



**FY 2026-27**

# **Proposed Biennial Operating and Capital Budget Board Work Study Session**

April 30, 2026

# Valley Water Fiscal Year 2026-27 Budget

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- Stay grounded in our core mission to provide safe, clean water, flood protection and environmental stewardship for our community.
- Maintain a disciplined financial approach to ensure long-term sustainability in an uncertain economy.
- Provide stability in workforce costs, supported by a new labor agreement and no new staff positions.
- Prioritize investments in critical infrastructure to maintain affordability.

# Presentation Summary

## BUDGET OVERVIEW

- Budget Development & Review Process
- FY 2026-27 Proposed Rolling Biennial Budget Review
- Fund Reserves
- Fund Financial Sustainability – Watersheds, Safe, Clean Water, Water Utility
- Proposed Budget by Fund and Organization

## PROPOSED BUDGET BY ORGANIZATION

- Administration
- Integrated Water Management
- Water Utility
- Watersheds

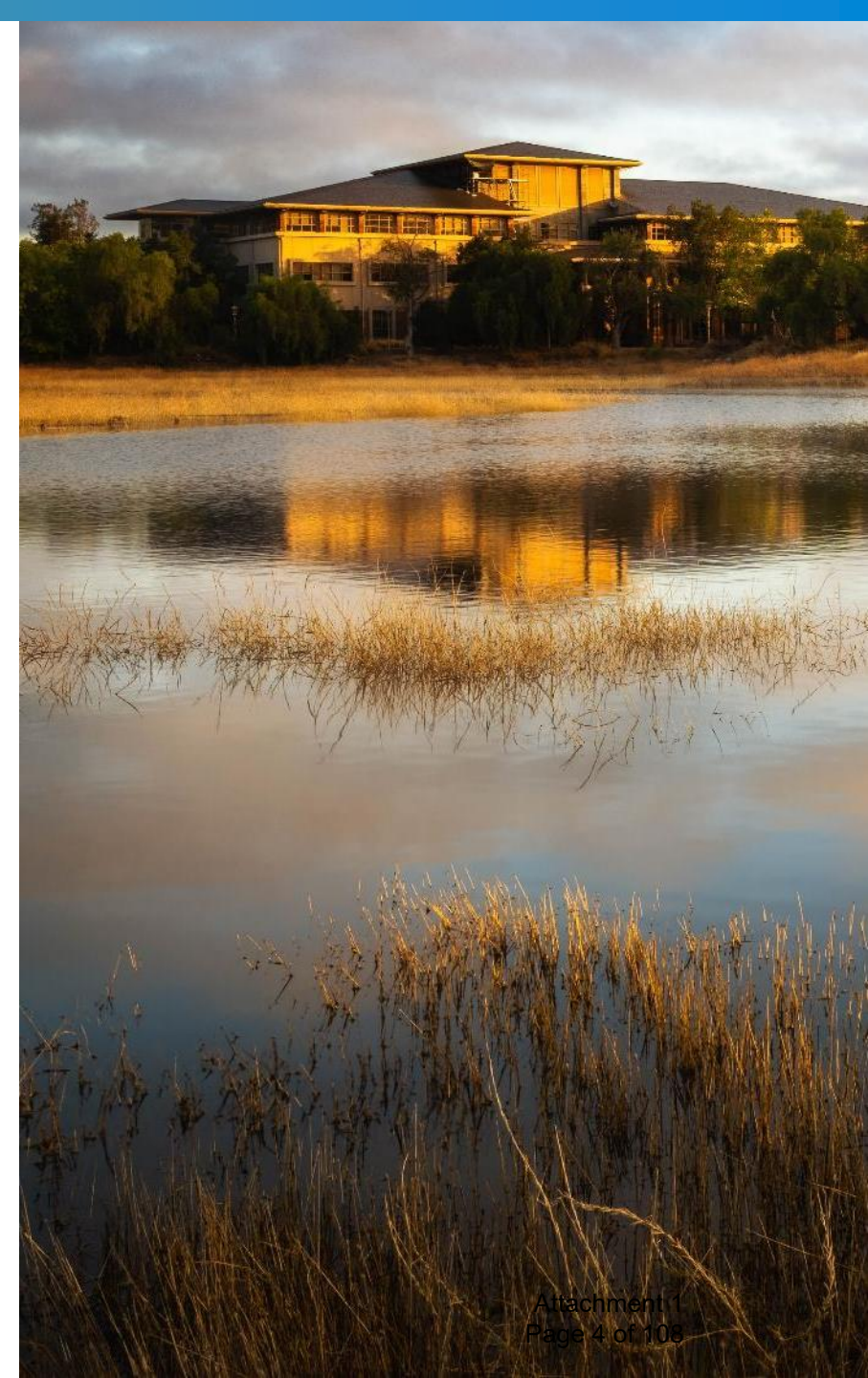
## NEXT STEPS

- Board considerations for May 12, 2026

# Budget Development and Review Process

Achieve the Board's Work Plan while ensuring financial sustainability

- Update long-term forecast and set funding limits (fund targets)
- Multiple staff reviews (1st Pass through 4th Pass)
- Conduct multiple Board reviews
  - Receive and incorporate Board direction
  - Allow public to provide input
- Conduct separate public hearings
  - Groundwater Production Charges
  - Capital Improvement Program



# FY 2026-27 Budget Schedule

## Next steps

### Operating and Capital Budget Development Updates

- ✓ January 27 – 1st Pass Budget Update
- ✓ March 10 – 2nd Pass Budget Update
- ➔ April 29 to 30 – Budget Work Study Sessions

### Capital Improvement Program (CIP)

- ✓ January 13 – Preliminary CIP
- ✓ March 10 – Draft CIP
- ✓ April 28 to 29 – CIP Public Hearings

### Groundwater Production Charge (GWP)

- ✓ January 13 – Preliminary GWP Analysis
- ✓ April 14 to 28 – GWP Public Hearings

### Budget Approval (Budget, GWP and CIP)

- May 12

# Board considerations for May 12, 2026

Approve  
FY 27 Rates  
and Charges

1

Approve  
FY 27-31  
Five Year CIP

2

Approve  
FY 27 Budget

3

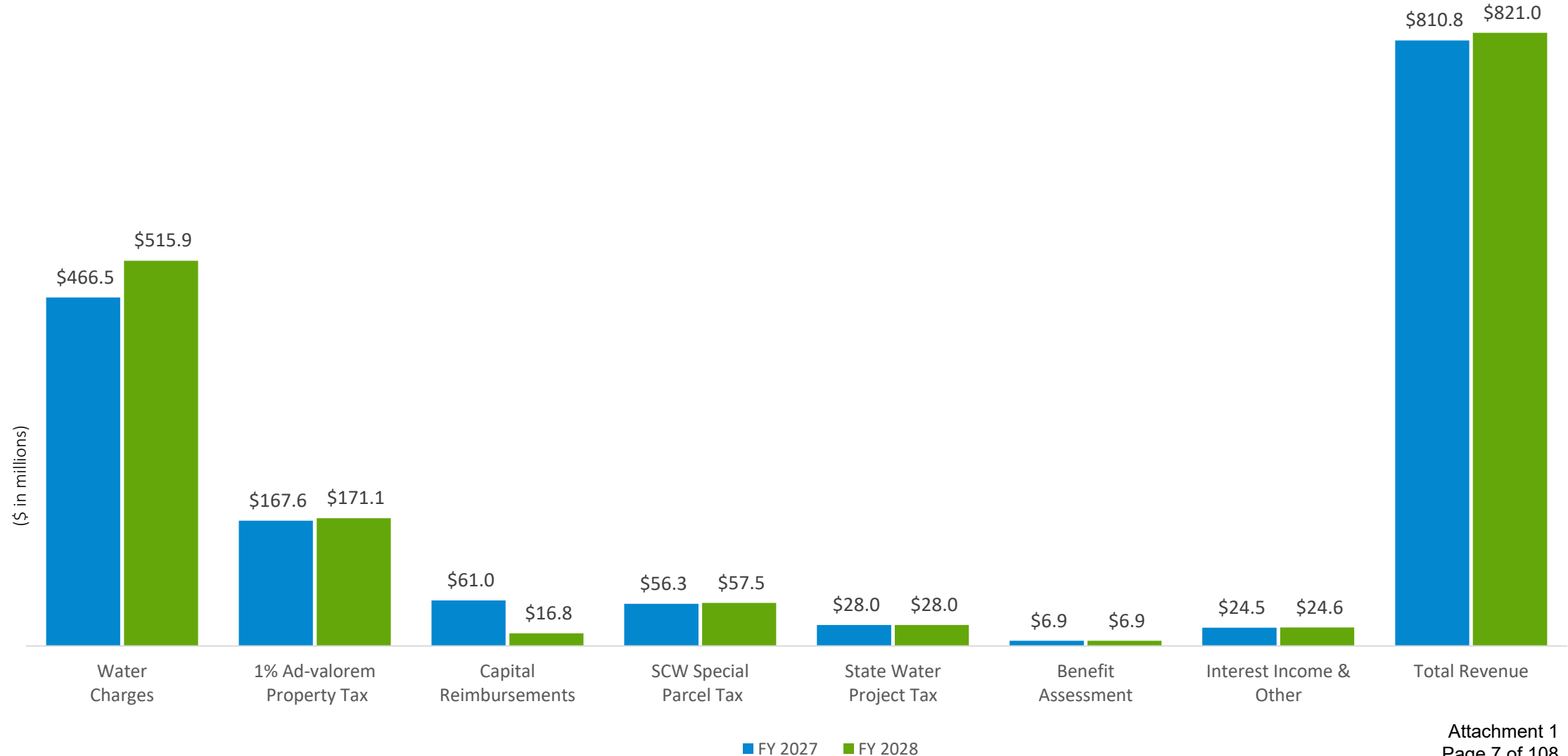
- Water Charges
- SWP Tax Amount
- SCW Special Tax increase
- Benefit Assessments

- 73 Projects
- \$3.1 billion planned expenditures over the next five (5) years
- Aligned with FY 27 budget and FY 28 plan

- Budgeted Reserve amounts
- Project/Funding levels

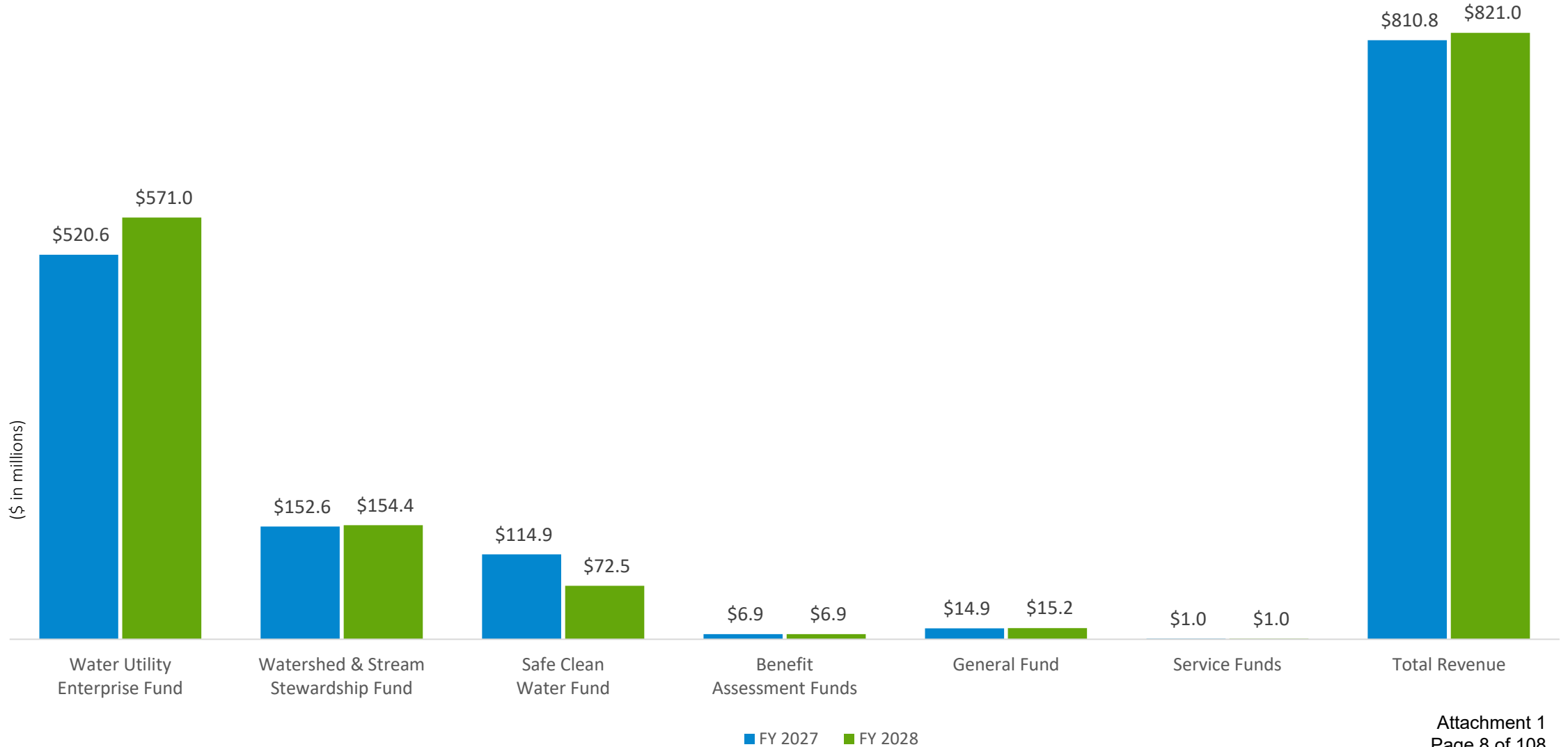
# Proposed Budget Revenue

## Revenue by Source



# Proposed Budget Revenue

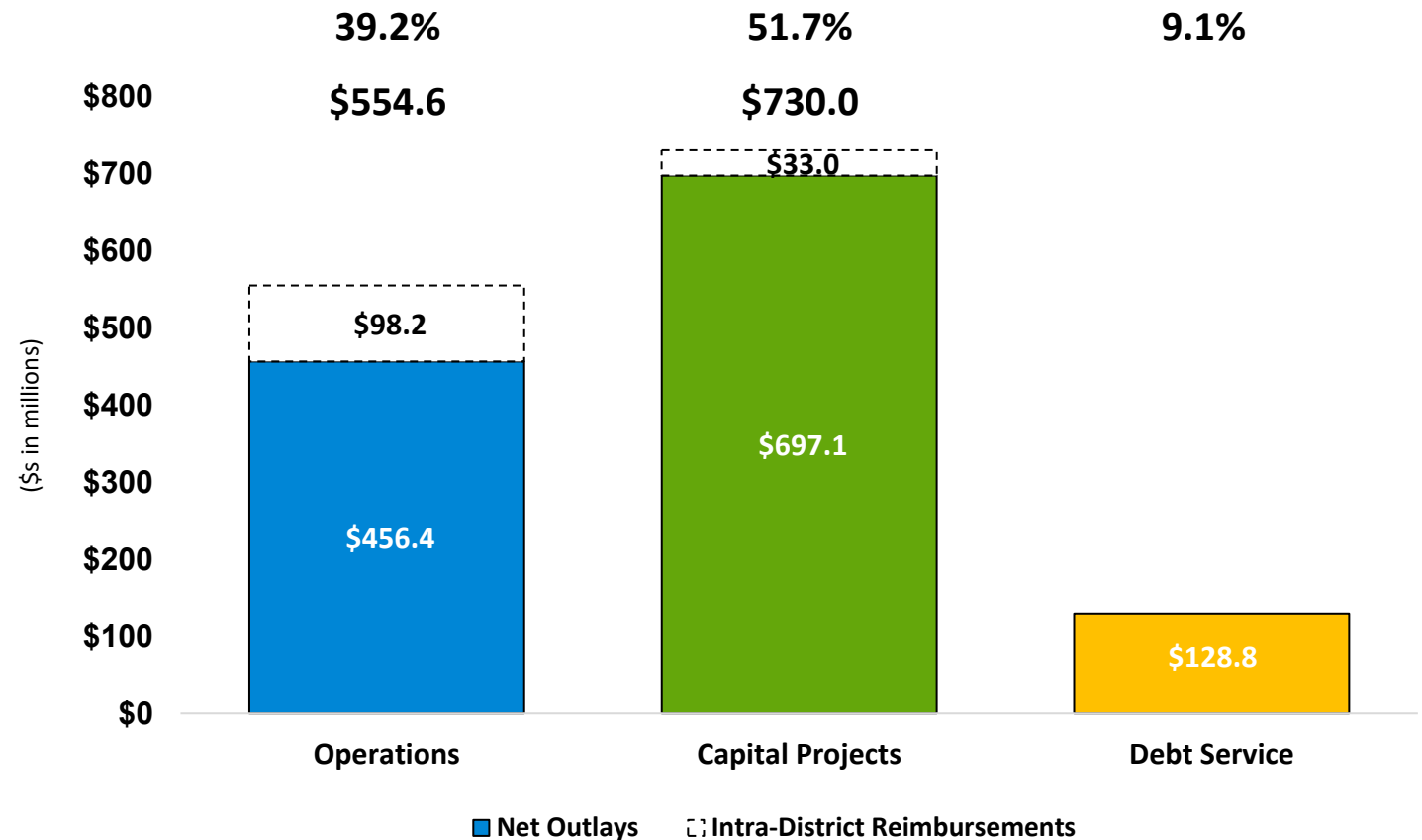
## Revenue by Fund



# FY 2026-27 Proposed Budget by Category

Total operating and capital outlays of \$1.413 billion

- Net FY 27 Proposed Budget of \$1.282B, net of \$131.2M Intra-District Reimbursements

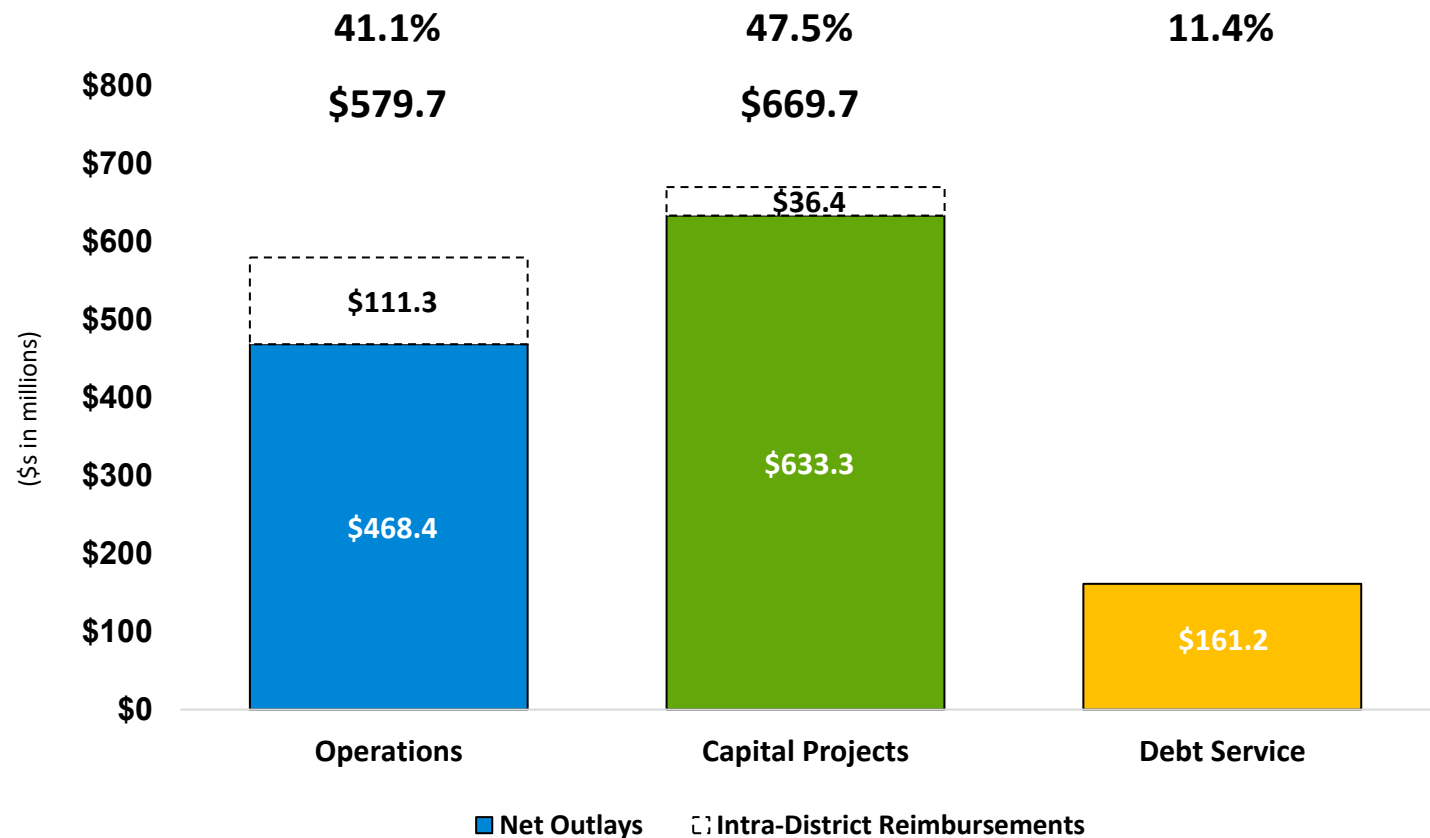


Note: Capital projects budget of \$730.0 million excludes carry forward capital project amount of \$63.1 million  
Attachment 1  
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# FY 2027-28 Proposed Plan by Category

Total operating and capital outlays of \$1.411 billion

- Net FY 28 Proposed plan of \$1.262B, net of \$147.7M Intra-District Reimbursements



Note: Capital projects budget of \$669.7 million excludes carry forward capital project amount of \$16.0 million

# FY 2026-27 Proposed Budget by Fund

(Millions \$)	Water Utility Funds		Watershed Management Funds			Administration Funds <sup>2</sup>	Total Valley Water
	Water Utility Enterprise Fund	State Water Project Fund	Safe, Clean Water Fund	Watershed Strm Stewardship Fund	Benefit Assmt Fund		
Revenue	\$491.6	\$29.0	\$114.9	\$152.6	\$6.9	\$15.9	<b>\$810.8</b>
Interfund Transfer	(12.0)	-	2.1	(10.5)	(1.1)	21.4	<b>(0.0)</b>
Ops Costs	(232.0)	(35.8)	(33.1)	(101.5)	-	(152.1)	<b>(554.6)</b>
Debt Service	(110.5)	-	(12.5)	-	(5.8)	-	<b>(128.8)</b>
Capital	(504.9)	-	(182.1)	(12.9)	-	(30.1)	<b>(730.0)</b>
Capital Carry-Forward	(23.4)	-	(18.6)	(21.1)	-	0.0	<b>(63.1)</b>
Debt Proceeds	407.0	-	119.3	-	-	-	<b>526.3</b>
IntraDistrict Reimbursements <sup>1</sup>	-	-	-	-	-	131.2	<b>131.2</b>
<b>Total Changes to Reserves</b>	<b>\$15.8</b>	<b>(\$6.8)</b>	<b>(\$9.9)</b>	<b>\$6.6</b>	<b>\$0.0</b>	<b>(\$13.7)</b>	<b>(\$8.1)</b>
<b>Reserves</b>							
Restricted	\$63.0	\$14.9	\$97.2	\$0.0	\$0.0	\$0.0	<b>\$175.1</b>
Committed	89.8	-	-	211.6	-	43.0	<b>344.4</b>
<b>Total Reserves</b>	<b>\$152.8</b>	<b>\$14.9</b>	<b>\$97.2</b>	<b>\$211.6</b>	<b>\$0.0</b>	<b>\$43.0</b>	<b>\$519.5</b>

Notes:  
<sup>1</sup> Intra-District Reimbursements represent overhead costs that have been allocated to the Water Utility, Safe, Clean Water, and Watersheds (included in the operations and capital costs for those funds)  
<sup>2</sup> Administration Funds include General Fund and Service Funds (Fleet Management, Risk Management, & Information Technology Funds)

# FY 2027-28 Proposed Plan by Fund

(Millions \$)	Water Utility Funds		Watershed Management Funds			Administration Funds <sup>2</sup>	Total Valley Water
	Water Utility Enterprise Fund	State Water Project Fund	Safe, Clean Water Fund	Watershed Strm Stewardship Fund	Benefit Assmt Fund		
Revenue	\$541.99	\$29.00	\$72.47	\$154.43	\$6.92	\$16.16	\$820.97
Interfund Transfer	(11.7)	-	5.4	(6.7)	(1.1)	14.0	(0.0)
Ops Costs	(243.0)	(37.6)	(32.7)	(109.4)	-	(156.9)	(579.7)
Debt Service	(132.0)	-	(23.4)	-	(5.8)	-	(161.2)
Capital	(437.4)	-	(148.6)	(59.8)	-	(24.0)	(669.7)
Capital Carry-Forward	(3.0)	-	(5.6)	-	-	-	(8.6)
Debt Proceeds	329.2	-	130.0	-	-	-	459.2
IntraDistrict Reimbursements <sup>1</sup>	-	-	-	-	-	147.7	147.7
<b>Total Changes to Reserves</b>	<b>\$44.2</b>	<b>(\$8.6)</b>	<b>(\$2.4)</b>	<b>(\$21.4)</b>	<b>\$0.0</b>	<b>(\$3.0)</b>	<b>\$8.7</b>
<b>Reserves</b>							
Restricted	\$75.0	\$6.2	\$94.8	\$0.0	\$0.0	\$0.0	\$176.1
Committed	122.0	0.0	0.0	190.2	0.0	40.0	352.2
<b>Total Reserves</b>	<b>\$197.0</b>	<b>\$6.2</b>	<b>\$94.8</b>	<b>\$190.2</b>	<b>\$0.0</b>	<b>\$40.0</b>	<b>\$528.2</b>

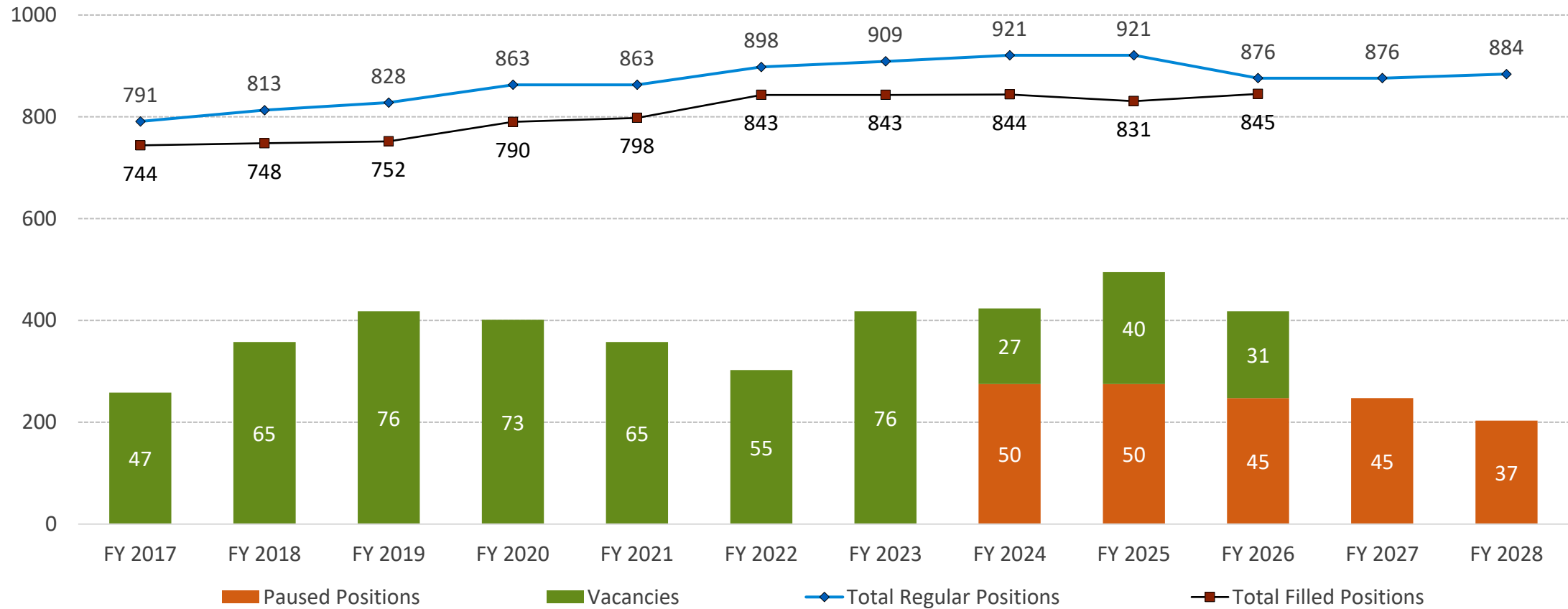
Notes:

<sup>1</sup> Intra-District Reimbursements represent overhead costs that have been allocated to the Water Utility, Safe, Clean Water, and Watersheds (included in the operations and capital costs for those funds)

<sup>2</sup> Administration Funds include General Fund and Service Funds (Fleet Management, Risk Management, & Information Technology Funds)

# Permanent Position Trend

FY 2027 budget assumes 45 paused positions, decreasing by 8 in FY 2028



Note: FY 2026 position/vacancies data as of February 2026

# Limited Term Positions

Number of Limited Term (LT) positions will be reduced to reflect most current operational needs

	<u>FY 26</u>	<u>FY 27</u>	<u>FY 28</u>
Limited Term Positions	4	<del>5</del> 2	<del>4</del> 1
Limited Term Position Cost	\$0.8M	<del>\$1.4M</del> \$0.7M	<del>\$0.9M</del> \$0.2M

- Budget will be reduced to two (2) LT positions in FY 27 and one (1) LT position in FY 28:
  - One (1) HR Technician – FY 27 and FY 28
  - One (1) Senior Advisor – FY 27 only
- Salaries and Benefits budget to decrease by \$664K in FY 27 and \$712K in FY 28

# Proposed Biennial Budget by Salaries and Benefits

Budget to decrease due to Limited Term position change (-\$0.7M in FY 2027);  
 Budget to increase due to Retiree Health Insurance change (+\$1.7M in FY 2027)

Salary and Benefits (\$ in millions)	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Proposed	FY 2028 Plan	FY 2027 vs FY 2026	FY 2028 vs FY 2027
<b>Salaries</b>									
Salaries - Regular Employees	\$128.3	\$130.5	\$135.3	\$138.8	\$150.3	\$158.0	\$166.1	\$7.7	\$8.1
Overtime and Special Pays	5.8	6.2	6.3	6.5	5.4	6.2	6.4	0.8	0.2
Salary Savings	-	-	-	-	(2.5)	(5.6)	(5.8)	(3.0)	(0.3)
<b>Total Salaries</b>	<b>\$134.1</b>	<b>\$136.7</b>	<b>\$141.6</b>	<b>\$145.2</b>	<b>\$153.2</b>	<b>\$158.6</b>	<b>\$166.7</b>	<b>\$5.4</b>	<b>\$8.0</b>
<b>Benefits</b>									
Fed & State Taxes & Benefits	\$1.9	\$2.0	\$2.1	\$2.1	\$2.2	\$2.4	\$2.5	\$0.1	\$0.1
Retirement Contributions	36.7	42.1	43.7	46.4	51.0	54.3	57.1	3.3	2.8
Group Insurance - Active Employees	15.1	16.0	17.6	22.3	28.1	29.9	33.1	1.8	3.3
Health Insurance - Retired Employees	12.1	13.9	14.6	16.9	15.0	15.3	15.7	0.3	0.4
<b>Total Benefits</b>	<b>\$65.8</b>	<b>\$74.0</b>	<b>\$78.0</b>	<b>\$87.7</b>	<b>\$96.3</b>	<b>\$101.8</b>	<b>\$108.4</b>	<b>\$5.5</b>	<b>\$6.6</b>
<b>Total Salary &amp; Benefits</b>	<b>\$199.9</b>	<b>\$210.7</b>	<b>\$219.6</b>	<b>\$233.0</b>	<b>\$249.9</b>	<del>\$260.4</del> <b>\$261.4</b>	<del>\$275.1</del> <b>\$276.5</b>	<b>\$10.5</b>	<b>\$14.6</b>
<b>Regular Positions</b>	<b>893</b>	<b>909</b>	<b>919</b>	<b>921</b>	<b>876</b>	<b>876</b>	<b>884</b>	<b>0</b>	<b>0</b>

# Follow up on questions from Board

## Questions re: OPEB unfunded liability on March 24, 2026

- 1) Given that OPEB Actuarial Accrued Liability as of 6/30/25 is 61.3% funded, and given current actuarial projection showing unfunded liability pay off by end of FY 2042, how many years would it take to reach 75% funded?

**Answer:** The current actuarial projection shows that by the end of FY 2032 (7 years), the OPEB Actuarial Accrued Liability would be 75% funded.

- 2) How would incremental contributions toward the OPEB unfunded liability impact the projected date of payoff, which is currently the end of FY 2042?

**Answer:** Incremental \$1M per year for next 6 years results in payoff by FY 2041 (1 year earlier).

- Incremental \$2M per year = payoff by FY 2040
- Incremental \$3M per year = payoff by FY 2039
- Incremental \$4M per year = payoff by FY 2038
- Incremental \$5M per year = payoff by FY 2037

# Proposed Biennial Budget Outlays

FY 2027 Net Outlays \$334M higher than FY 2026 primarily due to higher capital projects funding

Budget by Category (\$ in millions)	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Proposed	FY 2028 Plan	FY 2027 vs FY 2026	FY 2028 vs FY 2027
Operations	\$414.2	\$417.0	\$423.7	\$456.7	\$528.7	\$545.2	\$570.7	\$16.5	\$25.5
Operating Projects	8.5	4.6	9.5	28.5	6.2	9.4	9.0	3.2	(0.4)
Debt Service	58.1	65.1	75.0	86.0	116.9	128.8	161.2	11.9	32.4
<b>Total Operating Outlays</b>	<b>\$480.8</b>	<b>\$486.7</b>	<b>\$508.2</b>	<b>\$571.2</b>	<b>\$651.8</b>	<b>\$683.4</b>	<b>\$740.9</b>	<b>\$31.6</b>	<b>\$57.5</b>
<b>Capital Outlays</b>	<b>\$372.7</b>	<b>\$414.1</b>	<b>\$389.7</b>	<b>\$387.2</b>	<b>\$427.9</b>	<b>\$730.0</b>	<b>\$669.7</b>	<b>\$302.1</b>	<b>(\$60.3)</b>
Total Gross Outlays	853.5	900.8	897.9	958.4	1,079.7	1,413.4	1,410.6	333.7	(2.8)
Intra-District Reimbursements*	(97.3)	(107.2)	(116.8)	(121.3)	(131.7)	(131.2)	(147.7)	0.5	(16.6)
<b>Net Total Outlays</b>	<b>\$756.2</b>	<b>\$793.6</b>	<b>\$781.1</b>	<b>\$837.1</b>	<b>\$948.0</b>	<b>\$1,282.2</b>	<b>\$1,262.8</b>	<b>\$334.2</b>	<b>(\$19.4)</b>

\* Intra-District reimbursements represent cost recovery for support services such as human resources and information technology, etc.

# Proposed Biennial Budget Debt Service

Increase in debt service driven by planned debt issuances for Water Utility and Safe, Clean Water projects in the Capital Improvement Plan

(\$ in millions)	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Proposed	FY 2028 Plan	FY 2027 vs FY 2026	FY 2028 vs FY 2027
Principal Repayment	\$27.7	\$28.7	\$29.3	\$34.2	\$35.2	\$45.8	\$50.9	\$10.6	\$5.1
Interest	28.5	33.6	44.1	49.1	76.3	78.8	105.8	2.5	27.0
Debt-related Fees	1.9	2.6	1.3	2.7	5.4	4.2	4.5	(1.2)	0.3
<b>Total Debt Service</b>	<b>\$58.1</b>	<b>\$64.9</b>	<b>\$74.7</b>	<b>\$86.0</b>	<b>\$116.9</b>	<b>\$128.8</b>	<b>\$161.2</b>	<b>\$11.9</b>	<b>\$32.4</b>

# Debt Portfolio Status Update

**\$1.7 billion projected outstanding debt as of June 30, 2026**

- Water Utility: \$1.4 billion
- Safe, Clean Water: \$239 million
- Watersheds: \$20 million

## **\$450 million Short-term Debt Program**

- \$250 million commercial paper program with Sumitomo Mitsui Banking Corporation (SMBC) letter of credit
- \$200 million revolving bank line of credit with U.S. Bank



# Debt Portfolio Status Update (cont.)

## FY 2026 Financing Activity

- Water Utility Refunding Bonds 2025AB - \$200 million (September 10, 2025)
  - Refunded short-term debt, and 2016AC debt for \$14 million in debt service savings
- Draws on WIFIA loans: \$46 million (ADSRP) / \$10 million (CCFPP, Sunnyvale E-W Channels)
- Short-term debt issuances planned for spring 2026
  - WU: \$225 million (construction funds) / \$102 million (refunding of 2023C-1/D interim notes)
  - SCW: \$30 million (construction funds)

## FY 2027 Financing Plan

- Refund short-term debt issued in spring 2026, refund long-term debt for savings, and issue \$100 million short-term note to fund initial construction costs for Anderson Dam Seismic Retrofit
  - Board authorizations: Issuance - May 2026 / Bond Disclosure - August 2026
- Issue short-term debt to fund Water Utility and Safe, Clean Water capital costs

# Proposed Biennial Budget Operating Expenditures

## Ops expenditures increased primarily due to ratified MOU

- FY 2027 Operating Expenditures of \$554.6M, **increase** of \$19.7M or 3.7% over FY 2026 and \$579.7M in FY 2028, increase of \$25.1M or 4.5% over FY 2027 primarily due to ratified MOU
- Includes eight (8) regular positions in FY 2028 Plan to address control of instream vegetation removal and watershed asset rehabilitation projects
- Water rate assistance program \$1.3M budget included in FY 2027 and FY 2028

Budget by Category (\$ in millions)	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Proposed	FY 2028 Plan	FY 2027 vs FY 2026	FY 2028 vs FY 2027
General Fund	\$74.3	\$74.8	\$77.3	\$77.3	\$90.9	\$97.8	\$98.5	\$6.9	\$0.7
Watershed Stream Stewardship Fund	62.5	69.3	75.4	82.3	95.1	101.5	109.4	6.4	7.9
Safe, Clean Water Fund	16.2	19.2	25.6	23	27.7	33.1	32.7	5.4	(0.4)
Water Enterprise Fund	235.3	224	213.6	257.6	269.6	267.8	280.6	(1.8)	12.8
Fleet Management Fund	3.8	5	5.2	5.3	6.6	6.7	7.1	0.1	0.4
Risk Management Fund	9.5	6.8	9.9	9.1	12.1	12.7	13.4	0.6	0.7
Information Technology Fund	21.1	22.4	26.2	30.6	32.9	34.9	37.9	2.0	3.0
<b>Total</b>	<b>\$422.7</b>	<b>\$421.5</b>	<b>\$433.2</b>	<b>\$485.2</b>	<b>\$534.9</b>	<b>\$554.6</b>	<b>\$579.7</b>	<b>\$19.7</b>	<b>\$25.1</b>

Note: This table reflects gross figures that have not been adjusted for intra-district reimbursements

# Proposed Biennial Budget Capital Expenditures

## Capital outlays aligned with draft Capital Improvement Program

- FY 2027 **increase** of \$302.1M primarily due to the Coyote Creek, Montague-Tully (\$59M), Sunnyvale East & West (\$45M), and Llagas Phase 2B (\$22M), Anderson Dam Seismic Retrofit (\$133M), Almaden Valley Pipeline (\$41M), PWTP Residuals Management (\$19M) and Almaden Calero Canal Rehab (\$18M)
- FY 2028 **decrease** of \$60.3M primarily due to completion of HQ Operations Building (-\$5M), Security Upgrades Program (-\$4M), the Llagas Creek Phase 2B (-\$33M), IRP2 Add Line Valves (-\$5M), RWTP Reliability Improvement (-\$62M), Almaden Calero Canal Rehab (-\$17M), Anderson Dam Tunnel (-\$13M) offset by increases in the Pure Water Silicon Valley (\$14M), SF Bay Shoreline (\$23M), Watersheds Asset Rehabilitation project (\$14M) and Lower Guadalupe Capacity Restoration (\$7M) projects

Budget by Category (\$ in millions)	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Actuals	FY 2026 Adopted	FY 2027 Proposed	FY 2028 Plan	FY 2027 vs FY 2026	FY 2028 vs FY 2027
General Fund	\$3.2	\$4.2	\$2.6	\$9.8	\$13.3	\$13.3	\$4.2	\$0.0	(\$9.1)
Watershed Stream Stewardship Fund	66.2	44.5	26.3	15	31.3	12.9	59.8	(18.4)	46.9
Safe, Clean Water Fund	52.8	46.6	45.8	84.2	65.7	182.1	148.6	116.4	(33.5)
Water Enterprise Fund	238	311.9	307.5	268.6	312	504.9	437.4	192.9	(67.5)
Fleet Management Fund	2.8	2.2	0.8	3.2	2	3.4	4.7	1.4	1.3
Information Technology Fund	9.7	4.7	6.7	6.3	3.6	13.3	15.0	9.7	1.7
<b>Total</b>	<b>\$372.7</b>	<b>\$414.1</b>	<b>\$389.7</b>	<b>\$387.1</b>	<b>\$427.9</b>	<b>\$730.0</b>	<b>\$669.7</b>	<b>\$302.1</b>	<b>(\$60.3)</b>

Note: FY27 Proposed budget and FY28 Plan are aligned with the FY27-31 CIP

# Proposed Biennial Budget Reserve Balances

Reserve balances in FY 2027 and FY 2028 remain healthy

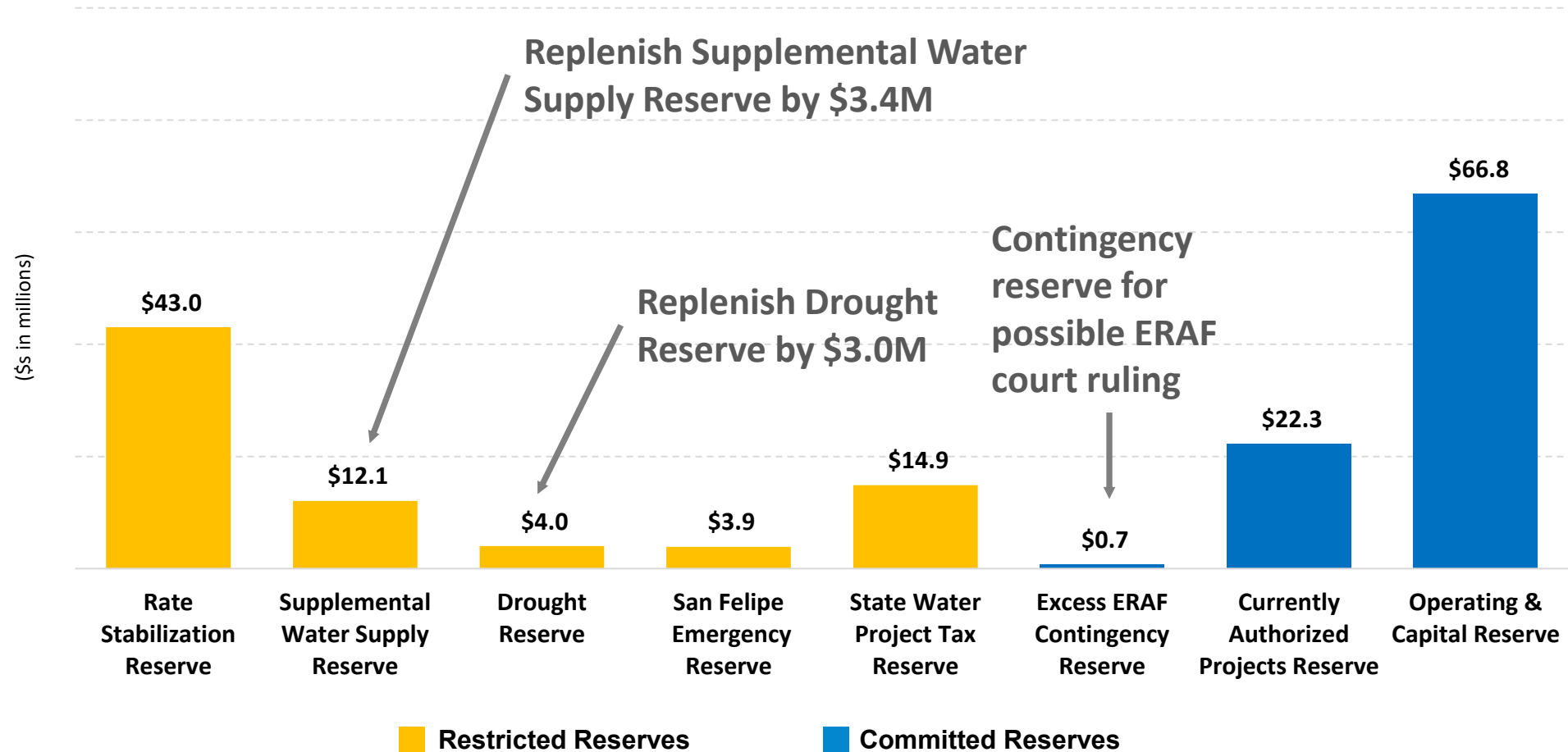
Reserves (\$ in millions)	FY 2026 Projected	FY 2027 Estimate	FY 2028 Estimate	FY 2027 vs FY 2026	FY 2028 vs FY 2027
<b>Restricted Reserves</b>					
Safe, Clean Water Fund	\$107.1	\$97.2	\$94.8	(\$9.9)	(\$2.4)
Water Utility Enterprise Fund	75.5	77.9	81.3	2.4	3.4
<b>Restricted Subtotal</b>	<b>\$182.7</b>	<b>\$175.1</b>	<b>\$176.1</b>	<b>(\$7.6)</b>	<b>\$1.0</b>
<b>Committed Reserves</b>					
General Fund	27.1	12.9	12.3	(14.3)	(0.6)
Watershed Stream Stewardship Fund	204.9	211.6	190.2	6.6	(21.4)
Water Utility Enterprise Fund	83.3	89.8	122.0	6.5	32.2
Internal Service Funds	29.6	30.1	27.7	0.5	(2.4)
<b>Committed Subtotal</b>	<b>\$345.0</b>	<b>\$344.4</b>	<b>\$352.2</b>	<b>(\$0.6)</b>	<b>\$7.8</b>
<b>Net Total Outlays</b>	<b>\$527.6</b>	<b>\$519.5</b>	<b>\$528.2</b>	<b>(\$8.1)</b>	<b>\$8.7</b>

**Restricted Reserves** are reserves with externally imposed legal restrictions or amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government), through constitutional provisions or enabling legislation

**Committed Reserves** are self-imposed limitations or amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint

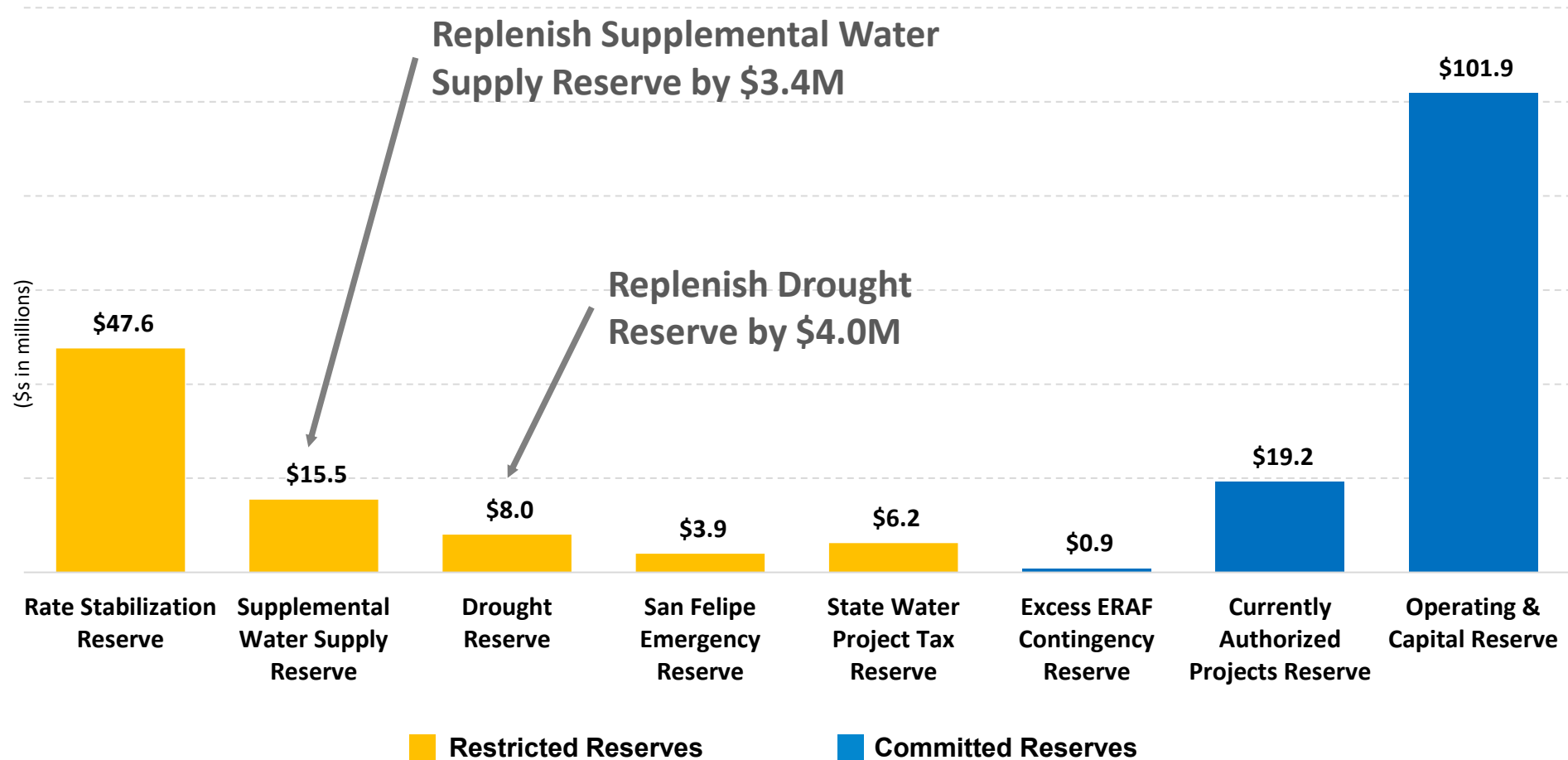
# FY 27 Proposed Budget Water Utility Reserves

Total reserve balances of \$167.7 million



# FY 28 Proposed Plan Water Utility Reserves

Total reserve balances of \$203.2 million



# Proposed Adjustment to Budget Resolution

Additional phrase to improve efficiency

## Resolution Approving and Adopting the Biennial Budget – Section 1

“BE IT FURTHER RESOLVED that:

1. Any subsequent changes to the Adopted Valley Water FY 2026-27 Operating, Capital and Interfund Transfer Budget shall occur as follows:

(a) By Valley Water Board of Directors action for all budget adjustments that either increase or decrease a fund’s total operating, capital, or interfund transfer budget or reserve appropriations **with the exception of Currently Authorized Projects Reserve, which is comprised of accumulated unexpended and unencumbered balances of Board-approved capital project appropriations from prior years.”**

- Rationale for change

- Process improvement - Elimination of redundant administrative process: (i.e. ask Board to approve a capital project budget adjustment to utilize money that Board previously budgeted in a prior year)

# Proposed Adjustment to Budget Resolution

## Questions and Answers

---

**Q:** Would this change take away Board control over the capital budget?

**A:** No, it would take away a redundant control touchpoint; Board still has control over new funding budgeted for capital projects each year. Adjustments that impact total project cost would still come to Board for approval.

**Q:** How would the Board stay informed of draws on the Current Authorized Projects Reserve?

**A:** Staff would develop a reporting mechanism: ideas include; 1) a quarterly report for CIP committee, 2) a slide in Quarterly Financial Status Update (which is presented to Board Audit Committee and provided to Board via non-agenda), 3) CEO bulletin information article each time reserve is tapped (or quarterly).

**Q:** What is the impact if the Board rejects this proposed change to the resolution?

**A:** Current process would continue (i.e. staff would continue to bring budget adjustments that impact Current Authorized Projects Reserve to Board for approval)

**Q:** Doesn't the Budget Resolution already give staff the ability to carryover unspent capital budget?

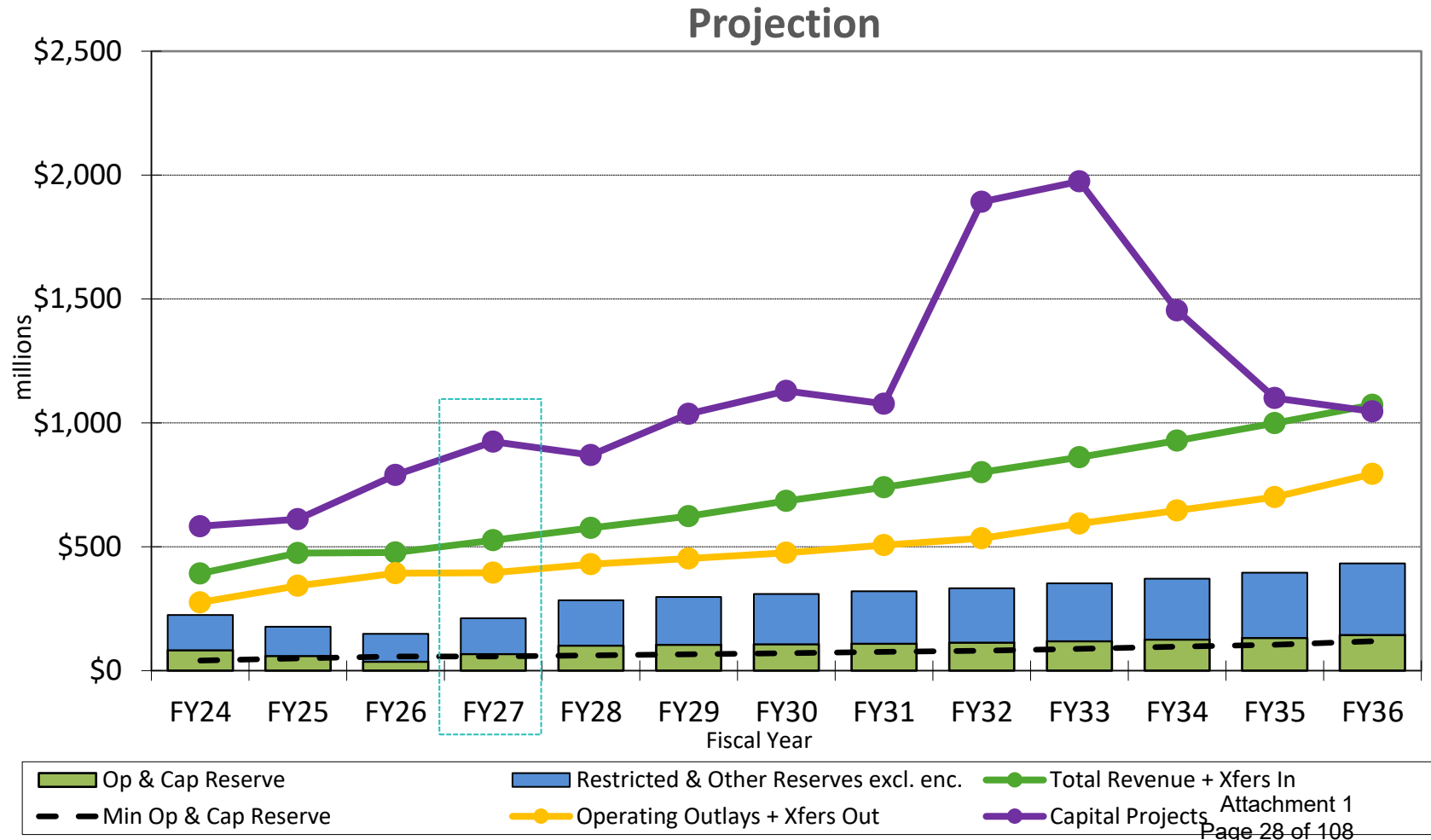
**A:** The Budget Resolution authorizes staff to reappropriate unspent prior year capital budget into current year budget for the same projects, or to put that money into Currently Authorized Projects Reserve. If put in the Currently Authorized Projects Reserve, Board approval is necessary to draw on it.

# Water Utility Enterprise (WUE) Fund

## FY 2026-27 Projection – Financially Sustainable with Proposed Rates

### Key Assumptions

- Slightly increased FY 2027 District-managed water use compared to FY 2026
- Draft FY 2027-31 CIP projects + Sites, Sisk & DCP
- Average annual Municipal and Industrial (M&I) groundwater charge increases of:
  - North County Zone W-2:
    - 9.1% FY 2027 – FY 2030
    - 7.4% FY 2031 – FY 2036
  - South County:
    - 6.6% in Zone W-5
    - 9.4% in Zone W-7
    - 8.0% in Zones W-8

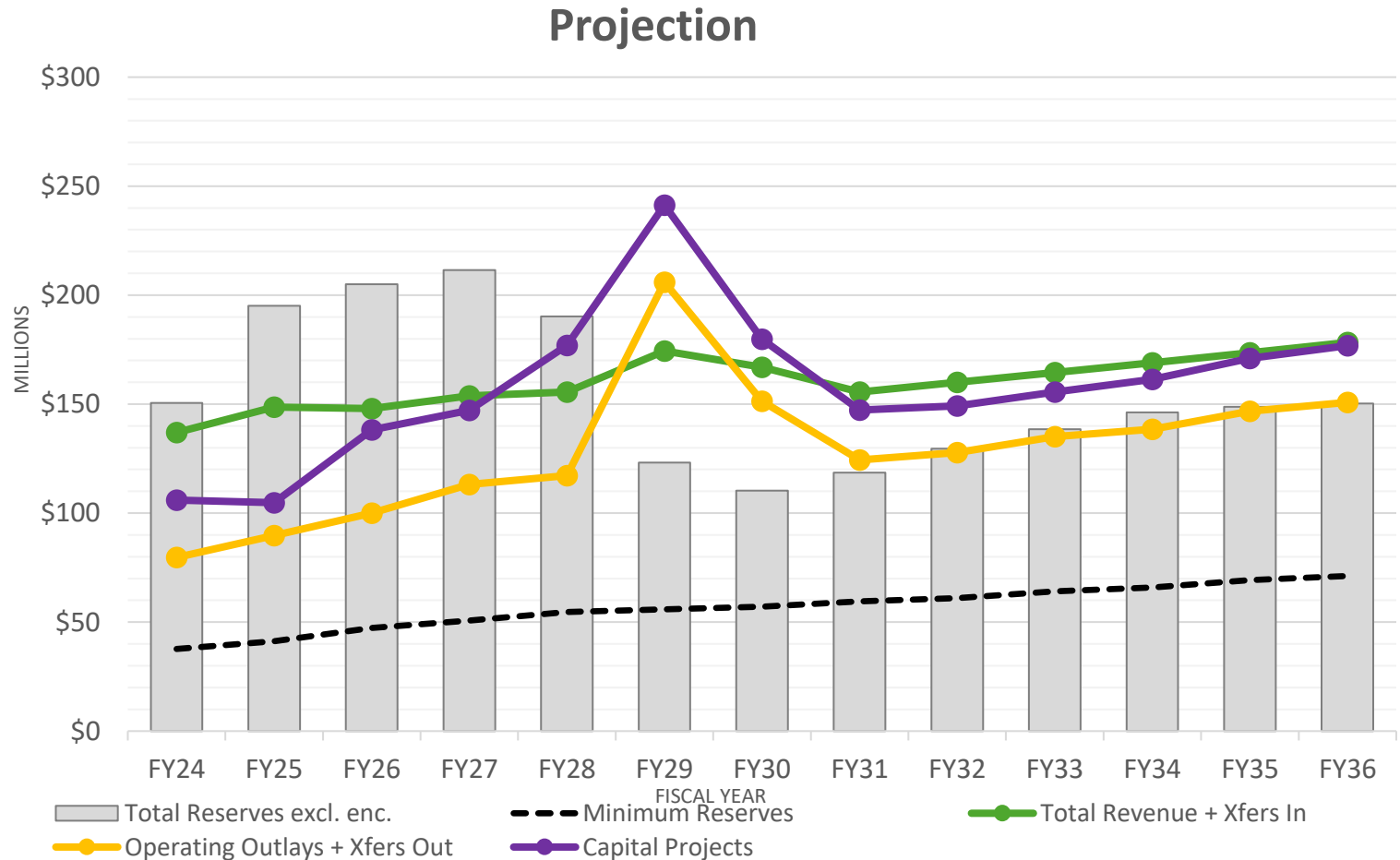


# Watershed and Stream Stewardship (WSS) Fund

FY 2027-36 Projection – Improved due to capital project reprioritization actions discussed with Board in November 2025

## Key Assumptions

- 1% property tax growth at 3.0% per year
- Includes reduced scope for Shoreline & Lower Guadalupe
- O&M Maintenance placeholder
  - \$5M/yr FY 2029 to FY 2036
- \$126M Watershed Asset Rehabilitation Program (WARP) FY 2027 thru FY 2036
- Multiple unfunded capital projects:
  - Berryessa Crk Phase 3; Calabazas/San Tomas Aquino Creek-Marsh Connection; South Babb Creek Long Term; Pond A4; Palo Alto Tide Gate; Lower Llagas Creek Capacity Restoration; Watershed Master Planning*



# Watershed and Stream Stewardship (WSS) Fund

## Maintaining Infrastructure

### Key Operations & Maintenance (O&M) Examples

- **Flow Conveyance**
  - Sediment Removal (e.g., Sierra Creek)
  - Vegetation Management (e.g., San Tomas Aquino Creek)
- **Levee Maintenance** (e.g., Stevens Creek)
- **Bank Protection** (e.g., Ross Creek, Princevalle Drain)
- **Rodent Damage Repair** (e.g., Guadalupe River)

### Key Watershed Asset Rehabilitation Program Examples

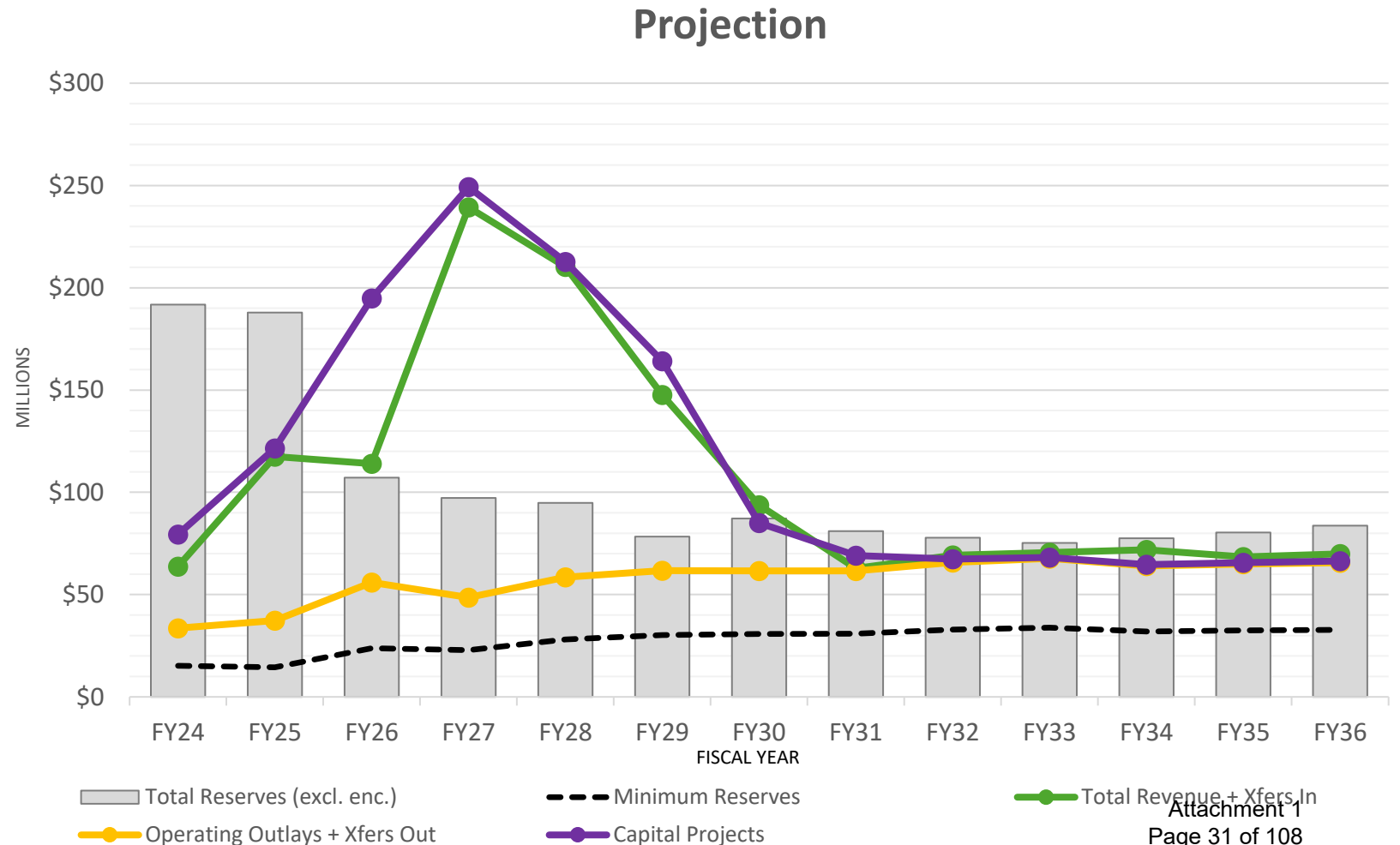
- **Flow Conveyance**
  - Lower Penitencia Creek
  - Coyote Creek at Julian
  - Guadalupe River at Malone Road and Blossom Hill Road
- **Fish Passage Project** at Stevens Creek at Evelyn Avenue

# Safe, Clean Water (SCW) Fund

FY 2027-36 Projection – Improved due to capital project reprioritization actions discussed with Board in November 2025

## Key Assumptions

- Special Property tax growth at 2% per year
- Includes \$147M WIFIA loan
- Includes \$80M NRCS reimbursements for Upper Llagas Creek to fully construct Phase 2B
- San Francisquito Creek now an O&M Project with ~ \$19M SCW funds; no add'l external funding
- Includes reduced scope for Upper Penitencia Crk Flood Protection
- Transfer for Anderson to be evaluated annually; not included in FY 2027 and beyond
- Pending grant application for Sunnyvale East Flood Protection (\$25M)



# Proposed Budget by Fund and Organization

## Projects managed within Organization and by Fund

FY 2027 Proposed (\$ in millions)	BAO	CEA	Admin	OIWM	WU	WS	Debt	Salary Savings	Total
General Fund & Internal Service Funds	\$ 53.2	\$ 16.7	\$ 112.1	\$ 0.5	\$ 0.2	\$ 1.1	\$ -	\$ (1.5)	\$ 182.2
WS and Stream Stewardship Funds	1.6	1.8	3.3	3.1	0.0	105.6	5.8	(1.1)	120.2
Safe, Clean Water Fund	0.2	4.4	0.7	2.7	5.5	202.2	12.5	(0.5)	227.7
Water Enterprise and State Water Funds	4.2	2.9	6.8	203.8	544.8	12.7	110.5	(2.5)	883.3
<b>Total</b>	<b>\$ 59.2</b>	<b>\$ 25.8</b>	<b>\$ 122.9</b>	<b>\$ 210.2</b>	<b>\$ 550.5</b>	<b>\$ 321.5</b>	<b>\$ 128.8</b>	<b>\$ (5.6)</b>	<b>\$ 1,413.4</b>

FY 2028 Plan (\$ in millions)	BAO	CEA	Admin	OIWM	WU	WS	Debt	Salary Savings	Total
General Fund & Internal Service Funds	\$ 52.3	\$ 17.5	\$ 111.1	\$ 0.6	\$ 0.2	\$ 0.7	\$ -	\$ (1.6)	\$ 180.9
WS and Stream Stewardship Funds	1.7	1.7	3.6	3.4	0.0	160.0	5.8	(1.2)	174.9
Safe, Clean Water Fund	0.2	4.1	0.7	3.1	0.5	173.2	23.4	(0.5)	204.7
Water Enterprise and State Water Funds	4.5	3.0	7.8	214.8	477.4	13.0	132.0	(2.6)	850.0
<b>Total</b>	<b>\$ 58.7</b>	<b>\$ 26.3</b>	<b>\$ 123.3</b>	<b>\$ 221.9</b>	<b>\$ 478.1</b>	<b>\$ 347.0</b>	<b>\$ 161.2</b>	<b>\$ (5.8)</b>	<b>\$1,410.6</b>

Note: Negative amounts due to salary savings in projects managed by Finance.



# Questions?

# Presentation Summary



## BUDGET OVERVIEW

- Budget Development & Review Process
- FY 2026-27 Proposed Rolling Biennial Budget Review
- Fund Reserves
- Fund Financial Sustainability – Watersheds, Safe, Clean Water, Water Utility
- Proposed Budget by Fund and Organization



## PROPOSED BUDGET BY ORGANIZATION

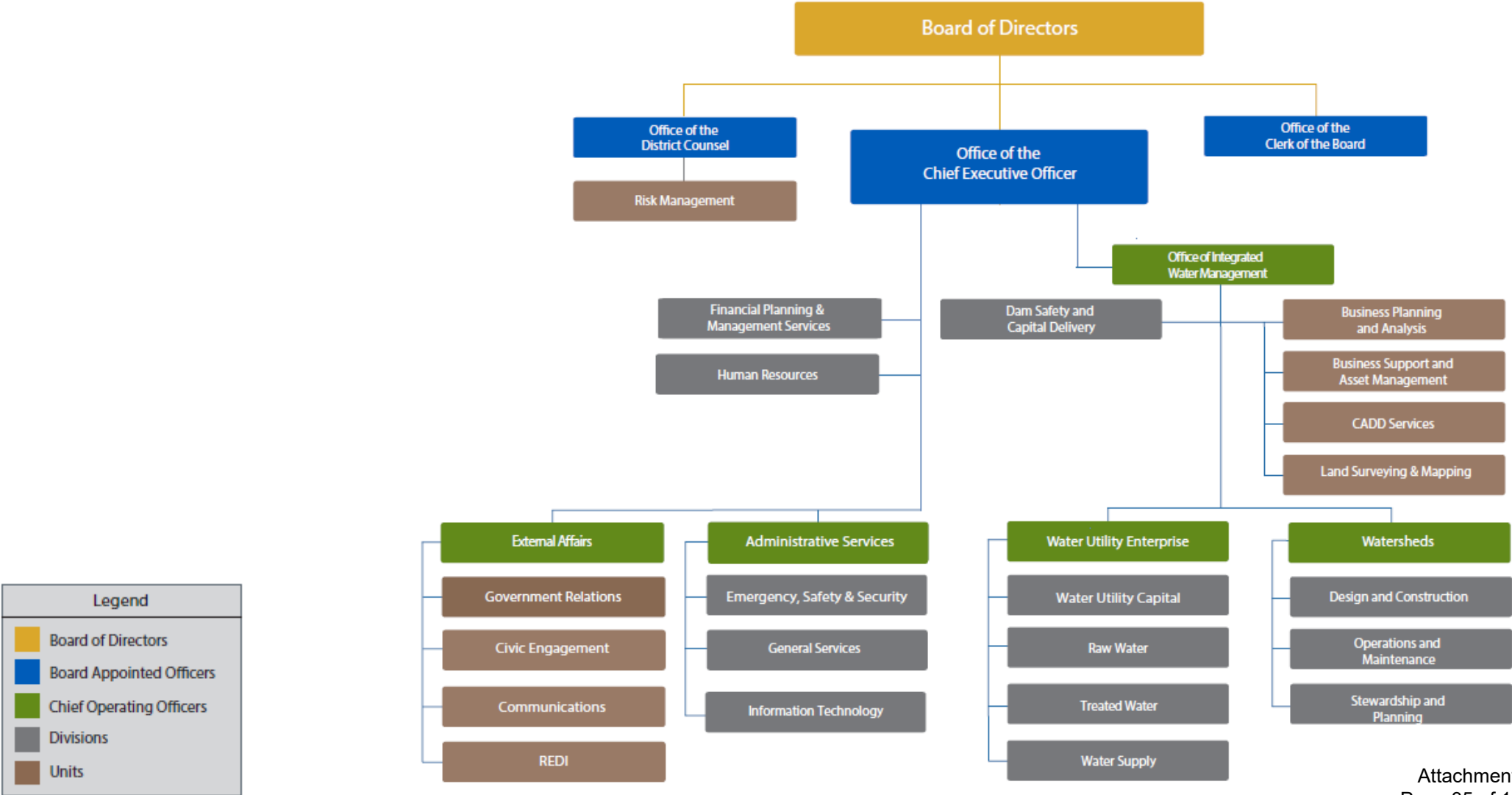
- Administration
- Integrated Water Management
- Water Utility
- Watersheds



## NEXT STEPS

- Board considerations for May 12, 2026

# Presentation Summary





# Administration

Presented by: **Darin Taylor**, Chief Financial Officer  
**Patrice McElroy**, Deputy Administrative Officer  
**Rachael Gibson**, Chief of External Affairs  
**Tina Yoke**, Chief Operating Officer

# Administration Outline

- Administration Overview
- Administration FY 2026-27 Proposed Biennial Budget and Outlook



**Board Appointed Officers**



**External Affairs**



**Administrative Services**

# Achieving Board Work Plan Goals

## Business Management

- Maintain appropriate staffing levels and expertise while prioritizing the safety of our staff
- Provide efficient and effective services



# Administration

## Objectives & Benefits

### Objective

- Provide Strategic Direction and Oversight
- Advocate for and represent Valley Water's interests
- Strengthen relationships with key partners and stakeholders
- Provide Operational Support Services
- Support in Achieving FY 2025-26 Board Work Plan

### Benefits

- Executive leadership and oversight
- Long-term and short-term financial planning
- A capable and knowledgeable workforce
- Sustainable assets, equipment, and infrastructure
- Meaningful engagement and partnerships with the community we serve
- Well-informed elected officials, stakeholders, and the public

# Administration

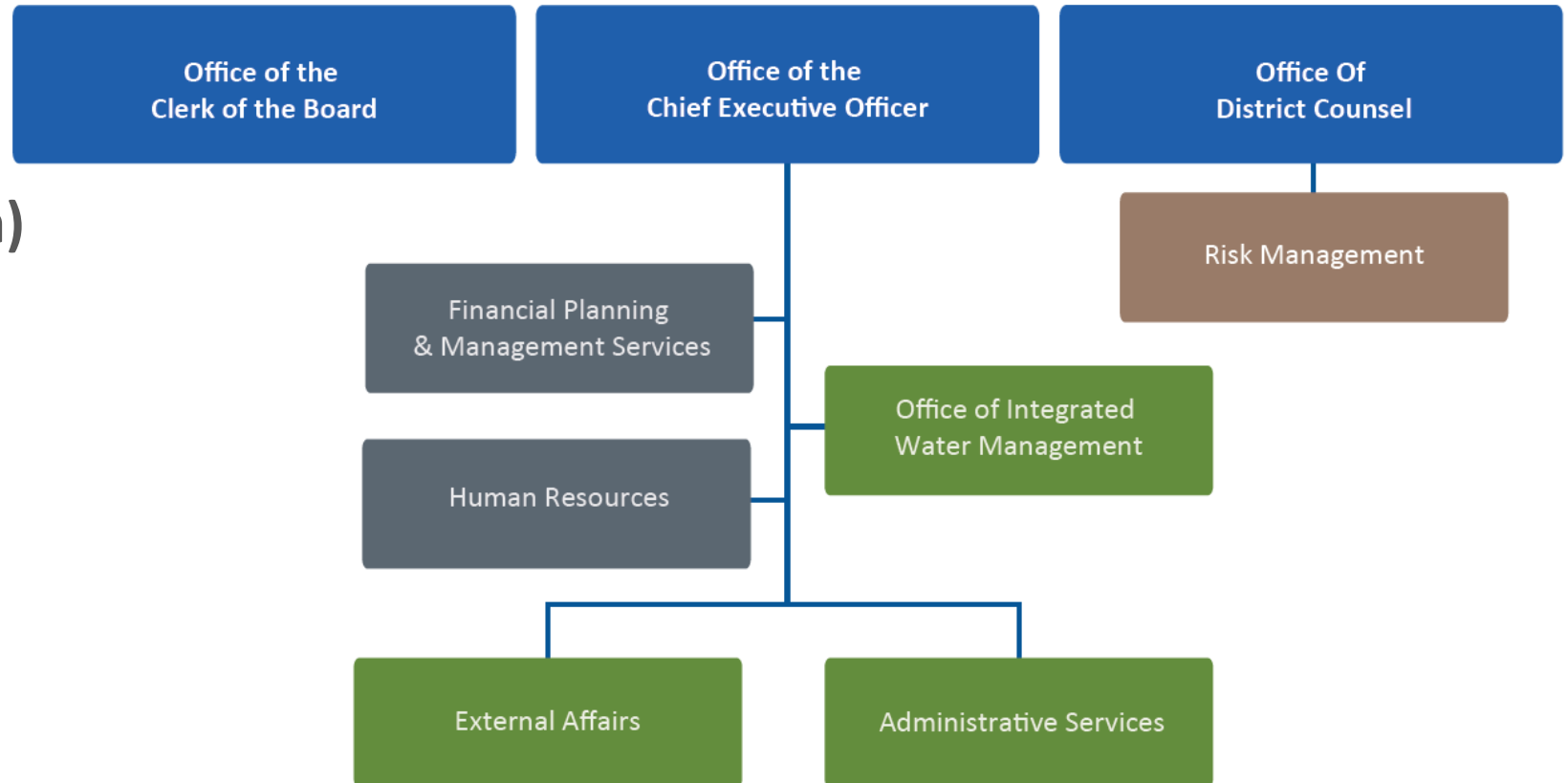
## Organizational Chart

Proposed FY 2026-27

Total Positions :

273 (~~+3~~ +2 Limited Term)

Legend	
<span style="color: blue;">■</span>	Board Appointed Officer
<span style="color: green;">■</span>	Chief Operating Officer
<span style="color: grey;">■</span>	Division
<span style="color: brown;">■</span>	Department (Unit)



# Administration

## FY 2026-27 Proposed Biennial Budget by Organizational Area

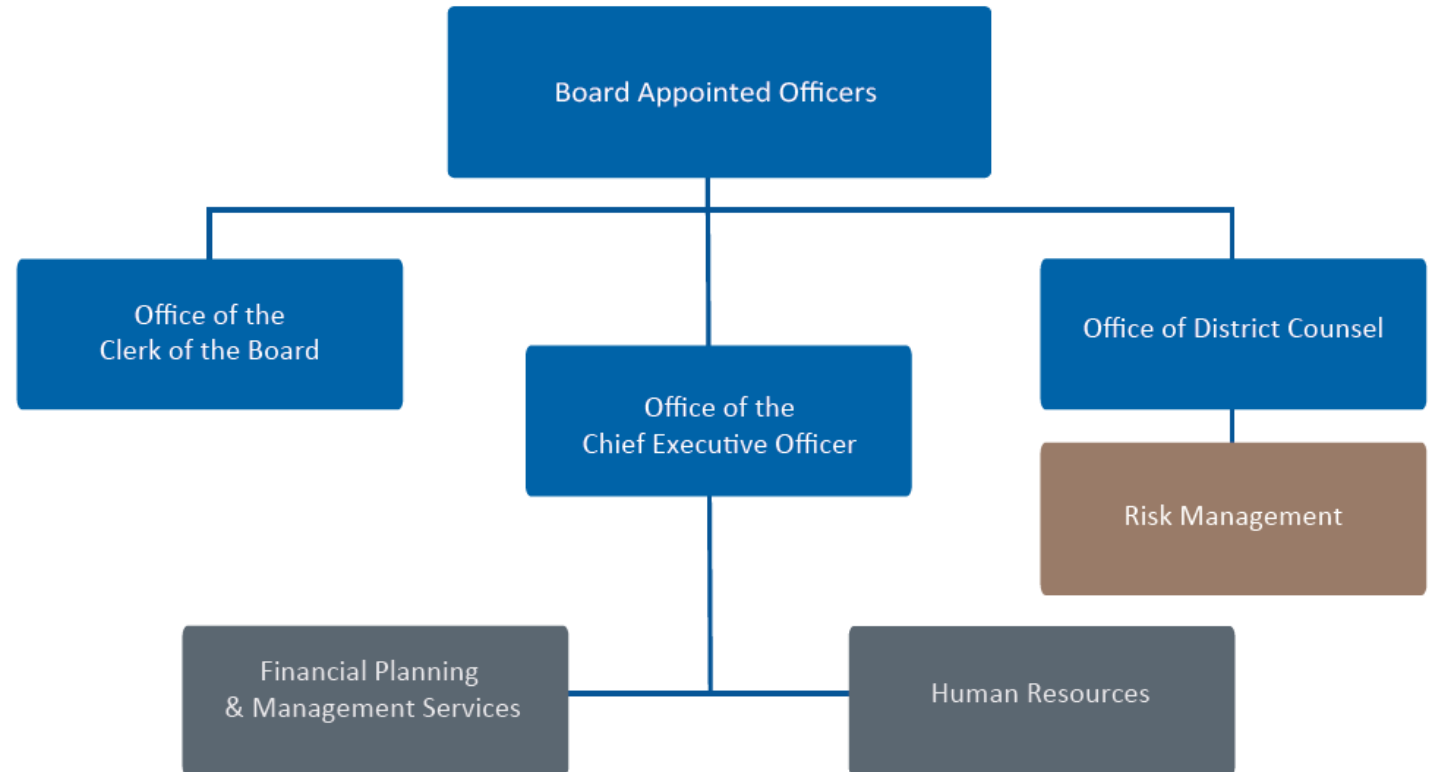
(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Board Appointed Officers	\$ 53.8	\$ 59.2	\$ 5.4	10.0% ↑	\$ 58.7
External Affairs	24.3	25.8	1.5	6.1% ↑	26.3
Administrative Services	108.7	122.9	14.2	13.1% ↑	123.3
<b>Total</b>	<b>\$ 186.8</b>	<b>\$ 207.9</b>	<b>\$ 21.1</b>	<b>11.3% ↑</b>	<b>\$ 208.3</b>

# Board Appointed Officers

## Organizational Chart

Proposed FY 2026-27  
Total Positions : 101  
(~~+3~~ +2 Limited Term)

Legend	
<span style="color: blue;">■</span>	Board Appointed Officer
<span style="color: gray;">■</span>	Division
<span style="color: brown;">■</span>	Department (Unit)



# Board Appointed Officers

## FY 2026-27 Proposed Biennial Budget by Divisions

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
Office of Chief Executive Officer	\$ 1.9	\$ 1.8	\$ (0.1)	(5.3%) ↓	\$ 1.9
Financial Planning & Management Division	18.6	19.2	0.6	3.2% ↑	20.3
Human Resources Division	16.5	17.0	0.5	3.0% ↑	17.8
Office of District Counsel	13.2	13.9	0.7	5.3% ↑	14.7
Clerk of the Board	3.6	7.3	3.7	102.8% ↑	3.9
<b>Operating Outlays Subtotal</b>	<b>\$ 53.8</b>	<b>\$ 59.2</b>	<b>\$ 5.4</b>	<b>10.0% ↑</b>	<b>\$ 58.7</b>
<b>Salary Savings</b>					
Capital Outlays	\$ (0.6)	\$ (1.3)	\$ (0.7)	116.7% ↑	\$ (1.3)
Operating Outlays	(2.0)	(4.3)	(2.3)	115.0% ↑	(4.6)
<b>Salary Savings Subtotal</b>	<b>(2.5)</b>	<b>(5.6)</b>	<b>(3.1)</b>	<b>124.0% ↑</b>	<b>(5.8)</b>
<b>Total</b>	<b>\$ 51.3</b>	<b>\$ 53.6</b>	<b>\$ 2.3</b>	<b>4.5% ↑</b>	<b>\$ 52.9</b>

# Finance Division

## FY 2026-27 Deliverables

- Partner with IT & HR to implement new Payroll/HR system
- Finish implementation of new utility billing system
- Implement Grants Management System
- Implement optimal financing strategy to support the WU and SCW capital programs
- Diligent pursuit of grant funding opportunities



# Human Resources Division

## FY 2026-27 Deliverables and FY 2027-28 Outlook

- Update Human Resources Processes to ensure transparency and compliance
- In Partnership with Payroll implement a new HR System
- Continue to enhance the Next Gen Career Pathways, Veterans, Disability, and Second Chance Programs in collaboration with community partners
- Enhance and deliver critical EEO compliance, workforce, and technical trainings, and mediation/conflict resolution services
- Continue to Implement items resulting from the 2025 labor negotiations

Join Our Team

Make A Difference



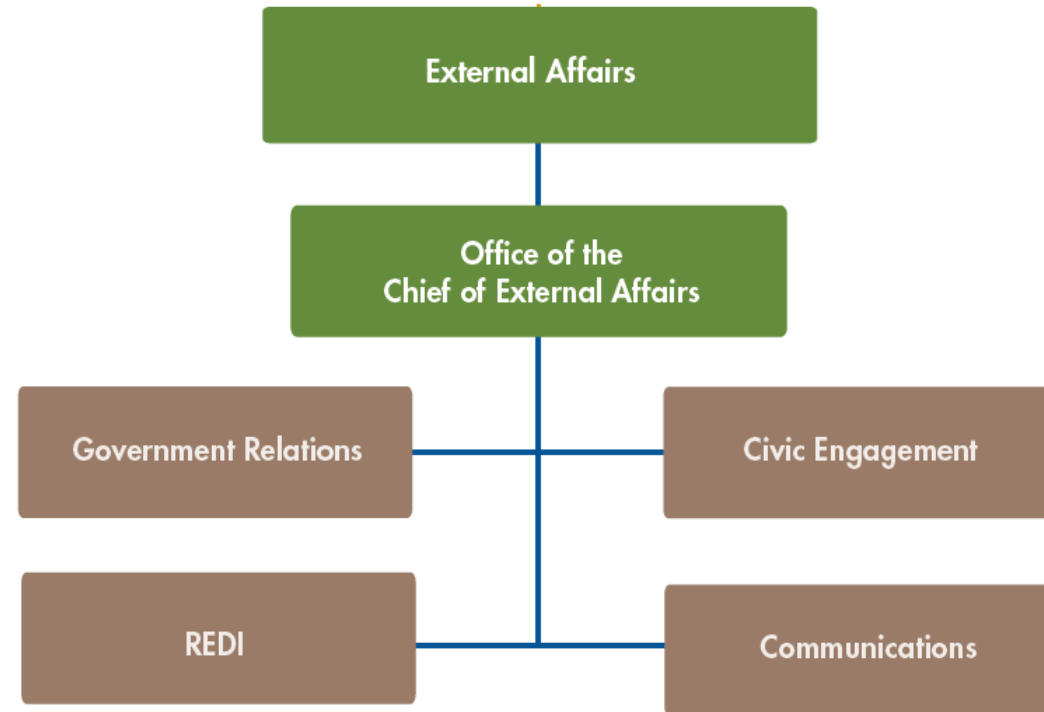


# Questions?

# External Affairs

## Organizational Chart

Proposed FY 2026-27  
Total Positions: 43



Legend	
<span style="color: green;">■</span>	Chief Operating Officer
<span style="color: brown;">■</span>	Department (Unit)

# External Affairs

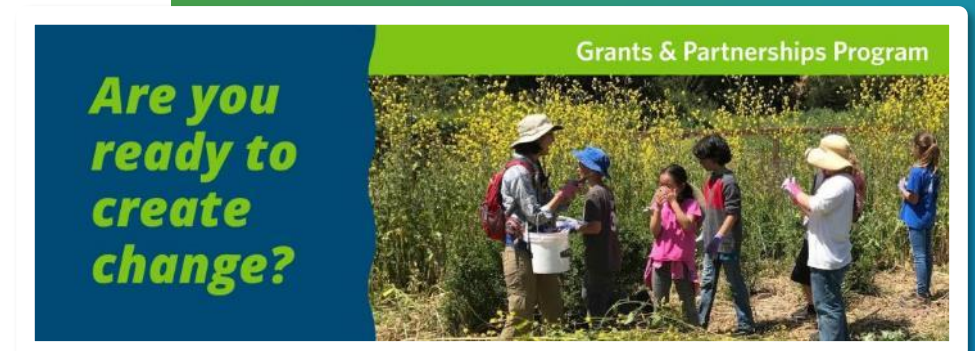
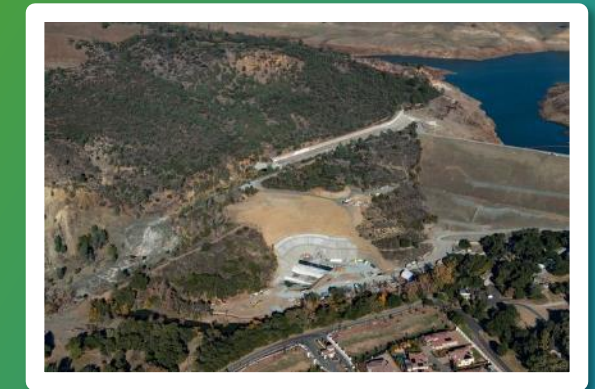
## FY 2026-27 Proposed Biennial Budget by Units

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
Office of Civic Engagement	\$ 9.5	\$ 10.4	\$ 0.9	9.3%↑	\$ 10.2
Office of Communications	6.8	7.0	0.2	2.9%↑	7.3
Office of Government Relations	5.0	5.4	0.4	8.0%↑	5.6
Office of Chief of External Affairs	1.5	1.5	0.0	0%	1.6
REDI	1.5	1.5	0.0	0%	1.6
<b>Total</b>	<b>\$ 24.3</b>	<b>\$ 25.8</b>	<b>\$ 1.5</b>	<b>6.1%↑</b>	<b>\$ 26.3</b>

# External Affairs

## FY 2026-27 Deliverables

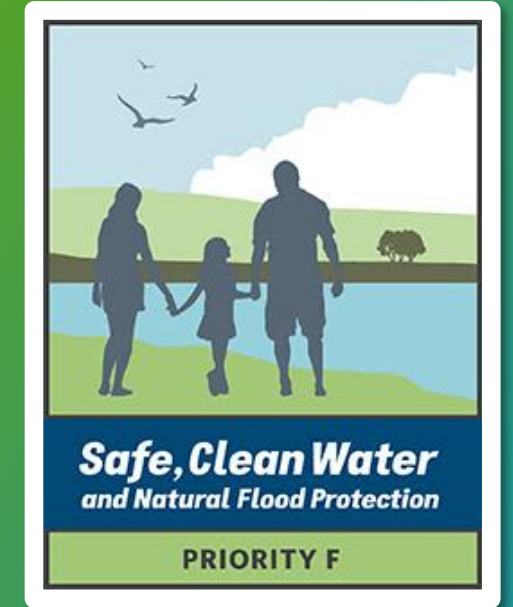
- Advance the Board's legislative priorities
- Pursue and secure funding and authorizations
- Promote water conservation and public awareness
- Increase positive public awareness of Valley Water's key projects and initiatives, including targeted campaigns such as flood awareness
- Implement the redesigned Safe, Clean Water Grants & Partnership Program
- Implement the Residential Water Rate Assistance Program (WRAP)



# External Affairs

## FY 2027-28 Outlook

- Continue advocacy and pursuit of funding
- Expand outreach to increase favorable public perception on potable reuse
- Encourage youth involvement through the Youth Commission
- Engage volunteers and ambassadors in Valley Water programs, such as creek stewardship activities
- Highlight priority projects through targeted messaging

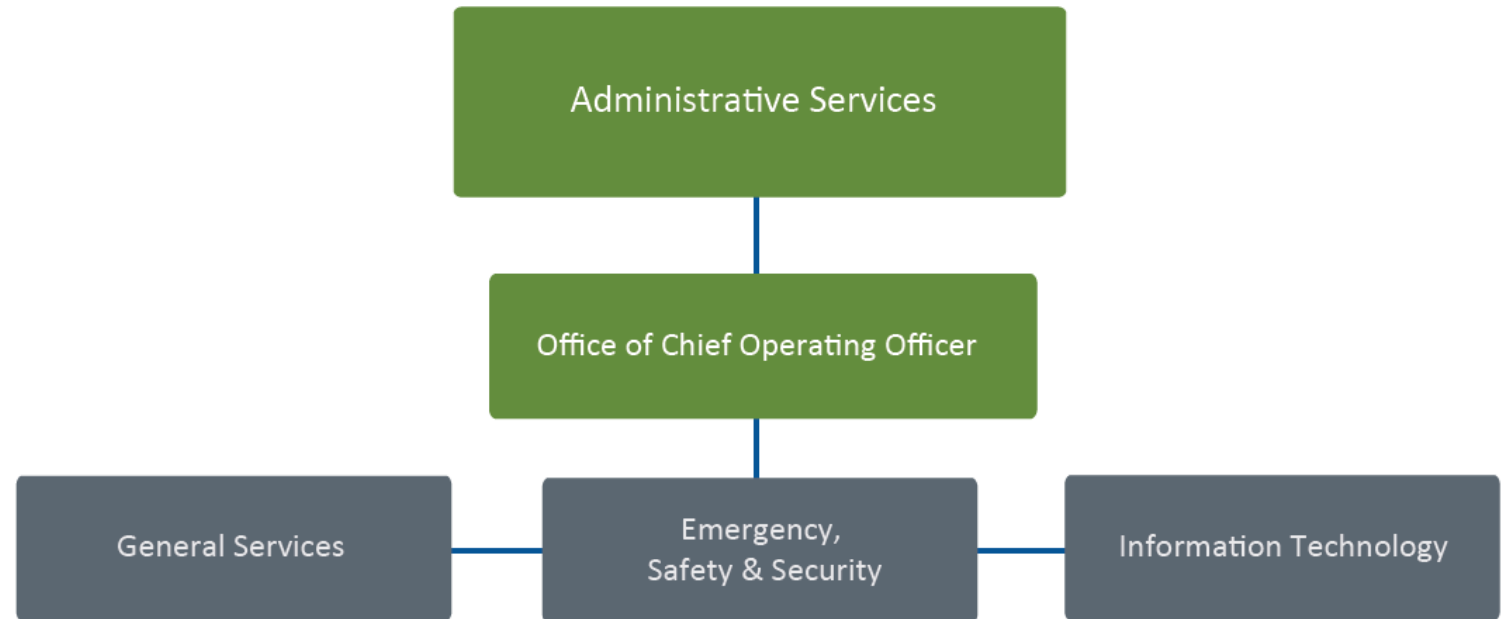
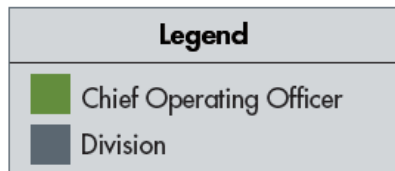




# Questions?

# Administrative Services Organizational Chart

Proposed FY 2026-27  
Total Positions: 129



# Administrative Services

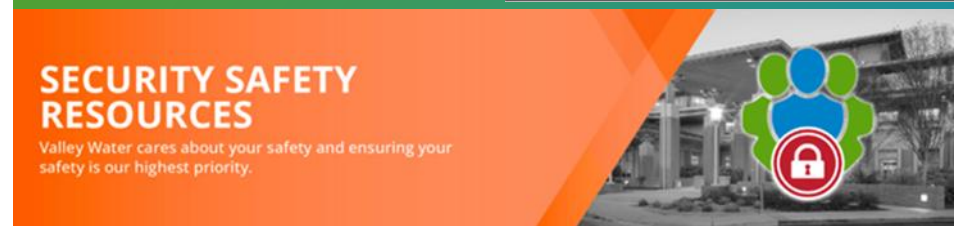
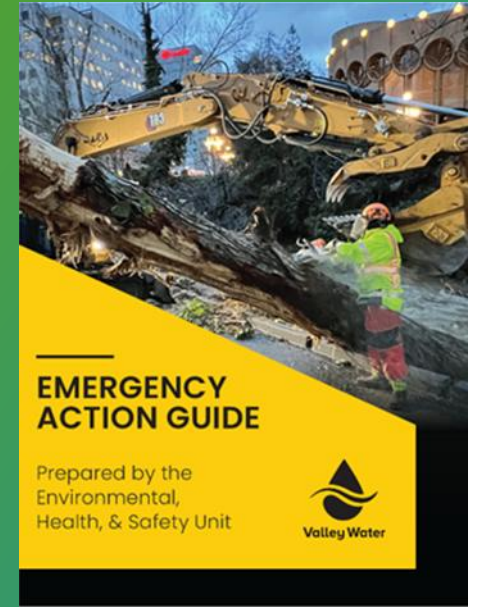
## FY 2026-27 Proposed Biennial Budget by Divisions

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
Office of COO Administrative Services	\$ 2.7	\$ 2.7	\$ 0.0	0%	\$ 2.8
Emergency, Safety & Security Division	15.7	16.2	0.5	3.2% ↑	17.0
General Services Division	31.9	34.1	2.2	6.9% ↑	35.9
Information Technology Division	35.2	37.7	2.5	7.1% ↑	40.6
<b>Operating Outlays Subtotal</b>	<b>\$ 85.6</b>	<b>\$ 90.7</b>	<b>\$ 5.1</b>	<b>6.0% ↑</b>	<b>\$ 96.4</b>
<b>Capital Outlays</b>					
General Services Division	\$ 17.2	\$ 18.9	\$ 1.7	9.9% ↑	\$ 11.2
Information Technology Division	5.9	13.3	7.4	125.4% ↑	15.7
<b>Capital Outlays Subtotal</b>	<b>23.2</b>	<b>32.2</b>	<b>9.0</b>	<b>38.8% ↑</b>	<b>26.9</b>
<b>Total</b>	<b>\$ 108.7</b>	<b>\$ 122.9</b>	<b>\$ 14.2</b>	<b>13.1% ↑</b>	<b>\$ 123.3</b>

# Administrative Services

## FY 2026-27 Deliverables

- Enhance security and safety for staff and workplace violence prevention and response
- Renovate facilities for workforce operational needs
- Initiate the second phase of Security CIP to replace existing camera and badging system
- Increase efficiency of warehouse operations
- Bolster IT enterprise Security
- Implemented AI solutions to enhance efficiencies and prioritized additional operational technology solutions to support the workforce and enhance operational efficiencies.



# Administrative Services

## FY 2027-28 Outlook

- Progress with capital security system and infrastructure upgrades, repair, and replacements
- Modernize IT enterprise applications and technology, and update the Technology Master Plan
- Continue with the technology transition from on-site servers to cloud technology to save infrastructure and maintenance costs
- Progress with the HQ Maintenance Building project to enhance workspace requirements for operational staff
- Continue to expand EV chargers to Valley Water facilities
- Proceed with facility assessment for all facilities to prioritize maintenance projects

Instrumentation & Controls  
Apprenticeship Opportunity





# Questions?



# Office of Integrated Water Management

Presented by: Rita Chan, Assistant Chief Executive Officer

# Integrated Water Management

## Achieving Board Ends

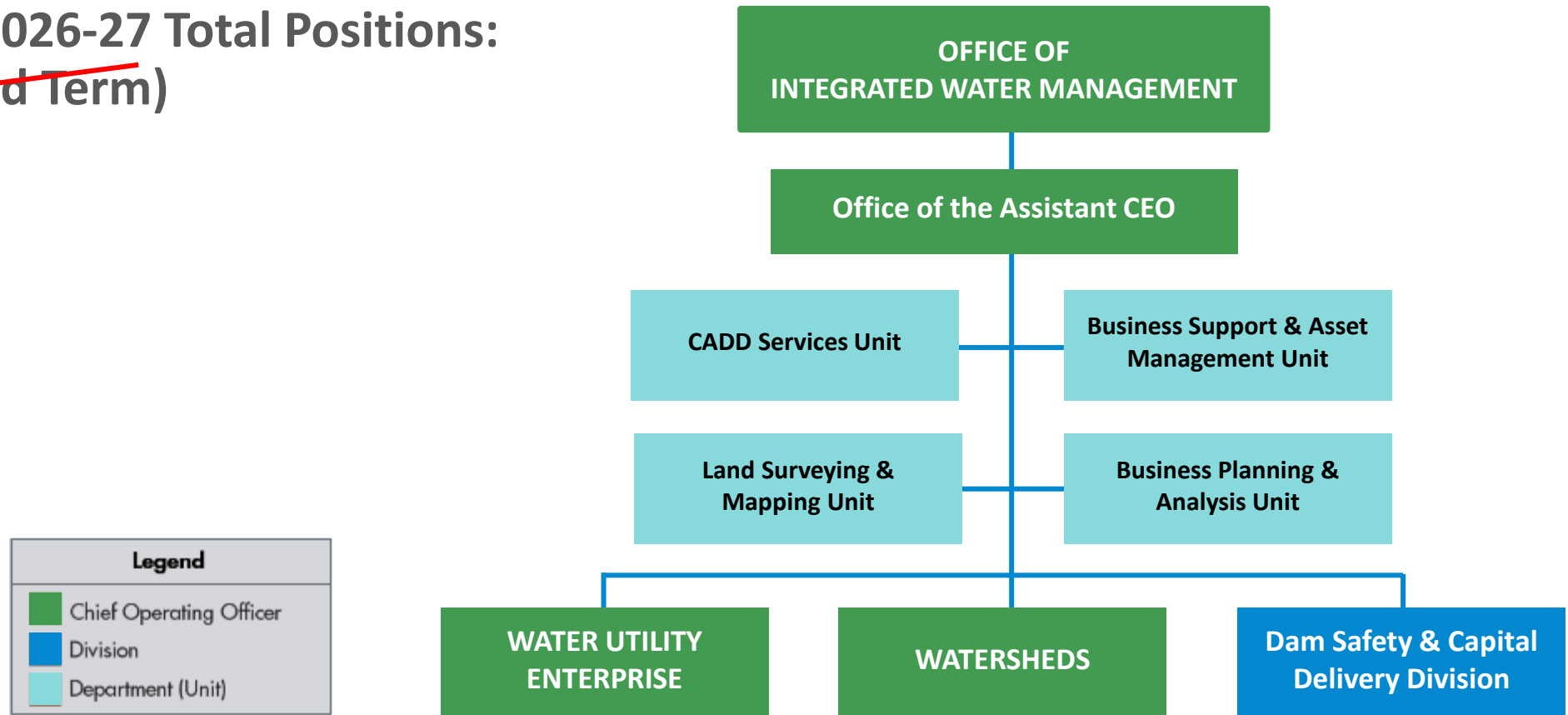
- E-2 Water Supply Services
- E-3 Natural Flood Protection
- E-4 Water Resources Stewardship
- E-5 Climate Change Mitigation Adaptation
- E-6 Encampments of Unsheltered People (EUP)



# Integrated Water Management

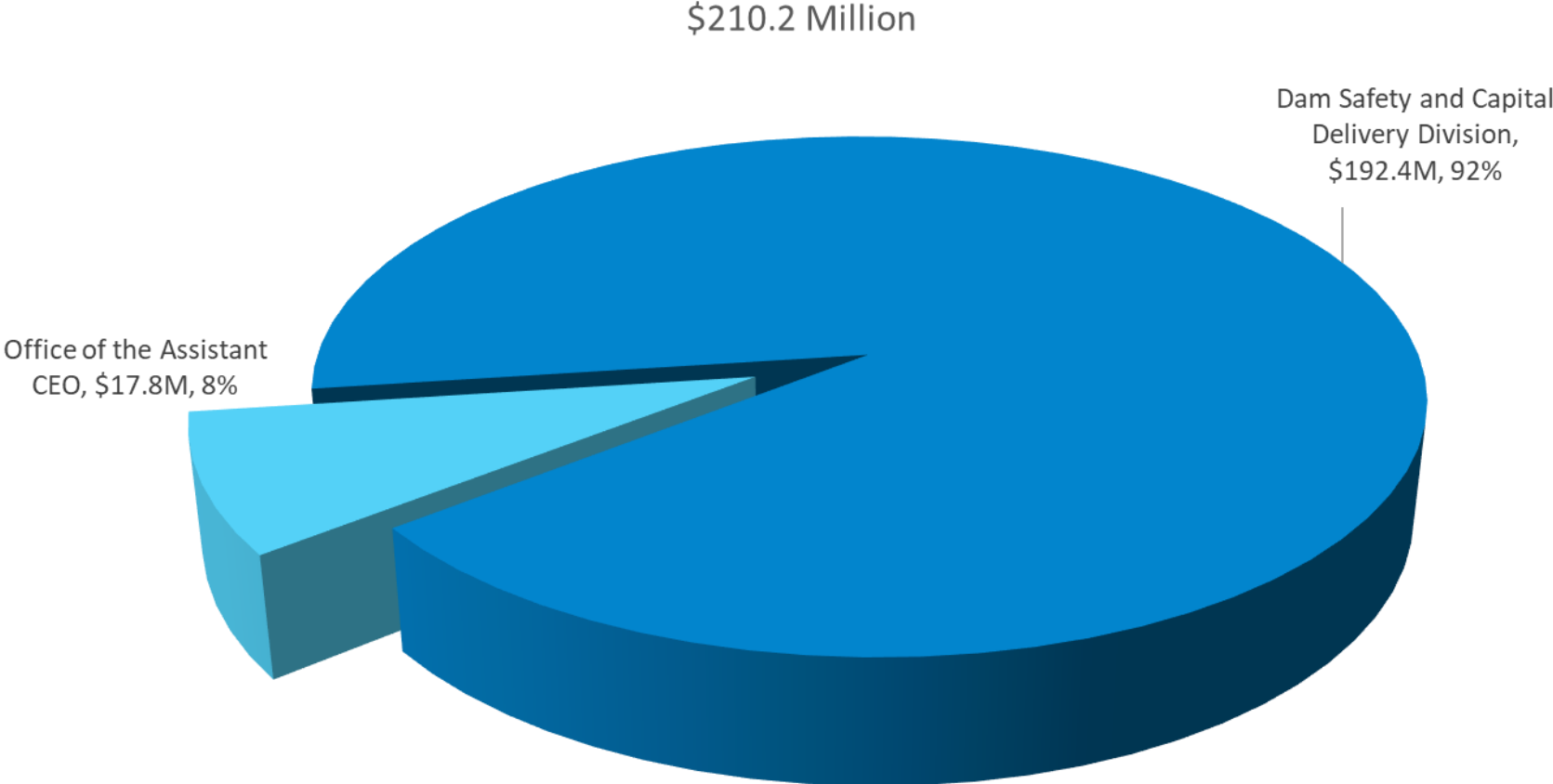
## Organizational Chart

Proposed FY 2026-27 Total Positions:  
603 (+2 ~~Limited Term~~)



# Integrated Water Management

FY 2026-27 Proposed Budget



# Integrated Water Management

## FY 2026-27 Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
Office of the Assistant CEO	\$ 11.8	\$ 8.6	\$ (3.2)	(27%)↓	\$ 9.5
Dam Safety and Capital Delivery Division	6.7	6.0	(0.7)	(11%)↓	6.3
<b>Operating Outlays Subtotal</b>	<b>\$ 18.6</b>	<b>\$ 14.6</b>	<b>\$ (4.0)</b>	<b>(21%)↓</b>	<b>\$ 15.9</b>
<b>Capital Outlays</b>					
Office of the Assistant CEO	\$ 6.8	\$ 9.2	\$ 2.4	35%↑	\$ 10.8
Dam Safety and Capital Delivery Division	84.3	186.4	102.1	121%↑	195.2
<b>Capital Outlays Subtotal</b>	<b>\$ 91.1</b>	<b>\$ 195.6</b>	<b>\$ 104.5</b>	<b>115%↑</b>	<b>\$ 206.0</b>
<b>TOTAL</b>	<b>\$ 109.7</b>	<b>\$ 210.2</b>	<b>\$ 100.5</b>	<b>92%↑</b>	<b>\$ 221.9</b>

# Office of the Assistant CEO

## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2028 Proposed Plan
Office of Integrated Water Management	\$ 4.3	\$ 3.5	\$ (0.7)	\$ 3.8
Asset Management Program	5.2	3.4	(1.7)	4.0
Survey Management & Technical Support	0.7	2.6	1.9	2.8
CIP Development & Administration	1.6	1.8	0.2	1.9
Capital Project Management & Controls	1.4	1.7	0.4	1.8
Computer-Aided Design for Engineering	1.8	1.5	(0.3)	2.3
Water Treatment Plant Master Plan Implementation	0.3	1.2	1.0	1.5
Safe Clean Water Implementation	1.2	1.2	0.0	1.3
Subsidence Monitoring	1.2	0.5	(0.8)	0.4
SCADA Master Plan Implementation	0.5	0.2	(0.3)	-
Other	0.6	0.1	(0.5)	0.5
<b>TOTAL</b>	<b>\$ 18.6</b>	<b>\$ 17.8</b>	<b>\$ (0.8)</b>	<b>\$ 20.4</b>

# Dam Safety and Capital Delivery Division

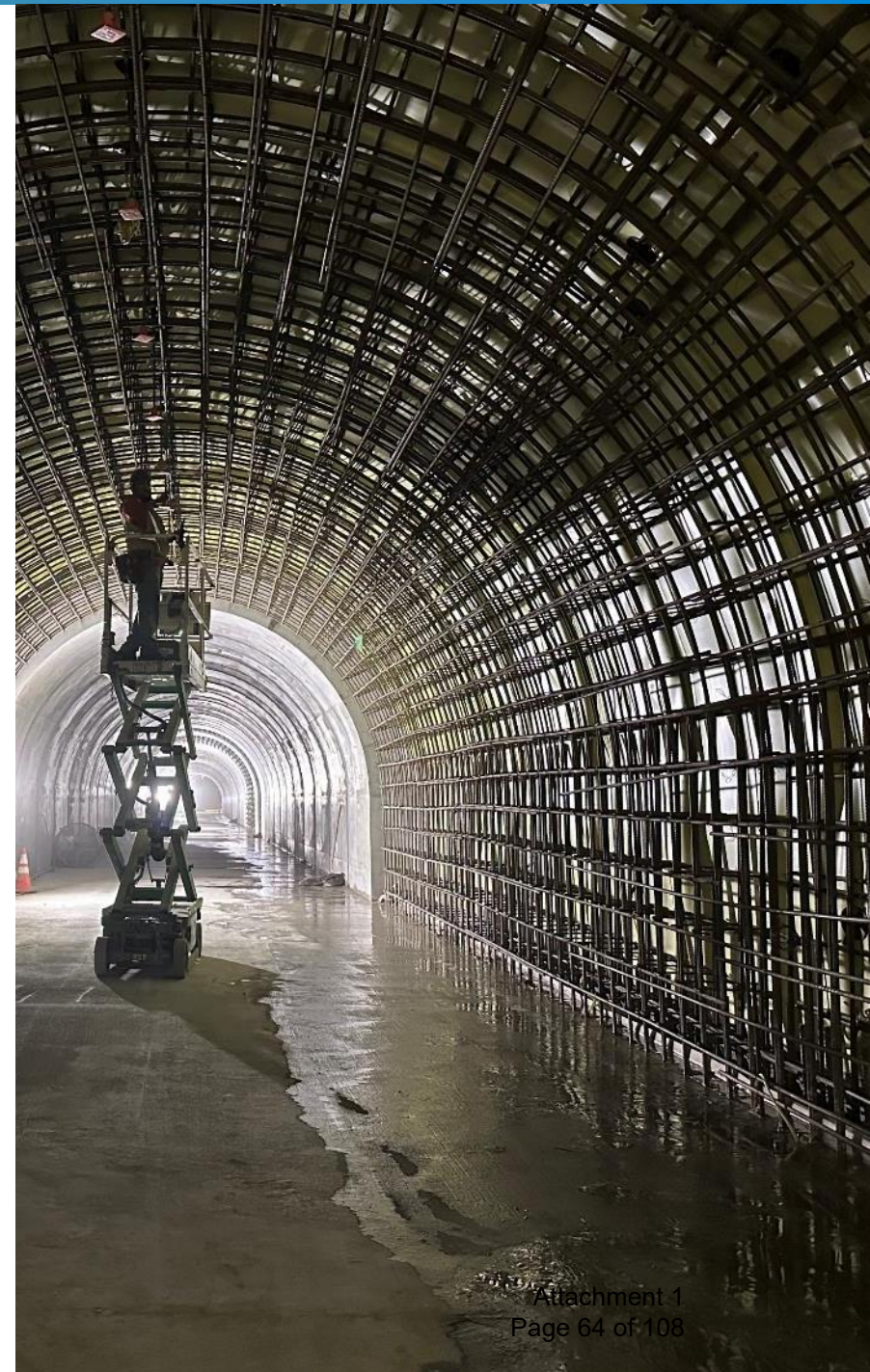
## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2028 Proposed Plan
Anderson Dam Seismic Retrofit	\$ 24.2	\$ 157.4	\$ 133.2	\$ 169.1
Anderson Dam Tunnel	42.7	13.2	(29.5)	-
Calero Dam Seismic Retrofit Design & Construction	6.3	5.2	(1.1)	12.4
Guadalupe Dam Seismic Retrofit Design & Construction	4.0	5.2	1.2	5.1
Dams / Reservoir General Maintenance	3.8	3.9	0.1	4.2
Coyote Dam Seismic Retrofit	0.9	2.6	1.7	1.8
Calero-Guadalupe Dams Seismic Retro	-	2.6	2.6	3.0
Dam Safety Program	3.0	2.1	(0.9)	2.2
Almaden Dam Improvements	0.1	0.2	0.1	0.2
Dam Safety Seismic Stability	-	-	-	0.1
Other	6.1	-	(6.1)	3.5
<b>TOTAL</b>	<b>\$ 91.1</b>	<b>\$ 192.4</b>	<b>\$ 101.3</b>	<b>\$ 201.4</b>

# FY 2026-27 Deliverables

## Office of Integrated Water Management

- **CIP** – Develop the FY 2028-2032 CIP Five-Year Plan
- **Safe, Clean Water (SCW)** – Oversee the renewed SCW Program; develop the FY 2025-2026 SCW Annual Report
- **Master Plan Implementation Projects (MPIPs)**
  - Water Treatment Plants – Complete Planning Study Report and Implementation Plan
  - SCADA – Complete selection of standard technology platform for plant upgrade projects
  - Distribution System – Complete Problem Definition Report



# FY 2026-27 Deliverables

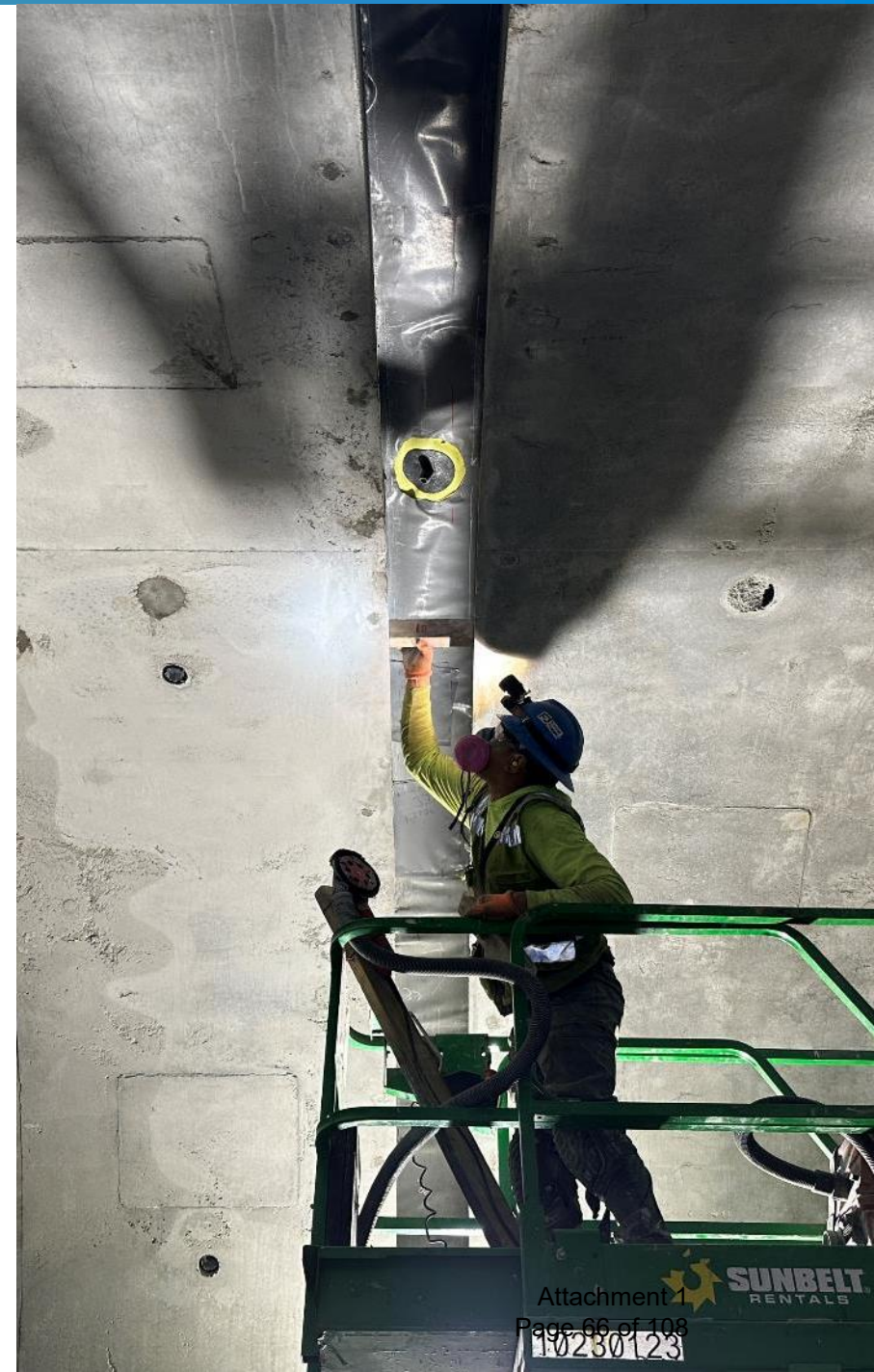
## Dam Safety & Capital Delivery Division

- **Anderson Dam Seismic Retrofit Project (ADSRP)**
  - Complete construction of the Anderson Dam Tunnel Project
  - Award the ADSRP construction contract and issue Notice to Proceed (NTP) 1 and NTP 2 for initial submittals and mobilization
  - Begin construction of Coyote Percolation Dam Phase 2
- **Calero Dam Seismic Retrofit Project**
  - Complete 100% design of dam embankment, spillway, and breaching of Fellow's Dike (Package A)
- **Guadalupe Dam Seismic Retrofit Project**
  - Complete 100% design of Intake Riser Improvement
  - Award construction contract for Intake Riser Improvements



# FY 2026-27 Challenges

- **Integrated Water Management** – Balancing our water supply, environmental, and flood protection missions
- **Anderson Dam** – Resolving complex regulatory and construction challenges while coordinating with regulatory agencies and project partners to keep the project on track
- **WU Asset Management** – Developing implementable long-term plans around project delivery resource constraints and increasing construction costs
- **Project Funding** – Pursuing and securing available federal and state funding



# FY 2027-28 Future Outlook

- **Anderson Dam** – Complete Stage 2 Diversion Conversion, begin Embankment Dam excavation, and complete construction of Coyote Percolation Dam Phase 2
- **Calero Dam** – Award construction contract for Package A
- **Guadalupe Dam** – Complete 100% design for Package A
- **Capital Improvement Plan** – Produce FY 2028-2032 CIP Five-Year Plan
- **Master Plan Implementation Projects (MPIPs)**
  - Water Treatment Plants – Establish ongoing Program Management to support STWTP Rehabilitation Project
  - SCADA – Complete Programming Implementation Standards and Planning Study Report for first SMP/IP Upgrade project
  - Distribution System – Complete Recommended Alternatives Report and Implementation Plan





# Questions?



# Water Utility Enterprise

Presented by: **Aaron Baker**, Chief Operating Officer

# Valley Water's Comprehensive, Flexible Water System



	<p><b>Local Water (30%)</b></p> <ul style="list-style-type: none"> <li>• Groundwater aquifer</li> <li>• Reservoirs</li> </ul>
	<p><b>Imported Water (50%)</b></p> <ul style="list-style-type: none"> <li>• Delta conveyed</li> <li>• Hetch Hetchy</li> </ul>
	<p><b>Recycled Water (5%)</b></p> <ul style="list-style-type: none"> <li>• Wastewater Treatment</li> <li>• Advanced Purification</li> </ul>
	<p><b>Conservation (15%)</b></p> <ul style="list-style-type: none"> <li>• Residential</li> <li>• Commercial, Agriculture</li> </ul>

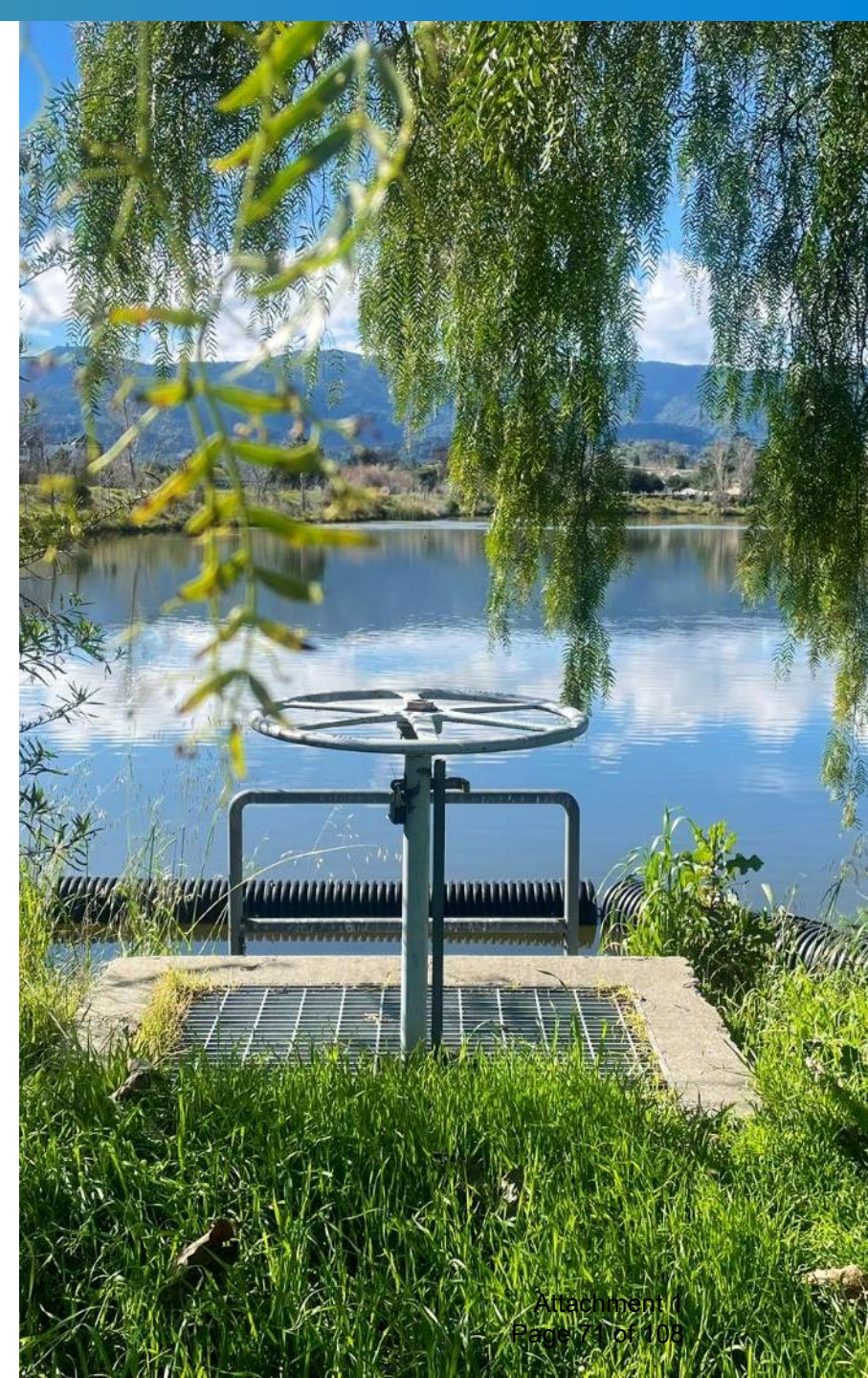
- 10 reservoirs
- 3 pump stations
- 150 miles of pipelines
- 3 drinking water treatment plants
- 1 purification center
- 275 acres of recharge ponds
- 333 miles of jurisdictional streams

# Water Utility Enterprise

## Achieving Board Ends

- **E-2 Water Supply Services**

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

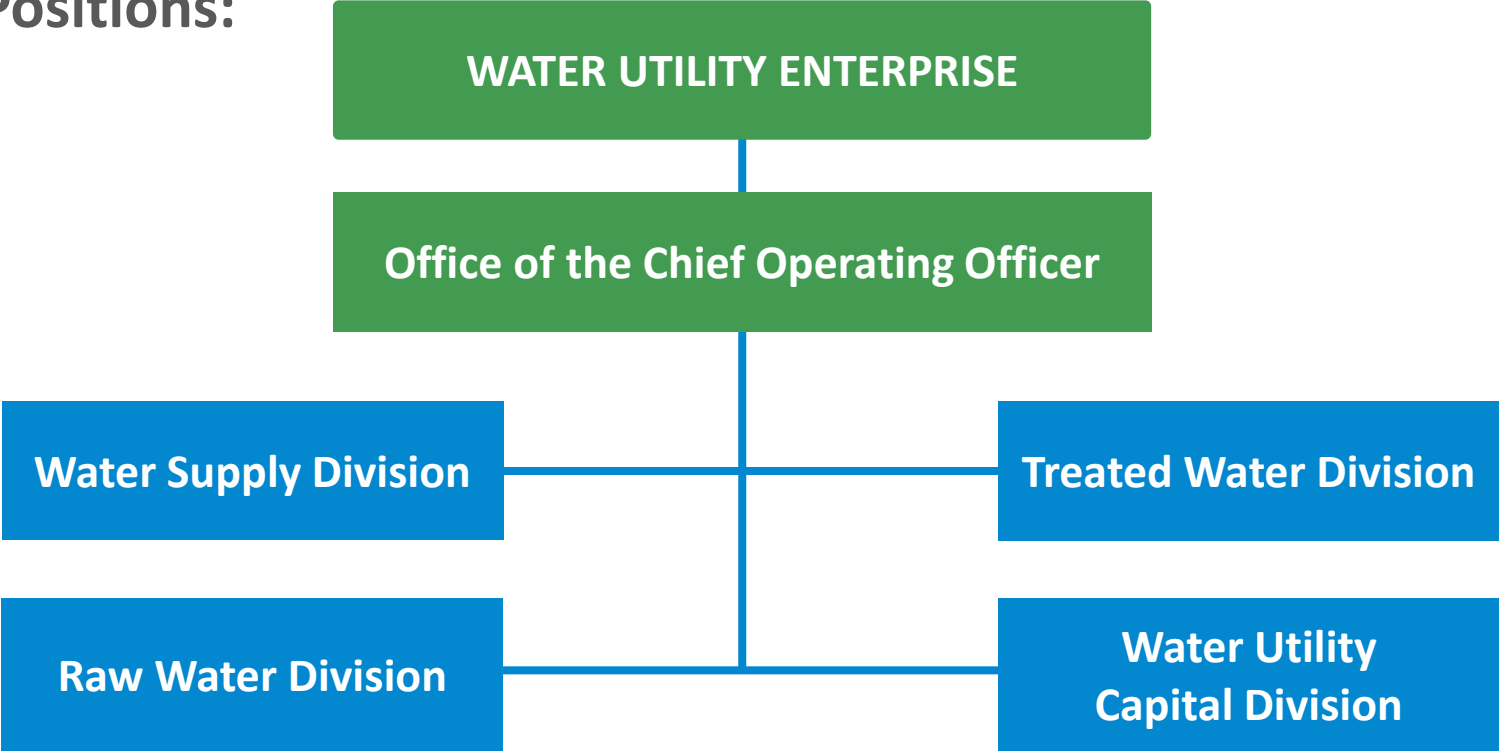


# Water Utility Enterprise

## Organizational Chart

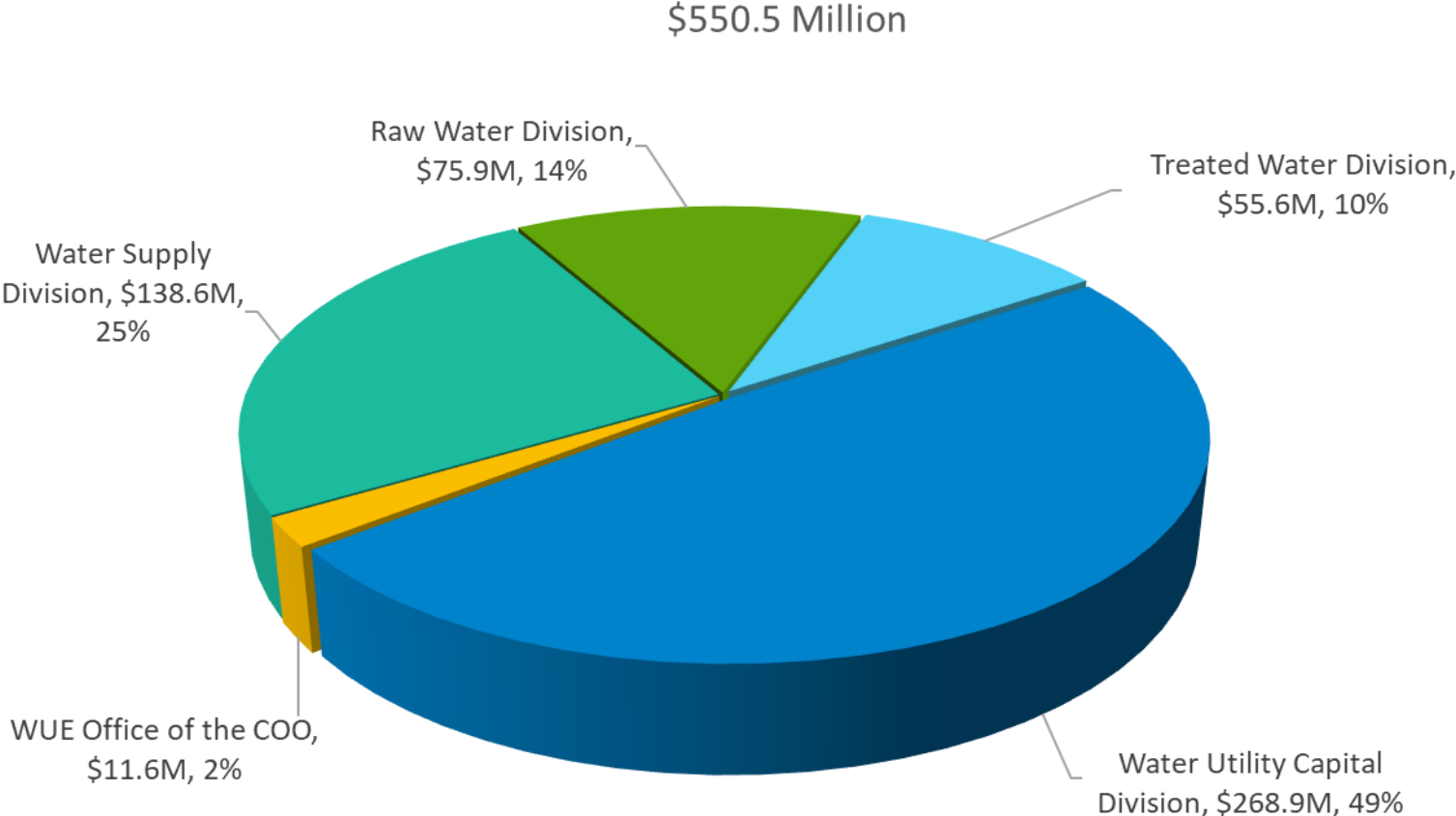
Proposed FY 2026-27 Total Positions:  
291 (+2 ~~Limited Term~~)

Legend	
<span style="display: inline-block; width: 15px; height: 15px; background-color: #4CAF50; margin-right: 5px;"></span>	Chief Operating Officer
<span style="display: inline-block; width: 15px; height: 15px; background-color: #2196F3; margin-right: 5px;"></span>	Division



# Water Utility Enterprise

## FY 2026-27 Proposed Budget



# Water Utility Enterprise

## FY 2026-27 Proposed Biennial Budget

Water Utility Enterprise Division Budget (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
WUE Office of the COO	\$ 12.3	\$ 11.6	\$ (0.7)	(6%)↓	\$ 12.6
Water Supply Division	112.5	107.2	(5.3)	(5%)↓	108.0
Raw Water Division	55.3	59.2	3.9	7%↑	61.8
Treated Water Division	55.1	55.6	0.5	1%↑	62.1
<b>Operating Outlays Subtotal</b>	<b>\$ 235.2</b>	<b>\$ 233.6</b>	<b>\$ (1.6)</b>	<b>(1%)↓</b>	<b>\$ 244.4</b>
<b>Capital Outlays</b>					
Water Utility Capital Division	\$ 191.9	\$ 268.9	\$ 77.0	40%↑	\$ 171.6
Water Supply Division	20.2	31.4	11.2	55%↑	44.3
Raw Water Division	18.0	16.7	(1.3)	(7%)↓	17.8
Treated Water Division	-	-	-	-	-
<b>Capital Outlays Subtotal</b>	<b>\$ 230.1</b>	<b>\$ 317.0</b>	<b>\$ 86.8</b>	<b>38%↑</b>	<b>\$ 233.7</b>
<b>TOTAL</b>	<b>\$ 465.3</b>	<b>\$ 550.5</b>	<b>\$ 85.2</b>	<b>18%↑</b>	<b>\$ 478.1</b>

# Office of the COO of Water Utility

## Proposed Biennial Budget

Office of the COO (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
WUE Administration	\$ 12.2	\$ 11.5	\$ (0.7)	(6%)↓	\$ 0.2
Unscopd Projects-Budget Only	0.2	0.2	0.0	0%	12.4
<b>TOTAL</b>	<b>\$ 12.3</b>	<b>\$ 11.6</b>	<b>\$ (0.7)</b>	<b>(6%)↓</b>	<b>\$ 12.6</b>

# Water Supply Division

## Proposed Biennial Budget

Water Supply Division (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
State Water Project Costs	\$ 32.5	\$ 35.9	\$ 3.3	10%↑	\$ 37.7
Imported Water San Felipe Division Deliveries	27.3	22.3	(5.0)	(18%)↓	23.0
Pure Water Silicon Valley	7.4	16.3	8.9	120%↑	30.4
Water Conservation Program	13.5	13.3	(0.2)	(2%)↓	13.6
San Felipe Division Capital	12.8	13.3	0.4	4%↑	11.9
Imported Water South Bay Aqueduct Deliveries	8.0	7.5	(0.5)	(6%)↓	7.7
Imported Water Program	6.4	6.7	0.3	5%↑	6.4
Water Banking Operations	6.5	5.9	(0.5)	(8%)↓	6.1
Delta Conveyance Project	2.0	4.9	2.9	143%↑	2.5
Recycled & Purified Water Program	5.4	4.3	(1.0)	(19%)↓	4.5
Other	11.0	8.3	(2.7)	(25%)↓	8.8
<b>TOTAL</b>	<b>\$ 132.7</b>	<b>\$ 138.6</b>	<b>\$ 5.9</b>	<b>4%↑</b>	<b>\$ 152.4</b>

# Raw Water Division

## Proposed Biennial Budget

Raw Water Division (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Small Caps, Water Treatment	\$ 11.2	\$ 9.0	\$ (2.2)	(19%)↓	\$ 7.0
Groundwater Management Program	6.7	6.8	0.1	1%↑	7.3
Rinconada WTP General Maintenance	5.1	5.3	0.3	5%↑	5.7
Small Caps, San Felipe R1	2.3	5.2	2.9	126%↑	5.2
Santa Teresa WTP General Maintenance	4.6	5.0	0.4	9%↑	5.3
Recharge & Raw Water Field Operations	4.4	4.8	0.4	10%↑	5.0
Raw Water T&D General Maintenance	3.2	4.1	0.8	26%↑	4.3
Penitencia WTP General Maintenance	3.6	3.8	0.2	7%↑	4.1
Recharge & Raw Water Field Facility Maintenance	2.5	3.3	0.8	34%↑	3.6
Well Ordinance Program	2.9	3.0	0.2	5%↑	3.2
Other	26.9	25.5	(1.4)	(5%)↓	29.1
<b>TOTAL</b>	<b>\$ 73.3</b>	<b>\$ 75.9</b>	<b>\$ 2.6</b>	<b>4%↑</b>	<b>\$ 79.6</b>

# Treated Water Division

## Proposed Biennial Budget

Treated Water Division (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
RWTP General Operations	\$ 11.4	\$ 11.9	\$ 0.5	4%↑	\$ 12.9
STWTP General Operations	8.6	8.9	0.3	4%↑	8.7
Water District Laboratory	7.8	7.9	0.1	1%↑	8.4
PWTP General Operations	8.3	7.3	(0.9)	(11%)↓	9.2
SVAWPC Facility Operations	4.6	4.6	0.1	1%↑	4.9
SVAWPC Facility Maintenance	4.6	4.5	(0.1)	(2%)↓	6.3
Treated Water Control & Electrical Engineering	3.0	3.3	0.3	10%↑	3.9
Water Treatment General Water Quality	2.3	2.7	0.4	17%↑	2.9
Plant Maintenance Engineering & Commissioning	1.0	1.0	0.0	3%↑	1.1
Invasive Mussel Prevention	0.8	0.8	0.1	11%↑	0.9
Other	2.9	2.6	(0.3)	(9%)↓	3.1
<b>TOTAL</b>	<b>\$ 55.1</b>	<b>\$ 55.6</b>	<b>\$ 0.5</b>	<b>1%↑</b>	<b>\$ 62.1</b>

# Water Utility Capital Division

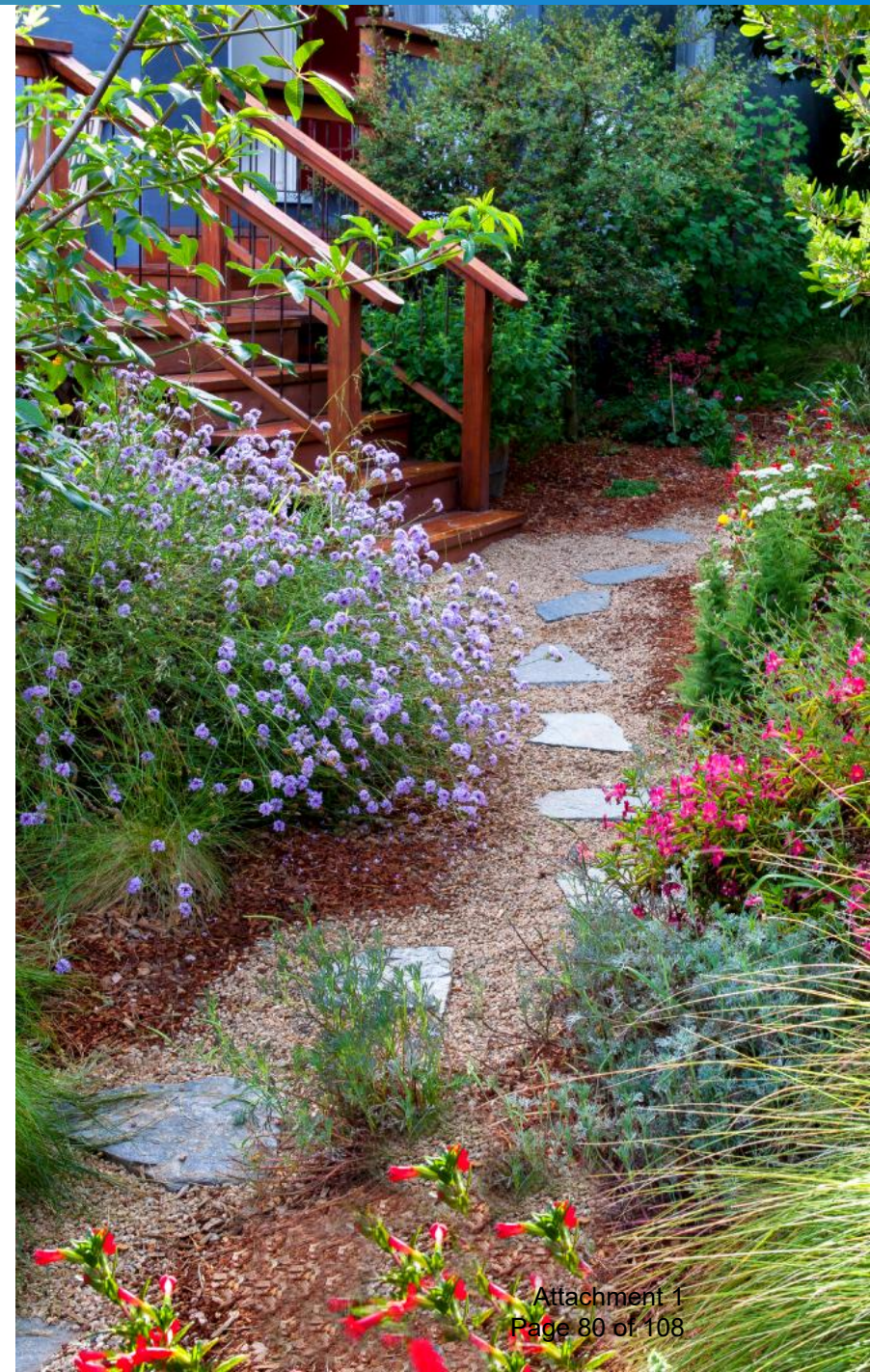
## Proposed Biennial Budget

WU Capital Division (\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2028 Proposed Plan
RWTP Reliability Improvement	\$ 120.8	\$ 124.4	\$ 3.6	\$ 62.8
Almaden Valley Pipeline	3.1	44.4	41.3	33.6
PWTP Residuals Management	15.8	34.4	18.6	41.3
Almaden Calero Canal Rehab	0.7	18.7	18.0	1.1
East Pipeline Inspection and Rehabilitation Project	2.0	11.5	9.5	1.0
WU Capital Prog Admin Support	8.0	8.4	0.4	9.3
Santa Teresa Force Main Inspection and Rehabilitation	0.6	7.7	7.1	1.6
IRP2 AddLine Valves	10.8	5.5	(5.3)	0.5
Penitencia Delivery Main & Force Main Inspect & Rehab	1.8	5.1	3.3	0.2
10-Yr PL Inspection and Rehab	20.3	2.6	(17.6)	0.3
Other	8.1	6.2	(1.9)	20.0
<b>TOTAL</b>	<b>\$ 191.9</b>	<b>\$ 268.9</b>	<b>\$ 77.0</b>	<b>\$ 171.6</b>

# FY 2026-27 Deliverables

## Water Supply Division

- Advance recycled and purified water projects, feasibility studies and needed agreements, including initiating design for Pure Water Silicon Valley demonstration facility
- Continue programs and public education to make conservation a way of life
- Provide Water Supply Master Plan Monitoring and Assessment Program annual report
- Advance development of Sisk Dam Raise Project, Delta Conveyance Project, and Sites Reservoir Project
- Final participation recommendation to Board on Sites Reservoir Project
- Continue to pursue and assess suitable, cost-effective groundwater banking projects



# FY 2026-27 Deliverables

## Raw Water Division

- Operate Valley Water's raw water conveyance system 24/7/365
- Operate and maintain 10 reservoirs, 11 miles of canals, four water treatment plants, three raw water pump stations, 150 miles of large diameter pipe, and over 100 recharge ponds
- Sustainably manage the groundwater basin to ensure reliable water supplies and avoid land subsidence
- Conduct groundwater monitoring and analysis, well permitting and inspection, and SGMA compliance/plan implementation



# FY 2026-27 Deliverables

## Treated Water Division

- Ensure that 100% of water delivered meets and/or surpasses all applicable drinking water standards
- Operate and maintain all 3 drinking water treatment plants to successfully meet treated water contracts
- Ensure that Silicon Valley Advanced Water Purification Center continues to produce high quality purified water
- Maintain the Water Quality Lab accreditation
- Provide electrical and control systems engineering support to ensure critical infrastructure and systems are protected and continue operating normally



# FY 2026-27 Deliverables

## Water Utility Capital Division

### Complete design:

- Santa Teresa Force Main I&R
- Almaden Calero Canal Rehabilitation
- PWTP Sulfuric Acid Extension

### Begin construction:

- East Pipeline I&R
- Penitencia Force Main & Delivery Main I&R
- West Pipeline Inspection & Rehab Phase 2

### Continue construction:

- Almaden Valley Pipeline Replacement Phase 1
- Penitencia WTP Residuals Management
- Rinconada WTP Reliability Improvement Project Phases 3-6



# FY 2026-27 Challenges

- Balancing rising project costs and upward pressure on water rates
- Continuing to achieve water use reduction from the public and encouraging conservation as a way of life in between drought periods
- Managing the federal permit process impacts for some of the 10-Year Pipeline Projects
- Delivering raw water during planned and unplanned outages, especially as Anderson Reservoir is unavailable
- Securing agreements for the Pure Water Silicon Valley Project
- Securing long lead time items from suppliers to be able to install during planned outage windows
- Managing impacts of tariffs on imported goods



# FY 2027-28 Outlook

- Begin construction of various treatment plant and pipeline capital projects
- Continue design of various pipeline inspection and rehabilitation projects under the Pipeline Maintenance Program
- Develop the Pure Water Silicon Valley Project as well as San José Purified and South County feasibility studies
- Finalize negotiations for the Delta Conveyance Project
- Final participation recommendation to Board on Sisk Dam Raise Project
- Develop partnerships for groundwater banking projects
- Complete Groundwater Management Plan update for continued SGMA compliance





# Questions?

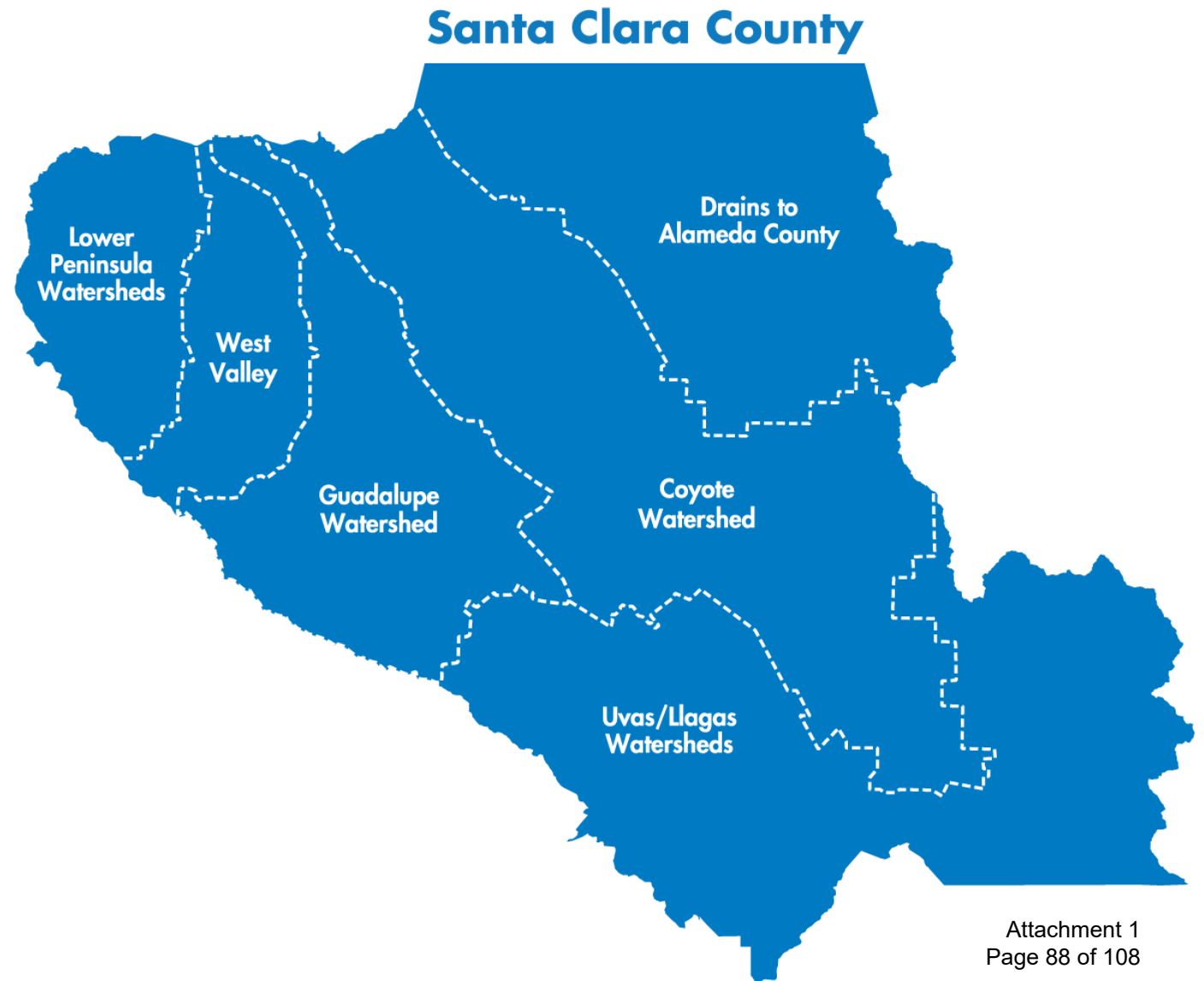


# Watersheds

Presented by: Chris Hakes, Chief Operating Officer

# Five Major Watersheds

- 1,300 square miles of watershed lands
- 333 miles of streams (out of 800 miles in the county)



# Watersheds

## Achieving Board Ends

- **E-3 Natural Flood Protection:**  
Natural Flood Protection is provided to reduce risk and improve health and safety for residents, businesses, and visitors, now and into the future
- **E-4 Water Resources Stewardship:**  
Water resources stewardship protects and enhances ecosystem health
- **E-5 Climate Change Mitigation and Adaptation:**  
Valley Water is carbon neutral and provides equitable, climate-resilient water supply, flood protection, and water resource stewardship to all communities in Santa Clara County
- **E-6 Encampments of Unsheltered People (EUP):**  
Valley Water is committed, through a regional approach, to address the human health, safety, operational and environmental challenges posed by encampments of unsheltered people on Valley Water lands along waterways and at water supply and flood risk reduction facilities



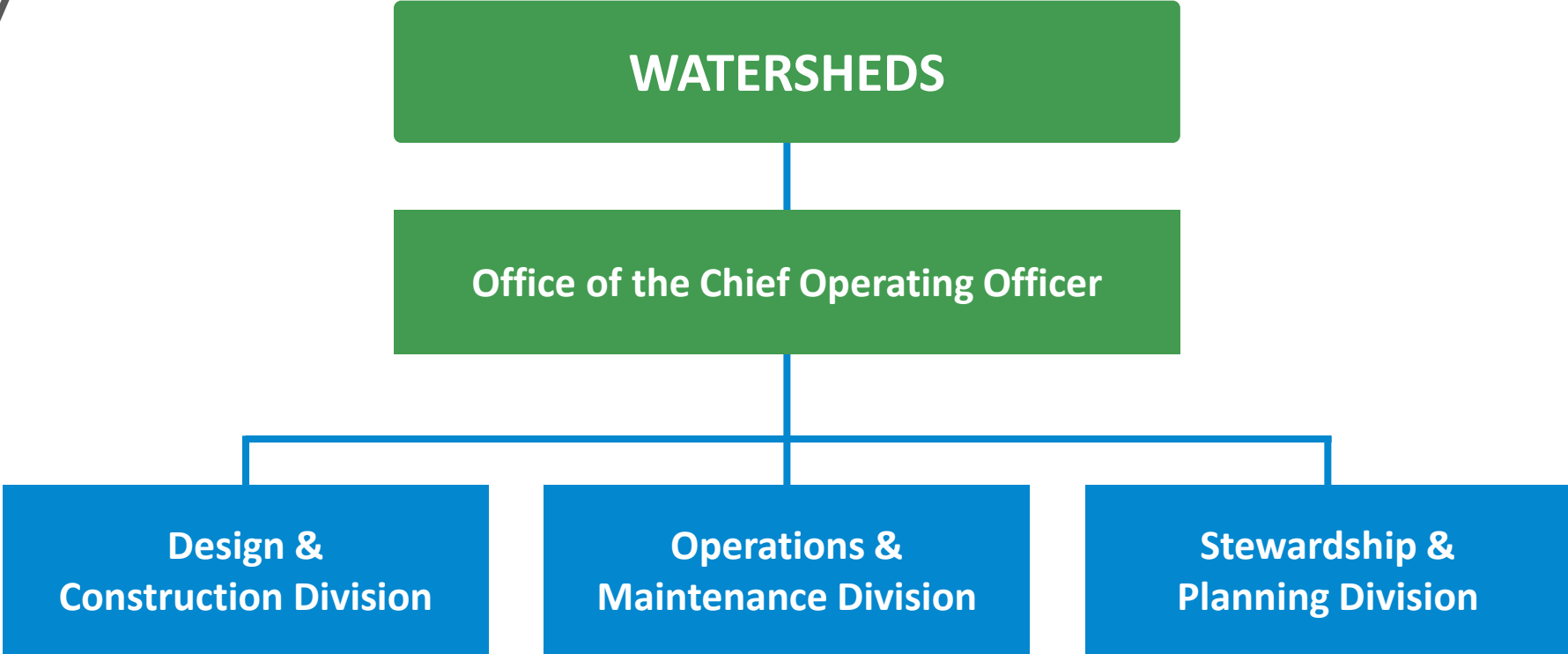
# Watersheds

## Organizational Chart

Proposed FY 2026-27  
Total Positions: 245

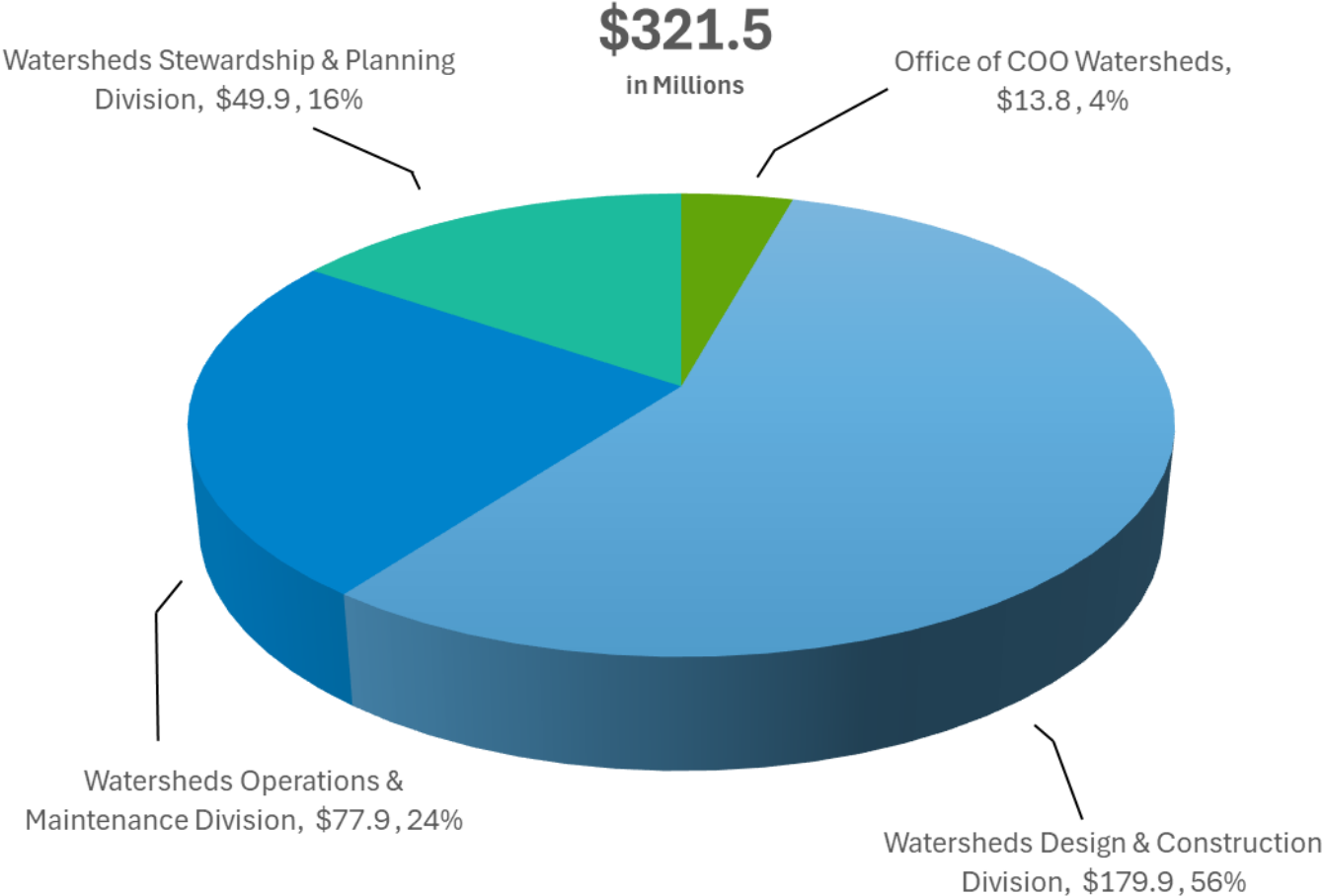
**Legend**

- Chief Operating Officer
- Division



# Watersheds

## FY2026-27 Proposed Budget



# Watersheds

## FY 2026-27 Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Office of COO Watersheds	\$ 13.0	\$ 13.8	\$ 0.8	6% ↑	\$ 15.0
Watersheds Design & Construction Division	82.4	179.9	97.5	118% ↑	198.6
Watersheds Operations & Maintenance Division	70.9	77.9	7.0	10% ↑	85.0
Watershed Stewardship & Planning Division	37.3	49.9	12.6	34% ↑	48.4
<b>Total</b>	<b>\$ 203.6</b>	<b>\$ 321.5</b>	<b>\$ 117.9</b>	<b>58% ↑</b>	<b>\$ 347.0</b>

# Watersheds

## FY 2026-27 Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
<b>Operating Outlays</b>					
Office of COO Watersheds	\$ 13.0	\$ 13.8	\$ 1.0	6% ↑	\$ 15.0
Watersheds Design & Construction Division	0.0	2.9	2.9	N/A	1.3
Watersheds Operations & Maintenance Division	70.8	77.9	7.1	10% ↑	85.0
Watersheds Stewardship & Planning Division	35.7	40.4	4.7	13% ↑	41.3
<b>Operating Outlays Subtotal</b>	<b>\$ 119.5</b>	<b>\$ 135.0</b>	<b>\$ 15.7</b>	<b>13% ↑</b>	<b>\$ 142.6</b>
<b>Capital Outlays</b>					
Watersheds Design & Construction Division	\$ 82.4	\$ 177.0	\$ 94.6	115% ↑	\$ 197.3
Watersheds Stewardship & Planning Division	1.7	9.5	7.9	459% ↑	7.1
<b>Capital Outlays Subtotal</b>	<b>\$ 84.1</b>	<b>\$ 186.5</b>	<b>\$ 102.5</b>	<b>122% ↑</b>	<b>\$ 204.4</b>
<b>Total</b>	<b>\$ 203.6</b>	<b>\$ 321.5</b>	<b>\$ 118.2</b>	<b>58% ↑</b>	<b>\$ 347.0</b>

# Office of the COO of Watersheds

## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Watersheds Administration	\$ 13.0	\$ 13.8	\$ 0.8	6% ↑	\$ 15.0
<b>Total</b>	<b>\$ 13.0</b>	<b>\$ 13.8</b>	<b>\$ 0.8</b>	<b>6% ↑</b>	<b>\$ 15.0</b>

# Design & Construction Division

## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2028 Proposed Plan
Coyote Creek, Montague-Tully	\$ 21.7	\$ 80.9	\$ 59.2	\$ 79.7
Sunnyvale East & West Channel	0.0	45.2	45.2	54.0
Llagas Creek Phase 2B Construction	26.5	32.7	6.2	0.8
Watershed Capital Program Services Administration	5.0	5.1	0.1	6.6
San Francisco Bay Shoreline	4.8	4.0	(0.8)	27.3
San Francisco Bay Shoreline EIAs 5-10	1.4	3.0	1.6	2.8
San Francisquito Creek, SF Bay to Searsville Dam	0.0	2.9	2.9	1.3
Watersheds Asset Rehabilitation	16.6	2.1	(14.5)	16.3
Aquatic Resource Creation at Ford Rd Percolation Pond	0.0	1.9	1.9	1.5
Regnart Creek Rehabilitation Project - F8	0.0	0.8	0.8	0.4
Other Projects	6.4	1.3	(5.1)	7.8
<b>Total</b>	<b>\$ 82.4</b>	<b>\$ 179.9</b>	<b>\$ 97.5</b>	<b>\$ 198.5</b>

# Operations & Maintenance Division

## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Encampment Management Program	\$ 8.4	\$ 8.7	\$ 0.3	4% ↑	\$ 9.9
Management of Revegetation Projects & Invasive Plants	7.5	8.1	0.6	8% ↑	8.5
Watershed Sediment Removal	7.9	8.0	0.1	1% ↑	8.3
Stream Maintenance Program Management	6.4	7.0	0.6	9% ↑	7.5
Vegetation Management for Access	5.9	6.9	1.0	17% ↑	7.3
Stream Capacity Vegetation Control	5.2	5.2	0.0	0%	6.0
Watershed Erosion Protection	3.4	4.5	1.1	32% ↑	4.7
Watershed General Field Maintenance	3.4	3.8	0.4	12% ↑	4.1
Encampment Cleanup Program	2.9	3.5	0.6	21% ↑	3.6
Tree Maintenance Program	1.5	3.1	1.6	107% ↑	2.7
Other Projects	18.4	19.1	0.7	4% ↑	22.4
<b>Total</b>	<b>\$ 70.9</b>	<b>\$ 77.9</b>	<b>\$ 7.0</b>	<b>10% ↑</b>	<b>\$ 85.0</b>

# Stewardship & Planning Division

## Proposed Biennial Budget

(\$ in millions)	FY 2026 Adopted Budget	FY 2027 Proposed Budget	FY 2027 Over/ (Under) FY 2026	FY 2027 % Change	FY 2028 Proposed Plan
Watershed Asset Protection Support	\$ 6.8	\$ 7.2	\$ 0.4	6% ↑	\$ 7.8
SCW D4.3 Fish Passage Improvements	0.0	6.6	6.6	N/A	0.3
FAHCE/Three Creeks Project	4.0	4.0	0.0	0%	3.7
Hydrologic Data Measurement & Management	2.8	3.0	0.2	7% ↑	3.2
Inter Agency Urban Runoff Program	2.8	2.9	0.1	4% ↑	3.1
District Real Property Administration	2.1	2.4	0.3	14% ↑	2.5
Impaired Water Bodies Improvements	1.4	2.1	0.7	50% ↑	2.2
Hydrology & Hydraulics Tech Support	1.8	2.0	0.2	11% ↑	2.1
Watershed Asset Management	0.0	1.8	1.8	N/A	2.0
WU Asset Protection Support	1.4	1.5	0.1	7% ↑	1.6
Other Projects	14.2	16.4	2.2	15% ↑	19.9
<b>Total</b>	<b>\$ 37.3</b>	<b>\$ 49.9</b>	<b>\$ 12.6</b>	<b>34% ↑</b>	<b>\$ 48.4</b>

# FY 2026-27 Deliverables

## Design & Construction Division

### Complete Design

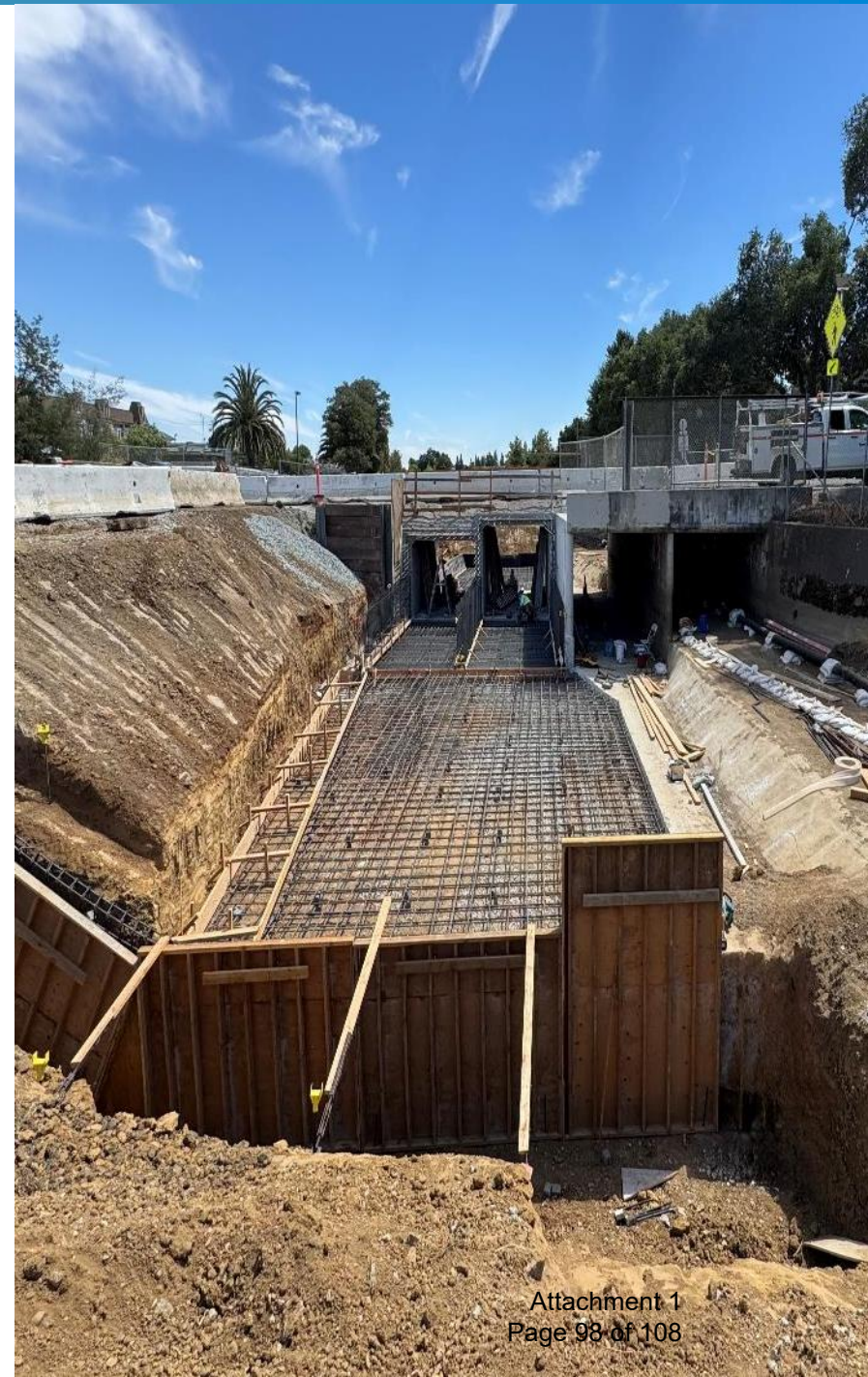
- Coyote Creek Flood Protection Project (FPP)
- Sunnyvale East and West Channels FPP

### Begin Construction

- Watershed Asset Rehabilitation Program: Guadalupe River at Malone Rd. & Blossom Hill Rd.
- Sunnyvale East and West Channels FPP
- Coyote Creek FPP
- Upper Berryessa Creek Offsite Mitigation Project

### Continue Construction

- Upper Llagas Creek FPP Phase 2B Project



# FY 2026-27 Deliverables

## Operations & Maintenance Division

- **Stream Maintenance Program (SMP)** – Perform sediment removal, vegetation management, and bank protection work on local creeks
- **SMP Mitigation Credit** – Complete Evelyn Avenue Fish Passage Project on Stevens Creek
- **SMP-3 Permits** – Finalize regulatory agency permits for SMP-3 (2027-2036)
- **Encampments** – Enforce the Water Resources Protection Zones Ordinance to protect sensitive environmental resources and enhance staff safety



# FY 2026-27 Deliverables

## Stewardship & Planning Division

- **Project Planning & Design** – Complete Planning Study for Coyote Pond 10B and Ogier Ponds. Begin design of the Calabazas/San Tomas Aquino Creek-Marsh Connection Project
- **Project Construction** – Begin construction of shoreline mudflat habitat in Pond A4
- **Long-term Planning** – Complete Watershed Master Plans, Fish Passage Improvement Study, and FAHCE Adaptive Management Team (AMT) Charter
- **Regulatory** – Obtain permits for Pipeline Rehabilitation and Maintenance, Lower Penitencia Creek Bank Erosion Repair, Almaden-Calero Canal projects, etc.
- **Community Projects Review** – Update Water Resources Protection Manual



# FY 2026-27 Challenges

- Staffing shortages and continued project cost increases due to inflation and tariffs
- Managing waterways impacted by drought and severe storms
- Performing fuel and weed abatement with increased fire season risks
- Increasingly complex and evolving regulatory landscape
- External partner funding limitations, competing priorities, and staffing levels
- Improving cross-functional coordination from planning and design through operations to support full lifecycle asset management



# FY 2027-28 Outlook

- Continue design of Shoreline Phase I Project - Reaches 4-5 and remaining project elements
- Continue construction on Upper Llagas Creek 2B, Sunnyvale East and West Channels, and Coyote Creek Flood Protection Projects
- Continue project design for Ogier Ponds
- Continue Fish Passage Improvement Study
- Complete environmental review and permitting for the Calabazas/San Tomas Aquino Creek-Marsh Connection Project
- Implement routine stream maintenance activities under new SMP-3 permits (2027–2036)





# Questions?

# Presentation Summary



## BUDGET OVERVIEW

- Budget Development & Review Process
- FY 2026-27 Proposed Rolling Biennial Budget Review
- Fund Reserves
- Fund Financial Sustainability – Watersheds, Safe, Clean Water, Water Utility
- Proposed Budget by Fund and Organization



## PROPOSED BUDGET BY ORGANIZATION

- Administration
- Integrated Water Management
- Water Utility
- Watersheds



## NEXT STEPS

- Board considerations for May 12, 2026

# Summary of Staff Recommendations

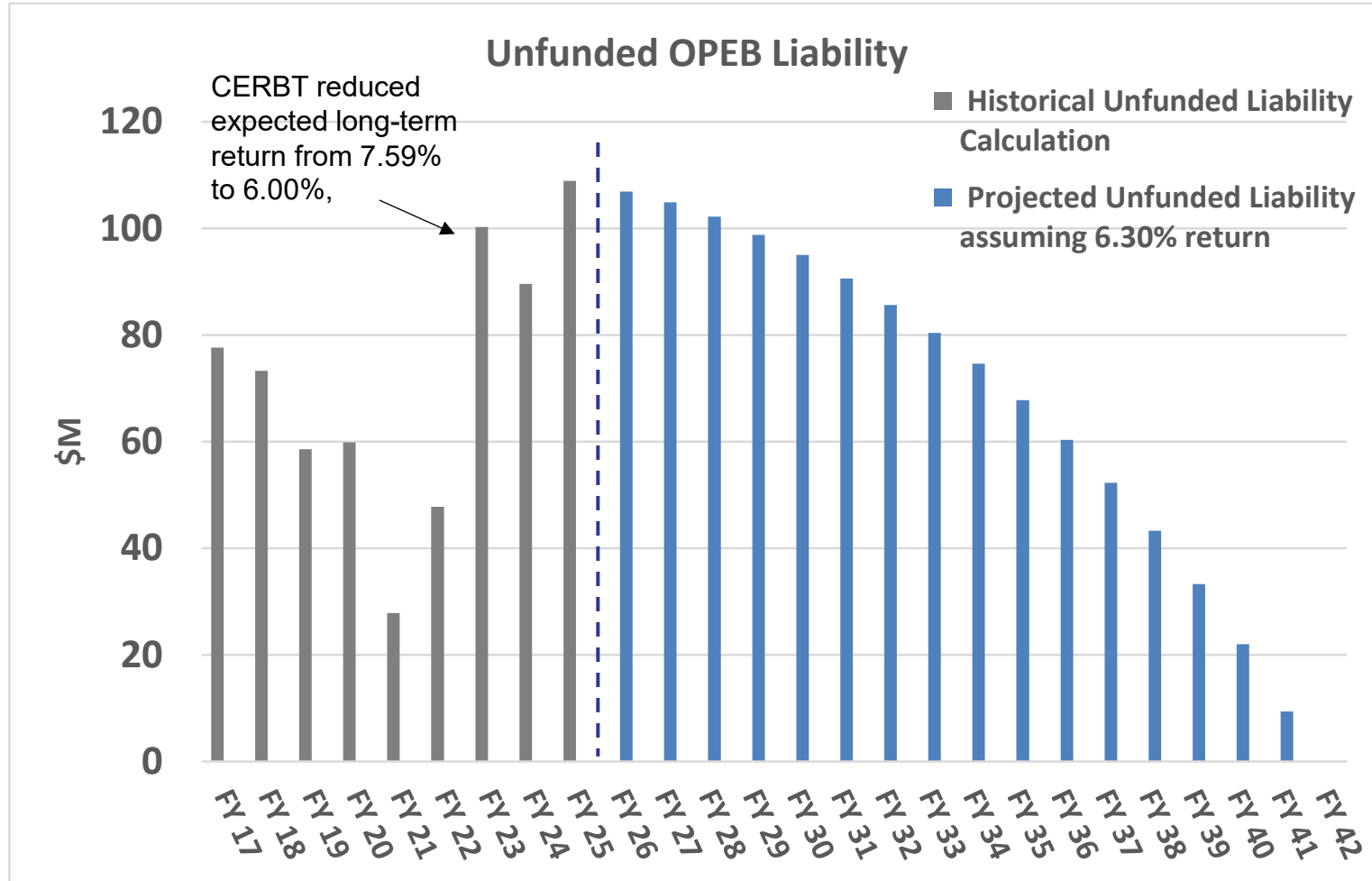
- Review and discuss the FY 2026-27 Proposed Biennial Budget
- Receive comments from the public
- Direct staff to make any changes the Board deems necessary

## Next Steps

Final FY 2026-27  
Proposed Biennial  
Budget scheduled  
for Board approval  
on May 12, 2026

# Appendix

# OPEB Unfunded Liability on Track for FY 42 Payoff



- **FY 25 Unfunded OPEB Liability increased to \$108.9M from \$89.6M in FY 24**
  - **Payoff projection revised to FY 42 from FY 34**
- **Actual trust fund rate of return**
  - 10.7% for FY 17
  - 8.1% for FY 18
  - 6.2% for FY 19
  - 3.5% for FY 20
  - 27.5% for FY 21
  - -13.4% for FY 22
  - 6.4% for FY 23
  - 11.0% for FY 24
  - 12.3% for FY 25
- **Projections assume no OPEB trust fund contributions**

# FY 2026-28 Legal Services Budget

- In-house attorneys and law firms provide counsel to VW
- VW does not have one single budget for “litigation”
  - Project budgets often include contracted legal services
  - Matter-specific litigation budgets are presented to the Board in closed session
  - Expenditures are reported to the Board quarterly in attorney-client privileged communications
- Agency-wide legal budget:
  - FY 26 Adopted: \$11.0M
  - FY 27 Proposed: \$9.3M
  - FY 28 Plan: \$8.5M