NCUA insured CDs, CDARS, or any legally allowable deposits.

^(C) LAIF will accept no more than \$75 million of an agency's unrestricted funds while placing no constraints on funds relating to unspent bond proceeds.

Restricted Cash and Investments for Bond Interest and Redemption

Under the provisions of Valley Water's revenue bond resolutions and Installment Purchase Agreement for the 2012A, 2016C, 2016D, 2017A, 2019C, 2020C, 2020D, 2022B, 2023C, 2023C-1, 2023C-2 and 2023d Certificates of Participations (COPs) and Water Utility Revenue Bonds 2016A, 2016B, 2017A, 2019A, 2019B, 2020A, 2020B, 2022A, 2023A and 2023B, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee.

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As of June 30, 2023, the amount invested in assets held by fiscal agents amounted to \$5.4 million and was equal to or more than the amount required at that date.

Restricted Cash and Investments for Capital Projects

On June 30, 2023, Valley Water has \$196.3 million of cash deposited with fiscal agent that is restricted for capital-related projects.

Restricted Cash and Investments for Watershed Management Projects

Valley Water has entered into certain cost sharing agreements with the U.S. Army Corps of Engineers (the Corps). Under these agreements, Valley Water is required to deposit monies into escrow accounts to be used by the Corps for watershed management projects. On June 30, 2023, Valley Water's restricted deposits held in escrow for construction of the Guadalupe Watershed project amounted to \$77 thousand.

Authorized Investments by Debt Agreements

Valley Water must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if Valley Water fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in instruments which, at the time of such investment, are legal investments under the laws of the State of California, Valley Water ordinances, policies, and bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations ^(A)	N/A	N/A
U.S. Agency Securities ^(B)	N/A	N/A
State Obligations ^(C)	N/A	A
Commercial Paper	270 days	A1
Unsecured CD's, deposit accounts, time deposits, and bankers acceptances	365 days	A-1
FDIC Insured Deposit ^(D)	N/A	N/A
Money Market Funds	N/A	AAA
Collateralized Repurchase Agreements ^(E)	N/A	A-1
Investment Agreements ^(F)	N/A	AA-
Investment Approved in Writing by the Certificate Insurer	N/A	N/A
LAIF	N/A	N/A
Supranational Obligations	N/A	AA

^(A) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

VALLEY WATER
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For the Year Ended June 30, 2023

- (B) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA"s); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA"s); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; local authority Certificates of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit Certificates of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.
- (C) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured, and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P.
- (D) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3.0 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation.
- (E) Repurchase agreements collateralized by Direct Obligations, GNMA"s, FNMA"s or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided: (1) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (2) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50.0 million or (iii) a bank approved in writing for such purpose by the Certificate Insurer, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. if such securities is created for the benefit of the Trustee; and (4) the repurchase agreement has a term of 180 days or less, and the Trustee or the agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (5) the fair value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.
- (F) Investment agreements, guaranteed investment contracts, funding agreement, or any other form of corporate note representing the unconditional obligations of entities or agencies with the unsecured long-term debt obligations or claims-paying ability rated in one of the top two rating categories by Moody's and S&P.

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Interest Rate Risk

Interest Rate Risk is related to changes in market interest rates that adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Valley Water generally manages interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair value of Valley Water's investments to market interest rate fluctuations, summarized in the following table, shows the distribution of Valley Water's investments by maturity or earliest call date (in thousands).

	Total	Maturity		
		12 Months or less	13 to 24 Months	25 to 60 Months
U.S. Government Agencies	\$ 163,444	\$ 65,763	\$ 49,767	\$ 47,914
U.S. Government Agencies - Callable	120,790	9,963	45,920	64,907
U.S. Treasury Obligations	239,918	155,441	63,416	21,061
Medium Term Notes	1,827	-	-	1,827
LAIF	63,188	63,188	-	-
Mutual Funds	124,340	124,340	-	-
Supranational Obligations	9,494	2,983	4,696	1,815
Supranational Obligations - Callable	4,401	-	-	4,401
Municipal Bonds	37,167	9,459	11,247	16,461
Negotiable Certificates of Deposit	223	-	223	-
Time Certificates of Deposit	162,765	162,765	-	-
Money Market Funds	43,489	43,489	-	-
Total Investments	<u>\$ 971,046</u>	<u>\$ 637,391</u>	<u>\$ 175,269</u>	<u>\$ 158,386</u>

Credit Risk

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The ensuing table shows the minimum rating required by the California Government Code, Valley Water's investment policy, or debt agreements and the actual rating as of June 30, 2023 for each investment type as provided by Standard and Poor's (in thousands).

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	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year-end				Not Rated
				AAA	AA+	AA	AA-	
U.S. Government Agencies	\$ 284,234	AA-	\$ -	\$ -	\$ 228,986	\$ -	\$ -	\$ 55,248
U.S. Treasury Obligations	239,918	AA-	239,918	-	-	-	-	-
Medium Term Notes	1,827	AA-	-	-	1,827	-	-	-
LAIF	63,188	N/A	-	-	-	-	-	63,188
Mutual Funds	124,340	AAA	-	124,340	-	-	-	-
Supranational Obligations	13,895	AA	-	13,895	-	-	-	-
Municipal Bonds	37,167	AA-	-	6,282	15,942	12,304	1,126	1,513
Negotiable Cert of Deposit	223	AA-	-	-	-	-	-	223
Time Certificates of Deposit	162,765	N/A	-	-	-	-	-	162,765
Money Market Funds	43,489	N/A	-	-	-	-	-	43,489
Total Investments	<u>\$ 971,046</u>		<u>\$ 239,918</u>	<u>\$ 144,517</u>	<u>\$ 246,755</u>	<u>\$ 12,304</u>	<u>\$ 1,126</u>	<u>\$ 326,426</u>

Concentration of Credit Risk

Valley Water's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code and Valley Water's investment policy, whichever is more restrictive. However, Valley Water is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, other than U.S. Treasury securities, mutual funds and external investments pools. At June 30, 2023, such investments are as follows (in thousands):

Issuer	Investment Type	Fair Value
Federal Farm Credit Bank	U.S. Government Agency	\$ 82,371
Federal Home Loan Bank	U.S. Government Agency	88,986
Federal National Mortgage Association	U.S. Government Agency	51,716

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Valley Water will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of public agencies' cash on deposit. All of Valley Water's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions but not in Valley Water's name.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Fair Value Measurement and Application

Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, (GASB 72) provides the framework for measuring fair value and the fair value hierarchy. Valley Water measures and records its investments using fair value measurement guidelines in accordance with GASB 72. These guidelines recognize a three-tiered fair value hierarchy as shown below:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs (other than quoted marked prices) using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Level 3: Unobservable inputs (not applicable to Valley Water).

The following table summarizes by level, within the fair value hierarchy, Valley Water's investments at fair value at June 30, 2023 (in thousands):

	June 30, 2023	Level 1	Level 2	Uncategorized
U.S. Government Agencies	\$284,234	\$284,234	\$ -	\$ -
U.S. Treasury Obligations	239,918	239,918	-	-
Medium Term Notes	1,827	-	1,827	-
Mutual Funds	124,340	-	124,340	-
Supranational Obligations	13,895	-	13,895	-
Municipal Bonds	37,167	-	37,167	-
Negotiable Certificates of Deposit	223	-	223	-
Time Certificates of Deposit	162,765	-	162,765	-
Subtotal - Leveled Investments	<u>864,369</u>	<u>524,152</u>	<u>340,217</u>	<u>-</u>
LAIF	63,188	-	-	63,188
Money Market Funds	43,489	-	-	43,489
Subtotal - Uncategorized	<u>106,677</u>	<u>-</u>	<u>-</u>	<u>106,677</u>
Total Investments	<u>\$971,046</u>	<u>\$524,152</u>	<u>\$340,217</u>	<u>\$ 106,677</u>

Deposits and withdrawals in LAIF are made on the basis of \$1 and are recorded on an amortized cost basis. Accordingly, LAIF is uncategorized.

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NOTE 4 - CAPITAL CONTRIBUTIONS

Valley Water derives certain revenues from reimbursements of capital costs by local, state, federal agencies, and other outside sources. The following table shows a summary of such reimbursements during fiscal year 2023 (in thousands).

	Governmental Funds	Proprietary Funds
Local Agencies:		
SF Bay Restoration Authority	\$ 802	\$ -
City of Morgan Hill	108	-
San Benito Water Agency	33	239
East Bay Munnicipal Utility District	-	638
State Agencies:		
Department of Water Resources	20,606	9,432
Federal Agencies:		
U.S. Bureau of Reclamation	-	3,315
Others		
Maloney Odin JV	3	-
Total reimbursement of capital costs	<u>\$ 21,552</u>	<u>\$ 13,624</u>

NOTE 5 - INVESTMENT INCOME

The following table represents the components of investment income for the year ended June 30, 2023 (in thousands).

Fund	Unrealized Loss	Interest Income	Investment Earnings, Net
General Fund	\$ (560)	\$ 185	\$ (375)
Watershed and Streams Stewardship Fund	(2,033)	2,330	297
San Water and Natural			
Flood Protection Fund	(2,822)	4,625	1,803
COP Construction Fund	-	24	24
COP Debt Service Fund	(3)	218	215
Internal Service Funds	(803)	664	(139)
Total Governmental Activities	<u>(6,221)</u>	<u>8,046</u>	<u>1,825</u>
Water Enterprise Fund	714	6,868	7,582
State Water Project Fund	-	-	-
Total Business-type Activities	<u>714</u>	<u>6,868</u>	<u>7,582</u>
Total	<u>\$ (5,507)</u>	<u>\$ 14,914</u>	<u>\$ 9,407</u>

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Notes to Basic Financial Statements
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NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<u>Governmental Activities</u>					
Nondepreciable capital assets:					
Land	\$ 191,817	\$ 35	\$ -	\$ -	\$ 191,852
Intangible - easements	28,669	-	-	-	28,669
Construction in progress					
Governmental Funds	840,908	66,754	(143,846)	-	763,816
Internal Service Funds	892	87	(979)	-	-
Total nondepreciable capital assets	1,062,286	66,876	(144,825)	-	984,337
Depreciable capital assets:					
Buildings	42,007	-	-	-	42,007
Structures and improvements	818,603	6,880	143,846	-	969,329
Equipment					
Governmental Funds	21,705	131	-	-	21,836
Internal Service Funds	35,304	1,899	979	(99)	38,083
Lease assets	1,568	2,962	-	-	4,530
Intangibles					
Governmental Funds	2,338	-	-	-	2,338
Internal Service Funds	1,925	-	-	-	1,925
Total depreciable capital assets	923,450	11,872	144,825	(99)	1,080,048
Less: accumulated depreciation and amortization					
Buildings	(17,837)	(862)	-	-	(18,699)
Structures & improvements	(163,007)	(10,400)	-	-	(173,407)
Equipment					
Governmental Funds	(20,887)	(205)	-	-	(21,092)
Internal Service Funds	(23,757)	(2,503)	-	99	(26,161)
Lease assets	(400)	(894)	-	-	(1,294)
Intangible - Software					
Governmental Funds	(2,338)	-	-	-	(2,338)
Internal Service Funds	(1,014)	(385)	-	-	(1,399)
Total accumulated depreciation	(229,240)	(15,249)	-	99	(244,390)
Total Governmental Activities - capital assets, net	\$ 1,756,496	\$ 63,499	\$ -	\$ -	\$ 1,819,995
<u>Business-type Activities</u>					
Nondepreciable capital assets:					
Land	\$ 19,984	\$ 5	\$ -	\$ -	\$ 19,989
Intangible - easements	3,837	20,401	-	-	24,238
Construction in progress	699,780	201,816	(8,165)	-	893,431
Total nondepreciable	723,601	222,222	(8,165)	-	937,658
Depreciable capital assets:					
Contracted water rights	247,777	11,119	-	-	258,896
Buildings	97,751	-	-	-	97,751
Structures and improvements	971,774	-	8,165	-	979,939
Equipment	30,059	337	-	(18)	30,378
Intangible-software	113	-	-	-	113
Lease assets	4,005	-	-	(751)	3,254
Total depreciable capital assets	1,351,479	11,456	8,165	(769)	1,370,331
Less: accumulated depreciation and amortization					
Contracted water rights	(214,135)	(13,543)	-	-	(227,678)
Buildings	(16,899)	(2,300)	-	-	(19,199)
Structures & improvements	(348,271)	(16,394)	-	-	(364,665)
Equipment	(26,962)	(875)	-	18	(27,819)
Intangible-software	(79)	(23)	-	-	(102)
Lease assets	(647)	(646)	-	751	(542)
Total accumulated depreciation	(606,993)	(33,781)	-	769	(640,005)
Total Business-type Activities - capital assets, net	\$ 1,468,087	\$ 199,897	\$ -	\$ -	\$ 1,667,984

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

During fiscal year 2023, additions to construction-in-progress were \$66.8 million for governmental activities. There were 27 in-progress and completed projects during the fiscal year with the major projects listed below (in millions):

- \$24.6 – Upper Llagas Creek
- \$10.1 – Lower Penitencia Creek Improvements
- \$9.1 – San Francisco Bay Shoreline
- \$9.0 – Berryessa Creek, Lower Peninsula Phase 2
- \$2.9 – Sunnyvale East and West Channel
- \$2.5 – Coyote Creek, Montague to I-280
- \$2.0 – San Francisquito Early Implementation
- \$1.8 – Permanente Creek, Bay-Foothill
- \$1.6 – Calabazas/San Tomas Aquino Creek-Marsh Connection
- \$1.6 – Upper Guadalupe River

During the fiscal year 2023, new construction-in-progress amounted to \$201.8 million for the business-type activities. There were 30 in-progress and completed projects during the fiscal year, with major projects listed below (in millions):

- \$55.5 – Anderson Dam Tunnel
- \$27.3 – 10-year Pipeline Inspection and Rehabilitation
- \$21.9 – Anderson Dam Seismic Retrofit
- \$16.7 – Rinconada Water Treatment Plant Residuals Remediation
- \$16.3 – South County Recycled Water Fund Short-Term 1B
- \$12.8 – Pacheco Reservoir Expansion
- \$8.8 – Coyote Creek Flood Management Measures
- \$8.2 – Cross Valley Pipeline Extension
- \$6.8 – Indirect Potable Reuse
- \$5.4 – Rinconada Water Treatment Plant Reliability Improvement

Right-to-Use Assets and Subscription-based Information Technology Arrangements (SBITA)

With the implementation of Governmental Accounting Standard Board Statement No. 87 (Leases) and Governmental Accounting Standard Board Statement No. 96 (SBITA), Valley Water has recorded leases or right-to-use assets for leased land, building office spaces, equipment, and software for an enterprise financial, human resource and payroll system. The lease assets are amortized on a straight-line basis over the term of the lease agreements, or useful life of the underlying assets, whichever is shorter.

Refer to Note 7 for the details of the corresponding lease liabilities.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

The lease assets included as part of the total capital assets for the year ended June 30, 2023 are as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Lease assets:				
Buildings	\$ 1,568	\$ -	\$ -	\$ 1,568
Subscription asset	-	2,962	-	2,962
Total	<u>1,568</u>	<u>2,962</u>	<u>-</u>	<u>4,530</u>
Less: accumulated amortization				
Buildings	(400)	(400)	-	(800)
Subscription asset	-	(494)	-	(494)
Total accumulated amortization	<u>(400)</u>	<u>(894)</u>	<u>-</u>	<u>(1,294)</u>
Governmental Activities	<u>\$ 1,168</u>	<u>\$ 2,068</u>	<u>\$ -</u>	<u>\$ 3,236</u>
<u>Business-type Activities</u>				
Lease assets:				
Land	\$ 3,254	\$ -	\$ -	\$ 3,254
Equipment	751	-	(751)	-
Total	<u>4,005</u>	<u>-</u>	<u>(751)</u>	<u>3,254</u>
Less: accumulated amortization				
Land	(271)	(271)	-	(542)
Equipment	<u>(376)</u>	<u>(375)</u>	<u>751</u>	<u>-</u>
Total accumulated amortization	<u>(647)</u>	<u>(646)</u>	<u>751</u>	<u>(542)</u>
Total Business-type Activities	<u>\$ 3,358</u>	<u>\$ (646)</u>	<u>\$ -</u>	<u>\$ 2,712</u>

Capital asset depreciation and amortization reported by the primary government for the current fiscal year are as follows (in thousands):

General government	\$ 1,238
Watershed and Stream Stewardship	9,148
Safe, clean water and natural flood protection	1,081
Capital assets held by Valley Water's internal service funds charged to the various functions based on asset usage	2,888
Lease and subscription assets	<u>894</u>
Total depreciation expense – governmental activities	<u>\$15,249</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Total depreciation and amortization expense – business-type activity	
Water cost of production	\$33,135
Lease and subscription assets	<u>646</u>
Total depreciation expense – business-type activities	<u>\$33,781</u>

NOTE 7 - SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

On December 17, 2002, the Board authorized a commercial paper program, through the PFFC. The commercial paper program allows Valley Water to finance capital acquisitions while taking advantage of short-term rates, and Valley Water issues tax and revenue anticipation notes on an annual basis to secure the commercial paper program. This program is used in conjunction with issuing long-term liabilities to obtain the least expensive financing for Valley Water.

On January 13, 2015, the Board authorized an increase in commercial paper program to \$150.0 million. The proceeds of the commercial paper may be used for any Valley Water purposes, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of Valley Water.

On April 28, 2020, the Board authorized a \$170.0 million Revolving Line of Credit program ("Revolver"), through the PFFC, to provide additional short-term financing for Valley Water. The proceeds of the Revolver may be used for any Valley Water purpose, including but not limited to, capital expenditure, investment and reinvestment, and the discharge of any obligation or indebtedness of Valley Water.

The combined authorized amount for commercial paper and Revolver is \$320.0 million. As of June 30, 2023, Valley Water has \$35.0 million of commercial papers outstanding for certain Water Utility capital projects.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Valley Water's short-term liabilities as of June 30, 2023 consisted of the following (in thousands):

<u>Type of indebtedness</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>June 30, 2023</u>
Governmental activities:			
Commercial paper:			\$ -
Total governmental activities			<u>\$ -</u>
Business-type activities:			
Commercial paper:			
80169BAL8 Taxable	10/17/23	5.50%	\$ 35,000
Total commercial paper			<u>\$ 35,000</u>
Total business-type activities			<u><u>\$ 35,000</u></u>

* The Commitment Expiration Date for the syndicated and non-syndicated revolving line of credit is April 29, 2025.

The following is a summary of changes in short-term liabilities as of and for the year ended June 30, 2023 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Commercial paper	\$ 55,230	\$ -	\$ (55,230)	\$ -
Revolving line of credit	30,770	-	(30,770)	-
Total Governmental Activities	<u>\$ 86,000</u>	<u>\$ -</u>	<u>\$ (86,000)</u>	<u>\$ -</u>
Business-type activities:				
Commercial paper	\$ 94,770	\$35,000	\$ (94,770)	\$ 35,000
Revolving line of credit	39,425	-	(39,425)	-
Total Business-type Activities	<u>\$134,195</u>	<u>\$35,000</u>	<u>\$ (134,195)</u>	<u>\$ 35,000</u>

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

(b) Long-term liabilities

Valley Water's long-term liabilities as of June 30, 2023 consisted of the following (in thousands):

Type of indebtedness	Maturity	Interest Rate*	Authorized and Issued	June 30, 2023	Due Within One Year
Governmental activities:					
Certificates of participation					
2012A COP	2024	1.41%	\$ 52,955	\$ 5,090	\$ 5,090
2017A COP	2030	2.56%	59,390	33,810	4,575
2022A Revenue bond	2049	4.13%	75,295	75,295	920
2022B Revenue bond	2026	3.01%	46,445	46,445	-
Bond premium				16,157	2,768
Total long-term debt				176,797	13,353
Compensated absences				13,309	2,839
Claims payable (Note 13)				8,337	2,211
Net pension liability (Note 11)				163,437	-
Other post employment benefits liability (Note 12)				26,631	-
Lease and subscription liability				3,293	851
Total governmental activities				\$ 391,804	\$ 19,254
Business-type activities:					
2016A Water revenue bond	2046	3.25%	\$106,315	\$ 106,315	\$ -
2016B Water revenue bond	2046	4.32%	75,215	75,215	-
2016C Water revenue COP	2029	2.13%	43,075	24,625	3,685
2016D Water revenue COP	2029	3.14%	54,970	30,995	4,740
2017A Water revenue bond	2037	3.13%	54,710	43,720	2,190
2019A Water revenue bond	2049	3.75%	15,225	14,235	280
2019B Water revenue bond	2049	3.81%	80,030	73,270	1,795
2019C Water revenue bond	2036	2.76%	38,280	30,790	2,190
2020A Water revenue bond	2050	3.33%	24,120	24,120	-
2020B Water revenue bond	2050	2.98%	68,530	68,530	-
2020C Water revenue COP	2041	2.07%	41,765	38,360	1,750
2020D Water revenue COP	2041	2.20%	81,560	75,020	3,370
2023A Water revenue bond	2052	4.19%	52,090	52,090	-
2023B Water revenue bond	2052	5.11%	69,045	69,045	1,180
2023C-1 Water revenue COP	2026	2.35%	117,365	117,365	-
2023C-2 Water revenue COP	2041	3.22%	42,285	42,285	1,525
2023D Water revenue COP	2026	4.33%	62,615	62,615	-
Bond discount				(851)	(29)
Bond premium				67,014	4,596
Total long-term debt				1,014,758	27,272
Compensated absences				8,605	1,837
Net pension liability (Note 11)				129,765	-
Other post employment benefits liability (Note 12)				21,144	-
Semitropic water banking liability	2035		46,900	11,919	-
Lease and subscription liability				2,974	283
Total business-type activities				\$ 1,189,165	\$ 29,392

* Interest rate represents the total cost of a bond financing, taking account any accrued interest, original issue premium or discount and costs of issuance.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

The following is a summary of changes in long-term liabilities as of and for the year ended June 30, 2023 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Long term
Governmental activities:						
2012A COP	\$ 9,990	\$ -	\$ (4,900)	\$ 5,090	\$ 5,090	\$ -
2017A COP	38,160	-	(4,350)	33,810	4,575	29,235
2022A Revenue bond	-	75,295	-	75,295	920	74,375
2022B Revenue bond	-	46,445	-	46,445	-	46,445
Premium on debt issuances	6,847	11,370	(2,060)	16,157	2,768	13,389
Total long-term debt	54,997	133,110	(11,310)	176,797	13,353	163,444
Compensated absences	12,812	7,718	(7,221)	13,309	2,839	10,470
Claims payable (Note 13)	7,715	815	(193)	8,337	2,211	6,126
Net pension liability (Note 11)	88,307	75,130	-	163,437	-	163,437
Other post employment benefits liability (Note 12)	15,727	10,904	-	26,631	-	26,631
Lease and subscription liability	1,189	2,962	(858)	3,293	851	2,442
Total Governmental Activities	\$ 180,747	\$ 230,639	\$ (19,582)	\$ 391,804	\$ 19,254	\$ 372,550
Business-type activities:						
2016A revenue bonds	\$ 106,315	\$ -	\$ -	\$ 106,315	\$ -	\$ 106,315
2016B revenue bonds	75,215	-	-	75,215	-	75,215
2016C COPS	28,160	-	(3,535)	24,625	3,685	20,940
2016D COPS	35,590	-	(4,595)	30,995	4,740	26,255
2017A revenue bonds	45,770	-	(2,050)	43,720	2,190	41,530
2019A revenue bonds	14,500	-	(265)	14,235	280	13,955
2019B revenue bonds	75,020	-	(1,750)	73,270	1,795	71,475
2019C COPS	32,990	-	(2,200)	30,790	2,190	28,600
2020A revenue bonds	24,120	-	-	24,120	-	24,120
2020B revenue bonds	68,530	-	-	68,530	-	68,530
2020C COPS	40,080	-	(1,720)	38,360	1,750	36,610
2020D COPS	78,320	-	(3,300)	75,020	3,370	71,650
2023A revenue bonds	-	52,090	-	52,090	-	52,090
2023B revenue bonds	-	69,045	-	69,045	1,180	67,865
2023C-1 COPS	-	117,365	-	117,365	-	117,365
2023C-2 COPS	-	42,285	-	42,285	1,525	40,760
2023D COPS	-	62,615	-	62,615	-	62,615
Bond discount	-	(864)	13	(851)	(29)	(822)
Premium on debt issuances	51,643	18,793	(3,422)	67,014	4,596	62,418
Total long-term debt	676,253	361,329	(22,824)	1,014,758	27,272	987,486
Compensated Absences	8,210	6,128	(5,733)	8,605	1,837	6,768
Net pension liability (Note 11)	68,090	61,676	(1)	129,765	-	129,765
Other post employment benefits liability (Note 12)	12,126	9,018	-	21,144	-	21,144
Semitropic water banking liability	12,200	-	(281)	11,919	-	11,919
Lease and subscription liability	3,632	-	(658)	2,974	283	2,691
Total Business-type Activities	\$ 780,511	\$ 438,151	\$ (29,497)	\$ 1,189,165	\$ 29,392	\$ 1,159,773

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

The aggregate maturities of long-term debt are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 10,585	\$ 7,958	\$ 22,705	\$ 39,248
2025	5,750	7,466	101,770	36,880
2026	6,045	7,177	125,935	34,459
2027	52,790	5,712	25,110	29,426
2028	6,660	4,231	26,025	28,503
2029-2033	20,485	16,661	139,325	126,351
2034-2038	12,475	13,083	143,280	96,491
2039-2043	15,915	9,551	146,870	66,338
2044-2048	20,315	5,044	151,680	32,205
Thereafter	9,620	487	65,895	5,897
Total bonds payable requirements	<u>\$ 160,640</u>	<u>\$ 77,369</u>	<u>\$ 948,595</u>	<u>\$ 495,797</u>

Leases

Valley Water has entered into agreements to lease certain land, building office spaces and equipment. The lease agreements qualify as other than short-term leases under Governmental Accounting Standard Board Statement No. 87 (GASB 87) and, therefore, have been recorded at the present value of the future minimum lease payments as of July 1, 2021, implementation date of GASB 87. There are no variable payment components of the leases. The lease liabilities are measured at the discount rate of 1.6%, Valley Water's average interest rate. As a result of the leases, Valley Water recorded right-to-use assets with net book value of \$5.9 million at June 30, 2023. The right-to-use assets are included in Capital Assets (Note 6).

The future minimum lease payments as of June 30, 2023 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 408	\$ 6	\$ 283	\$ 32
2025	232	3	287	28
2026	103	1	290	25
2027	53	-	1,494	81
2028	-	-	620	10
	<u>\$ 796</u>	<u>\$ 10</u>	<u>\$ 2,974</u>	<u>\$ 176</u>

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Notes to Basic Financial Statements
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Subscription-based Information Technology Arrangements (SBITA)

Valley Water uses enterprise financial, human resource and payroll systems that qualify as a SBITA-related asset under Governmental Accounting Standard Board Statement No.96. The corresponding lease liability has been recorded at the present value of the future minimum subscription payments as of July 1, 2022. There are no variable payment components pertaining to the lease. The lease liability was measured at the discount rate of 1.46%, Valley Water's average interest rate. Valley Water recorded the SBITA-related asset amounting to \$2.5 million at June 30, 2023. The SBITA asset is further discussed in Note 6 - Capital Assets.

The future minimum subscription payments as of June 30, 2023 are as follows (in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 443	\$ 37	\$ -	\$ -
2025	468	30	-	-
2026	495	23	-	-
2027	528	16	-	-
2028	563	8	-	-
	<u>\$ 2,497</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ -</u>

Water Infrastructure Financing and Innovation Agreements (WIFIA)

In fiscal year 2023, Valley Water entered into 2 WIFIA loan agreements with the United States of America's Environmental Protection Agency for the Anderson (\$73.9 million) and Safe Clean Water (\$41.3 million) related projects. These agreements provide Valley Water an expedient and significant funding source for supporting the renovation and construction costs for these major projects.

As of June 30, 2023, no amounts have been drawn from or is outstanding under these agreements.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Governmental Activities

The following provides a brief description of Valley Water's debt, and other long-term debt, for governmental activities outstanding as of June 30, 2023:

2012A Certificates of Participation

In November 2012, Valley Water issued \$52.9 million of Certificates of Participation, Series 2012A, executed and delivered through the PFFC. The proceeds of 2012A COPs were used to: (1) refinance \$52.4 million of the 2003A Certificates of Participation; (2) finance the cost of certain flood control improvements; (3) fund a reserve fund; and (4) pay the costs of issuing the 2012A Certificates. The 2012A COPs are payable from the 1994 Installment Payments, which are payable by Valley Water, and are secured by a pledge of and lien on, the Valley Water Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the Board on June 23, 1994.

2017A Certificates of Participation

In March 2017, Valley Water issued \$59.4 million of Certificates of Participation, Series 2017A, executed and delivered through the PFFC. The proceeds of the 2017A COPs were used to: (1) refinance the \$5.3 million outstanding balance of the 2004A Certificates of Participation; (2) refinance the \$54.2 million outstanding balance of the 2007A Certificates of Participation; (3) finance the cost of certain flood control improvements; and (4) pay the costs of issuing the 2017A Certificates. The 2017A COPs are payable from the 1994 and 1995 Installment Payments, which are payable by Valley Water, and are secured by a pledge of and lien on, the Valley Water Flood Control System Revenues pursuant to Master Resolution No. 94-60 Flood Control System Revenues adopted by the Board on June 23, 1994.

2022A Safe Clean Water Revenue Bonds

In December 2022, Valley Water issued \$75.3 million of Revenue Bonds, Series 2022A. The proceeds of the 2022A Bonds, along with original issue premium, were used to: (1) refinance the \$53.0 million outstanding balance of commercial paper notes; (2) refinance the \$29.7 million outstanding balance of the Revolving Certificates; and (3) pay the costs of issuing the 2022A Bonds. The 2022A Bonds are issued pursuant to Resolution No. 21-34 (SCW Master Resolution) adopted by the Board of Directors on May 11, 2021, and are payable from and secured by a pledge of a lien under the Safe Clean Water Master Resolution on SCW Revenues.

2022B Safe Clean Water Certificates of Participation

In December 2022, Valley Water issued \$46.4 million of COPs, Series 2022B. The proceeds of the 2022B COPs, along with original issue premium, were used to: (1) finance \$38.5 million of capital projects; (2) refinance the \$2.8 million outstanding balance of the commercial paper notes and Revolving Certificates; (3) finance \$8.6 million of capitalized interest; and (4) pay the costs of issuing the 2022B COPs. The 2022B Bonds are issued pursuant to Resolution No. 21-34 (SCW Master Resolution) adopted by the Board of Directors on May 11, 2021, and are payable from and secured by a pledge of a lien under the SCW Master Resolution on SCW Revenues.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Business-type Activities

The following provides a brief description of Valley Water's long-term debt for business-type activities outstanding as of June 30, 2023:

2016A/B Water Systems Revenue Bonds

In March 2016, Valley Water issued \$181.5 million of Water Systems Revenue Bonds comprised of Series 2016A for \$106.3 million and Taxable Series 2016B for \$75.2 million, pursuant to the Water Utility Parity System Master Resolution (16-10) approved by the Board in February 2016. Proceeds of the 2016A Revenue Bonds, along with the original issue premium, were used to refinance all outstanding Water Utility System Revenue Bonds Series 2006A and repay \$73.0 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2016B Revenue Bonds were used to repay \$75.0 million of the balance of the outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2016A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System revenues and are payable from the Net Water Utility System revenues.

2016C/D Water Utility Revenue Certificates of Participation

In March 2016, Valley Water issued \$98.0 million of Water Utility Revenue Certification of Participation, comprised of Series 2016C for \$43.4 million and Taxable Series 2016D for \$55.0 million, which were executed and delivered through the PFFC. Proceeds of the 2016C and 2016D COPs, along with the original issue premium were used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2016C and 2016D COPs are payable from 2016 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System revenues pursuant to the Water Utility System Parity Master Resolution (16-10).

2017A Water System Revenue Bonds

In May 2017, Valley Water issued \$54.7 million of Water Systems Revenue Bonds to refund the \$64.8 million outstanding balance of the Water Utility System Revenue Certificates of Participation Series 2007A and pay costs of issuance of the 2017A Bonds. The obligation of Valley Water to pay principal and interest on the 2017A Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2019A/B Water Systems Revenue Bonds

In April 2019, Valley Water issued \$95.2 million of Water System Revenue Bonds consisting of Series 2019A for \$15.2 and Series 2019 B for \$80.0 million to repay the outstanding Commercial Paper Certificates to free up capacity in Valley Water's commercial paper program to finance on-going capital costs and costs of issuance. The obligation of Valley Water to pay principal and interest on the 2019A/B Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

VALLEY WATER
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For the Year Ended June 30, 2023

2019C Water Utility System Certificates of Participation

In November 2019, Valley Water issued \$38.3 million of Water Utility System Certificates of Participation Series 2019C to refinance all the outstanding Water Utility Revenue Certifications of Participation Taxable Series 2007B and fund costs of issuance. The obligation of Valley Water to pay principal and interest on the 2019C Bonds is secured by a pledge of and lien on Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10)

2020A/B Water Systems Revenue Bonds

In September 2020, Valley Water issued \$92.6 million of Water System Revenue Bonds comprised of Series 2020A for \$24.1 million and Taxable Series 2020B for \$68.5 million. Proceeds of the 2020A Revenue Bonds, along with the original issue premium, were used to repay \$31.0 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2020B Revenue Bonds were used to repay \$68.3 million of outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2020A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2020C/D Water Utility Revenue Certificates of Participation

In September 2020, Valley Water issued \$123.4 million of Water Utility Revenue Certificates of Participation, comprised of Series 2020C for \$41.8 million and Taxable Series 2020D for \$81.6 million, executed and delivered through the PFFC. Proceeds of the 2020C and 2020D COPs, along with the original issue premium, are being used to finance capital construction projects in the Water Utility Enterprise and costs of issuance. The 2020C and 2020D COPs are payable from 2020 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2023A/B Water Systems Revenue Bonds

In January 2023, Valley Water issued \$121.1 million of Water System Revenue Bonds comprised of Series 2023A for \$52.1 million and Taxable Series 2023B for \$69.0 million. Proceeds of the 2023A Revenue Bonds, along with the original issue premium, were used to repay \$58.6 million of outstanding tax-exempt commercial paper notes and costs of issuance. Proceeds of the 2023B Revenue Bonds were used to repay \$67.7 million of outstanding taxable commercial paper notes and costs of issuance. The obligation of Valley Water to pay principal and interest of the 2023A/B Water Systems Revenue Bonds is secured by a pledge of and lien on Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

2023C/D Water Utility Revenue Certificates of Participation

In January 2023, Valley Water issued \$222.3 million of Water Utility Revenue Certificates of Participation, comprised of Series 2023C-1 for \$117.4 million, 2023C-2 for \$42.3 million, and Taxable series 2023D for \$62.6 million, executed and delivered through the PFFC. Proceeds of the COPs, along with the original issue premium, are being used to finance capital construction projects

VALLEY WATER
Notes to Basic Financial Statements
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in the Water Utility Enterprise and costs of issuance. The COPs are payable from 2022 Installment Payments which are payable by Valley Water from and secured by a pledge and lien on water utility revenues and are payable from the Net Water Utility System Revenues pursuant to the Water Utility Parity System Master Resolution (16-10).

Semitropic Water Banking Liability

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is \$46.9 million based on a 35 percent vesting in the program. Valley Water pays the program capital costs when storing and recovering water. As of June 30, 2023, Valley Water has an outstanding liability of \$11.9 million related to water storage and banking rights. See Note 16c for further information on Valley Water's Semitropic water banking program.

(c) Other Debt Related Information

Valley Water has adopted master resolutions with respect to its water utility and watershed which contain certain events of default and remedies as described therein. Valley Water has also issued various bonds, notes or other obligations secured by such master resolutions or other revenues of Valley Water and which contain certain events of default and remedies as described therein. Valley Water has also entered into various reimbursement agreements or other financial contracts which contain certain events of default and remedies as described therein. Certain of these master resolutions, bonds, notes and other obligations and reimbursement agreement and other financial contracts contain provisions concerning the application of applicable Valley Water revenues if certain of the following conditions occur: default on debt service payments; the failure of Valley Water to observe or perform the conditions, covenants, or other agreement with respect thereto; bankruptcy filing by Valley Water; or if any court or competent jurisdiction shall assume custody or control of Valley Water, among other defaults. Certain of such master resolutions, bonds, notes and other obligations and reimbursement agreement and other financial contract contain acceleration provisions that allows a trustee, owners of bonds, notes or other obligations or the parties to such reimbursement agreements or other financial contracts to accelerate payments thereunder to the extent and as provided therein.

Resolutions and other financing agreements associated with Valley Water's and PFFC's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. Valley Water believes it is in compliance with all significant covenants, limitations, and restrictions.

Financial obligations incurred under the commercial paper program, issued through the PFFC, currently include the obligations to reimburse the bank issuing direct pay letter of credit supporting the commercial paper program, the revolving lines of credit, and to pay letter of credit and other fees to the bank. Valley Water's failure to comply with certain such obligations could result in an event of default. If an event of default occurs, the bank may exercise one or more rights and remedies. In addition to rights and remedies provided for under the law, the bank can declare all financial obligations with respect to such letter of credit or revolving line of credit to be immediately due and payable, cause the issuance of commercial paper to be temporarily ceased, or terminate the letter of credit or revolving line of credit which would cause the issuance of commercial paper or revolving

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For the Year Ended June 30, 2023

line of credit to be permanently ceased. Commercial paper certificates are not subject to acceleration.

Valley Water has also pledged water utility system revenues, net of specified maintenance and operating expenses, to repay \$948.6 million in long-term debt outstanding as of June 30, 2023, that was issued to finance the cost of capital construction projects for the Water Utility Enterprise Fund. The secured debt includes revenue bonds and COPs. The revenue bonds are payable from net water utility system revenues and the revenue COPs are payable from installments that are secured by net water utility system revenues. The long-term debt is payable through fiscal year 2050. Total principal outstanding and interest costs remaining to be paid on the combined debt is \$1.68 million.

NOTE 8 - PROPERTY TAXES AND BENEFIT ASSESSMENTS

The County of Santa Clara (County) is responsible for the assessment, collection, and apportionment of property taxes for Valley Water. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). Valley Water is responsible for determining the amount of benefit assessment, special parcel tax, and State Water Project obligations. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 31.

Valley Water derives certain revenues from the assessment of property tax parcel levies and the levy of benefit assessments and a special parcel tax. The property tax levy is composed of two categories: (1) an allocation of the County's 1 percent tax; and (2) voter approved levy to repay capital and operating costs related to imported water from the State Water Project. Benefit assessments are collected by the County as part of duly authorized debt repayment phase of the voter-approved assessments. In November 2000, voters approved a 15-year special parcel tax to fund the countywide Clean, Safe Creeks & Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

In November 2012, the voters approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax, which built on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters on November 3, 2000. The renewed Safe, Clean Water program, as approved by voters, took effect beginning fiscal year 2022. \$49.5 million of special parcel tax was collected for this program during fiscal year 2023.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Property tax and benefit assessment revenues recorded for the year ended June 30, 2023 are as follows (in thousands).

	General Fund	Special Revenue Funds	Total Governmental Activities	Business- type Activities
Property taxes:				
1% tax allocation	\$ 11,581	\$ 116,706	\$ 128,287	\$ 10,522
Special parcel tax	-	49,501	49,501	-
Voter approved indebtedness:				
State water project	-	-	-	28,872
Total taxes	11,581	166,207	177,788	39,394
Benefits assessment	-	13,229	13,229	-
Total taxes and benefits assessment	<u>\$ 11,581</u>	<u>\$ 179,436</u>	<u>\$ 191,017</u>	<u>\$ 39,394</u>

Valley Water has elected to participate in the "Teeter Plan" offered by the County whereby Valley Water receives 100 percent of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9 - FUND BALANCES

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily to the extent to which Valley Water is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

- Non-spendable fund balance includes net resources that cannot be spent because they are either a) not spendable because of their form, or b) must be maintained intact pursuant to legal or contractual requirements.
- Restricted fund balance includes amounts that are subject to limitations imposed by either: a) creditors, grantors, contributors or laws and regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes spendable resources that can only be used for specific purposes pursuant to constraints imposed by formal action of Valley Water's highest level of decision-making authority, the Board, through adopted resolutions. Those constraints remain binding unless the Board removes or changes in the same manner to previously commit those resources. These Board actions must occur prior to June 30th of the applicable fiscal year.
- Assigned fund balance includes amounts that are constrained by Valley Water's intent to be used for specific purposes but are neither restricted nor committed. The intent can be established or changed at the discretion of the Board, or an official designated for that purpose, the Chief Executive Officer, in accordance with the provisions of the Governance Policies of the Board, Policy No. EL-5, *Purchasing and Contracts*. The encumbrances amount shown in this category represents contracts and commitments for goods and services needed to carry out the operation of the funds.
- Unassigned fund balance represents residual net resources that have not been restricted, committed, or assigned.

Spending Prioritization in Using Available Resources

When an expense is incurred for purposes for which both restricted resources and unrestricted resources fund balance are available, Valley Water considers restricted resources to be spent first. When committed, assigned, and unassigned resources can be used for the same purpose, Valley Water's flow assumption is to spend in the sequence of committed resources first, assigned second, and unassigned last.

The various fund balance classifications above are established by actions of the Board and can be increased, reduced or eliminated by similar actions with the exception of contracts and commitments on the assigned fund balance, which can be reduced or eliminated without the action of the Board. Valley Water's committed and assigned fund balances are reviewed annually to ensure compliance with Valley Water's reserve policy. Changes to the restricted, committed and assigned reserves are presented to the Board for review and approval.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

A detailed schedule of fund balances as of June 30, 2023 for the governmental funds is shown in the ensuing table (in thousands).

	Special Revenue Funds			Debt Service Funds		
	General Fund	Watershed & Stream Stewardship	Safe, Clean Water and Natural Flood Protection Program	COP Construction	COP Debt Service	Total Governmental Funds
Restricted Fund Balance						
Debt service	\$ -	\$ -	\$ 7,592	\$ -	\$ 5,432	\$ 13,024
Construction	-	-	39,266	-	-	39,266
Reserves for:						
Wateshed & Stream Stewardship	-	109,659	-	-	-	109,659
Safe Clean Water	-	-	185,820	-	-	185,820
Total restricted fund balance	-	109,659	232,678	-	5,432	347,769
Committed Fund Balance						
Operating and capital	11,814	-	-	-	-	11,814
Current authorized capital projects	4,034	-	-	-	-	4,034
Total committed fund balance	15,848	-	-	-	-	15,848
Assigned Fund Balance						
Encumbrances	6,045	24,787	-	-	-	30,832
Total assigned fund balance	6,045	24,787	-	-	-	30,832
Total fund balances	\$ 21,893	\$ 134,446	\$ 232,678	\$ -	\$ 5,432	\$ 394,449

The encumbrances for the General, and Watershed and Stream Stewardship Funds represent resources solely dedicated to cover the outstanding purchase orders, contracts and agreements of said funds.

NOTE 10 - NET POSITION

The proprietary funds financial statements utilize a net position presentation. Net position is categorized as follows: (1) net investment in capital assets, (2) restricted and (3) unrestricted.

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net position – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Unrestricted Net position – This category represents net position of Valley Water, not restricted for any project or other purpose.

The table that follows shows the detailed schedule of the proprietary funds' net position as of June 30, 2023 (in thousands).

	Water Enterprise Fund	State Water Project Fund	Internal Service Funds	Total Proprietary Funds
Restricted net position:				
Debt Service	\$ 16,545	\$ -	\$ -	\$ 16,545
Construction	42,973	-	-	42,973
San Felipe emergency reserve	3,527	-	-	3,527
GP5 reserve	20,545	-	-	20,545
Rate stabilization	41,067	-	-	41,067
Advance water purification center	1,298	-	-	1,298
Supplemental water supply	5,277	-	-	5,277
State water project	-	18,363	-	18,363
Total restricted net position	<u>131,232</u>	<u>18,363</u>	<u>-</u>	<u>149,595</u>
Unrestricted net position:				
Operating and capital	74,535	-	9,665	84,200
Water inventory	133,630	-	-	133,630
Current authorized projects	87,994	-	1,532	89,526
Property self-insurance/catastrophic	-	-	7,329	7,329
Purchase Commitments	256,560	-	11,376	267,936
Net pension liability	(76,513)	-	(5,141)	(81,654)
Net other post-employment benefits	(32,154)	-	(2,103)	(34,257)
Total unrestricted net position	<u>444,052</u>	<u>-</u>	<u>22,658</u>	<u>466,710</u>
Net investment in capital assets	<u>591,526</u>	<u>12,277</u>	<u>12,448</u>	<u>616,251</u>
Total net position	<u><u>\$1,166,810</u></u>	<u><u>\$ 30,640</u></u>	<u><u>\$ 35,106</u></u>	<u><u>\$ 1,232,556</u></u>

NOTE 11 - EMPLOYEES' RETIREMENT PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the agent multiple-employer defined benefit pension plan (the Pension Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Valley Water's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law. Benefit provisions and all other requirements are established by State statutes and may be amended by the Valley Water's governing board.

The Plan's provisions and benefits in effect for fiscal year 2023 are summarized as follows:

	Prior to	3/19/2012 to	On or after
Hire date	3/19/2012	12/31/2012	1/1/2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Minimum Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8.0%	7.0%	6.75%
Required employer contribution rates	10.17% plus \$3.0 million prepayment for prior unfunded service cost		

Employees Covered – As of the most recent CalPERS actuarial report using a valuation date of June 30, 2021, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	1,135
Active employees	825

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

For the fiscal year ended June 30, 2023 contribution to the plan was \$40.4 million. Valley Water is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability

Valley Water's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Reporting date	June 30, 2023
Actuarial cost method	Entry-age actuarial cost method

Discount rate	6.90%
Inflation	2.30%
Projected salary increase	Varies by entry age and service
Mortality rate table	The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of

VALLEY WATER
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For the Year Ended June 30, 2023

pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset class ¹	Assumed asset allocation	Real return ^{1,2}
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

Subsequent Events/Change in Assumptions

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions were reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Changes in the Net Pension Liability

The table below shows the changes in net pension liability recognized over the measurement period (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 956,659	\$ 800,262	\$ 156,397
Changes recognized for the measurement period:			
Service cost	20,886	-	20,886
Interest on total pension liability	67,371	-	67,371
Changes of Assumptions	28,437	-	28,437
Difference between expected and actual experience	5,063	-	5,063
Contributions - employer	-	37,448	(37,448)
Contributions - employees	-	8,898	(8,898)
Net investment income	-	(60,895)	60,895
Benefits payment, including refunds of employee contributions	(48,423)	(48,423)	-
Administrative expense	-	(499)	499
Net changes	73,334	(63,471)	136,805
Ending balance	\$ 1,029,993	\$ 736,791	\$ 293,202

Net pension liability increased significantly versus the prior fiscal year due to a net loss on investment of 6.1% as reported by CalPERS for the measurement period ending June 30, 2022. The net loss on investment for this fiscal year partially offsets the strong 21.3% net return realized in the prior fiscal year (measurement date period ending June 30, 2021) where net pension liability decreased significantly.

At June 30, 2023, the net pension liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 163,437
Business-type activities	129,765
Total net pension liability	<u>\$ 293,202</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of Valley Water, calculated using the current discount rate, as well as what Valley Water's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net Pension Liability	<u>\$ 428,673</u>	<u>\$ 293,202</u>	<u>\$ 181,004</u>

VALLEY WATER
Notes to Basic Financial Statements
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Pension Plan Fiduciary Net Position

Detailed information about Valley Water's pension plan fiduciary net position is available in separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2023, Valley Water has an actuarial pension expense of \$44.1 million. The actuarial report showed deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 40,411	\$ -
Changes of assumptions	22,118	-
Differences between expected and actual experience	11,343	-
Net difference between projected and actual earnings on pension plan investments	37,025	-
Total	<u>\$ 110,897</u>	<u>\$ -</u>

\$40.4 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction from the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as shown in the succeeding table.

Measurement periods ended June 30:	Deferred Outflows / (Inflows) of Resources
2023	\$ 18,166
2024	14,907
2025	10,493
2026	26,920
2027	-
Thereafter	-
Total	<u>\$ 70,486</u>

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

Valley Water provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board, for retired employees and/or their surviving spouses, and to certain employees who retire due to disability who meet the eligibility requirements and elect the option. Valley Water must be the employee's last CalPERS employer, and the retiree must be receiving monthly CalPERS retirement benefits.

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Notes to Basic Financial Statements
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Benefits Provided

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water's Required Contribution
<u>Classified</u> Employee Association (AFSCME –Local 101) Engineers Society (IFPTE-Local 21) Professional Managers Association (IFPTE – Local 21)	Retired prior to July 1, 1988	_____	Fixed amount of \$165 per month.
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree.
	Retired from July 1, 1990 or later and hired prior to December 30, 2006	10 years 15 years	100% medical premium for retiree. 100% medical premium for retiree plus one eligible dependent.
	Retired from July 1, 1990 or later and hired between December 30, 2006 and March 1, 2007	10 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
		15 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
		20 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

(Continued)

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Notes to Basic Financial Statements

For the Year Ended June 30, 2023

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water’s Required Contribution
<u>Unclassified</u> At Will	Retired prior to July 1, 1988	—	Fixed amount of \$165 per month.
	Retired from July 1, 1988 through June 30, 1990	10 years	100% medical premium for retiree.
	Retired from July 1, 1990 through June 18, 1995	10 years	100% medical premium for retiree.
		15 years	100% medical premium for retiree plus one eligible dependent.
	Retired from June 19, 1995 through October 21, 1996	10 years	100% medical premium for retiree.
		15 years	100% medical premium for retiree plus one eligible dependent.
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents.
	Retired from October 22, 1996 or later and hired prior to December 30, 2006	10 years	100% medical premium for retiree.
		15 years	100% medical, dental, and vision coverages for the retiree plus one eligible dependent.
		25 years	100% medical, dental, and vision coverages for the retiree plus two or more eligible dependents.
Hired on or after December 30, 2006 and prior to March 1, 2007	10 years	Medical coverage is provided for retiree. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.	
	15 years	Medical, dental, and vision coverages are provided for retiree and one eligible dependent. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.	

(Continued)

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Employee Type	Hire/Retirement Date	Eligibility Rule (Years of Continuous Service)	Valley Water's Required Contribution
<u>Unclassified</u> At Will	(continued) Hired on or after December 30, 2006 and prior to March 1, 2007	25 years	Medical, dental, and vision coverages are provided for retiree plus two or more eligible dependents. Medical premium cost sharing is required with the same contribution percentage as active employees and based on the medical premium amount applicable to active employees or retirees, whichever is less.
	Hired on or after March 1, 2007	15 years	Retiree is covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.
		20 years	Retiree plus one eligible dependent are covered for medical. Medical premium cost sharing is required with the same contribution percentage as active employees and based on medical premium applicable to active employees or retirees, whichever is less.

As of August 1, 2007, all current retirees not yet 65 years of age and Medicare eligible and all future retirees who are Medicare eligible must enroll themselves in Medicare when they reach the eligibility date for Medicare. Their Medicare eligible dependents who are enrolled in Valley Water's health plan must also enroll in Medicare upon their eligibility date. Valley Water reimburses the ongoing Medicare Part B cost incurred by the retiree and/or dependent payable quarterly.

After an evaluation of the cost savings realized in implementing the Medicare enrollment plan since August 2007, Valley Water expanded the Medicare enrollment requirement to all retirees and their eligible dependents that are enrolled in Valley Water's medical plan. As of July 1, 2009, all Medicare eligible retirees and their eligible dependents were required to enroll in Medicare. Valley Water reimburses the Medicare Part B penalty charged by the Social Security Administration to the retirees/dependents due to late enrollment.

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For the Year Ended June 30, 2023

Valley Water provides the unclassified group of retirees \$50,000 life insurance upon retirement with a five-year phase out in declining increments of \$10,000 per year after retirement.

Employees Covered – As of the most recent OPEB actuarial report using a valuation date of June 30, 2021, the following employees were covered by the benefit terms of the plan:

Inactive employees or beneficiaries currently receiving benefits	598
Active employees	824

Contributions

On June 24, 2008, the Board adopted a resolution approving the agreement and election of Valley Water to prefund OPEB through CalPERS under its California Employer's Retiree Benefit Trust (CERBT) Program, an agent multiple-employer plan consisting of an aggregation of single-employer plans. On September 9, 2008, Valley Water joined CERBT. The Board approved the reallocation of \$17.7 million from its existing reserve for the initial prefunding of the unfunded liability for the first year of reporting. Subsequent years funding, pursuant to the annual budget approved by the Board, was made at the beginning of each fiscal year through fiscal year 2017. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Employees' Retirement System, P. O. Box 942703, Sacramento, CA 94229-2703.

OPEB and its contribution requirements are established by memorandum of understanding with the applicable employee bargaining units and may be amended by agreements between Valley Water and the bargaining groups. For the fiscal year ended June 30, 2023, Valley Water's total contribution to the plan amounted to \$13.9 million.

Net OPEB Liability

Valley Water's net OPEB liability for the Plan is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net OPEB liability is shown in the following table.

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Actuarial Assumptions – The total net OPEB liability for Valley Water for fiscal year ended June 30, 2023 was derived from the CalPERS actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Reporting date	June 30, 2023
Discount rate ⁽¹⁾	7.59%
Investment rate of return ⁽¹⁾	7.59%
Inflation	2.75%
Payroll growth rate	2.80%
Actuarial cost method	Entry-age normal cost method
Mortality rate	Derived from the CalPERS study of Miscellaneous Public Agency experience
Pre-retirement turnover ⁽²⁾	Derived from the CalPERS study of Miscellaneous Public Agency experience
Healthcare trend rate ⁽³⁾	Medical and Part B trend rate begin at 5.0% then taper to 4.0% by 2025/26; dental and vision are at 3.0%

⁽¹⁾The discount rate is the expected long-term rate of return on Valley Water assets using investment strategy #1 within the CERBT.

⁽²⁾Net of OPEB plan investment expenses, including inflation

⁽³⁾The mortality rate table was developed based on CalPERS' nonindustrial miscellaneous public agency experience study for 14 years ending June 2011.

Discount Rate

The projected cash flows used to determine the discount rate of 7.59% assumed that Valley Water contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Changes in OPEB Liability

The following table shows the changes in net OPEB liability recognized over the measurement period (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Beginning balance	\$ 178,333	\$ 150,480	\$ 27,853
Changes recognized for the measurement period:			
Service cost	2,570	-	2,570
Interest cost	13,201	-	13,201
Change in actuarial assumptions	(4,688)	-	(4,688)
Other liability experience loss/(gain)	196	-	196
Contributions	-	11,562	(11,562)
Benefits payment	(11,562)	(11,562)	-
Administrative expenses	-	(73)	73
Expected investment return	-	11,419	(11,419)
Investment experience (loss)/gain	-	(31,551)	31,551
Net changes	(283)	(20,205)	19,922
Ending balance	\$ 178,050	\$ 130,275	\$ 47,775

At June 30, 2023, the net OPEB liability is recorded in the government-wide statement of net position as follows (in thousands):

Government activities	\$ 26,631
Business-type activities	21,144
Total net pension liability	<u>\$ 47,775</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of Valley Water, calculated using the current discount rate, as well as what Valley Water's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate, as of measurement date, June 30, 2022 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	<u>\$67,381</u>	<u>\$ 47,775</u>	<u>\$ 31,212</u>

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Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of Valley Water, if it were calculated using health care cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current rate, as of measurement date of June 30, 2022 (in thousands):

	Discount Rate		
	-1%	Current	+1%
Plan Net OPEB Liability	<u>\$29,712</u>	<u>\$ 47,775</u>	<u>\$ 69,431</u>

OPEB Plan Fiduciary Net Position

Detailed information about Valley Water's OPEB plan fiduciary net position is available in separately issued CalPERS CERBT financial reports.

OPEB Expense and Deferred Outflow/Inflow of Resources

For the year ended June 30, 2023, Valley Water has an actuarial OPEB expense of \$3.0 million. The actuarial report showed deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contribution subsequent to measurement date	\$ 13,910	\$ -
Changes in assumption	725	5,238
Other liability experience loss / (gain)	267	5,525
Investment experience loss / (gain)	13,228	-
Total	<u>\$ 28,130</u>	<u>\$ 10,763</u>

\$13.9 million is reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction from the net OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

Fiscal years ending June 30:	Deferred Outflows / (Inflows) of Resources
2023	\$ (1,298)
2024	462
2025	124
2026	5,033
2027	(726)
Thereafter	(138)
Total	<u>\$ 3,457</u>

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NOTE 13 - RISK MANAGEMENT

Valley Water is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Valley Water reports all of its risk management activities in its Risk Management Internal Service Fund.

Valley Water's self-insured retention (SIR) and maximum coverage are as follows (in thousands):

<u>Coverage Descriptions</u>	Commercial Insurance	
	<u>SIR</u>	<u>Coverage</u>
General liability	\$3,000	\$50,000
Workers' compensation	1,000	Statutory
Property damage (subject to policy sub-limits)	50	500,000
Fidelity (Crime) - Directors	5	1,000
Fidelity (Crime) – Non-Directors	10	2,000
Non-owned aircraft liability	-	5,000
Boiler and machinery	50	100,000
Cyber liability	50	10,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. This liability is Valley Water's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in claims payable for the fiscal years ended June 30, 2023 and 2022 are as follows (in thousands):

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims payable, June 30, 2021	\$ 4,091	\$ 2,530	\$ 6,621
Incurring claims and changes in estimates	883	375	1,258
Claims payments	(50)	(115)	(165)
Claims payable, June 30, 2022	4,924	2,790	7,714
Incurring claims and changes in estimates	942	56	998
Claims payments	(127)	(249)	(376)
Claims payable, June 30, 2023	<u>\$ 5,739</u>	<u>\$ 2,598</u>	<u>\$ 8,337</u>

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NOTE 14 – INTERFUND TRANSFERS

Interfund Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) move debt proceeds held in the construction fund to the funds incurring the construction expense.

Transfers made during fiscal year 2023 are shown below (in thousands):

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount</u>	<u>Description</u>
General Fund	Watershed and Stream Stewardship	\$ 208	HQ Opms Bldg Project
General Fund	Safe, Clean Water & Nat. Flood Prot'n	624	HQ Opms Bldg Project
General Fund	Water Enterprise Fund	1,248	HQ Opms Bldg Project
General Fund	Watershed and Stream Stewardship	1,820	Drought Induced Tree Removal Project
General Fund	Watershed and Stream Stewardship	31	Security Upgrades Project
General Fund	Safe, Clean Water & Nat. Flood Prot'n	95	Security Upgrades Project
General Fund	Water Enterprise Fund	188	Security Upgrades Project
COP Debt Service	General Fund	472	Debt Service Transfer
COP Debt Service	Lower Peninsula Watershed	2,272	Debt Service Transfer
COP Debt Service	West Valley Watershed	1,811	Debt Service Transfer
COP Debt Service	Guadalupe Watershed	3,613	Debt Service Transfer
COP Debt Service	Coyote Watershed	3,217	Debt Service Transfer
Water Enterprise Fund	Watershed and Stream Stewardship	25,000	Interfund Transfer
Water Enterprise Fund	Safe, Clean Water & Nat. Flood Prot'n	1,061	Water Conservation Program
Water Enterprise Fund	COP Construction	24	2020C Debt Service
Information Technology Fund	Watershed and Stream Stewardship	1,625	IT capital projects
Information Technology Fund	Water Enterprise Fund	2,437	IT capital projects
		<u>\$ 45,746</u>	

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NOTE 15 – COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2023, governmental funds had encumbrances of approximately \$58.5 million, while proprietary funds had open purchase commitments of approximately \$272.4 million related to new or existing contracts and agreements. These encumbrances are only commitments for the expenditure of funds and do not represent actual expenditures or liabilities. See Note 9 for discussion of assigned fund balance for governmental funds.

(b) San Felipe Project Water Deliveries

In 2007, Valley Water entered into a contract with the United States of America Bureau of Reclamation for water deliveries from the Central Valley Project (CVP). The contract requires Valley Water to operate Reach 1, Reach 2, and Reach 3 of the federal San Felipe Division facilities.

On May 11, 2020, there was an amendment to this contract. The amended contract provided for compliance with the Water Infrastructure Improvements for the Nation Act (WIIN Act) and converted it from a water service to a repayment contract. This conversion required that Valley Water repay by lump sum its remaining share of capital costs for the CVP except for those capital costs associated with the San Felipe Division facilities. In accordance with the original contract, Valley Water's share of capital costs for the San Felipe Divisions facilities are repaid through semi-annual payments according to a payment schedule. To become fully enforceable, the repayment contract requires that Valley Water secure a final judgment from a court of competent jurisdiction that the contract is valid. This court proceeding has been initiated and is awaiting judgment. The conversion of Valley Water's contract, as well as the contracts for all CVP contractors that elected to convert their contract pursuant to the WIIN Act, is subject to legal challenge by several environmental groups, which alleged violations of the National Environmental Policy Act and the federal Endangered Species Act.

Under the contract, the total commitment for repayment, including applicable interest, was \$432.7 million. The remaining commitment as of June 30, 2023 was \$167.1 million.

(c) Participation Rights in Storage Facilities

In December 1995, Valley Water entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles Valley Water to storage, withdrawal, and exchange rights for Valley Water's State Water Project supplies. Valley Water's share of the total program capital costs is \$46.9 million based on a 35 percent participation level in the program. Valley Water pays the program capital costs when storing and recovering Tier 1 water. The participation rights of \$46.9 million are recorded as a component of Capital assets and are amortized using the straight-line method over the life of the agreement. Amortization of \$32.2 million has been recorded through fiscal year 2023. This agreement terminates in December 2035.

Under the terms of the program, upon withdrawal by Valley Water of all 135,965 acre-feet or remaining Tier 1 water stored, Valley Water would have paid its share of the total program costs.

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The 2023 rate to retrieve Tier 1 water is \$84.44 per acre-feet. During the first 10 years of the program, Valley Water had a reservation to participate in 35% of the original banking program. At the end of calendar year 2005, Valley Water made the necessary payments to secure the full 35% participation level in the program. As a result, Valley Water has a current storage allocation of 350,000 acre-feet. As of June 30, 2023, Valley Water has 261,387 acre-feet of water in storage.

Semitropic Water Storage District has reported elevated concentrations of 1, 2, 3 trichloropropane in some of its groundwater wells. There is currently insufficient information to conclude whether these detections could impact banking operations. Impacts could potentially include higher pumping, recovery, and treatment costs and possibly impaired recovery of banked water supplies. Because the semitropic water bank is located in Kern County, downstream of Valley Water, banked water must be returned by exchange with State Water Project water from the Delta. In critically dry years or in the event of a Delta disruption, there may be insufficient State Water Project supplies to facilitate withdrawal of supplies from the bank.

(d) Partnership Agreement Between Valley Water, the City of Palo Alto, and the City of Mountain View to Advance Resilient Water Reuse Programs in Santa Clara County (County)

On December 10, 2019, the Board approved an agreement between Valley Water and its local partners, the Cities of Palo Alto and Mountain View, to further develop water supplies and infrastructure to meet the County's water supply needs. The three main parts of the agreement include: (1) funding a local salt removal facility at the Regional Water Quality Control Plant in Palo Alto, to provide a higher quality of recycled water for irrigation and cooling towers, (2) an effluent transfer option to Valley Water for a regional purification facility (referred to as the "Regional Plant"), owned and operated by Valley Water, to provide advanced purified water for potable reuse, and (3) a water supply option for the cities of Palo Alto and Mountain View to request an additional supply if needed.

Under this partnership agreement, the financial impact to Valley Water includes funding the local salt removal facility in the amount of \$16.0 million, which may be sourced as a component of the Expedited Purified Water Program. Valley Water will also pay \$0.2 million per year, starting in year one to culminate in year thirteen, or at startup of the regional purification facility, whichever occurs first. Finally, Valley Water will pay \$1.0 million per year for the effluent once startup of the regional purification facility has been initiated. Such annual payments will escalate annually based on the factors outlined in the partnership agreement and would be paid for with water charge related revenues. Timing of such payments are still to be determined.

NOTE 16 – CONTINGENCIES

(a) Litigation

It is normal for a public entity like Valley Water, with its size and activities, to be a defendant, co-defendant, or cross-defendant in court cases in which money damages are sought. A number of claims and suits are pending against Valley Water for alleged damages arising out of matters usually

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incident to its operations. Although the aggregate amount asserted for such lawsuits and claims is significant, in the opinion of Valley Water management, Valley Water has reasonable defenses against such claims, thus the ultimate loss, if any, relating to these claims and suits not covered by insurance or reflected on the financial statements, will not materially affect the financial position of Valley Water.

Discussed below are all pending litigations that Valley Water is aware of which are significant and may have a potentially impact on the financial statements.

Aguirre, et al. v. SCVWD

In May 2023, Valley Water was served with action by five former Valley Water employees (Amanda Aguirre, Matthew Bruni, Eric Calderon, Raymond Corral, and Jesse Perez). The plaintiffs are alleging violations of the California Fair Employment and Housing Act, retaliation, and wrongful discharge in violation of public policy in relation to their dismissals or resignations from Valley Water. The plaintiffs were either released by Valley Water for failing to comply with Valley Water's COVID-19 policies then in effect or resigned after being told they would be subject to the policies. This case is in its early phases. A case management conference is currently scheduled for April 2, 2024. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

Great Oaks Litigation

In 2005, Great Oaks filed suit against Valley Water alleging, among other things, that Valley Water's groundwater production charges violated Proposition 218 (which added Article XIID to the California Constitution), because proceeds are used to fund projects and services that benefit the general public, not just ratepayers (Great Oaks Water Company v. Santa Clara Valley Water District, Santa Clara County Superior Court Case No. 2005-CV-053142; Cal. Court of Appeals Case Nos. HO35260 and HO35885; Cal. Supreme Court No. S231846 (the "Great Oaks Case").

On February 3, 2010, the trial court issued a judgment ruling that Valley Water owed Great Oaks a refund of groundwater charges of approximately \$4.6 million plus interest at 7% per annum. This judgment was appealed, and in 2015, the Court of Appeal reversed in full the judgment of the trial court finding that Valley Water's groundwater production charges did not violate Proposition 218 or the law. Great Oaks petitioned the California Supreme Court to review the Court of Appeal's ruling, and the Supreme Court granted its petition. The case was placed on hold pending the California Supreme Court's decision in a similar case, City of Buenaventura v. United Water Conservation District ("UWCD"). In late 2017, the California Supreme Court issued its opinion in the UWCD case, finding that Proposition 218 does not apply to groundwater charges, but that Article XIIC of the California Constitution does apply. The Supreme Court vacated the Court of Appeal's decision and remanded the Great Oaks case for reconsideration in light of its UWCD opinion. On November 8, 2018, the Court of Appeal reaffirmed its 2015 decision. This case was remanded to the trial court for further proceedings in February 2019.

While the 2005 Great Oaks case was pending, Great Oaks filed additional annual claims and additional annual lawsuits challenging Valley Water's groundwater production charges for each year after 2005, continuing through the present. Great Oaks' subsequent, similar lawsuits were stayed

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pending resolution of its 2005 case. In addition, in 2011 Shatto Corporation, Mike Rawitser Golf Shop, and Santa Teresa Golf Club filed a similar refund action, making similar claims (Santa Clara Superior Court Case No. 2011-CV-195879). In 2019, Valley Water filed a collection action against Shatto Corporation for failure to pay groundwater charges from 2009 to 2014 and associated penalties and interest. Shatto Corporation filed a cross-complaint, alleging that Valley Water's groundwater charges violate Article XIII C of the California Constitution (Santa Clara Superior Court Case No. 2019-CV-348413).

Once the Great Oaks Case was remanded to the trial court in February 2019, the court lifted the stay over Great Oaks' subsequently filed cases, as well as the case brought by Shatto Corporation, Mike Rawitser Golf Shop, and Santa Teresa Golf Club. At the request of the trial court, in order to streamline resolution of the remaining issues regarding this litigation and related litigation, the parties stipulated and agreed to the filing of a new, omnibus complaint. On June 12, 2020, the proposed omnibus "Master Complaint" of plaintiffs Great Oaks and Shatto Corporation was approved for filing and filed under Santa Clara Superior Court Case No. 2011-CV-205462. Great Oaks alleged that Valley Water's groundwater production charges violated Proposition 26, and that Valley Water did not levy or collect groundwater charges from agricultural pumpers but instead used property taxes to pay these charges. On or about October 7, 2020, Valley Water and Shatto Corporation entered into a settlement agreement by which both parties dismissed with prejudice all actions each had against the other. Shatto paid Valley Water \$1.1 million in connection with the settlement.

The trial in the Great Oaks Case took place in June 2022. The case was dismissed as to all plaintiffs except for Great Oaks. A final statement of decision fully in Valley Water's favor was issued on February 8, 2023, and judgment for Valley Water was entered. In March 2023, Great Oaks filed a notice of appeal of the judgment. The matter is now pending in the Sixth District Court of Appeal.

Deanna Lacy, et. al. v. SCVWD et. al.

This case concerns a fatal accident where a pedestrian was struck by an ACE train while jogging across the railroad tracks on or near one or more trails adjacent to land either owned or leased by Valley Water. This action, brought by decedent's estate, remains an active matter and discovery is ongoing. A jury trial is presently scheduled for January 8, 2024. Valley Water intends to vigorously defend against this action. Plaintiff's counsel has previously indicated an intention to seek damages in excess of \$2,000,000. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

PG&E v. SCVWD; SJUSD v. SCVWD (2017 Flooding in the City of San Jose)

Following a series of storms, a flood event occurred on the Coyote Creek in San Jose, California on or about February 21, 2017. The Coyote Creek is approximately 42 miles long and is the longest creek in the County. In the southern portion of the County, Valley Water owns and maintains the Leroy Anderson Dam and Reservoir along the Coyote Creek near Morgan Hill, California. The Anderson Dam is upstream from the City of San Jose. After the reservoir reached capacity, water began going over the Anderson Dam spillway, as was designed, on February 18, 2017. The spillover volume peaked on the morning of February 21, 2017, increasing flows on Coyote Creek. Beginning on or about February 21, 2017, certain residential and non-residential areas of San Jose along Coyote Creek experienced flooding due to rising water levels in the creek. Thousands of residents were

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temporarily evacuated, and numerous properties experienced flood damage. Such flood water receded within a short period of time after February 21, 2017.

A number of claimants filed lawsuits in Santa Clara County Superior Court against Valley Water and the City of San Jose alleging damage from the Coyote Creek flood event. In July 2022, Valley Water and plaintiffs in the consolidated reached a full settlement in the amount of \$8,250,000. This settlement resulted in the entry of an amended stipulated judgment on July 11, 2022. The settlement has been paid by Valley Water and its insurer; Valley Water's contributions towards this settlement was \$3,175,000.

There are two pending actions in the Santa Clara County Superior Court arising from the same flood event (San José Unified School District v. SCVWD, Case No. 18CV330233; PG&E v. SCVWD, Case No. 20CV371349). PG&E v. SCVWD is currently scheduled for a jury trial on April 2, 2024, and no trial is currently scheduled in the San José Unified School District action. Valley Water believes that the aggregate amounts recoverable against Valley Water with respect to these cases, taking into account insurance coverage, are not material.

Roberts, Howard Jarvis Taxpayer Association v. Coachella Valley Water District

Plaintiffs Roberts and Howard Jarvis Taxpayers Association filed several cases against Coachella Valley Water District ("Coachella"), alleging that Coachella's imposition of the State Water Project (SWP) tax violated Proposition 13 because there was no showing that it was necessary for Coachella to use its taxing power to pay for SWP expenses rather than pay these expenses through its water rates.

The court ruled in favor of plaintiff that SWP expenses should generally be paid through water rates and not taxes, and Coachella's SWP tax was unlawful because the record failed to show that it was necessary for Coachella to impose a SWP tax, i.e., that it was infeasible to pay SWP expenses through its rates. Trial was bifurcated; phase 2 has not started.

Many SWP contractors, including Valley Water, rely on the imposition of the SWP tax to pay for some, most, or all of their SWP expenses. If this action is appealed and the trial court decision is upheld, this could impair the ability of Valley Water and other SWP contractors to pay for SWP expenses through imposition of a SWP tax and could cause water rates to increase significantly. Also, although not precedent, other trial courts could analyze similar SWP tax challenges similarly in the future.

San Francisco Baykeeper Litigation

In September 2022, petitioners, San Francisco Baykeeper, filed a petition for writ of mandate and declaratory relief against Valley Water in Santa Clara County Superior Court for alleged violations of the California Fish and Game Code, waste and unreasonable use of water resources and violations of the public trust doctrine. (San Francisco Baykeeper v. Valley Water, Santa Clara County Superior Court, Case No. 22CV403523). Petitioner alleged that Valley Water does not operate its dams and waterways to allow sufficient water flows to maintain fish stocks in good condition, to remove artificial barriers that prevent fish passage and has failed to manage its waterways to protect habitat values for fish and wildlife. Petitioner asked the court to order Valley Water to modify its operations to rectify the foregoing, and for an injunction enjoining all activity of Valley Water which violate the California Fish and Game Code and common law until Valley Water implements an appropriate flow regime.

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Valley Water filed a demurrer and motion to strike in response to San Francisco Baykeeper's petition in December 2022. No hearing on the petition for writ of mandate has been scheduled. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to petitioner's allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

Stanford University Claim

On April 23, 2021, Valley Water received a claim from Stanford University ("Stanford") challenging Valley Water's application of groundwater charges in groundwater benefit Zone W-2 to Stanford. Stanford seeks a refund of the 2020-2021 groundwater charges that it paid to Valley Water, which as of May 1, 2021, was \$594,782. Stanford argues that Valley Water's groundwater charges, as applied to it, violate the Law, Proposition 218, Proposition 26, Stanford's water rights, and the Sustainable Groundwater Management Act. In its claim, Stanford asserts that the groundwater charges are unlawful because Stanford does not benefit from Valley Water's groundwater recharge activities.

Stanford presented Valley Water with another claim on May 10, 2022, demanding a refund of 2021-2022 groundwater charges paid to Valley Water, which Stanford identified as \$449,630.77 for the months of July 2021 through February 2022. This latest claim contains the same legal theories asserted in its claim for 2020-2021 groundwater charges.

Valley Water believes Stanford's claims are without merit since Valley Water's consultant concluded in a 2020 groundwater benefit zone study that groundwater wells that Stanford pumps from do benefit from Valley Water's groundwater recharge activities. This comprehensive study was finalized and relied upon by the Board when it updated Valley Water's groundwater charge zones, including Charge Zone W-2, through adoption of Board Resolution No. 20-12 on April 28, 2020.

The Board denied Stanford's FY 2020-2021 groundwater charge claim on May 25, 2021, and its FY 2021-2022 groundwater charge claim on May 24, 2022. Stanford and Valley Water have entered an agreement that tolls the deadline for Stanford to initiate a lawsuit regarding its claims, which provides the parties an opportunity to discuss whether a resolution can be reached to avoid the time, effort and expense of litigation.

If Stanford were to be successful in challenging its groundwater charges, Valley Water would not only be liable for groundwater charges levied against Stanford since Fiscal Year 2020-21 but may potentially be liable for refunding groundwater charges of other similarly situated groundwater pumpers. As a result, a successful challenge by Stanford may have a material impact on Valley Water's groundwater charge revenue generated from Zone W-2.

Stop the Pacheco Dam Project Coalition, et al. v. SCVWD

On June 2, 2022, the Stop the Pacheco Dam Project Coalition filed a petition for writ of mandate against Valley Water in the Santa Clara County Superior Court for alleged violations of CEQA relating to the Pacheco Reservoir Expansion Project's planned Phase-2 geotechnical investigation activities (Stop the Pacheco Dam Project Coalition v. SCVWD, Santa Clara County Superior Court, Case No. 22CV399384). On August 23, 2022, an amended petition for writ of mandate was filed adding two new petitioners - the Sierra Club and the Amah Mutsun Tribal Band. On May 18, 2023, the court issued its order granting the petition for a peremptory writ of mandate finding that Valley Water had not complied with CEQA in determining the Phase-2 geotechnical investigation activities to be

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exempt. The order required Valley Water to vacate and set aside the notice of exemption and take additional steps, and Valley Water has complied. The Phase 2 Geotechnical Investigations will resume once Valley Water completes environmental review pursuant to the California Environmental Quality Act (CEQA).

Toledo v. San Joaquin Regional Rail Commission, et al.

This matter involves a pedestrian versus train accident on the Guadalupe River railroad bridge in the Alviso neighborhood of San Jose. Plaintiff, the father of decedent, Celeste Toledo, brought this action against Valley Water and other defendants claiming a dangerous condition of public property and negligent bridge construction. A trial setting conference is scheduled for January 30, 2024. As with any litigation, there is uncertainty as to the result. However, Valley Water believes it has reasonable defenses to plaintiffs' allegations, which it intends to assert. Valley Water cannot predict what effects this lawsuit may have or if such effects would be material.

Weigand v. SCVWD

This is a disability harassment and discrimination action filed in November 2018 against Valley Water by former Environmental, Health & Safety Unit Program Manager Geoffrey Weigand. Weigand alleged that Valley Water violated the Fair Employment and Housing Act by discriminating against him, failing reasonably accommodate his disability, failing to fairly engage in the interactive process, harassing him because of his medical condition, and retaliating against him. Weigand ultimately retired from Valley Water while the reasonable accommodation process was ongoing. The Fair Employment and Housing Act causes of action asserted by Weigand provided for an award of attorneys' fees if he prevailed. Jury trial was scheduled for November 20, 2023.

(b) Grants and Subventions

Valley Water has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditure disallowances under grant terms, any such disallowances are not expected to be material.

(c) WIIN Act Central Valley Project Contract Conversions

On December 16, 2016, Congress enacted the Water Infrastructure Improvements for the Nation Act (WIIN Act). Under the WIIN Act, a Central Valley Project (CVP) contractor may request conversion of its multi-year term water service contract into a permanent repayment contract. In a water service contract, construction costs owed by the contractor are paid on a per acre-foot basis in proportion to its CVP water deliveries. However, in a repayment contract under the WIIN Act, construction costs are paid up front as a lump sum or three-year accelerated scheduled irrespective of water deliveries. By agreeing to prepay construction costs up front, the WIIN Act provides for a repayment contract that does not expire.

Under the terms of these contract conversions, the Bureau requires all contractors, including Valley Water, to file validation actions in Superior Court to establish conclusively that the new, converted contract is valid, and the contractor has the legal authority to enter into it.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Valley Water has converted two of its contracts with the Bureau of Reclamation (Valley Water's long-term CVP contract and its contract for water services assigned to it by Mercy Springs Water District). Valley Water filed validation actions as to both these contracts (actions confirming that Valley Water has the legal power and authority to enter into these contracts and has done so in accordance with applicable law), as required by the Bureau of Reclamation. Both validation actions have gone unchallenged. On April 21, 2023, the Santa Clara County Superior Court entered judgments in favor of Valley Water in both actions.

(d) Factors Affecting Water Supply

2019 Revised Federal Biological Opinions Litigation.

In October 2019, the United States, acting through the National Marine Fisheries Service ("NMFS") and United States Fish and Wildlife Service ("FWS") issued revised Biological Opinions (BiOps) governing the joint operation of the CVP and SWP. The revised BiOps allow for the export of additional water south of the Delta during April and May in certain water years, as compared to the prior 2008-09 BiOps. The State of California and several environmental groups filed suit soon thereafter, alleging that this BiOp violated the ESA, Administrative Procedure Act ("APA"), and National Environmental Policy Act ("NEPA"). These cases have been consolidated in the United States District Court for the Eastern District of California.

The 2019 BiOps not currently in effect. The United States reinitiated consultations to develop new joint project Biological Opinions. The court approved United States and California proposed joint project Interim Operations Plan (IOP) for 2023 and has stayed litigation through December 31, 2023. This case is of interest since the 2019 federal BiOps potentially made more water available to CVP contractors, as compared to 2008-2009 BiOps, especially during wet years.

Bay-Delta Water Quality Control Plan Phase 1 Amendments Litigation.

In late 2018, the SWRCB released its "Phase 1" amendments to the San Francisco Bay/Sacramento - San Joaquin Delta Estuary Bay-Delta Water Quality Control Plan ("Bay Delta WQCP"), which addressed water quality objectives on the Lower San Joaquin River, its tributaries, and the southern Delta. (Phase 2 amendments will focus on the Sacramento River, its tributaries and the northern and central Delta.) Among other things, the Phase I amendments require an adaptive 30% – 50% unimpaired flow requirement on all major tributaries to the San Joaquin River, including the Tuolumne River, from which the SFPUC Hetch-Hetchy system obtains its water supplies. The SWRCB announced that, in forthcoming Phase 2 amendments concerning the Sacramento River and the North and Central Delta, that it expects to impose a higher adaptive 45% – 65% unimpaired flow requirement. Approximately 24 entities filed suit against the SWRCB in 13 lawsuits concerning the Phase I Bay-Delta WQCP amendments. Such lawsuits have been consolidated in Sacramento Superior Court in Case No. JCCP 5013. Several water and irrigation districts, environmental groups, the cities of San Francisco and Modesto, the United States, and one Indian tribe are plaintiffs/petitioners. Valley Water filed suit against the SWRCB but voluntarily dismissed its lawsuit on September 1, 2020.

Most public agency plaintiffs allege that the flow requirements are arbitrary and capricious, not based on the best available science, or are too restrictive of, or alter, water rights. Environmental groups

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

allege they are not protective enough of threatened fish populations. The Phase 1 amendments could reduce water imported through Hetch Hetchy system into northern Santa Clara County, which could cause increased groundwater pumping. Also, anticipated Phase 2 amendments could cause a more direct reduction in Valley Water imported supplies. Valley Water and other contractors would prefer to use comprehensive voluntary agreements (VAs) process applicable to all major Delta watershed water users, or water rights holders, to meet Delta outflow targets.

Trial in the action has concluded, and the parties are awaiting a ruling from the court.

California Incidental Take Permit and SWP Long-Term Operations EIR Litigation.

Prior to 2019, the State of California (State) operated the SWP under the CESA in accordance with the federal 2008-09 BiOps through the filing of a “consistency determination”. In 2018, the State conducted its own environmental review, and separate CESA review, of SWP operations. In November 2019, DWR issued its draft EIR for long-term operations of the SWP. The draft EIR found that the project would have no significant environmental impacts. However, the draft EIR also discussed several project alternatives, including “Alternative 2[b] - Proposed Project with Dedicated Water for Delta Outflow from SWP”. In December 2019, DWR applied to the California Department of Fish & Wildlife (“CDFW”) for an incidental take permit (ITP) under the CESA. Despite the draft EIR finding of no significant impact, in its ITP application, DWR described the project in terms closer to Alternative 2b than what it had originally proposed. On March 27, 2020, DWR certified its final EIR, which adopted “Refined Alternative 2b” as the approved project. On March 31, 2020, CDFW issued an ITP consistent with the final EIR. The ITP will limit exports in wetter years as compared to what is allowed under the 2019 revised BiOps, with potential reductions of up to 400,000 acre-feet in April and May. Although the ITP applies only to SWP operations, as noted above, it appears the U.S. may operate the CVP consistent with the ITP during its ESA reconsultation.

Several lawsuits were filed against the State challenging the EIR and ITP by State and federal water contractors and by environmental groups. Contractors allege that the State violated CEQA or CESA by: (a) changing the project description after the draft EIR and certifying new “Refined Alternative 2b” without adequate disclosure or public comment; and (b) failing to use the best available science and requiring unjustified fish avoidance and mitigation measures. Several SWP contractors also allege the State breached its SWP Water Supply Contract by limiting water exports without justification. Environmental groups allege that the ITP violates CEQA, CESA and/or the Delta Reform Act because it is not protective enough of threatened species. This litigation has been consolidated in Sacramento Superior Court, Case No. JCCP 5117 (CDWR Water Operations Cases). There is no briefing schedule on the merits yet, and the action is pending.

Center for Bio. Diversity v. USBR, SCVWD, et al.

(U.S.D.C., E.D.Cal., Case No. 1:20-cv-00706-DAD-EPG; related case 1:20-cv-01814 (Hoopa Valley tribe). This action challenges the conversion of many Central Valley Project (CVP) water service contracts into permanent repayment contracts under the Water Infrastructure Improvements for the Nation Act (WIIN Act), alleging that this conversion violates NEPA and the ESA. Plaintiffs allege violations of NEPA and ESA through the federal Administrative Procedures Act. APA. The parties have filed competing cross-motions for summary judgment which are awaiting hearing. The WIIN Act conversion makes CVP contract permanent, eliminating need for numerous short-term renewals and limiting opportunities for environmental challenges to renewals under NEPA, CEQA, ESA, etc.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2023

City of Fresno et al. v. Bureau of Reclamation

(U.S. Court of Appeal for the Federal Circuit, Case 22-1994; U.S. Court of Federal Claims (Wash., DC), Case No. 16-1276C). In this action, CVP Friant Division contractors allege that the Bureau of Reclamation violated contractual obligations and effectuated an unlawful taking by failing to deliver water to them in 2014 from Millerton Reservoir because the Bureau instead released Millerton water to the San Joaquin River Exchange Contractors Authority. Valley Water is an intervenor in the case. The trial court granted USBR's motion for summary judgment against the Friant plaintiffs (Plaintiffs' 5th amendment takings claim was previously dismissed). An appeal followed, the appeal has been fully briefed, and the parties are awaiting an oral argument date.

DWR DCF Bond Validation Action (Sierra Club v. DWR)

(Sacramento County Sup. Ct. Case No. 34-2020-80003517 [lead case, CEQA] & 34-2020-00283112 [validation]). The California Department of Water Resources (DWR), through its bond counsel, filed this action to validate its authority to issue revenue bonds to finance the environmental review, planning, engineering and design, and, if and when appropriate, acquisition and construction of the Delta Conveyance Project (DCP) under the CVP Act and Burns-Porter Act. Sierra Club and other NGOs filed a lawsuit alleging that DWR's bond authorization violated CEQA.

The Validation case and CEQA case were consolidated. On January 4, 2022, the court granted DWR's motion for summary judgment as to the CEQA action and the CEQA affirmative defenses in the validation action and denied those of the petitioners. On August 25, 2022, DWR and several NGOs filed cross-motions for summary judgment on claims relating to alleged violation of Delta Reform Act and Public Trust Doctrine. On December 9, 2022, court granted DWR's motion for summary adjudication as to all affirmative defenses premised upon the Delta Reform Act and Public Trust Doctrine. This action has been fully briefed and the hearing has concluded. The trial court issued a Tentative Statement of Decision finding that DWR lacks statutory authority to plan, design and construct DCP, as it is not a minor modification of a previously approved CVP unit (such as proposed Delta Cross Channel), and also lacks bonding authority as DWR has not adopted DCP into the State Water Project.

DWR SWP Contract Long-Term Extension Validation Action & CEQA Actions.

(Sacr. Sup. Ct. Case No. 34-2018-00246183 and Nos. 34-2019-80003047 & 3053). DWR filed a validation action in Sacramento County Superior Court in 2018 to validate the legality of its approval of long-term extensions of all SWP water service contracts, including Valley Water's contract. A judgment in favor of DWR would provide that the matters contained therein are in conformity with applicable law and allow DWR to have the ability to issue and successfully market low-interest rate, long-term (30 year) SWP bonds.

In February 2019, Valley Water filed an answer supporting DWR's allegations, as did several other SWP contractors. However, several environmental groups and counties and districts filed answers or separate lawsuits opposing DWR's approval of the long-term extension, asserting that the approval violates CEQA, the Public Trust Doctrine or the DRA.

All cases were consolidated. The administrative record has been certified, and the parties have fully briefed and argued their positions. The trial court granted judgment in favor of DWR and supporting SWP contractors on all causes of action. Several environmental groups and agencies filed notices

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

of appeal and their appeals have been coordinated. The appeal has been fully briefed; oral argument is scheduled for November 15, 2023.

Oroville Spillway Environmental Damage Cases

These consolidated cases in the Sacramento County Superior Court involve claims of damage resulting from the failure of the Oroville Dam spillway in 2017. The most important case to Valley Water and other State Water Project contractors in this litigation was brought by the Butte County District Attorney, alleging strict liability environmental damage to Feather River pursuant to Fish & Game Code §5650 totaling \$51 billion (\$25k/day penalty and \$10/pound of spillway and materials discharged into river). The trial court granted summary judgment to DWR on the Butte County District Attorney's Fish & Game § 5650 claim, finding that the State is not a "person" subject to suit under that section. The Butte County DA appealed.

SWRCB 2021 and 2022 Drought Curtailment Cases

(JCCP No. 5229; Sac. County Sup. Ct. Case No. 34-2021-80003720)) Plaintiffs in seven lawsuits allege that the State Water Resources Control Board (SWRCB) unlawfully curtailed the appropriative water rights of post-1914 and pre-1914 water rights holders during the summer of 2021 without an adequate factual basis and without an adjudicative hearing. Because the 2015 Curtailment cases were coordinated in Santa Clara County, these cases have been similarly assigned to Santa Clara County (Judge Kulkarni). Five similar curtailment cases filed in 2022 are being consolidated with these 2021 cases. Plaintiffs allege claims for violations of due process, the rule of priority, area of origin protections, exceeding the scope of State Board authority over pre-1914 and riparian rights, unlawful taking, failure to make required findings, and lack of adequate evidentiary support.

The State Water Contractors (SWC) intervened in all of these cases. SWRCB has begun preparing the administrative record and expects to finalize it by the end of 2023. The California Attorney General's office filed demurrers in all 12 cases on June 9, 2023.

The case is of interest to Valley Water since SWRCB curtailments due to water unavailability/drought affect CVP and SWP water rights and also Valley Water's ability to receive transfer supplies. However, curtailment orders probably help CVP and SWP releases of stored water supplies from being illegally diverted.

Water Imported through San Francisco-San Joaquin Bay-Delta

Valley Water's imported and local supplies are subject to regulatory restrictions pursuant to, among other laws, the federal Endangered Species Act ("ESA"), California Endangered Species Act ("CESA"), the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary Bay-Delta, and State Water Resources Control Board Decision D-1641. The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the State and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and CVP. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. These circumstances led to the Bay-Delta Accord in 1994, in which the State and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Reform Act and Delta Plan, and the proposed Delta Conveyance Project to develop a long-term solution for conflicts in the Bay-Delta. However, there has been significant recent litigation concerning ESA and CESA issues and water moving through the Delta for export to contractors.

Various legal actions have been filed, involving the conveyance of water through the Delta by DWR, via the SWP, and by USBR, via the CVP.

NOTE 17 - SUBSEQUENT EVENTS

Events have been evaluated subsequent to the balance sheet date through December 20, 2023, the date the financial statements were available to be issued. Based upon this evaluation, no events have occurred that require adjustment to or disclosures in the financial statements except as noted below:

- On September 8, Governor Newsom signed AB 939 (Pellerin) Smart Financing for Valley Water Infrastructure. The bill amends the District Act to add the financial flexibility needed to help Valley Water adapt to climate change by fixing the revenue bond authority and authorizing general obligation bonds. Specifically, AB 939 authorizes the Valley Water Board to place on the countywide ballot General Obligation Bonds paid for by ad valorem property taxes.
- On October 10, Governor Newsom signed AB 1469 (Kalra) Valley Water Assisting Unsheltered People. The bill amends the District Act to allow flexibility to use Valley Water land and the existing ad valorem property tax to assist unsheltered people, including contracting for services or providing low-barrier navigation centers, supportive housing, transitional housing, affordable housing, or other facilities. These facilities would be operated by a city, the County, or a non-profit with the appropriate expertise to provide shelter and services that can improve outcomes for unsheltered people and enable compliance with federal case law requiring a legitimate offer of shelter before relocating unsheltered people living on public lands.
- At the November 14, 2023 Board meeting, staff reported that the cost projection for the Anderson Dam Seismic Retrofit Project is likely to increase by roughly \$900 million to \$1.9 billion as the 90 percent construction cost estimate increased notably from the previous 60 percent construction cost estimate performed in 2021. Broadly, the reasons for the cost increase include: the impact of added risk reduction measures, such as the articulated concrete block auxiliary spillways for interim dams; construction cost increases for several project features, including the in-reservoir haul roads, the low level outlet works, the high-level outlet works, and the spillway; and finally, current market conditions have been incorporated into the construction cost to reflect significant increases in material costs, such as concrete and steel, and increases in assumed contractor markups for overhead and profit.

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

- Great Oaks Water Company

On October 23, 2023, Great Oaks Water Company filed its opening brief in the appeal before the Sixth District Court of Appeal.

- Oroville Spillway Environmental Damage Case

The Court of Appeal issued a decision affirming the trial court's decision on October 5, 2023. The Butte County DA can petition the California Supreme Court for further review. This case was of interest to Valley Water and other SWP contractors since a large civil penalties award could have jeopardized the financial integrity of the State Water Project and/or caused significant rate increases.

- Roberts, Howard Jarvis Taxpayer Association v. Coachella Valley Water District

In the fall of 2023, the trial court ruled in favor of plaintiffs, finding Coachella's imposition of the tax unlawful, as the record did not show that it was infeasible for Coachella to pay its SWP expenses through its water rates. Trial in this case was bifurcated; there is not yet a final trial court judgment. Once judgment has been entered, the Coachella Valley Water District will have an opportunity to appeal.

Many SWP contractors, including Valley Water, rely on the imposition of the SWP tax to pay for some, most, or all of their SWP expenses. If this action is appealed and the trial court decision is upheld, this could impair the ability of Valley Water and other SWP contractors to pay for SWP expenses through imposition of a SWP tax and could cause water rates to increase significantly. Also, although not precedent, other trial courts could analyze similar SWP tax challenges similarly in the future.

- San Francisco Baykeeper Litigation

On August 2, 2023, the court issued an order denying the motion to strike and overruling the demurrer. Following this ruling, Valley Water filed an answer to the petition on September 1, 2023. A further case management conference is scheduled for December 21, 2023.

- Stanford University Claim

In October 2023, Valley Water and Stanford University entered into a tolling agreement extending the tolling period through January 31, 2024. In October 2023, Stanford's counsel submitted an additional or further claim for \$220,260 relating to Valley Water's FY 2022-23 groundwater charges.

- Stop the Pacheco Dam Coalition, et al. v. SCVWD

On September 12, 2023, the parties entered into a settlement agreement under which Valley Water agreed to pay petitioner's counsel \$155,000 in attorneys' fees to resolve their claim for attorneys' fees as prevailing parties. On September 21, 2023, the Santa Clara County Superior

VALLEY WATER
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

Court issued an order finding that Valley Water had complied with the writ. Accordingly, this litigation matter is closed.

- **SWRCB 2021 and 2022 Drought Curtailment Cases**

A hearing on the SWRCB's demurrers was held on October 13, 2023. A further case management conference has been set for February 2, 2024, and the court has indicated that it will issue a demurrer ruling before that date.

- **Weigand v. SCVWD**

Valley Water's motion for summary judgment, or in the alternative summary adjudication, was heard by the court on September 28, 2023. On October 6, 2023, the court issued an order denying the motion concluding, in large part, that there were triable issues of material fact that should go to a jury. On October 4, 2023, Valley Water received a settlement demand from Plaintiff for \$1.8 Million. The action subsequently settled at an October 17, 2023, mediation hearing for \$1 Million.

**Required
Supplementary
Information**

VALLEY WATER

Schedule of Changes In Net Pension Liability and Related Ratios - Last 10 Years*

June 30, 2023

(Dollars in Thousands)

	2015	2016	2017	2018
Total pension liability				
Service cost	\$ 14,351	\$ 13,736	\$ 13,764	\$ 15,752
Interest on total pension liability	46,262	48,842	51,160	53,110
Differences between expected and actual experience	-	(184)	(3,174)	(4,717)
Changes in assumptions	-	(12,080)	-	44,289
Benefit payments, including refunds of employee contributions	(25,005)	(27,800)	(30,428)	(32,499)
Net change in pension liability	35,608	22,514	31,322	75,935
Total pension liability, beginning	622,149	657,757	680,271	711,593
Total pension liability, ending (a)	<u>\$ 657,757</u>	<u>\$ 680,271</u>	<u>\$ 711,593</u>	<u>\$ 787,528</u>
Plan fiduciary net position				
Contributions - employer	\$ 13,804	\$ 15,158	\$ 17,044	\$ 19,055
Contributions - employee	9,037	6,242	6,568	6,625
Net investment income	75,675	11,478	2,753	56,514
Benefits payment	(25,005)	(27,800)	(30,428)	(32,499)
Administrative expenses	-	(567)	(312)	(751)
Other miscellaneous income / (expenses)	-	-	-	-
Net change in fiduciary net position	73,511	4,511	(4,375)	48,944
Plan fiduciary net position, beginning	434,730	508,241	512,752	508,377
Plan fiduciary net position, ending (b)	<u>\$ 508,241</u>	<u>\$ 512,752</u>	<u>\$ 508,377</u>	<u>\$ 557,321</u>
 Net pension liability, ending (a - b)	 <u>\$ 149,516</u>	 <u>\$ 167,519</u>	 <u>\$ 203,216</u>	 <u>\$ 230,207</u>
 Plan fiduciary net position as a percentage of total pension liability	 77.27%	 75.37%	 71.44%	 70.77%
Covered payroll	\$ 77,886	\$ 78,010	\$ 79,664	\$ 84,111
Net pension liability as a percentage of covered payroll	191.97%	214.74%	255.09%	273.69%
Discount rate	7.50%	7.65%	7.65%	7.15%

* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 9 years are shown.

2019	2020	2021	2022	2023
\$ 16,023	\$ 16,483	\$ 16,988	\$ 18,122	\$ 20,886
54,940	58,350	61,604	64,728	67,371
(1,354)	13,358	10,680	8,045	5,063
(8,126)	-	-	-	28,437
(35,347)	(38,352)	(42,163)	(44,848)	(48,423)
26,136	49,839	47,109	46,047	73,334
787,528	813,664	863,503	910,612	956,659
<u>\$ 813,664</u>	<u>\$ 863,503</u>	<u>\$ 910,612</u>	<u>\$ 956,659</u>	<u>\$ 1,029,993</u>

\$ 20,101	\$ 26,623	\$ 29,743	\$ 33,640	\$ 37,448
7,030	7,631	7,624	8,368	8,898
47,227	39,280	31,577	149,286	(60,895)
(35,347)	(38,352)	(42,163)	(44,847)	(48,423)
(868)	(424)	(886)	(654)	(499)
(1,649)	1	-	-	-
36,494	34,759	25,895	145,793	(63,471)
557,321	593,815	628,574	654,469	800,262
<u>\$ 593,815</u>	<u>\$ 628,574</u>	<u>\$ 654,469</u>	<u>\$ 800,262</u>	<u>\$ 736,791</u>

<u>\$ 219,849</u>	<u>\$ 234,929</u>	<u>\$ 256,143</u>	<u>\$ 156,397</u>	<u>\$ 293,202</u>
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72.98%	72.79%	71.87%	83.65%	71.53%
\$ 88,533	\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455
248.32%	254.99%	263.25%	146.89%	253.95%
7.15%	7.15%	7.15%	7.15%	6.90%

VALLEY WATER
Schedule of Employer Pension Contributions - Last 10 Years*
June 30, 2023
(Dollars in Thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 13,948	\$ 16,532	\$ 18,569	\$ 19,746
Contributions in relation to the actuarially determined contribution	(13,948)	(16,532)	(18,569)	(19,746)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ⁽¹⁾	\$ 78,010	\$ 79,664	\$ 84,111	\$ 88,533
Contribution as a percentage of covered payroll	17.88%	20.75%	22.08%	22.30%

⁽¹⁾ The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net pension liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 2.75% increase.

17.82%	20.73%	20.73%	22.12%
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* Fiscal year 2015 was the first year of GASB 68 implementation, therefore only 9 years are shown.

Fiscal Year				
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 22,409	\$ 25,273	\$ 28,610	\$ 32,021	\$ 37,411
(25,409)	(28,273)	(31,610)	(35,021)	(40,411)
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>

\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455	\$ 147,205
27.58%	29.06%	29.69%	30.33%	27.45%

22.26% 27.58% 29.09% 29.67% 31.98%

VALLEY WATER

Schedule of Changes In Net OPEB Liability and Related Ratios - Last 10 Years*

June 30, 2023

(Dollars in Thousands)

	Fiscal Year					
	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	\$ 2,913	\$ 2,914	\$ 2,644	\$ 2,501	\$ 2,287	\$ 2,570
Interest on total OPEB liability	12,018	12,473	12,899	12,818	13,195	13,201
Effect of change in actuarial assumptions/methods	-	-	(5,556)	-	1,115	(4,688)
Benefits payment	(8,471)	(8,877)	(10,068)	(10,338)	(10,581)	(11,562)
Other liability experience loss / (gain)	-	54	(8,018)	211	(5,605)	196
Net change in OPEB liability	6,460	6,564	(8,099)	5,192	411	(283)
Total OPEB liability, beginning	167,805	174,265	180,829	172,730	177,922	178,333
Total OPEB liability, ending (a)	<u>\$ 174,265</u>	<u>\$ 180,829</u>	<u>\$ 172,730</u>	<u>\$ 177,922</u>	<u>\$ 178,333</u>	<u>\$ 178,050</u>
Plan fiduciary net position						
Contributions	\$ 11,471	\$ 11,877	\$ 10,068	\$ 10,338	\$ 10,581	\$ 11,562
Benefits payment	(8,471)	(8,877)	(10,068)	(10,338)	(10,581)	(11,562)
Expected investment income	6,259	7,143	7,825	8,659	23,496	11,419
Investment experience (loss) / gain - differences between expected and actual experience	2,925	787	(1,180)	(4,622)	8,960	(31,551)
Administrative expense	(45)	(52)	(53)	(57)	(66)	(73)
Net change in fiduciary net position	12,139	10,878	6,592	3,980	32,390	(20,205)
Plan fiduciary net position, beginning	84,501	96,640	107,518	114,110	118,090	150,480
Plan fiduciary net position, ending (b)	<u>\$ 96,640</u>	<u>\$ 107,518</u>	<u>\$ 114,110</u>	<u>\$ 118,090</u>	<u>\$ 150,480</u>	<u>\$ 130,275</u>
Net OPEB liability, ending (a - b)	<u>\$ 77,625</u>	<u>\$ 73,311</u>	<u>\$ 58,620</u>	<u>\$ 59,832</u>	<u>\$ 27,853</u>	<u>\$ 47,775</u>
Plan fiduciary net position as a percentage of total OPEB liability	55.46%	59.46%	66.07%	66.37%	84.38%	73.17%
Covered payroll	84,111	88,533	92,134	97,299	106,472	115,455
Net OPEB liability as a percentage of covered payroll	92.29%	82.81%	63.62%	61.49%	26.16%	41.38%
Discount rate	7.28%	7.28%	7.59%	7.59%	7.59%	7.59%

* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 6 years are shown.

VALLEY WATER

Schedule of Employer Other Post Employment Benefit Contributions - Last 10 Years*

June 30, 2023

(Dollars in Thousands)

	Fiscal Year					
	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 8,780	\$ 8,559	\$ 8,162	\$ 7,356	\$ 7,431	\$ 5,063
Contributions in relation to the actuarially determined contribution	(12,546)	(10,227)	(10,757)	(10,972)	(12,078)	(13,910)
Contribution Deficiency / (Excess)	<u>\$ (3,766)</u>	<u>\$ (1,668)</u>	<u>\$ (2,595)</u>	<u>\$ (3,616)</u>	<u>\$ (4,647)</u>	<u>\$ (8,847)</u>
Covered payroll ⁽¹⁾	\$ 88,533	\$ 92,134	\$ 97,299	\$ 106,472	\$ 115,455	\$ 147,205
Contribution as a percentage of covered payroll	14.17%	11.10%	11.13%	10.31%	10.46%	9.45%

⁽¹⁾ The covered payroll noted on this page is different from the covered payroll presented on the previous page as the previous page is payroll related to the net OPEB liability in the applicable measurement period.

The covered payroll for the current year is from the actuarial valuation study using a prior year measurement date, adjusted to the current year using a 2.75% increase.

* Fiscal year 2018 was the first year of GASB 75 implementation, therefore only 6 years are shown.

VALLEY WATER
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Budgeted Governmental Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	General Fund			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 10,296	\$ 10,296	\$ 11,581	\$ 1,285
Use of money and property:				
Investment income	150	150	(375)	(525)
Rental	-	-	-	-
Reimbursement of capital costs	-	-	-	-
Other	30	30	2,106	2,076
Total revenues	<u>10,476</u>	<u>10,476</u>	<u>13,312</u>	<u>2,836</u>
Expenditures:				
Operating budget:				
Operations and operating projects	81,847	81,381	74,786	6,595
Debt service:				
Principal repayment	428	428	428	-
Interest and fiscal charges	47	47	44	3
Total operating budget	<u>82,322</u>	<u>81,856</u>	<u>75,258</u>	<u>6,598</u>
Capital budget:				
Capital improvement projects	6,474	6,131	4,151	1,980
Total expenditures	<u>88,796</u>	<u>87,987</u>	<u>79,409</u>	<u>8,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,320)</u>	<u>(77,511)</u>	<u>(66,097)</u>	<u>11,414</u>
Other financing sources (uses):				
Intra-district overhead reimbursement	76,259	76,259	69,244	(7,015)
COP proceeds	-	-	-	-
Transfers in	4,173	4,173	4,214	41
Transfers out	-	-	-	-
Total other financing sources	<u>80,432</u>	<u>80,432</u>	<u>73,458</u>	<u>(6,974)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	<u>\$ 2,112</u>	<u>\$ 2,921</u>	<u>7,361</u>	<u>\$ 4,440</u>
Reconciliation of GAAP and budgetary basis:				
Interest payments not budgeted			-	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(951)	
Capital improvement projects			(1,044)	
Debt service			-	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			901	
Capital improvement projects			2,924	
Debt service			-	
Fund Balances, beginning of year			<u>12,702</u>	
Fund Balances, end of year			<u>\$ 21,893</u>	

Watershed & Stream Stewardship Fund				Safe, Clean Water & Natural Flood Protection Fund			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 106,391	\$ 106,391	\$ 116,706	\$ 10,315	\$ 49,646	\$ 49,646	\$ 49,501	\$ (145)
1,250	1,250	297	(953)	1,561	1,561	1,803	242
1,465	1,465	1,744	279	-	-	333	333
27,985	27,985	13,576	(14,409)	51,826	51,826	7,976	(43,850)
206	206	1,176	970	-	-	56	56
<u>137,297</u>	<u>137,297</u>	<u>133,499</u>	<u>(3,798)</u>	<u>103,033</u>	<u>103,033</u>	<u>59,669</u>	<u>(43,364)</u>
76,158	76,226	69,330	6,896	25,249	24,155	19,250	4,905
-	-	-	-	3,940	3,940	-	3,940
-	-	-	-	6,353	6,353	2,986	3,367
<u>76,158</u>	<u>76,226</u>	<u>69,330</u>	<u>6,896</u>	<u>35,542</u>	<u>34,448</u>	<u>22,236</u>	<u>12,212</u>
35,564	60,475	44,538	15,937	95,789	78,652	46,516	32,136
<u>111,722</u>	<u>136,701</u>	<u>113,868</u>	<u>22,833</u>	<u>131,331</u>	<u>113,100</u>	<u>68,752</u>	<u>44,348</u>
25,575	596	19,631	19,035	(28,298)	(10,067)	(9,083)	984
-	-	-	-	-	-	-	-
-	-	-	-	53,000	53,000	132,952	79,952
2,273	2,273	2,308	35	-	-	-	-
(28,643)	(28,643)	(28,684)	(41)	(1,779)	(1,779)	(1,779)	-
<u>(26,370)</u>	<u>(26,370)</u>	<u>(26,376)</u>	<u>(6)</u>	<u>51,221</u>	<u>51,221</u>	<u>131,173</u>	<u>79,952</u>
<u>\$ (795)</u>	<u>\$ (25,774)</u>	<u>(6,745)</u>	<u>\$ 19,029</u>	<u>\$ 22,923</u>	<u>\$ 41,154</u>	<u>122,090</u>	<u>\$ 80,936</u>
		-				(1,129)	
		(1,689)				(1,475)	
		(13,032)				(6,570)	
		-				(57)	
		2,043				1,854	
		13,050				5,791	
		-				93	
		<u>140,819</u>				<u>112,081</u>	
		<u>\$ 134,446</u>				<u>\$ 232,678</u>	

VALLEY WATER
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Valley Water annually adopts a budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The COP construction and COP debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various organization units. The Board may amend the budget by motion during the fiscal year. The Chief Executive Officer is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects, and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than the Generally Accepted Accounting Principles (GAAP) basis. The results of operations are presented in the budget and actual schedules in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Inter-fund overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.

Reported budget amounts reflect the annual budget as originally adopted and as subsequently amended by the Board. The budget amounts are based on estimates of Valley Water's expenditures/expenses and the proposed means of financing them. The final budget of capital improvement projects includes budget adjustments related to capital projects' period year balance forward. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from the budgeted amounts due to the timing of such expenditures.

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**Supplemental
Information**

Schedule of Revenues, Expenditures and Change in Fund Balances – Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Funds

Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual Selected Watershed Activities Contained Within the Watershed and Stream Stewardship Fund

VALLEY WATER
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Selected Watershed Activities
Within the Watershed and Stream Stewardship Fund
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Lower Peninsula Watershed	West Valley Watershed
Revenues:		
Benefit assessments	\$ 2,702	\$ 2,208
Total revenues	<u>2,702</u>	<u>2,208</u>
Expenditures:		
Debt service:		
Interest and fiscal charges	2	1
Total expenditures	<u>2</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,700</u>	<u>2,207</u>
Other financing source (uses):		
Transfers out (Note 14)	(2,700)	(2,207)
Total other financing sources (uses)	<u>(2,700)</u>	<u>(2,207)</u>
Net change in fund balances	-	-
Fund balances, beginning of year	-	-
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Guadalupe Watershed	Coyote Watershed	Total
\$ 4,435	\$ 3,884	\$ 13,229
4,435	3,884	13,229
2	3	8
2	3	8
4,433	3,881	13,221
(4,433)	(3,881)	(13,221)
(4,433)	(3,881)	(13,221)
-	-	-
-	-	-
\$ -	\$ -	\$ -

VALLEY WATER
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Selected Watershed Activities
Within the Watershed and Stream Stewardship Fund
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Lower Peninsula Watershed			Variance with
	Original	Final	Budgetary	Final Budget
	Budget	Budget	Basis	Positive
			Actual	(Negative)
Revenues:				
Benefit assessments	\$ 2,703	\$ 2,703	\$ 2,702	\$ (1)
Total revenues	2,703	2,703	2,702	(1)
Expenditures:				
Debt service:				
Principal repayment	1,537	1,537	1,537	-
Interest and fiscal charges	755	755	737	18
Total expenditures	2,292	2,292	2,274	18
Excess (deficiency) of revenues over				
(under) expenditures	411	411	428	17
Other financing sources (uses):				
Transfers out	(411)	(411)	(428)	(17)
Total other financing sources (uses)	(411)	(411)	(428)	(17)
Excess (deficiency) of revenues and other financing sources				
over (under) expenditures and other financial uses	\$ -	\$ -	\$ -	\$ -

West Valley Watershed				Guadalupe Watershed			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 2,218	\$ 2,218	\$ 2,208	\$ (10)	\$ 4,459	\$ 4,459	\$ 4,435	\$ (24)
2,218	2,218	2,208	(10)	4,459	4,459	4,435	(24)
1,541	1,541	1,541	-	3,230	3,230	3,240	(10)
322	322	271	51	507	507	375	132
1,863	1,863	1,812	51	3,737	3,737	3,615	122
355	355	396	41	722	722	820	98
(355)	(355)	(396)	(41)	(722)	(722)	(820)	(98)
(355)	(355)	(396)	(41)	(722)	(722)	(820)	(98)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SANTA CLARA VALLEY WATER DISTRICT
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
Selected Watershed Activities Contained
Within the Watershed and Stream Stewardship Fund
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Coyote Watershed			Variance with
	Original	Final	Budgetary	Final Budget
	Budget	Budget	Basis	Positive
			Actual	(Negative)
Revenues:				
Benefit Assessments	\$ 3,894	\$ 3,894	\$ 3,884	\$ (10)
Total revenues	3,894	3,894	3,884	(10)
Expenditures:				
Debt service:				
Principal repayment	2,504	2,504	2,504	-
Interest and fiscal charges	776	776	716	60
Total expenditures	3,280	3,280	3,220	60
Excess (deficiency) of revenues over				
(under) expenditures	614	614	664	50
Other financing sources (uses):				
Transfers out	(614)	(614)	(664)	(50)
Total other financing sources (uses)	(614)	(614)	(664)	(50)
Excess (deficiency) of revenues and other financing sources				
over (under) expenditures and other financial uses	\$ -	\$ -	\$ -	\$ -

Water Enterprise and State Water Project Funds

**Schedules of Revenues, Expenses and Change in Fund Net Position
Budget and Actual**

VALLEY WATER
Schedule of Revenues, Expenses and
Changes in Net Position - Budget and Actual
Water Enterprise and State Water Project Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Water Enterprise Fund			
	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 9,435	\$ 9,435	\$ 10,522	\$ 1,087
Intergovernmental services	3,267	3,267	5,376	2,109
Ground water production charges	122,002	122,002	106,936	(15,066)
Treated water charges	139,746	139,746	159,215	19,469
Surface and recycled water revenue	3,207	3,207	1,950	(1,257)
Investment income	2,732	2,732	7,582	4,850
Capital reimbursements	7,305	7,305	13,624	6,319
Other	786	786	789	3
Total revenues	288,480	288,480	305,994	17,514
Expenses:				
Current:				
Operations and operating projects	236,441	227,640	172,507	55,133
Debt Service:				
Principal repayment	21,328	21,328	19,415	1,913
Interest and fiscal charges	39,082	39,082	32,686	6,396
Capital outlay:				
Capital improvement projects	318,268	374,929	311,922	63,007
Total expenses	615,119	662,979	536,530	126,449
Excess (deficiency) of revenues over (under) expenses before transfers	(326,639)	(374,499)	(230,536)	143,963
Transfers in	26,061	26,061	26,085	24
Transfers out	(3,873)	(3,873)	(3,873)	-
Excess (deficiency) of revenues and other financing sources over (under) expenses	\$ (304,451)	\$ (352,311)	(208,324)	\$ 143,987
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(32,837)	
Inventory adjustment not budgeted			6,343	
Capitalized expenditures			222,560	
Lease assets			695	
Debt principal and GAAP basis accruals for interest payable			19,533	
GAAP basis expenses and other liabilities			11,304	
Expenses of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(20,242)	
Capital improvement projects			(90,273)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			18,032	
Capital improvement projects			160,818	
Net position, beginning of year			1,079,201	
Net position, end of year			\$ 1,166,810	

State Water Project Fund				Total			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 27,000	\$ 27,000	\$ 28,872	\$ 1,872	\$ 36,435	\$ 36,435	\$ 39,394	\$ 2,959
-	-	-	-	3,267	3,267	5,376	2,109
-	-	-	-	122,002	122,002	106,936	(15,066)
-	-	-	-	139,746	139,746	159,215	19,469
-	-	-	-	3,207	3,207	1,950	(1,257)
-	-	-	-	2,732	2,732	7,582	4,850
-	-	-	-	7,305	7,305	13,624	6,319
1,000	1,000	1,260	260	1,786	1,786	2,049	263
28,000	28,000	30,132	2,132	316,480	316,480	336,126	19,646
28,257	28,257	27,670	587	264,698	255,897	200,177	55,720
-	-	-	-	21,328	21,328	19,415	1,913
-	-	-	-	39,082	39,082	32,686	6,396
-	-	-	-	318,268	374,929	311,922	63,007
28,257	28,257	27,670	587	643,376	691,236	564,200	127,036
(257)	(257)	2,462	2,719	(326,896)	(374,756)	(228,074)	146,682
-	-	-	-	26,061	26,061	26,085	24
-	-	-	-	(3,874)	(3,874)	(3,874)	-
\$ (257)	\$ (257)	2,462	\$ 2,719	\$ (304,709)	\$ (352,569)	(205,863)	\$ 146,706
		(944)				(33,780)	
		-				6,343	
		-				222,560	
		-				695	
		-				19,533	
		-				11,304	
		4,502				(15,740)	
		-				(90,273)	
		-				18,032	
		-				160,818	
		24,620				1,103,821	
		\$ 30,640				\$ 1,197,450	

Internal Service Funds

The Internal Service Funds are similar to Enterprise Funds, except that services are rendered to other Valley Water units rather than to the community. This fund type consists of the Equipment Fund, Risk Management Fund, and Information Technology Fund.

Equipment Fund - the fund is used to account for the maintenance and operation of Valley Water's fleet vehicles and heavy construction equipment. Financing is provided through rental charges to operations based upon usage.

Risk Management Fund – the fund is used to account for the monies set aside to pay for all claims, judgment, and premium costs. Financing is provided through premiums charged to operations.

Information Technology Fund – the fund is used to account for the maintenance and replacement of capital related information technology projects for Valley Water. Financing is provided through rental charges to operations based upon usage.

VALLEY WATER
Combining Statement of Net Position
Internal Service Funds
June 30, 2023
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
ASSETS				
Current assets:				
Cash and investments	\$ 7,826	\$ 14,880	\$ 17,642	\$ 40,348
Deposits and other assets	109	-	-	109
Total current assets	<u>7,935</u>	<u>14,880</u>	<u>17,642</u>	<u>40,457</u>
Noncurrent assets:				
Capital assets				
Depreciable assets	25,811	18	14,179	40,008
Accumulated depreciation	(16,882)	(18)	(10,660)	(27,560)
Total noncurrent assets	<u>8,929</u>	<u>-</u>	<u>3,519</u>	<u>12,448</u>
Total assets	<u>16,864</u>	<u>14,880</u>	<u>21,161</u>	<u>52,905</u>
Deferred outflows of resources - pension activities	1,678	2,188	8,108	11,974
Deferred outflows of resources - OPEB	242	315	1,168	1,725
Deferred outflows of resources	<u>1,920</u>	<u>2,503</u>	<u>9,276</u>	<u>13,699</u>
LIABILITIES				
Current liabilities:				
Accounts payable	67	2	213	282
Accrued liabilities	85	37	416	538
Claims payable	-	2,211	-	2,211
Compensated absence	66	48	49	163
Total current liabilities	<u>218</u>	<u>2,298</u>	<u>678</u>	<u>3,194</u>
Non current liabilities:				
Claims payable	-	6,126	-	6,126
Net Pension liability	2,520	3,286	12,176	17,982
Other post employment benefits liability	411	535	1,984	2,930
Compensated absence	243	179	183	605
Total non current liabilities	<u>3,174</u>	<u>10,126</u>	<u>14,343</u>	<u>27,643</u>
Total liabilities	<u>3,392</u>	<u>12,424</u>	<u>15,021</u>	<u>30,837</u>
Deferred inflows of resources - OPEB	93	121	447	661
Deferred inflows of resources	<u>93</u>	<u>121</u>	<u>447</u>	<u>661</u>
NET POSITION				
Net investment in capital assets	8,929	-	3,519	12,448
Unrestricted	6,370	4,838	11,450	22,658
Total net position	<u>\$ 15,299</u>	<u>\$ 4,838</u>	<u>\$ 14,969</u>	<u>\$ 35,106</u>

VALLEY WATER
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Operating revenues:				
Vehicle service charges	\$ 7,101	\$ -	\$ -	\$ 7,101
Computer equipment use charges	-	-	22,362	22,362
Self-insurance service charges	-	8,473	-	8,473
Total operating revenues	7,101	8,473	22,362	37,936
Operating expenses:				
Administration and general	-	6,865	-	6,865
Equipment maintenance	4,514	-	24,499	29,013
Depreciation and amortization	1,705	-	1,183	2,888
Total operating expenses	6,219	6,865	25,682	38,766
Operating Income (loss)	882	1,608	(3,320)	(830)
Nonoperating revenues:				
Investment income	(7)	(133)	1	(139)
Gain on sale of capital assets	32	-	-	32
Other	-	217	-	217
Total nonoperating revenues	25	84	1	110
Income (loss) before transfers	907	1,692	(3,319)	(720)
Transfer in	-	-	4,062	4,062
Change in net position	907	1,692	743	3,342
Net position, beginning of year	14,392	3,146	14,226	31,764
Net position, end of year	\$ 15,299	\$ 4,838	\$ 14,969	\$ 35,106

VALLEY WATER
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Equipment	Risk Management	Information Technology	Total
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 7,101	\$ 8,473	\$ 22,362	\$ 37,936
Payments to suppliers	(3,205)	(4,810)	(18,418)	(26,433)
Payments to employees	(1,963)	(2,188)	(8,726)	(12,877)
Other receipts	-	217	-	217
Net cash provided (used) by operating activities	1,933	1,692	(4,782)	(1,157)
Cash flows from capital and related financing activities:				
Acquisition and disposal of capital assets	(1,584)	-	(372)	(1,956)
Transfers in - capital project reimbursement	-	-	4,062	4,062
Net cash (used) by capital and related financing activities	(1,584)	-	3,690	2,106
Cash flows from investing activities:				
Interest received on cash and investments	(7)	(133)	1	(139)
Net cash provided by investing activities	(7)	(133)	1	(139)
Net increase/(decrease) in cash and cash equivalents	342	1,559	(1,091)	810
Cash and cash equivalents, beginning of year	7,484	13,321	18,733	39,538
Cash and cash equivalents, end of year	\$ 7,826	\$ 14,880	\$ 17,642	\$ 40,348
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 882	\$ 1,608	\$ (3,320)	\$ (830)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation, amortization and asset deletion	1,706	-	1,182	2,888
Other receipts/(payments)	-	217	-	217
Change in operating assets and liabilities:				
Decrease/(increase) in deposits and other assets	59	-	-	59
Increase/(decrease) in accounts payable	71	2	119	192
Increase/(decrease) in accrued liabilities	(80)	(14)	(1,784)	(1,878)
Increase/(decrease) in compensated absences	8	10	37	55
Increase/(decrease) in claims payable	-	622	-	622
Increase/(decrease) in GASB68 retirement payable	1,110	1,436	6,575	9,121
Increase/(decrease) in OPEB/GASB75 payable	160	206	987	1,353
Increase/(decrease) in def inflows/outflows of resources	(1,983)	(2,395)	(8,578)	(12,956)
Increase/(decrease) in lease payable	-	-	-	-
Net cash used for operating activities	\$ 1,933	\$ 1,692	\$ (4,782)	\$ (1,157)

VALLEY WATER
Schedule of Revenues, Expenses and
Changes in Fund Net Position - Budget and Actual
Internal Service Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Equipment			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 45	\$ 45	\$ (7)	\$ (52)
Vehicle service charges	7,101	7,101	7,101	-
Computer equipment use charges	-	-	-	-
Self-insurance service charges	-	-	-	-
Gain on sale of fixed assets	51	51	32	(19)
Other	-	-	-	-
Total revenues	<u>7,197</u>	<u>7,197</u>	<u>7,126</u>	<u>(71)</u>
Expenditures:				
Current:				
Operations and operating projects	5,034	5,034	4,481	553
Capital equipment acquisition	2,548	2,548	2,281	267
Total expenditures	<u>7,582</u>	<u>7,582</u>	<u>6,762</u>	<u>820</u>
Excess (deficiency) of revenues over (under)				
expenditures before transfers	(385)	(385)	364	749
Transfer in	-	-	-	-
Excess (deficiency) of revenues and other financing resources				
over (under) expenditures and other financial uses	<u>\$ (385)</u>	<u>\$ (385)</u>	364	<u>\$ 749</u>
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(1,705)	
Capitalized expenditures			1,615	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(27)	
Capital improvement projects			(1,554)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			-	
Capital improvement projects			2,214	
Net position, beginning of year			14,392	
Net position, end of year			<u>\$ 15,299</u>	

Risk Management				Information Technology			
Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Budgetary Basis Actual	Variance with Final Budget Positive (Negative)
\$ 150	\$ 150	\$ (133)	\$ (283)	\$ 113	\$ 113	\$ 1	\$ (112)
-	-	-	-	-	-	-	-
-	-	-	-	22,383	22,383	22,362	(21)
9,258	9,258	8,473	(785)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	217	217	-	-	-	-
9,408	9,408	8,557	(851)	22,496	22,496	22,363	(133)
9,878	9,828	6,752	3,076	24,234	24,160	20,772	3,388
-	-	-	-	4,147	6,356	4,707	1,649
9,878	9,828	6,752	3,076	28,381	30,516	25,479	5,037
(470)	(420)	1,805	2,225	(5,885)	(8,020)	(3,116)	4,904
-	-	-	-	4,062	4,062	4,062	-
<u>\$ (470)</u>	<u>\$ (420)</u>	1,805	<u>\$ 2,225</u>	<u>\$ (1,823)</u>	<u>\$ (3,958)</u>	946	<u>\$ 4,904</u>
		-				(1,183)	
		-				372	
		(151)				(1,874)	
		-				(2,064)	
		38				2,285	
		-				2,261	
		3,146				14,226	
		<u>\$ 4,838</u>				<u>\$ 14,969</u>	

VALLEY WATER
Schedule of Revenues, Expenses and
Changes in Fund Net Position - Budget and Actual (Continued)
Internal Service Funds
For the Year Ended June 30, 2023
(Dollars in Thousands)

	Total			Variance with
	Original Budget	Final Budget	Budgetary Basis Actual	Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 308	\$ 308	\$ (139)	\$ (447)
Vehicle service charges	7,101	7,101	7,101	-
Computer equipment use charges	22,383	22,383	22,362	(21)
Self-insurance service charges	9,258	9,258	8,473	(785)
Gain on sale of fixed assets	51	51	32	(19)
Other	-	-	217	217
Total revenues	<u>39,101</u>	<u>39,101</u>	<u>38,046</u>	<u>(1,055)</u>
Expenditures:				
Current:				
Operations and operating projects	39,146	39,022	32,005	7,017
Capital equipment acquisition	6,695	8,904	6,988	1,916
Total expenditures	<u>45,841</u>	<u>47,926</u>	<u>38,993</u>	<u>8,933</u>
Excess (deficiency) of revenues over (under)				
expenditures before transfers	(6,740)	(8,825)	(947)	7,878
Transfer in	4,062	4,062	4,062	-
Excess (deficiency) of revenues and other financing resources				
over (under) expenditures and other financial uses	<u>\$ (2,678)</u>	<u>\$ (4,763)</u>	3,115	<u>\$ 7,878</u>
Reconciliation of GAAP and budgetary basis:				
Depreciation and amortization expense not budgeted			(2,888)	
Capitalized expenditures			1,987	
Expenditures of prior year encumbrances recognized on the GAAP basis:				
Operations and operating projects			(2,052)	
Capital improvement projects			(3,618)	
Current year encumbrances recognized on the budgetary basis:				
Operations and operating projects			2,323	
Capital improvement projects			4,475	
Net position, beginning of year			<u>31,764</u>	
Net position, end of year			<u>\$ 35,106</u>	

Capital Assets Used in the Operation of Governmental Activities

Capital assets consist of land, improvements to land, buildings, equipment, and intangibles that are used in operations and that have initial useful lives extending beyond a single reporting period.

VALLEY WATER
Capital Assets Used in the Operation of Governmental Activities
Schedule By Source
June 30, 2023
(Dollars in Thousands)

Governmental activities capital assets:

Land	\$ 191,852
Buildings	42,007
Structures and improvements	969,329
Equipment	59,919
Lease assets	4,530
Construction in process	763,815
Intangibles:	
Easements	28,669
Computer Software	4,264
Total governmental funds capital assets	<u><u>\$ 2,064,385</u></u>

Investments in governmental activities capital assets by source:

General fund	\$ 93,152
Special revenue funds:	
Watershed & Stream Stewardship	1,265,543
Safe, Clean Water & Natural Flood Protection	665,681
Internal service funds	40,009
Total governmental funds capital assets	<u><u>\$ 2,064,385</u></u>

VALLEY WATER
Capital Assets Used in the Operation of Governmental Activities
Schedule By Function and Activity
June 30, 2023
(Dollars in Thousands)

Dept	Function and Activity	Land	Buildings	Structures and Improvements	Equipment	Lease Assets	Construction -in-Progress	Easements	Intangibles Software	Total
100	CEO Support Operations									
102	Chief Executive Office	\$ -	\$ -	\$ -	\$ 397	\$ -	\$ -	\$ -	\$ -	\$ 397
200	Watershed Operations									
210	Chief Operating Office	-	-	-	5,199	-	-	-	-	5,199
210	Watershed Management Division									
215	Watershed Business Management	-	-	-	274	-	-	-	-	274
250	Lower Peninsula/West Valley Mgmt.	-	-	-	162	-	-	-	-	162
270	Guadalupe Watershed Mgmt.	-	-	-	415	-	-	-	-	415
310	Capital Program Services Division									
340	Capital Program Services Departments	-	-	-	440	-	-	-	-	440
410	Water Utility Enterprise Operations									
410	Chief Operating Office	-	-	-	139	-	-	-	-	139
420	Water Utility Enterprise	-	-	-	202	-	-	-	-	202
600	Administration									
602	Chief Administrative Office	-	-	-	230	-	-	-	-	230
670	Financial Services Division									
610	Office of Administrative Services	-	-	-	52	-	-	-	-	52
670	Business And Finance Program	-	-	-	1,670	-	-	-	-	1,670
710	Information Management Division									
715	Information Management Division	-	-	-	194	-	-	-	-	194
720	Information Mgmt. Support Departments	-	-	-	9,053	-	-	-	-	9,053
810	General Services Division									
815	Technical Services Division	-	-	-	12	-	-	-	-	12
820	Technical Services Support Division	-	-	-	1,253	-	-	-	-	1,253
765	Records and Library	-	-	-	168	-	-	-	-	168
820	Warehouse Services	-	-	-	3,933	-	-	-	-	3,933
885	Equipment Management	-	-	-	16,929	-	-	-	-	16,929
910	Human Resources Program									
660	Human Resources Program	-	-	-	61	-	-	-	-	61
Other:										
	District-wide property	191,852	42,007	969,329	19,136	4,530	763,815	28,669	4,264	2,023,602
	Total capital assets	<u>\$ 191,852</u>	<u>\$ 42,007</u>	<u>\$ 969,329</u>	<u>\$ 59,919</u>	<u>\$ 4,530</u>	<u>\$ 763,815</u>	<u>\$ 28,669</u>	<u>\$ 4,264</u>	<u>\$ 2,064,385</u>

VALLEY WATER
Capital Assets Used in the Operation of Governmental Activities
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2023
(Dollars in Thousands)

Dept	Function and Activity	Governmental Capital Assets June 30, 2022	Additions	Deductions	Governmental Capital Assets June 30, 2023
100	CEO Support Operations				
102	Chief Executive Office	\$ 337	\$ -	\$ -	\$ 337
200	Watershed Operations				
202	Chief Operating Office	4,791	-	-	4,791
210	Watershed Management Division				
215	Watershed Business Management	172	80	-	253
250	Lower Peninsula/West Valley Mgmt.	137	-	-	137
270	Guadalupe Watershed Mgmt.	351	-	-	351
310	Capital Program Services Division				
340	Capital Program Services Departments	499	-	-	499
410	Water Utility Enterprise Operations				
410	Chief Operating Office	118	-	-	118
420	Water Utility Enterprise	235	-	-	235
600	Administration				
602	Chief Administrative Office	194	-	-	194
670	Financial Services Division				
610	Office of Administrative Services	44	-	-	44
670	Business And Finance Program	1,440	-	-	1,440
710	Information Management Division				
715	Information Management Division	164	-	-	164
720	Information Mgmt. Support Departments	9,820	-	-	9,820
810	General Services Division				
820	Technical Services Support Division	896	22	-	918
765	Records and Library	142	-	-	142
820	Warehouse Services	2,777	-	-	2,777
885	Equipment Management	18,674	63	-	18,738
910	Human Resources Program				
660	Human Resources Program	52	-	-	52
Other:					
	District-wide property	1,943,688	79,690	-	2,023,378
		<u>\$ 1,984,529</u>	<u>\$ 79,856</u>	<u>\$ -</u>	<u>\$ 2,064,385</u>

SANTA CLARA VALLEY WATER DISTRICT

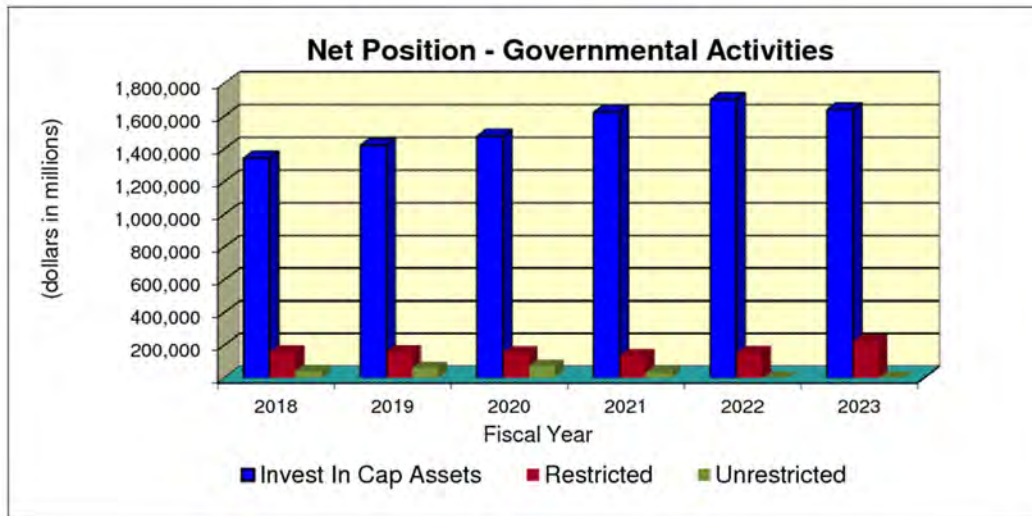
Statistical Section

This part of Valley Water's annual comprehensive financial statement report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about Valley Water's overall financial health.

<u>Contents</u>	Page
Financial Trends	152
These schedules contain trend information to help the reader understand how Valley Water's financial performance and well-being have changed over time.	
Revenue Capacity	160
These schedules contain information to help the reader assess Valley Water's most significant local revenue source - water sales.	
Debt Capacity	167
These schedules present information to help the reader assess the affordability of Valley Water's current level of outstanding debt and Valley Water's ability to issue additional debt in the future.	
Demographic and Economic Information	173
These schedules offer demographic and economic indicators to help the reader understand the environment within which Valley Water's financial activities take place.	
Operating Information	175
These schedules contain service and infrastructure data to help the reader understand how the information in Valley Water's financial report relates to the services Valley Water provides and the activities it performs.	

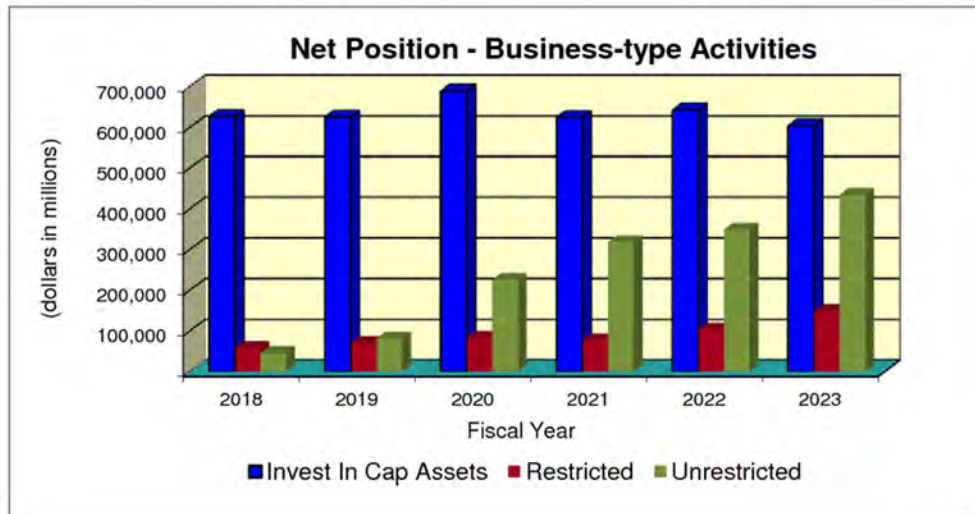
VALLEY WATER
Net Position by Component
Government-wide
Last Ten Fiscal Years
(Dollars in Thousands)

	2014	2015	2016	2017
Governmental activities				
Net Investment in capital assets	\$1,036,853	\$1,083,571	\$1,135,593	\$1,213,840
Restricted	214,652	214,991	210,198	209,873
Unrestricted	144,210	60,731	66,407	48,978
Total governmental activities net position	<u>\$1,395,715</u>	<u>\$1,359,293</u>	<u>\$1,412,198</u>	<u>\$1,472,691</u>
Business-type activities				
Net Investment in capital assets	\$ 537,410	\$ 575,873	\$ 598,075	\$ 623,828
Restricted	30,019	26,087	24,552	52,118
Unrestricted	127,889	45,429	32,191	39,895
Total business-type activities net position	<u>\$ 695,318</u>	<u>\$ 647,389</u>	<u>\$ 654,818</u>	<u>\$ 715,841</u>
Primary government				
Net Investment in capital assets	\$1,610,263	\$1,659,444	\$1,733,668	\$1,837,668
Restricted	244,671	241,078	234,750	261,991
Unrestricted	272,099	106,160	98,598	88,873
Total primary government net position	<u>\$2,127,033</u>	<u>\$2,006,682</u>	<u>\$2,067,016</u>	<u>\$2,188,532</u>



Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023
\$1,344,142	\$1,421,616	\$1,478,400	\$1,624,900	\$1,701,199	\$1,639,659
158,062	160,594	153,700	136,500	154,141	262,847
40,479	59,460	71,800	33,200	-	-
<u>\$1,542,683</u>	<u>\$1,641,670</u>	<u>\$1,703,900</u>	<u>\$1,794,600</u>	<u>\$1,855,340</u>	<u>\$1,902,506</u>
\$ 626,514	\$ 625,256	\$ 689,200	\$ 624,500	\$ 642,319	\$ 603,803
58,679	71,527	84,700	78,500	104,048	149,595
46,102	81,811	226,100	318,200	348,911	435,068
<u>\$ 731,295</u>	<u>\$ 778,594</u>	<u>\$1,000,000</u>	<u>\$1,021,200</u>	<u>\$1,095,278</u>	<u>\$1,188,466</u>
\$1,970,656	\$2,046,872	\$2,167,600	\$2,249,400	\$2,343,518	\$2,243,462
216,741	232,121	238,400	215,000	258,189	412,442
86,581	141,271	297,900	351,400	348,911	435,068
<u>\$2,273,978</u>	<u>\$2,420,264</u>	<u>\$2,703,900</u>	<u>\$2,815,800</u>	<u>\$2,950,618</u>	<u>\$3,090,972</u>



VALLEY WATER
Changes in Net Position
Government-wide
Last Ten Fiscal Years
(Dollars in Thousands)

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government:	\$ 6,916	\$ 20,399	\$ 5,940	\$ 9,339
Watersheds	61,302	56,758	57,745	69,166
Interest on long-term debt	6,116	5,753	5,977	4,271
Total governmental activities expenses	74,334	82,910	69,662	82,776
Business-type activities:				
Water enterprise	173,767	186,281	207,282	199,631
Total primary government expenses	<u>\$ 248,101</u>	<u>\$ 269,191</u>	<u>\$ 276,944</u>	<u>\$ 282,407</u>
Program Revenues				
Governmental activities:				
Capital grants and contributions	\$ 25,761	\$ 17,822	\$ 19,426	\$ 16,608
Business-type activities:				
Charges for services	172,374	154,819	151,235	190,896
Operating grants and contributions	1,232	2,149	2,074	2,037
Capital grants and contributions	3,532	847	3,177	17,527
Total business-type activities program revenues	177,138	157,815	156,486	210,460
Total primary government program revenues	<u>\$ 202,899</u>	<u>\$ 175,637</u>	<u>\$ 175,912</u>	<u>\$ 227,068</u>
Net (expense)/revenue				
Governmental activities	\$ (48,573)	\$ (65,088)	\$ (50,236)	\$ (66,168)
Business-type activities	3,371	(28,466)	(50,796)	10,829
Total primary government net expense	<u>\$ (45,202)</u>	<u>\$ (93,554)</u>	<u>\$ (101,032)</u>	<u>\$ (55,339)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 100,568	\$ 107,643	\$ 114,418	\$ 123,325
Unrestricted investment earnings	3,777	3,728	5,004	1,186
Miscellaneous	2,568	3,013	3,592	4,052
Transfers	272	11,406	(19,873)	(1,902)
Total governmental activities	<u>\$ 107,185</u>	<u>\$ 125,790</u>	<u>\$ 103,141</u>	<u>\$ 126,661</u>
Business-type activities:				
Property taxes	26,989	27,701	30,535	44,786
Unrestricted investment earnings	1,624	1,621	2,925	979
Lease revenues	-	-	-	-
Miscellaneous	3,283	3,113	4,892	2,527
Transfers	(272)	(11,406)	19,873	1,902
Total business-type activities	<u>\$ 31,624</u>	<u>\$ 21,029</u>	<u>\$ 58,225</u>	<u>\$ 50,194</u>
Changes in Net Position				
Governmental activities	\$ 58,612	\$ 60,702	\$ 52,905	\$ 60,493
Business-type activities	34,995	(7,437)	7,429	61,023
Total primary government	<u>\$ 93,607</u>	<u>\$ 53,265</u>	<u>\$ 60,334</u>	<u>\$ 121,516</u>

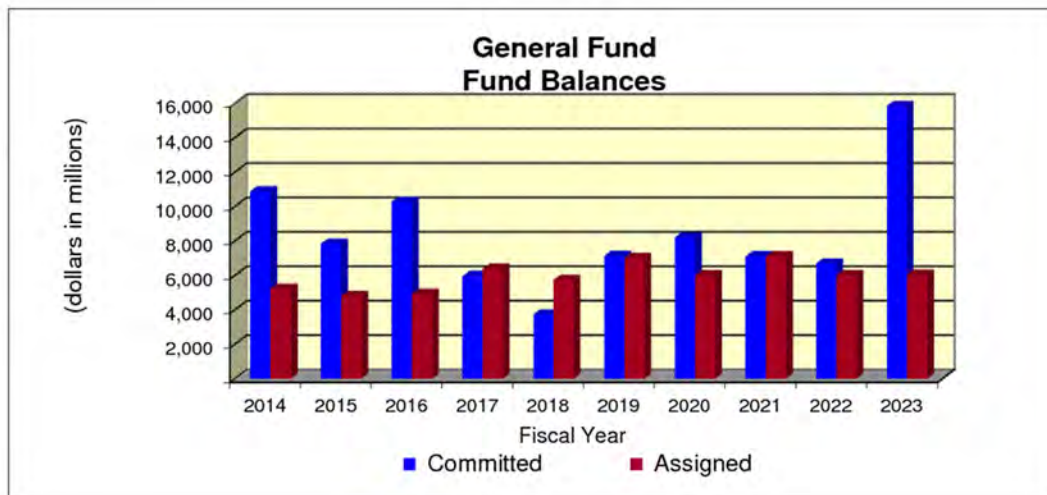
Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023
\$ 8,407	\$ 3,246	\$ 10,900	\$ 18,600	\$ 27,200	\$ 11,757
85,780	99,415	134,100	145,300	34,800	134,027
3,091	3,048	2,500	2,500	1,900	4,834
97,278	105,709	147,500	166,400	63,900	150,618
229,373	222,050	226,900	239,300	310,000	265,150
\$ 326,651	\$ 327,759	\$ 374,400	\$ 405,700	\$ 373,900	\$ 415,768
\$ 61,190	\$ 40,271	\$ 42,900	\$ 25,900	\$ 29,300	\$ 34,781
231,001	227,679	266,900	289,700	272,400	268,101
4,396	2,754	3,700	4,000	5,300	5,376
4,350	1,149	4,300	6,400	5,600	13,624
239,747	231,582	274,900	300,100	283,300	287,101
\$ 300,937	\$ 271,853	\$ 317,800	\$ 326,000	\$ 312,600	\$ 321,882
\$ (36,088)	\$ (65,438)	\$ (104,600)	\$ (140,500)	\$ (34,600)	\$ (115,837)
10,374	9,532	48,000	60,800	(26,700)	21,951
\$ (25,714)	\$ (55,906)	\$ (56,600)	\$ (79,700)	\$ (61,300)	\$ (93,886)
\$ 129,891	\$ 143,848	\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788
2,477	13,634	12,900	-	(10,000)	1,827
6,685	4,263	3,900	2,600	5,400	5,600
8,225	2,680	1,600	74,100	(65,900)	(22,212)
\$ 147,278	\$ 164,425	\$ 166,800	\$ 231,200	\$ 94,200	\$ 163,003
37,417	30,468	30,200	30,200	39,800	39,394
1,267	8,074	8,800	1,600	(8,300)	7,582
-	-	-	-	-	94
6,428	1,905	2,800	2,700	3,300	1,955
(8,225)	(2,680)	(1,600)	(74,100)	65,900	22,212
\$ 36,887	\$ 37,767	\$ 40,200	\$ (39,600)	\$ 100,700	\$ 71,237
\$ 111,190	\$ 98,987	\$ 62,200	\$ 90,700	\$ 59,600	\$ 47,166
47,261	47,299	88,200	21,200	74,000	93,188
\$ 158,451	\$ 146,286	\$ 150,400	\$ 111,900	\$ 133,600	\$ 140,354

VALLEY WATER
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Dollars in Thousands)

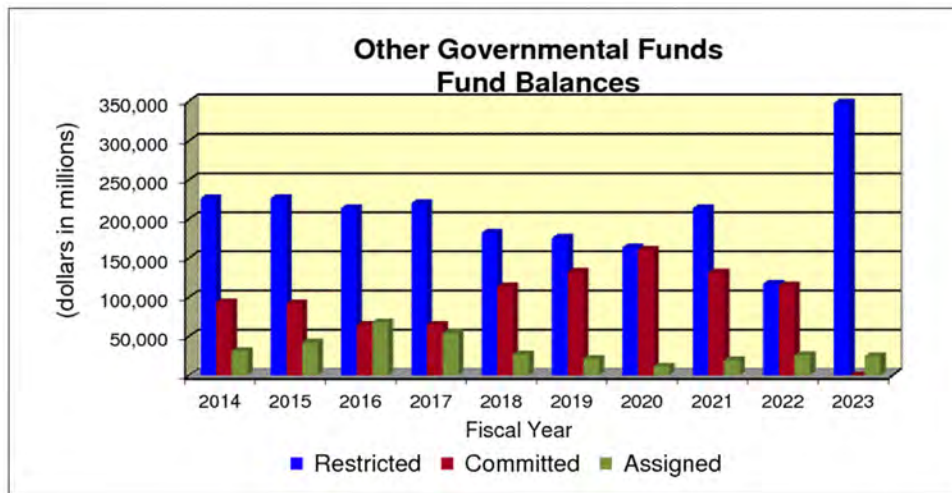
Data incorporating GASB 54 implementation

	2014	2015	2016	2017
General Fund				
Committed	\$ 10,882	\$ 7,842	\$ 10,274	\$ 5,962
Assigned	5,210	4,809	4,924	6,385
Total general fund	<u>\$ 16,092</u>	<u>\$ 12,651</u>	<u>\$ 15,198</u>	<u>\$ 12,347</u>
All other governmental funds				
Restricted	\$ 226,493	\$ 226,770	\$ 214,078	\$ 220,115
Committed	93,683	91,817	64,851	64,898
Assigned	31,076	41,916	67,969	54,175
Total all other governmental funds	<u>\$ 351,252</u>	<u>\$ 360,503</u>	<u>\$ 346,898</u>	<u>\$ 339,188</u>



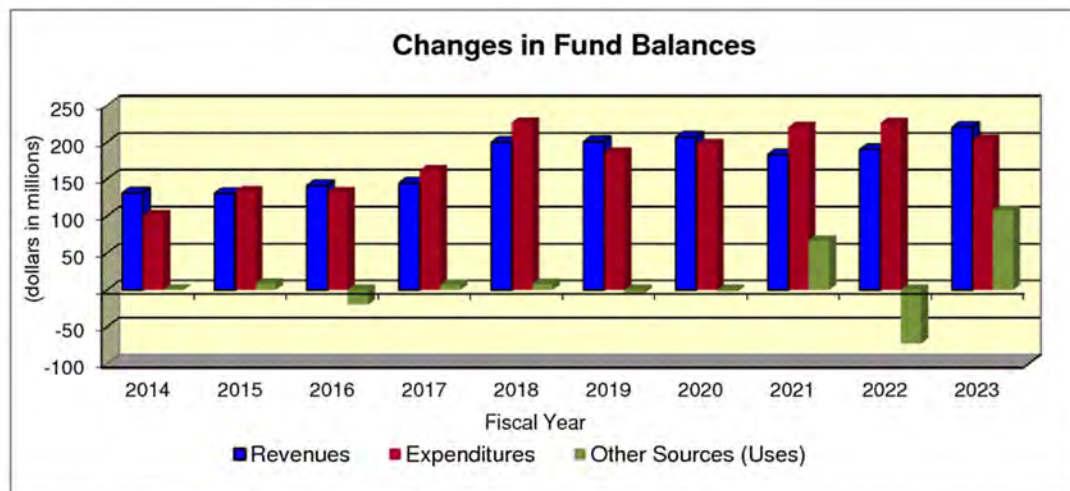
Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023
\$ 3,733	\$ 7,125	\$ 8,200	\$ 7,100	\$ 6,700	\$ 15,848
5,747	7,012	6,000	7,100	6,000	6,045
<u>\$ 9,480</u>	<u>\$ 14,137</u>	<u>\$ 14,200</u>	<u>\$ 14,200</u>	<u>\$ 12,700</u>	<u>\$ 21,893</u>
\$ 182,319	\$ 175,894	\$ 163,900	\$ 214,100	\$ 117,500	\$ 347,769
113,673	132,208	160,500	131,500	115,100	-
26,909	21,093	11,500	19,300	25,700	24,787
<u>\$ 322,901</u>	<u>\$ 329,195</u>	<u>\$ 335,900</u>	<u>\$ 364,900</u>	<u>\$ 258,300</u>	<u>\$ 372,556</u>



VALLEY WATER
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Dollars in Thousands)

	2014	2015	2016	2017
Revenues				
Property taxes	\$ 100,568	\$ 107,643	\$ 114,418	\$ 123,325
Benefit assessments	16,143	16,074	14,683	14,790
Use of money and property:				
Investment income	2,556	2,505	3,747	956
Rental	1,609	1,684	1,759	1,817
Reimbursement of capital costs	9,618	1,748	4,743	1,818
Other	728	911	1,782	1,971
Total Revenues	131,222	130,565	141,132	144,677
Expenditures				
Operations and operating project	50,426	65,425	57,725	67,511
Capital improvement projects	36,866	53,984	61,876	81,597
Debt Service:				
Principal repayment	8,055	8,355	7,630	8,020
Interest and fiscal charges	5,858	5,497	5,084	4,743
Total expenditures	101,205	133,261	132,315	161,871
Excess of revenues over (under) expenditures	30,017	(2,696)	8,817	(17,194)
Other financing sources (uses)				
Transfers in	34,362	30,054	26,528	17,436
Transfers out	(34,090)	(21,548)	(46,403)	(19,338)
Proceeds from issuance of debt	-	-	-	68,932
Payment to refunded bond escrow agent	-	-	-	(60,397)
Total other financing sources (uses)	272	8,506	(19,875)	6,633
Net change in fund balances	\$ 30,289	\$ 5,810	\$ (11,058)	\$ (10,561)
Debt service as a percentage of non-capital expenditures	18.8%	13.0%	13.4%	15.0%

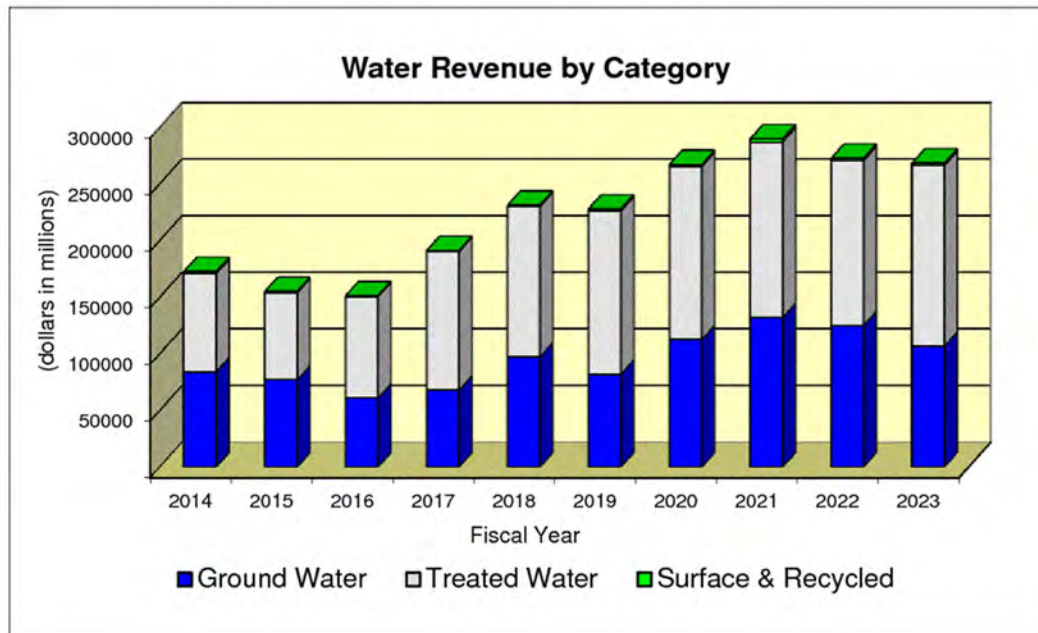


Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023
\$ 129,891	\$ 143,848	\$ 148,400	\$ 154,500	\$ 164,700	\$ 177,788
14,774	14,746	13,400	12,400	13,500	13,229
2,305	12,390	11,600	-	(9,100)	1,964
1,931	2,005	2,100	1,800	2,300	2,077
46,416	25,525	29,500	13,500	15,800	21,552
4,361	2,085	1,700	700	2,800	3,338
199,678	200,599	206,700	182,900	190,000	219,948
70,912	68,164	80,200	86,600	90,900	94,568
142,710	104,335	104,900	121,700	122,100	94,086
8,660	8,715	8,100	8,500	8,900	9,250
4,418	4,711	4,200	3,900	3,700	5,266
226,700	185,925	197,400	220,700	225,600	203,170
(27,022)	14,674	9,300	(37,800)	(35,600)	16,778
31,007	17,290	34,400	164,400	17,400	15,599
(22,939)	(21,123)	(36,900)	(97,600)	(89,900)	(41,872)
-	-	-	-	-	132,952
-	-	-	-	-	-
8,068	(3,833)	(2,500)	66,800	(72,500)	106,679
\$ (18,954)	\$ 10,841	\$ 6,800	\$ 29,000	\$ (108,100)	\$ 123,457
13.7%	13.8%	9.0%	8.6%	15.3%	11.1%

VALLEY WATER
Water Revenue by Category
Last Ten Fiscal Years
(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Ground Water Revenue</u>	<u>Treated Water Revenue</u>	<u>Surface & Recycled Water Revenue</u>	<u>Total Water Revenue</u>
2014	\$ 84,308	\$ 86,386	\$ 1,680	\$ 172,374
2015	77,095	76,799	925	154,819
2016	61,128	89,375	732	151,235
2017	67,937	122,212	747	190,896
2018	97,483	132,477	1,041	231,001
2019	81,923	143,998	1,758	227,679
2020	112,600	152,600	1,700	266,900
2021	132,100	154,900	2,700	289,700
2022	125,000	145,400	2,000	272,400
2023	106,936	159,215	1,950	268,101



Source: Santa Clara Valley Water District, Wells & Water Production Unit

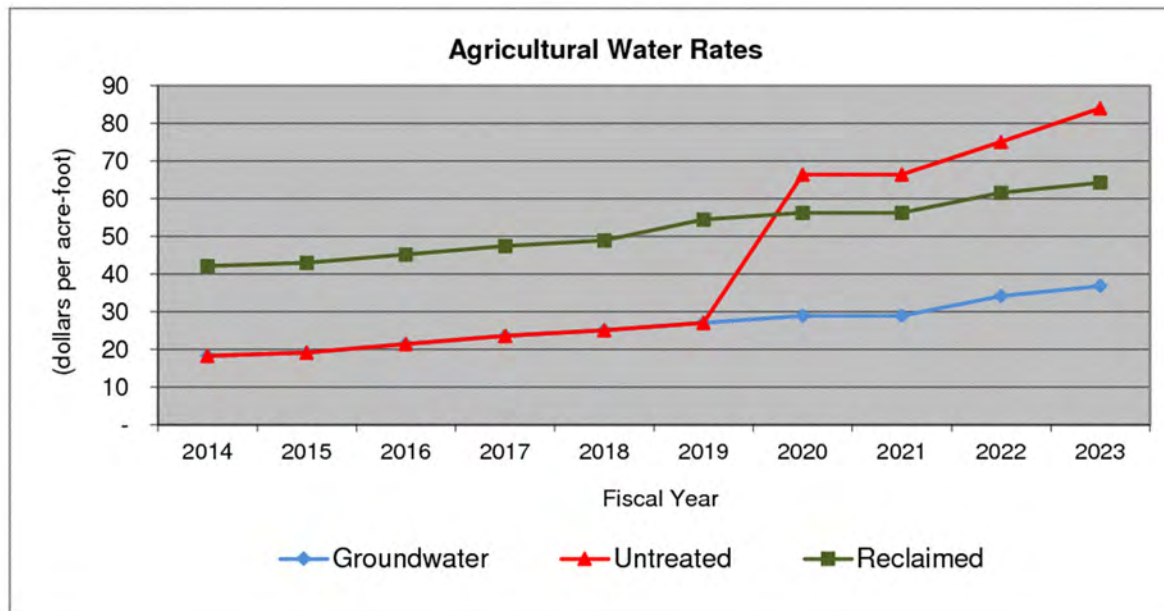
Valley Water
Principal Water Revenue Customers
Current year and Nine years ago
(Dollars in Thousands)

Water Customer	Fiscal Year 2023			Fiscal Year 2014		
	Water Revenue	Rank	Percent of Total Water Revenue	Water Revenue	Rank	Percent of Total Water Revenue
San Jose Water Company	\$ 50,996	1	19.02%	\$ 99,641	1	57.81%
City of Santa Clara	15,134	2	5.64%	13,168	2	7.64%
Great Oaks Water Company	6,840	3	2.55%	6,622	6	3.84%
California Water Service Company	5,702	4	2.13%	10,757	4	6.24%
Gilroy City Water Department	3,223	5	1.20%	2,687	7	1.56%
Morgan Hill City Water	2,975	6	1.11%	2,629	9	1.53%
HGST (Hitachi)	1,294	7	0.48%			0.00%
San Jose City Water	1,191	8	0.44%	11,981	3	6.95%
Schlumberger	706	9	0.26%			0.00%
Stanford	519	10	0.19%			0.00%
City of Sunnyvale				8,103	5	4.70%
City of Cupertino				2,659	8	1.54%
City of Milpitas				2,391	10	1.39%
Total	<u>\$ 88,580</u>		<u>33.02%</u>	<u>\$ 160,638</u>		<u>93.20%</u>
Total Water Sales	<u>\$ 268,101</u>			<u>\$ 172,374</u>		

Source: Santa Clara Valley Water District, Revenue Management Unit

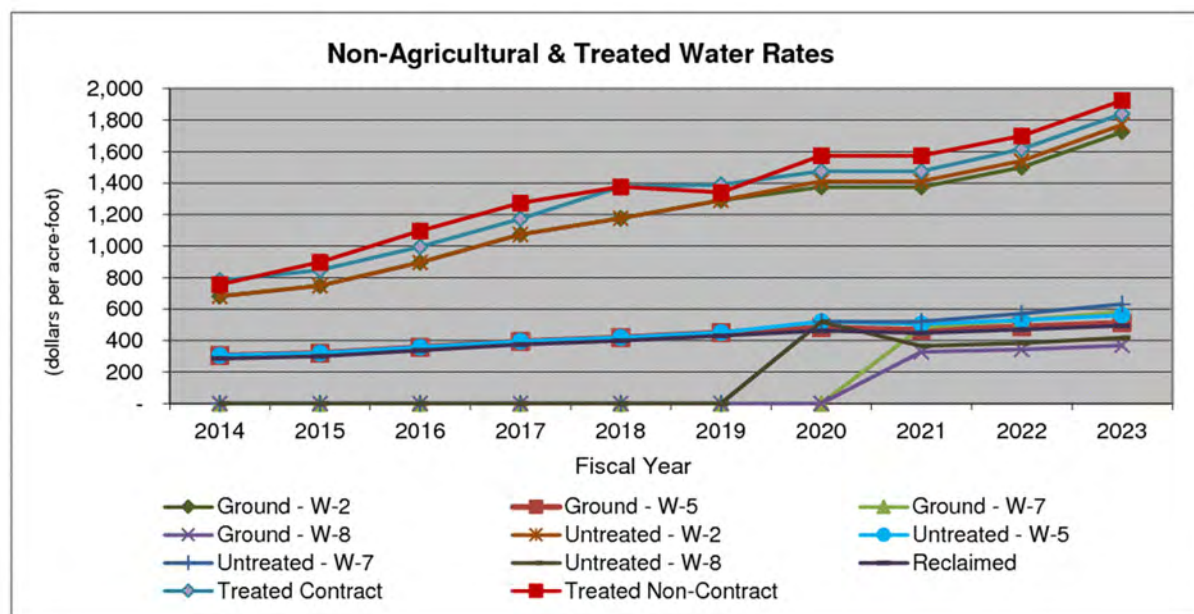
Valley Water
Water Enterprise Rates Summary
Last Ten Fiscal Years
(Rates in Dollars per Acre-foot)

Fiscal Year	Groundwater Rates					Treated Water Rates	
	Non-AG				AG All Zones	Non	
	Zone W-2	Zone W-5	Zone W-7	Zone W-8		Contract	Contract
2014	680.00	305.00	-	-	18.30	780.00	755.00
2015	747.00	319.00	-	-	19.14	847.00	897.00
2016	894.00	356.00	-	-	21.36	994.00	1,094.00
2017	1,072.00	393.00	-	-	23.59	1,172.00	1,272.00
2018	1,175.00	418.00	-	-	25.09	1,375.00	1,375.00
2019	1,289.00	450.00	-	-	27.02	1,389.00	1,339.00
2020	1,374.00	481.00	-	-	28.86	1,474.00	1,574.00
2021	1,374.00	467.00	481.00	327.00	28.86	1,474.00	1,574.00
2022	1,499.00	488.00	528.50	341.50	34.15	1,614.00	1,699.00
2023	1,724.00	513.00	582.50	368.50	36.85	1,839.00	1,924.00



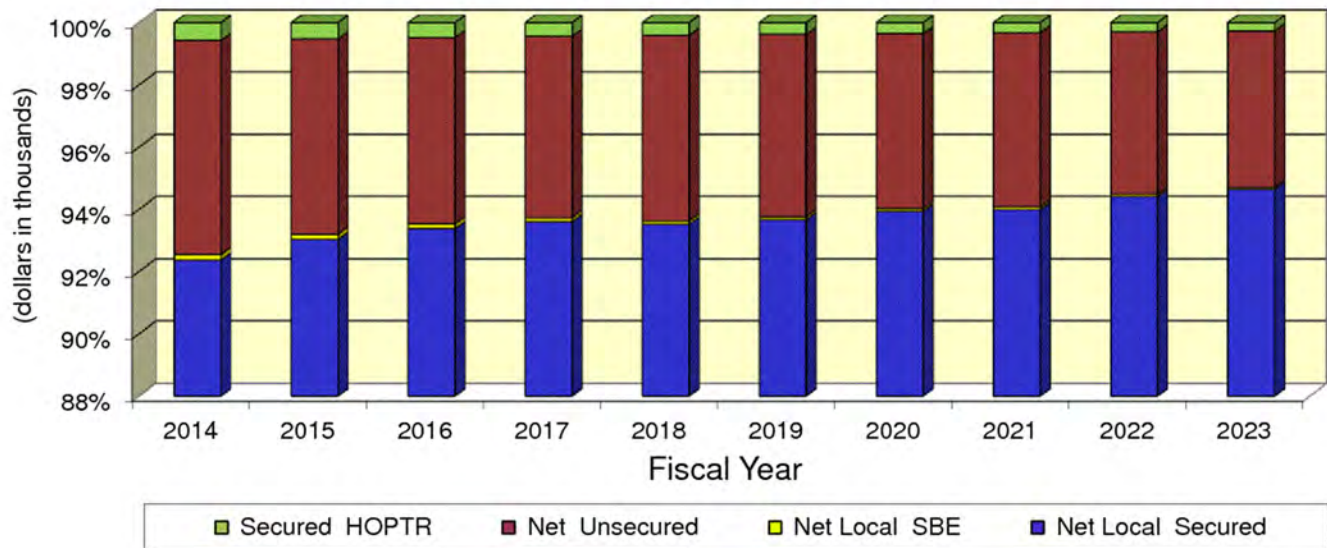
Source: Santa Clara Valley Water District, Wells & Water Production Unit

Untreated Water Rates					Reclaimed Water Rates	
AG	Non-AG				AG	Non-AG
All Zones	Zone W-2	Zone W-5	Zone W-7	Zone W-8		
18.30	680.00	305.00	-	-	42.10	285.00
19.14	747.00	319.00	-	-	42.94	299.00
21.36	894.00	356.00	-	-	45.16	336.00
23.59	1,072.00	393.00	-	-	47.38	373.00
25.09	1,175.00	418.00	-	-	48.88	398.00
27.02	1,289.00	450.00	-	-	54.41	430.00
66.36	1,411.50	518.50	518.50	518.50	56.25	461.00
66.36	1,411.50	504.50	518.50	364.50	56.26	447.00
75.05	1,539.90	528.90	569.40	382.40	61.55	468.00
83.96	1,771.10	560.10	629.60	415.60	64.25	493.00



Valley Water
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Total (a)	Exempt Valuation	Total (c) = (a+b)	District Direct Rate (d)	Total District Direct Tax (c x d)
						Secured HOPTR (b)			
2014	\$ 308,939,519	\$ 596,002	\$ 309,535,521	\$ 23,021,092	\$ 332,556,613	\$ 1,920,733	\$ 334,477,346	0.0070%	\$ 23,413.41
2015	332,220,200	577,096	332,797,296	22,417,252	355,214,548	1,891,373	357,105,921	0.0065%	23,211.88
2016	362,318,558	594,415	362,912,973	23,239,529	386,152,502	1,874,832	388,027,334	0.0057%	22,117.56
2017	392,058,176	524,128	392,582,304	24,439,939	417,022,243	1,850,004	418,872,247	0.0086%	36,023.01
2018	420,616,061	476,901	421,092,962	26,855,499	447,948,461	1,824,379	449,772,840	0.0062%	27,885.92
2019	452,259,125	451,125	452,710,250	28,342,158	481,052,408	1,808,872	482,861,280	0.0042%	20,280.17
2020	484,249,401	442,613	484,692,014	29,026,589	513,718,603	1,791,435	515,510,038	0.0041%	21,135.91
2021	517,837,409	462,813	518,300,222	30,879,670	549,179,892	1,770,130	550,950,022	0.0037%	20,385.15
2022	544,089,744	413,735	544,503,479	30,094,207	574,597,686	1,721,856	576,319,542	0.0051%	29,392.30
2023	585,844,983	390,407	586,235,390	31,113,862	617,349,252	1,685,399	619,034,651	0.0044%	27,237.52

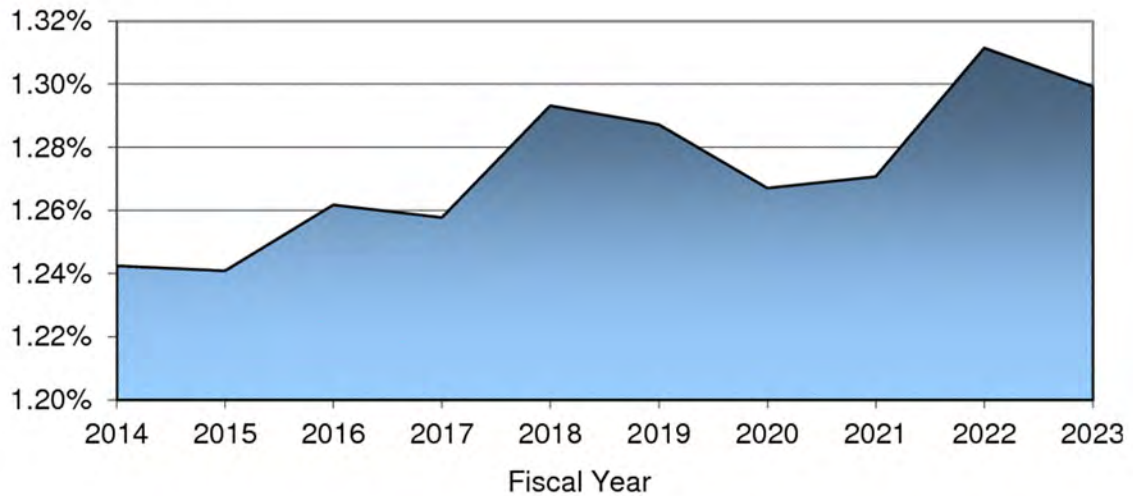


Source: County of Santa Clara Compilation of Tax Rates & Information

Valley Water
Property Tax Rates-Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
2014	1.0000%	0.0388%	0.0279%	0.0070%	0.1687%	1.2424%
2015	1.0000%	0.0388%	0.0253%	0.0065%	0.1702%	1.2408%
2016	1.0000%	0.0388%	0.0223%	0.0057%	0.1949%	1.2617%
2017	1.0000%	0.0388%	0.0207%	0.0086%	0.1896%	1.2577%
2018	1.0000%	0.0597%	0.0186%	0.0062%	0.2087%	1.2932%
2019	1.0000%	0.0565%	0.0170%	0.0042%	0.2095%	1.2872%
2020	1.0000%	0.0557%	0.0226%	0.0041%	0.1846%	1.2670%
2021	1.0000%	0.0457%	0.0175%	0.0037%	0.2038%	1.2707%
2022	1.0000%	0.0576%	0.0207%	0.0051%	0.2281%	1.3115%
2023	1.0000%	0.0559%	0.0191%	0.0044%	0.2198%	1.2992%

■ Total Tax Rate



Source: County of Santa Clara, Department of Finance (tax rate area 17-026)

Valley Water
Principal Property Tax Payers
Current year and Nine years ago
(Dollars in Thousands)

Taxpayer	Fiscal Year 2023 ⁽²⁾			Fiscal Year 2014 ⁽²⁾		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Taxable Assessed Value
Google Inc.	\$ 9,667,405	1	1.56%			
Leland Stanford Jr, University	8,013,889	2	1.29%	\$ 4,323,992	1	1.29%
Campus Holdings Inc.	4,930,047	3	0.80%	\$ 699,846	7	0.21%
Sobrato Interests	2,732,812	4	0.44%	\$ 1,153,802	3	0.34%
Apple Computer Inc.	2,544,779	5	0.41%			
Essex Portfolio LP	1,908,754	6	0.31%	718,257	6	0.21%
Cisco Technology	1,562,898	7	0.25%	1,330,103	2	0.40%
Planetary Ventures LLC	1,528,906	8	0.25%			
Intel Corporation	1,333,904	9	0.22%	735,233	5	0.22%
Applied Materials Inc,	1,220,867	10	0.20%			
VF Mall LLC	1,078,812	11	0.17%			
Nvidia Corporation	1,031,789	12	0.17%			
Intuitive Surgical Inc.	1,021,044	13	0.16%			
Lockheed Missels and Space Co. Inc.	997,605	14	0.16%			
FRIT San Jose Town & Country Village LLC	989,522	15	0.16%			
San Jose Water Works	981,038	16	0.16%			
LinkedIn Corporation	965,156	17	0			
Adobe Inc.	881,748	18	0			
CW SPE LLC	795,182	19	0.13%			
Richard T. Peery Trustee	729,316	20				
Blackhawk Parent LLC				1,069,640	4	0.32%
The Irvine Company LLC				683,410	8	0.20%
Mission West Properties, LLC				615,024	9	0.18%
Silicon Valley CA I, LLC				613,724	10	0.18%
Total	<u>\$ 44,915,473</u>		<u>7.14%</u>	<u>\$ 11,943,031</u>		<u>3.55%</u>
Net Assessed Value of Taxable Property	<u>\$ 619,034,651</u>			<u>\$ 334,477,346</u>		

⁽¹⁾ Includes taxable properties only.

⁽²⁾ Source: California Municipal Statistics, Inc.

Valley Water
 Computation of District Act Debt Margin
 June 30, 2023
 (Dollars in Thousands)

Authorized short-term debt under authority of District Act Section 25.6	\$ 8.0
Outstanding short-term debt under Section 25.6, June 30, 2023	<u>-</u>
District Act Section 25.6 debt margin on short-term debt	<u><u>\$ 8.0</u></u>

Note:

The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law and Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act). The District Act sets the limit on short term debt obligations (maturity of less than five years) at \$8,000,000.

Valley Water may also issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (sections 53850-53858). Under the tax and revenue anticipation note statute, Valley Water may issue notes, provided the principal and interest are not to exceed 85% of the uncollected revenues of Valley Water on the date such notes are issued (and subject to certain other limitations including a 15 month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is separate authority for Valley Water to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

Valley Water has elected to issue notes under the tax and revenue anticipation note statute to support the commercial paper program because it allows a larger amount of notes to be issued even though there is a shorter limitation on maturities.

Valley Water is in compliance with its District Act and the debt issuance provisions of California law.

Valley Water
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Revenue Bonds /Certificate of Participation	Leases	General Obligation Bonds	Revenue Bonds /Certificate of Participation	Leases
2014	\$ -	\$ 122,392	\$ -	\$ -	\$ 201,547	\$ -
2015	-	117,117	-	-	191,490	-
2016	-	108,393	-	-	440,089	-
2017	-	105,529	-	-	443,602	-
2018	-	95,322	-	-	423,775	-
2019	-	85,059	-	-	509,241	-
2020	-	75,400	-	-	495,000	-
2021	-	65,400	-	-	714,000	-
2022	-	55,100	1,189	-	676,200	3,632
2023	-	176,797	3,293	-	1,014,758	2,974

Source: Santa Clara Valley Water District, General Accounting Unit

Total Primary Government	Debt as a Percentage of Personal Income	Debt Per Capita
\$ 323,939	0.2283%	\$ 173
308,607	0.2154%	163
548,482	0.3163%	284
549,131	0.2890%	283
519,097	0.2483%	267
594,300	0.2622%	304
570,400	0.2491%	291
779,400	0.3370%	403
736,121	0.3060%	386
1,197,822	0.4489%	635

Valley Water
Revenue Bond Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

	2014	2015	2016
Adjusted revenues	\$ 182,295	\$ 154,696	\$ 182,404
Adjusted operating expenses	118,158	130,915	141,367
Net revenue available for debt service (A)	\$ 64,137	\$ 23,781	\$ 41,037
Rate stabilization fund transfer (B)	-	-	-
Special purpose fund transfer (C)	-	-	-
Debt obligation			
Principal	7,002	7,456	3,948
Interest	7,523	7,501	6,066
Adjusted net revenue available for debt service (D)	\$ 78,662	\$ 38,738	\$ 51,051
Senior obligation debt service requirement (E)	\$ 14,525	\$ 14,957	\$ 10,014
<u>Parity obligations</u>			
Net revenue available for debt service (F = D - E)			\$ 51,051
Debt obligation			
Principal			-
Interest			2,072
Debt service requirement (G)			\$ 2,072
Coverage factor (1.25 required) (F / G) ⁽²⁾			14.97
<u>Senior/parity/subordinate obligations</u>			
Net revenue available for debt service (D)			\$ 41,037
Debt obligation - senior and parity			
Senior			10,014
Parity			2,072
subordinate			185
Debt service requirement (H)			\$ 12,271
Coverage factor (1.10 required) (A / H) ⁽³⁾			3.34

Source: Santa Clara Valley Water District General Accounting Unit

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt covenants under a Senior Master Resolution (94-58, as amended by 06-80) governing the issuance of all Water Utility System Senior debt obligations, including the method of calculating Senior Debt Service coverage ratio.

In February 2016, the District Board adopted the Water Utility Parity System Master Resolution (16-10) governing issuance of all Water Utility System Parity debt obligations, calculating the method of calculating Parity Debt Service coverage ratio.

Prescribed by the aforementioned Master Resolutions, operating revenues and expenses include adjustments which relate primarily to intergovernmental revenues, depreciation and amortization, other post employment benefits, and compensated absences and claims.

2017	2018	2019	2020	2021	2022	2023
\$ 207,899	\$ 254,177	\$ 242,271	\$ 284,600	\$ 302,000	\$ 292,600	\$ 314,083
130,278	172,427	148,101	146,600	170,400	224,300	200,078
\$ 77,621	\$ 81,750	\$ 94,170	\$ 138,000	\$ 131,600	\$ 68,300	\$ 114,005
-	-	-	-	-	10,000	13,003
-	-	-	-	-	8,000	-
3,830	2,070	2,165	800	900	-	-
4,827	1,793	2,127	1,500	900	400	-
\$ 86,278	\$ 85,613	\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008
\$ 8,657	\$ 3,863	\$ 4,292	\$ 2,300	\$ 1,800	\$ 400	\$ -
\$ 86,278	\$ 85,613	\$ 98,462	\$ 140,300	\$ 133,400	\$ 86,700	\$ 127,008
-	6,250	8,625	12,300	13,300	18,800	19,415
12,447	14,963	15,125	18,600	22,800	25,000	27,411
\$ 12,447	\$ 21,213	\$ 23,750	\$ 30,900	\$ 36,100	\$ 43,800	\$ 46,826
5.54	3.67	3.78	4.39	3.60	1.96	2.71
\$ 77,621	\$ 81,750	\$ 94,170	\$ 138,000	\$ 131,600	\$ 86,300	\$ 127,008
8,657	3,863	4,292	2,300	1,800	400	-
12,447	21,213	23,750	30,900	36,100	43,800	46,826
-	358	1,699	300	100	-	2,249
\$ 21,104	\$ 25,434	\$ 29,741	\$ 33,500	\$ 38,000	\$ 44,200	\$ 49,075
3.68	3.21	3.17	4.12	3.46	1.95	2.59

⁽²⁾ The parity obligation minimum debt service coverage requirement is 1.25, per the Parity Master Resolution (16-10).

⁽³⁾ The senior/parity/subordinate obligation minimum debt service coverage requirement is 1.10, per the Water Utility Senior Master Resolution (94-58, as amended by 06-80).

As of 6/1/2022, the Water Utility Senior Master Resolution was terminated upon the full redemption of the Water Utility System Refunding Revenue Bonds, Taxable Series 2006B.

Valley Water
Computation of Direct and Overlapping Debt
June 30, 2023

2022-23 Assessed Valuation	\$ 619,034,651,000		
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt-06/30/2023	% Applicable⁽¹⁾	District's Share of Debt-06/30/2023
Santa Clara County	\$ 1,041,125,000	100%	\$ 1,041,125,000
Foothill-DeAnza Community College District	603,653,754	100%	603,653,754
San Jose-Evergreen Community College District	1,024,859,604	100%	1,024,859,604
West Valley-Mission Community College District	694,320,000	99.088%	687,987,802
Other Community College Districts	448,866,478	0.048-73.869%	144,609,332
Gilroy Unified School District	346,262,495	100%	346,262,495
Palo Alto Unified School District	447,128,668	100%	447,128,668
San Jose Unified School District	475,664,025	100%	475,664,025
Santa Clara Unified School District	1,076,510,000	100%	1,076,510,000
Other Unified School Districts	544,420,189	1.053-100%	481,900,340
Campbell Union High School District	354,085,000	100%	354,085,000
East Side Union High School District	882,550,678	100%	882,550,678
Fremont Union High School District	771,685,088	100%	771,685,088
Other High School Districts	429,039,343	0.527-100%	327,754,336
Campbell School District	205,899,324	100%	205,899,324
Cupertino Union School District	258,383,303	100%	258,383,303
Evergreen School District	144,701,885	100%	144,701,885
Franklin McKinley School District	145,565,017	100%	145,565,017
Los Altos School District	134,380,000	100%	134,380,000
Los Gatos Union School District	62,020,000	100%	62,020,000
Moreland School District	109,784,407	100%	109,784,407
Oak Grove School District	282,743,180	100%	282,743,180
Sunnyvale School District	258,790,820	100%	258,790,820
Other School Districts	1,060,038,220	4.422-100%	1,051,581,834
City of Campbell	44,200,000	100%	44,200,000
City of Gilroy	23,561,345	100%	23,561,345
City of Palo Alto	48,230,000	100%	48,230,000
City of San Jose	548,595,000	100%	548,595,000
City of Saratoga	6,385,000	100%	6,385,000
Saratoga Fire Protection District	1,886,435	100%	1,886,435
El Camino Hospital District	105,480,000	100%	105,480,000
City Community Facilities Districts	18,796,931	100%	18,796,931
City 1915 Act Bonds (Estimated)	18,588,000	100%	18,588,000
Midpeninsula Regional Open Space District	82,680,000	67.300%	55,643,640
Santa Clara Valley Water District Benefit Assessment District	180,090,000	100%	180,090,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 12,371,082,043
Ratios to the 2022-23 Assessed Valuation			
Direct Debt (\$180,090,000)			0.03%
Total Direct and Overlapping Tax and Assessment Debt			2.00%
OVERLAPPING GENERAL FUND DEBT:	Total Debt-06/30/2023	% Applicable⁽¹⁾	District's Share of Debt-06/30/2023
Santa Clara County General Fund Obligations	\$ 1,210,404,570	100%	\$ 1,210,404,570
Santa Clara County Pension Obligation Bonds	329,741,844	100%	329,741,844
Santa Clara County Office of Education Certificates of Participation	935,000	100%	935,000
Foothill-De Anza Community College District General Fund Obligations	20,645,000	100%	20,645,000
San Jose-Evergreen Community College District OPEB Obligation	47,260,000	100%	47,260,000
Gavilan Joint Community College District General Fund Obligations	6,135,000	73.869%	4,531,863
West Valley-Mission Community College District General Fund Obligations	8,160,000	99.088%	8,085,581
Gilroy Unified School District Certificates of Participation	21,495,000	100%	21,495,000
Other Unified School District General Fund Obligations	49,554,640	1.053-100%	39,348,257
East Side Union High School District Benefit Obligations	24,765,000	100%	24,765,000
Other Union High School District General Fund Obligations	18,736,160	0.527-100%	16,463,873
Other School District General Fund Obligations	18,883,930	21.184-100%	18,793,269
City of Cupertino Certificates of Participation	16,065,000	100%	16,065,000
City of Gilroy General Fund Obligations	26,665,000	100%	26,665,000
City of San Jose General Fund Obligations	657,805,000	100%	657,805,000
City of Santa Clara General Fund Obligations	10,085,000	100%	10,085,000
City of Sunnyvale General Fund Obligations	131,200,000	100%	131,200,000
Other City General Fund Obligations	183,509,883	100%	183,509,883
Santa Clara County Vector Control District Certificates of Participation	1,230,000	100%	1,230,000
Midpeninsula Regional Park District General Fund Obligations	91,570,600	67.300%	61,627,014
Santa Clara County Central Fire Protection District General Fund Obligations	27,755,000	100%	27,755,000
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 2,768,411,154
Less: Santa Clara County supported general fund obligations			10,520,218
TOTAL NET OVERLAPPING GENERAL FUND DEBT			\$ 2,757,890,936
OVERLAPPING TAX INCREMENT DEBT:	\$ 1,433,305,000	100%	\$ 1,433,305,000
TOTAL DIRECT DEBT			\$ 180,090,000
TOTAL GROSS COMBINED OVERLAPPING DEBT			\$ 16,392,708,197
TOTAL NET COMBINED OVERLAPPING DEBT			\$ 16,382,187,979
GROSS COMBINED TOTAL DEBT			\$ 16,572,798,197⁽²⁾
NET COMBINED TOTAL DEBT			\$ 16,562,277,979
⁽¹⁾ The percent of overlapping debt applicable to the Water District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Water District divided by the district's total taxable assessed value.			
⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.			
Ratios to the 2022-23 Assessed Valuation			Ratio
Total Direct Debt			0.03%
Gross Combined Total Debt			2.68%
Net Combined Total Debt			2.68%
Ratio to Redevelopment Incremental Valuation (\$70,520,884,561)			
Total Overlapping Tax Increment Debt			2.03%

Source: California Municipal Statistics, Inc.

Valley Water
Demographic and Economic Statistics
For Santa Clara County
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income (in \$000) ⁽²⁾	Per Capita Personal Income (in \$000)	Change In Consumer Price Index ⁽³⁾	School Enrollment ⁽⁴⁾	Total Employment ⁽⁵⁾	Unemployment Rate ⁽⁵⁾
2014	1,868,558	\$ 141,873,705	\$ 75.927	3.0%	276,175	879,500	5.4%
2015	1,889,638	143,292,442	75.831	2.3%	276,689	993,400	3.7%
2016	1,927,888	173,428,896	89.958	2.7%	274,948	996,800	4.0%
2017	1,938,180	190,001,690	98.031	3.5%	273,264	992,900	3.8%
2018	1,947,798	209,019,944	107.311	3.9%	272,132	1,035,600	2.7%
2019	1,954,286	226,697,176	116.000	2.7%	267,224	1,026,700	2.6%
2020	1,961,969	235,835,442	120.203	1.6%	263,449	926,700	10.7%
2021	1,934,171	261,564,583	135.233	3.7%	253,625	961,700	5.2%
2022	1,907,693	264,180,229	138.482	6.8%	241,326	1,034,900	2.1%
2023	1,886,079	266,822,031	141.469	2.9%	236,428	1,007,700	3.6%

Source: ⁽¹⁾ State of California - Department of Finance, Demographics & Research Unit.

⁽²⁾ U.S. Department of Commerce - Bureau of Economic Analysis;
actual data available up to 2020; personal income data for 2022 & 2023 are preliminary
and assumes a 1% increase from prior year.

⁽³⁾ U.S. Department of Labor - Bureau of Labor Statistics - San Francisco Bay Region

⁽⁴⁾ State of California - Department of Education and Santa Clara County Office of Education

⁽⁵⁾ State of California - Employment Development Department

Valley Water
Principal Employers
Current Year and Nine Years ago
(unaudited)

Company or Organization	Fiscal Year 2023			Fiscal Year 2014		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment	Employees ⁽²⁾	Rank	Percentage of Total County Employment
Tesla Motors Inc.	30,000	1	2.98%			
Apple Inc.	25,000	2	2.48%	16,000	1	1.82%
Meta Platforms Inc (formerly Facebook)	22,515	3	2.23%			
County of Santa Clara	20,000	4	1.98%			
Stanford University	16,963	5	1.68%	11,707	5	1.33%
Cisco Systems	11,000	6	1.09%	15,633	3	1.78%
Stanford Health Care	10,847	7	1.08%	7,689	8	0.87%
County of Santa Clara Health	10,749	8	1.07%	6,462	10	0.73%
University of California Santa Cruz	8,671	9	0.86%			
City of San Jose	8,134	10	0.81%			
Intel Corp.	8,000	11	0.79%			
LinkedIn Corp.	7,847	12	0.78%			
Applied Materials Inc.	7,200	13	0.71%			
Stanford Children's Health	5,980	14	0.59%			
San Mateo County	5,905	15	0.59%			
HP Inc.	5,000	16	0.50%			
Gilead Sciences Inc.	4,610	17	0.46%			
Kaiser Permanente Northern California	4,400	18	0.44%	13,500	4	1.53%
Adobe Inc.	4,300	19	0.43%			
Intuitive Surgical Inc.	3,815	20	0.38%			
Lam Research	3,800	21	0.38%			
Amazon.com Services	3,748	22	0.37%			
San Jose State University	3,741	23	0.37%			
Lockheed Martin	3,576	24	0.35%	7,000	9	0.80%
Cepheid	3,334	25	0.33%			
County of Santa Clara				15,800	2	1.80%
Google Inc.				11,000	6	1.25%
Oracle Corp.				8,000	7	0.91%
Total	<u>239,135</u>		<u>23.73%</u>	<u>112,791</u>		<u>12.82%</u>
Total County Employment ⁽³⁾	<u>1,007,700</u>		<u>23.73%</u>	<u>879,500</u>		<u>12.82%</u>

Source: ⁽¹⁾ Silicon Valley Business Journal, July 2022

⁽²⁾ Rich's Business Information - Santa Clara County

⁽³⁾ State of California - Employment Development Department

Valley Water
Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Office of the CEO	10	10	10	11	11	17	20	16	18	19
Office of the District Counsel	9	9	9	10	10	11	11	13	13	14
Community & Government Relations	8	8	18	23	27	28	32	41	47	42
County-Wide Watershed Management	98	98	112	109	109	133	133	145	161	154
Capital Programs	112	115	118	112	112	108	111	122	137	143
Water Utility Operations	43	43	43	43	43	41	41	39	39	37
Water Supply	11	11	11	11	11	8	8	13	13	13
Water Conservation	10	10	10	11	11	12	12	10	10	10
Surface & Groundwater Management	34	34	36	33	33	35	35	39	38	39
Water Quality	22	22	22	28	28	24	24	25	24	26
Control Systems	11	11	11	14	14	14	14	15	14	15
Water Utility Maintenance	23	23	23	28	28	28	28	28	27	27
Treated Water Operations	36	36	38	44	44	43	43	48	46	45
Raw Water Operations	25	25	28	37	37	37	40	38	38	39
Administrative & Business Management	8	8	8	11	11	3	5	14	12	16
Clerk of the Board	12	12	12	14	14	10	10	10	9	13
Business Support Services	16	16	16	16	16	20	25	12	12	11
Library & Records	6	6	6	5	5	6	6	5	5	5
Budget Office	8	8	8	7	7	7	10	8	8	8
Accounting	16	18	18	17	17	16	16	17	18	18
Information & Systems Management	39	39	39	36	36	32	32	32	33	34
Technical Services	3	3	3	3	3	3	3	3	3	4
Wells & Water Production	18	18	18	18	18	15	15	20	21	19
Real Estate & Right-of-Way	8	8	9	10	10	8	10	8	9	7
Equipment Management	12	12	12	12	12	10	10	9	11	11
Warehouse & Inventory Control	6	6	6	5	5	5	5	5	5	5
Facilities Maintenance	15	15	15	15	15	14	16	16	13	15
Purchasing	9	9	10	10	10	9	12	15	15	13
Permits	13	16	16	14	14	16	16	16	17	18
Contracts Administration	4	4	5	5	5	5	10	6	6	8
Human Resources, Training, Benefits	25	27	27	22	22	26	30	28	23	22
Health & Safety	10	6	6	10	10	9	9	9	6	8
Total	680	686	723	744	748	753	792	825	851	858

Source: Santa Clara Valley Water District, Human Resources & Benefits Unit

Valley Water
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
District Well Ordinance Program										
New Wells	513	407	424	321	410	325	298	367	344	351
Destroyed Wells	744	1,504	1,167	945	463	494	387	481	500	336
Well Permits	1,697	2,285	1,799	1,546	1,272	1,078	1,123	882	1,217	901
Well Inspections	1,398	2,092	1,848	1,687	1,093	1,030	1,163	1,254	1,288	1,019
Watershed Management										
Miles of Vegetation Removed/Managed	206	177	164	116	168	163	161	134	206	174
Cubic Yards of Sediment Removed	34,596	4,129	3,929	83,792	34,881	19,279	49,641	55,878	28,034	14,832
Miles of Bank Erosion Protection	2.1	0.2	1.2	0.5	0.5	0.2	0.3	0.3	0.9	0.8
Laboratory Services Unit										
Water Samples Tested (approx.)	170,055	169,182	178,934	179,252	156,347	151,118	151,500	142,328	130,994	132,510
Water Quality Violations	-	-	-	-	-	-	-	-	-	-
Water Measurement Program										
Meter Reads/Site Visits	5,964	5,908	5,934	5,489	6,264	5,384	6,740	6,126	6,326	6,041
Meter Repairs/Preventative Maintenance	272	201	323	301	307	381	183	115	255	169
Backflow Device Tests	159	203	153	149	227	188	217	205	197	203
Community Projects Review										
Permits Issued	201	220	289	228	177	160	137	175	149	150
Land Development Review Requests	940	843	45	124	749	938	809	1,023	1,165	1,143
Underground Service Alerts	53,782	58,871	12,118	8,042	8,529	9,859	8,560	8,607	2,959	2,407
Requests for Flood Zone Information	51	24	92	26	18	18	11	20	13	14
Environmental Impact Reports Reviewed	65	68	32	56	53	83	82	145	242	237
Water Resource Protec. Ordinance Violation	184	130	220	163	186	208	240	243	157	169
Human Resources										
Permanent Positions Hired	31	54	150	112	133	79	162	182	197	152
Temporary Workers Employed	247	134	276	259	122	108	110	115	276	117
Employment Applications Processed	4,236	5,746	5,621	5,847	5,668	5,370	7,860	7,382	5,913	5,979
Health & Safety										
Ergonomic Assessments	38	42	46	44	47	37	12	36	40	N/A
Confined Space Assessments	261	147	204	120	223	192	205	164	114	N/A
Employee Safety Committee Meetings	11	12	12	12	11	8	6	8	12	N/A
Projects Managed by Type:										
Capital Projects	131	160	165	121	130	121	114	122	93	136
Operating Projects	36	35	39	23	29	17	16	15	13	14
Operations Projects	394	415	409	358	351	335	328	317	216	307

Source: Santa Clara Valley Water District, various government departments

Valley Water
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water Utility Enterprise										
Acres of groundwater recharge ponds	393	393	393	393	393	393	393	277	285	285
Miles of canals	17	17	17	17	17	17	17	17	47	47
Miles of pipeline	144	144	144	144	144	144	144	144	142	145
Miles of tunnels	8	8	8	8	8	8	8	8	8	8
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Advanced water purification center	-	1	1	1	1	1	1	1	1	1
Number of pumping stations	3	3	3	3	3	3	3	3	3	3
Local reservoirs and dams	10	10	10	10	10	10	10	10	10	10
Number of treated water reservoirs	1	1	1	1	1	1	1	1	1	1
Water Utility Operations										
Process Control Instrumentation	1,680	1,443	1,493	1,548	1,534	1,542	1,710	1,748	1,772	1,931
Mechanical Drives	61	56	73	58	61	61	61	52	51	57
Chemical Mixers	111	95	95	92	88	88	126	124	126	135
Electrical Motors	512	439	455	468	464	468	531	529	531	553
Power Distribution Equipment	1,673	1,140	1,155	1,089	859	870	890	1,383	1,335	1,458
Pumps	601	515	518	517	518	517	584	582	591	601
Utility Vaults & Structures	1,095	1,114	1,340	1,156	1,122	1,166	1,195	1,205	1,236	1,266
Chemical & Water Storage Tanks	176	174	203	168	173	196	202	207	209	208
Valves	1,702	1,600	1,676	1,695	1,710	1,758	1,987	1,866	1,881	2,185
Valve Operators	869	783	782	781	782	789	841	824	825	839
Generators	27	25	29	29	27	30	33	33	33	33
Flow Meters	387	347	377	399	360	361	395	392	399	1,012
Electric Drives	208	165	162	172	183	191	196	201	196	208
Blowers & Compressors	208	188	185	184	181	187	188	187	188	187
Miscellaneous Equipment	3,306	1,441	1,350	1,356	1,322	1,327	1,345	1,362	1,360	1,591
Watersheds										
Miles of creeks and rivers managed for flood control	700	700	700	700	800 +*	800 +*	800 +*	<275*	<275*	183
Number of reservoirs	10	10	10	10	10	10	10	10	10	10
Total District reservoir capacity (acre-feet)	169,415	169,415	169,415	169,415	169,415	169,415	169,415	166,266	166,140	166,140
Acres of Wildlife Habitat Restored	569	326	326	310	364	364	364	493	496	521
Fleet Equipment										
Class I Passenger Vehicles	186	182	184	179	178	178	175	168	199	201
Class II Heavy Duty Trucks	84	87	82	90	94	94	97	64	99	106
Class III Tractors, Const. Equip., Generators, Forklifts	27	26	26	21	26	26	26	22	26	25
Class IV Misc. Small Tools & Engines	474	506	506	534	478	415	521	519	581	607

Source: Santa Clara Valley Water District, various government departments

* There are more than 800 miles of creeks in Santa Clara County (SC Co.). SCVWD owns 278 miles of streams in SC Co. Only a portion of these have been modified with flood protection projects. Those are the streams that are maintained by SCVWD.

Valley Water
Flood Control System
Historical Operating Results
Combined Statement of Revenues and Debt Service Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

	2014	2015	2016	2017
Flood Control System Revenues:				
Benefit assessment, gross ¹	\$ 16,306	\$ 16,236	\$ 14,832	\$ 14,939
Property tax	57,631	62,887	68,005	74,806
Investment income	985	889	1,303	317
Rental income	1,338	1,403	1,474	1,527
Other	687	596	1,210	1,870
Total Flood Control System Revenue	<u>\$ 76,947</u>	<u>\$ 82,011</u>	<u>\$ 86,824</u>	<u>\$ 93,459</u>
Debt Service:				
2004A Certificates of participation ^{2/3}	1,398	1,349	1,109	1,111
2007A Certificates of participation ²	5,761	5,762	5,757	5,760
2012A Certificates of participation	6,111	6,101	5,294	5,297
2017A Certificates of participation ³	-	-	-	-
Total Debt Service	<u>\$ 13,270</u>	<u>\$ 13,212</u>	<u>\$ 12,160</u>	<u>\$ 12,168</u>
Coverage	<u>5.80</u>	<u>6.21</u>	<u>7.14</u>	<u>7.68</u>

¹ The benefit assessment presented on the Statement of Revenues, Expenditures and Changes in Fund Balances are net of collection fees. For the purpose of the Flood Control System Debt Service Coverage, collection fees are excluded. Therefore, the benefit assessments presented above have been increased as follows (in thousands):

FY2023 - \$ 134
FY2022 - \$ 136
FY2021 - \$ 125
FY2020 - \$ 135
FY2019 - \$ 149
FY2018 - \$ 148
FY2017 - \$ 149
FY2016 - \$ 149
FY2015 - \$ 162
FY2014 - \$ 163

In accordance with voter authorizations, benefit assessments are set at 1.25 of gross debt service allocable to flood control projects starting during Fiscal Year 2001.

Source: Santa Clara Valley Water District, General Accounting Unit

2018	2019	2020	2021	2022	2023
\$ 14,922	\$ 14,895	\$ 13,500	\$ 12,500	\$ 13,600	\$ 13,363
79,538	90,727	93,100	98,600	107,000	116,706
729	4,916	5,200	-	1,400	2,330
1,609	1,650	1,700	1,500	1,900	1,744
3,999	1,746	1,600	600	1,000	1,176
<u>\$ 100,797</u>	<u>\$ 113,934</u>	<u>\$ 115,100</u>	<u>\$ 113,200</u>	<u>\$ 124,900</u>	<u>\$ 135,319</u>
-	-	-	-	-	-
-	-	-	-	-	-
5,295	5,295	5,300	5,300	5,300	5,300
6,866	6,868	5,800	5,800	5,800	5,786
<u>\$ 12,161</u>	<u>\$ 12,163</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 11,086</u>
8.29	9.37	10.37	10.20	11.25	12.21

² The 2004A and 2007A Certificates were refunded by the 2017A Certificates.

³ The 2004A and 2017A debt service payments exclude the portion paid by the District General Fund as this portion of debt service was not payable from benefit assessments (see Flood Control Master Resolution 94-60).

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Valley Water

Santa Clara Valley Water District

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