

Q2 FY2025-26 Financial Status Update

Board Audit Committee, February 18, 2026

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Agenda

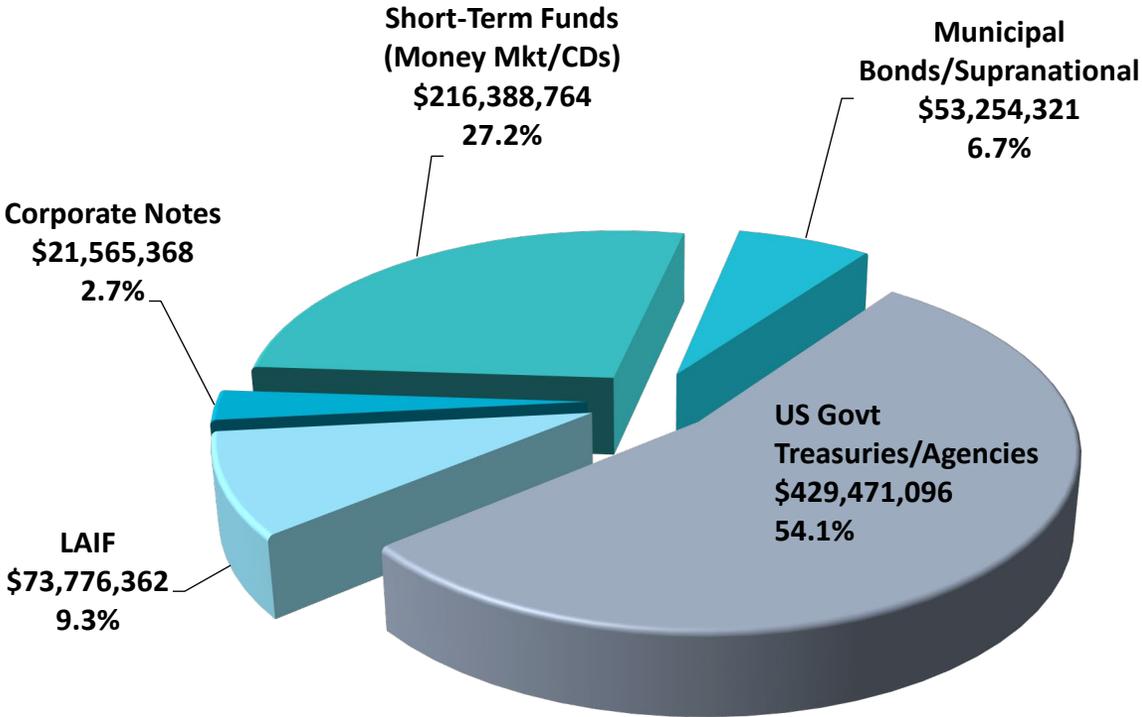
- **Financial Status**
 - **Cash and Investments**
 - **Debt Portfolio**
- **Q2 FY26 Financial Status Update**
 - **Revenue**
 - **Operating and Capital Expenditures**
 - **Reserves**

Financial Status Update – Cash & Investments

\$300 million or 38% of portfolio very liquid (LAIF & Short-Term deposits)

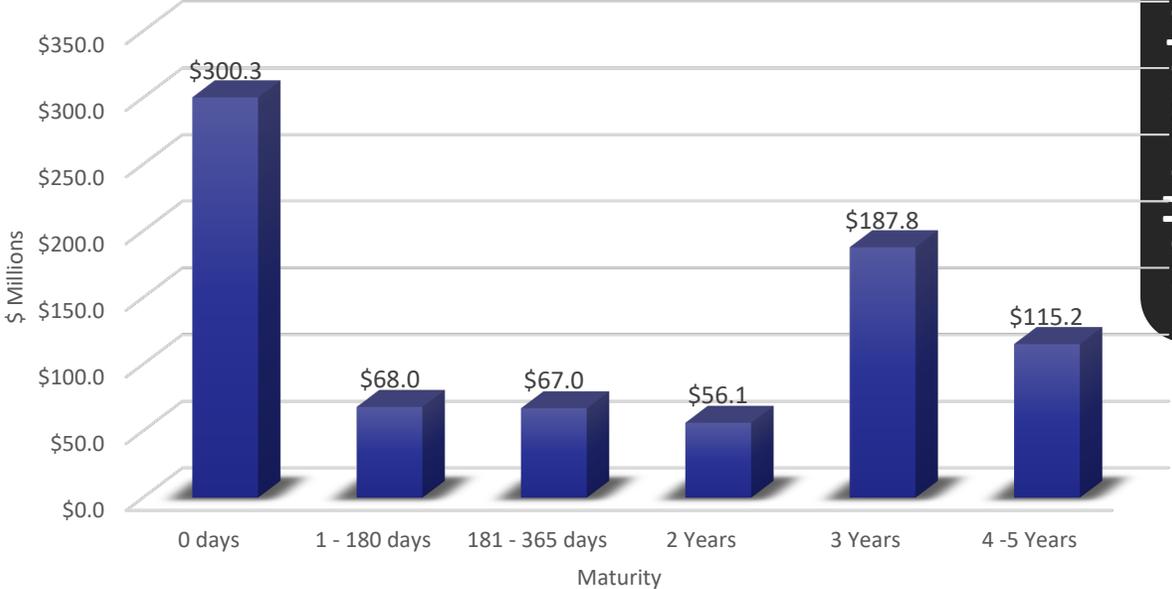
YTD Q2 FY 2026 interest earnings: \$15M, 3.69%

SCVWD Investment Portfolio Composition



SCVWD Portfolio Book Value as of December 31, 2025: \$794,455,912

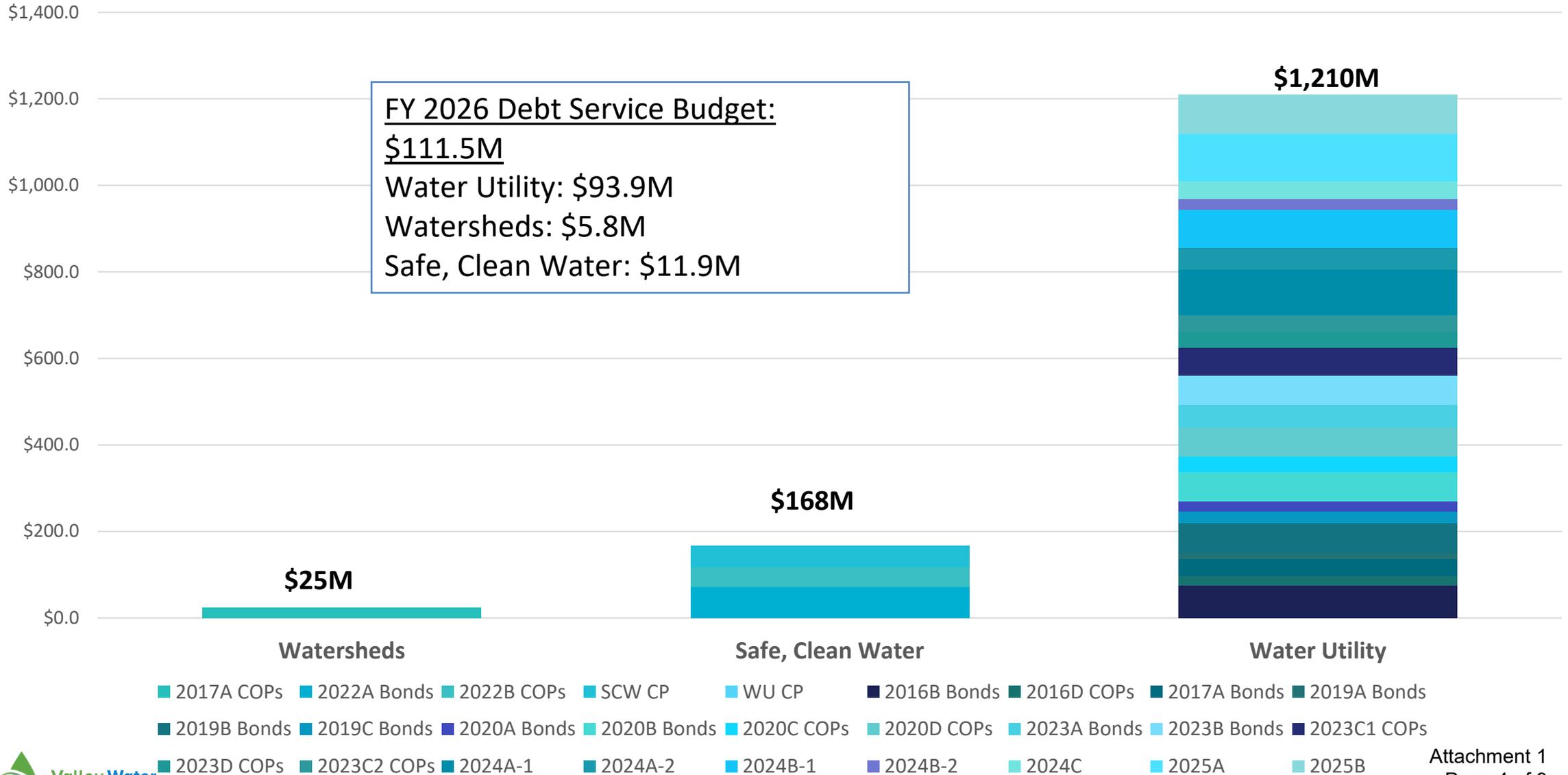
Valley Water Portfolio Aging Report December 31, 2025 Portfolio Book Value: \$794 Million



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Financial Status Update – Outstanding Debt

Outstanding Debt 12/31/2025: \$1,402.6 Million



Financial Status Update – Debt Portfolio

Ample access to cash at low interest rates

\$400M Short-term credit facilities

- \$150M Bank Line of Credit with U.S. Bank
- \$250M CP Program

FY 2026 Financing Plan

- Board approval of \$1 billion CWIFP loan package for Dam Safety Program on September 9, 2025
 - Provide long-term financing for Almaden, Calero, Coyote, and Guadalupe Dam Seismic Retrofit projects
 - Pending USACE/OMB Approval
- WIFIA Master Agreements: \$146.7M SCW; \$579M Anderson
 - Application submitted to EPA to increase the Anderson Dam Seismic Retrofit Project WIFIA Loan by \$639M, from \$579M to \$1.2B, pending OMB Approval
- FY 2026 debt issuance plans:
 - Short-term debt for capital projects: WU \$212M; SCW \$30M
 - WU Refunding Bonds:
 - 2025A/B \$200M; priced 8/26/2025, TIC 4.5%, \$14M debt service savings, closed 9/10/2025
 - 2026A/B ~\$364M; \$212M FY26 capital; 2023C1 (\$64M), 2023D (\$37M), 2017A/2019A (51M) for economic savings
 - Board authorization ~May 2026; issuance~ August/September 2026

Q2 FY26 - Revenues

Lower treated water revenue anticipated due to West Pipeline project

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(\$ in millions)	FY26 Adj Budget	Q2 FY26 Actuals	Q2 FY26 % Rec'd	Q2 FY25 Actuals	Q2 FY25 % Rec'd*
Groundwater Production Charges	\$ 200.3	\$ 95.1	47%	\$ 83.5	45%
Treated Water Revenue	220.4	108.8	49%	118.9	56%
Surface/Recycled Water Revenue	2.6	1.1	43%	0.9	23%
1% Ad-valorem Property Tax	157.6	57.8	37%	56.5	38%
Safe Clean Water Special Parcel Tax	55.1	-	0%	-	0%
Benefit Assessment	6.9	-	0%	-	0%
State Water Project Tax	28.0	0.5	2%	0.7	3%
Capital Reimbursements	56.3	12.9	23%	12.0	28%
Interest Income & Other	18.6	29.8	160%	23.8	155%
Total Revenue	\$ 745.9	\$ 306.0	41%	\$296.3	43%

*Q2 FY26 % received based Q2 YTD Actuals divided by FY26 Adjusted Budget

(\$ in millions)	FY26 Adj Budget	Q2 FY26 Actuals	Q2 FY26 % Rec'd	Q2 FY25 Actuals	Q2 FY25 % Rec'd*
General Fund	\$ 13.5	\$ 7.2	53%	\$ 5.2	42%
Watershed Stream Stewardship Fund	141.8	53.0	37%	59.1	42%
Safe Clean Water Fund	108.9	10.1	9%	6.9	8%
Water Utility Enterprise Fund	474.2	234.3	49%	224.0	50%
Service Funds	0.7	1.5	221%	1.1	183%
Benefit Assessment Funds	6.9	-	0%	-	0%
Total Revenue	\$ 745.9	\$ 306.0	41%	\$296.3	43%

*Q2 FY26 % received based Q2 YTD Actuals divided by FY26 Adjusted Budget

Observations

- Q2 FY26 revenue was \$306.0M or 41% of FY26 Budget
- SCW Special Parcel, Benefit Assessment and State Water Project Tax revenues will be received in second-half of the fiscal year
- Groundwater production charges \$95.1M or 47% of Budget and \$11.6M higher than Q2 FY25 actuals
- Treated water revenue \$108.8M or 49% of Budget and \$11.1M lower than Q2 FY25 actuals due to West Pipeline project
- Capital reimbursements of \$12.9M, which varies year-over-year depending on progress of grant-funded projects
- Interest Income and Other \$29.8M, or 160% of budget, due to investment income on bond proceeds (\$13.5M) and water sales from the Central Valley Project (\$1.3M) and the State Water Project (\$4.8M)

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Q2 FY26 - Operating and Capital Outlays

Expenditures on target in first half of fiscal year

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(\$ in millions)	FY26 Adj Budget	Q2 FY26 Actuals	Q2 FY26 % Spent	Q2 FY25 Actuals	Q2 FY25 % Spent
General Fund	\$ 91.1	\$ 38.4	42%	\$ 34.9	39%
Watershed Stream Stewardship Fund	94.8	45.7	48%	40.3	43%
Safe Clean Water Fund	43.5	16.8	39%	15.9	42%
Water Utility Enterprise Fund	391.9	163.8	42%	180.4	46%
Service Funds	51.7	18.5	36%	20.2	41%
Benefit Assessment Funds	5.8	0.6	11%	0.7	13%
Total Operating Outlays	\$ 678.8	\$ 283.7	42%	\$ 292.6	44%

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments
 Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/25
 Note 3: % Spent is Q2 YTD Actuals divided by Adjusted Budget

(\$ in millions)	FY26 Adj Budget	Q2 FY26 Actuals	Q2 FY25 % Spent	Q2 FY25 Actuals	Q2 FY25 % Spent
General Fund	\$ 20.4	\$ 1.6	8%	\$ 2.7	16%
Watershed Stream Stewardship Fund	57.9	18.1	31%	6.1	15%
Safe Clean Water Fund	123.5	57.3	46%	58.8	37%
Water Utility Enterprise Fund	396.3	200.5	51%	84.0	23%
Service Funds	6.3	1.2	20%	2.0	20%
Total Capital Outlays	\$ 604.3	\$ 278.8	46%	\$ 153.5	26%

Note 1: Capital Project Adjusted Budget includes Adopted Budget and prior year capital carryforward budget
 Note 2: Budgetary Basis Actuals includes actuals and encumbrances as of 12/31/25
 Note 3: % Spent is Q2 YTD Actuals divided by Adjusted Budget

Observations

- Q3 FY26 Operating Expenditures of \$283.7M or 42% of Adjusted Budget
- Water Utility Enterprise, Safe Clean Water and Watershed Stream Stewardship Funds on target
- Insurance premium payments in second half of fiscal year
- Benefit Assessment Funds expenses in second half of fiscal year

- Q2 FY26 Capital Expenditures of \$278.8M or 46% of Adjusted Budget; trending higher than last fiscal year
- GF 8% spent due to timing of the HQ Bldg., Small Caps / Facility Mgmt., and Security Upgrades & Enhancements projects
- WSS Fund 31% spent primarily due to the timing of the Watersheds Asset Rehab, Lower Guadalupe River Restoration and SF Bay Shoreline projects
- Service Funds 20% spent primarily due to IT and Fleet capital expenditures primarily taking place in the second half of FY

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Reserve Balances

- FY26 projected year-end reserve balances higher than FY26 Adopted Budget due to unexpended capital project funds carried forward from FY25 to FY26

(\$ in millions)	FY26 Adopted Budget	FY26 Projected Year-end	FY26 Projected vs Adopted
Restricted Reserves			
Safe Clean Water Fund	\$ 177.8	\$ 154.6	\$ (23.3)
Water Utility Enterprise Fund	65.5	75.5	10.0
Restricted Reserves Subtotal	243.4	230.1	(13.3)
Committed Reserves			
General Fund	19.7	26.1	6.4
Watershed & Stream Stewardship Fund	161.1	200.8	39.7
Water Utility Enterprise Fund	92.8	94.0	1.2
Service Funds	23.4	29.3	5.9
Committed Reserves Subtotal	297.1	350.2	53.1
Total Reserves	\$ 540.5	\$ 580.3	\$ 39.8

Q2 FY26 Financial Update Summary

- Will continue to monitor performance of revenues in second half of fiscal year
- Operating expenditures estimated to end FY within budgeted levels
- First half capital expenditures trending higher than prior fiscal year
- Will highlight any significant developments as well as identify any potential budget actions necessary in second half of fiscal year

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