FY2026-27 First Pass Biennial Budget

January 27, 2026

Topics

- Budget Schedule Update
- Revenue Assumptions
- Salaries and Benefits Assumptions
- Districtwide Outlays
- Next Steps

Budget Schedule Update

- **Operating and Capital Budget**
  - January 27, 2026 – 1st Pass Budget Update
  - March 10, 2026 – 2nd Pass Budget Update
  - April 29 and 30, 2026 – Budget Work Study Session
- **Groundwater Production Charge (GWP)**
  - ✓ January 13, 2026 – Preliminary GWP Analysis
  - April 14 to 28, 2026 – GWP Public Hearings
- **Capital Improvement Program (CIP)**
  - ✓ January 13, 2026 – Preliminary CIP
  - March 10, 2026 – Draft CIP
  - April 28 and 29, 2026 – CIP Public Hearings
- **Operating and Capital Budget, GWP, and CIP**
  - May 12, 2026 – Board Adoption

Revenue Assumptions

- **Water Charges - FY27: $466.4M & FY28: $515.6M**
- **Preliminary Annual M&I Groundwater Production Charge Increases:**
  - North County Zone W-2, 9.1% in FY27 & FY28
  - South County Zone W-5, 6.4%
  - South County Zone W-7, 8.6%
  - South County Zone W-8, 8.0%
- **Water usage projection - FY27: 221.5K AF & FY28: 224K AF**
  - Assume an increase of 2.5K AF vs FY26
- **1% Ad-valorem Property Tax - FY27: $162.9M & FY28: $165.7M**
  - Assessment roll grows 3% per Santa Clara county assessor's report as of 11/11/2025
- **SCW Special Parcel Tax - FY27: $56.3M & FY28: $57.5M**
  - 2% increase per year
  - Bay Area CPI could be greater than 2% for purpose of FY27

1st Pass – Revenue

Revenue *($ in millions)*	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Water Charges	$ 382.0	$ 423.3	$ 466.4	$ 515.6	$ 43.1	$ 49.2
1% Ad-valorem Property Tax	154.4	157.6	162.9	165.7	5.3	2.8
SCW Special Parcel Tax	53.2	55.1	56.3	57.5	1.2	1.2
State Water Project Tax	29.6	28.0	31.0	31.0	3.0	-
Benefit Assessment	6.8	6.9	6.9	6.9	-	-
Capital Reimbursements	13.8	56.3	61.1	16.4	4.8	(44.7)
Interest Income & Other	59.0	18.6	20.0	13.2	1.4	(6.8)
Total Revenue	**$ 698.9**	**$ 745.9**	**$ 804.6**	**$ 806.4**	**$ 58.8**	**$ 1.7**

Salaries & Benefit Assumptions

Salaries - FY27: $158.6M & FY28: $164.3M

- Salary budget includes funding for 876 regular positions, 4 limited-term positions
- 3% COLA and step increases for eligible positions per prior MOUs; second pass proposed budget will include newly ratified MOUs
- FY27 budget assumes lower salary savings rate of 2% due to position freeze

Benefits - FY27: $99.9M & FY28: $106.0M

- Retirement Contributions: includes CalPERS required employer contribution and deferred compensation, plus $3.0M redirect from OPEB funding and additional 2% of salaries ($3.1M) employer contributions towards CalPERS unfunded liability

- Group Insurance for Active Employees: assumes 15% annual increase for medical plan and 3% annual increase for Dental and Vision plan

- Group Insurance for Retirees assumes no material increase for medical plan

1st Pass Salaries & Benefits

Salary and Benefits ($ in millions)	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Salaries						
Salaries - Regular Employees	$ 138.8	$ 150.3	$ 154.9	$ 160.7	$ 4.6	$ 5.8
Overtime and Special Pays	6.5	5.4	6.2	6.2	0.8	-
Salary Savings		(2.5)	(2.6)	(2.7)	(0.1)	(0.1)
Total Salaries	**145.3**	**153.2**	**158.6**	**164.3**	**5.4**	**5.7**
Benefits						
Fed & State Taxes & Benefits	2.1	2.2	2.3	2.4	0.1	0.1
Retirement Contributions	46.4	51.0	52.8	55.3	1.8	2.5
Group Insurance - Active Employees	22.3	28.1	29.5	32.6	1.4	3.1
Health Insurance - Retired Employees	16.9	15.0	15.3	15.7	0.3	0.4
Total Benefits	**87.7**	**96.3**	**99.9**	**106.0**	**3.6**	**6.1**
Total Salary & Benefits	**$ 233.0**	**$ 249.6**	**$ 258.4**	**$ 270.3**	**$ 8.8**	**$ 11.9**
Regular Positions	921	876	876	876	-	-

valleywater.org

Valley Water

1st Pass – Districtwide Outlays

Budget by Category *($ in millions)*	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Operations	$ 456.7	$ 528.7	$ 538.3	$ 563.4	$ 9.6	$ 25.1
Operating Projects	28.5	6.2	8.1	8.1	1.9	-
Debt Service	86.0	116.9	131.3	161.2	14.4	29.9
Total Operating Outlays	**571.2**	**651.8**	**677.7**	**732.7**	**25.9**	**55.0**
Capital Outlays	**387.2**	**427.9**	**732.9**	**651.7**	**305.0**	**(81.2)**
Total Gross Outlays	958.4	1,079.7	1,410.6	1,384.4	330.9	(26.2)
Intra-District Reimbursements*	(121.3)	(131.7)	(128.6)	(142.5)	3.1	(13.9)
Net Total Outlays	**$ 837.1**	**$ 948.0**	**$ 1,282.0**	**$ 1,241.9**	**$ 334.0**	**$ (40.1)**

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

SCVWD Finances Organized by “Fund”

Water Utility Enterprise

Accounts for activities to ensure a reliable water supply (as the principal water wholesaler for the County)

Safe Clean Water (SCW)

Accounts for a program approved by voters in November 2020

Watershed & Stream Stewardship

Accounts for flood protection and watershed management activities

Administration
(General, Fleet, Risk, Information Technology Funds)

Accounts for administrative and strategic support services that are provided to other funds (Legal, HR, Fleet, IT, etc…)

1st Pass– Operations Expenditures by Fund

Operations & Operating Budget *($ in millions)*	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
General Fund	$ 77.3	$ 90.9	$ 96.8	$ 97.9	$ 5.9	$ 1.1
Watershed Stream Stewardship Fund	82.3	95.1	98.3	105.1	3.2	6.8
Safe, Clean Water Fund	23.0	27.7	29.8	30.5	2.1	0.7
Water Enterprise Fund	257.6	269.6	267.3	280.0	(2.3)	12.7
Fleet Management Fund	5.3	6.6	6.6	7.1	-	0.5
Risk Management Fund	9.1	12.1	12.7	13.4	0.6	0.7
Information Technology Fund	30.6	32.9	34.7	37.6	1.8	2.9
Total	**$ 485.2**	**$ 534.9**	**$ 546.4**	**$ 571.5**	**$ 11.3**	**$ 25.4**

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

1st Pass – Capital Outlays by Fund

Capital Outlays *($ in millions)*	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
General Fund	$ 9.8	$ 13.3	$ 13.3	$ 4.2	$ -	$ (9.1)
Watershed Stream Stewardship Fund	15.0	31.3	11.1	58.3	(20.2)	47.2
Safe, Clean Water Fund	84.2	65.7	199.1	160.0	133.4	(39.1)
Water Enterprise Fund	268.6	312.0	492.6	409.4	180.6	(83.2)
Fleet Management Fund	3.2	2.0	3.4	4.7	1.4	1.3
Information Technology Fund	6.3	3.6	13.3	15.0	9.7	1.7
Total	**$ 387.2**	**$ 427.9**	**$ 732.9**	**$ 651.7**	**$ 305.0**	**$ (81.2)**

Note: 1st Pass Budget is based on preliminary FY27-31 Five-Year CIP

valleywater.org

Valley Water

Next Steps

- **Operating and Capital Budget**
  - March 10, 2026 – 2nd Pass Budget Update
  - April 29 and 30, 2026 – Budget Work Study Session
- **Groundwater Production Charge (GWP)**
  - April 14 to 28, 2026 – GWP Public Hearings
- **Capital Improvement Program (CIP)**
  - March 10, 2026 – Draft CIP
  - April 28 to 29, 2026 – CIP Public Hearings
- **Operating and Capital Budget, GWP, and CIP**
  - May 12, 2026 – Board Adoption

Appendix

1st Pass and Actuals – Revenue

Revenue ($ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Water Charges	$ 227.7	$ 266.9	$ 289.8	$ 272.4	$ 268.1	$ 320.6	$ 382.0	$ 423.3	$ 466.4	$ 515.6	$ 43.1	$ 49.2
1% Ad-valorem Property Tax	107.8	110.6	117.3	127.3	138.8	146.1	154.4	157.6	162.9	165.7	5.3	2.8
SCW Special Parcel Tax	44.1	46.1	46.1	47.0	49.5	52.2	53.2	55.1	56.3	57.5	1.2	1.2
State Water Project Tax	22.3	21.8	21.4	30.1	28.9	28.1	29.6	28.0	31.0	31.0	3.0	-
Benefit Assessment	14.7	13.4	12.4	13.4	13.2	6.9	6.8	6.9	6.9	6.9	-	-
Capital Reimbursements	26.7	33.8	19.9	21.4	35.2	10.0	13.8	56.3	61.1	16.4	4.8	(44.7)
Interest Income & Other	22.0	23.9	17.7	20.4	27.7	47.2	59.0	18.6	20.0	13.2	1.4	(6.8)
Total Revenue	**$ 465.3**	**$ 516.5**	**$ 524.6**	**$ 532.0**	**$ 561.4**	**$ 611.0**	**$ 698.9**	**$ 745.9**	**$ 804.6**	**$ 806.4**	**$ 58.8**	**$ 1.7**

1st Pass and Actuals – Salaries & Benefits

15

Salary and Benefits ($ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Salaries												
Salaries - Regular Employees	$ 96.8	$ 103.6	$ 116.5	$ 128.3	$ 130.5	$ 135.3	$ 138.8	$ 150.3	$ 154.9	$ 160.7	$ 4.6	$ 5.8
Overtime and Special Pays	3.3	4.3	4.3	5.8	6.2	6.3	6.5	5.4	6.2	6.2	0.8	-
Salary Savings	-	-	-	-	-	-		(2.5)	(2.6)	(2.7)	(0.1)	(0.1)
Total Salaries	**100.1**	**107.9**	**120.8**	**134.1**	**136.7**	**141.6**	**145.3**	**153.2**	**158.6**	**164.3**	**5.4**	**5.7**
Benefits												
Fed & State Taxes & Benefits	1.4	1.6	1.8	1.9	2.0	2.1	2.1	2.2	2.3	2.4	0.1	0.1
Retirement Contributions	26.6	29.4	32.8	36.7	42.1	43.7	46.4	51.0	52.8	55.3	1.8	2.5
Group Insurance - Active Employees	13.7	14.0	14.5	15.1	16.0	17.6	22.3	28.1	29.5	32.6	1.4	3.1
Health Insurance - Retired Employees	10.2	10.8	11.0	12.1	13.9	14.6	16.9	15.0	15.3	15.7	0.3	0.4
Total Benefits	**51.9**	**55.8**	**60.1**	**65.8**	**74.0**	**78.0**	**87.7**	**96.3**	**99.9**	**106.0**	**3.6**	**6.1**
Total Salary & Benefits	**$ 152.0**	**$ 163.7**	**$ 180.9**	**$ 199.9**	**$ 210.7**	**$ 219.6**	**$ 233.0**	**$ 249.6**	**$ 258.4**	**$ 270.3**	**$ 8.8**	**$ 11.9**
Regular Positions	824	859	859	893	909	919	921	876	876	876	-	-

valleywater.org

Valley Water

1st Pass and Actuals – Districtwide Outlays

16

Budget by Category *($ in millions)*	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
Operations	$ 304.0	$ 308.2	$ 366.7	$ 414.2	$ 417.0	$ 423.7	$ 456.7	$ 528.7	$ 538.3	$ 563.4	$ 9.6	$ 25.1
Operating Projects	6.6	11.8	3.6	8.5	4.6	9.5	28.5	6.2	8.1	8.1	1.9	-
Debt Service	42.6	46.3	51.4	58.1	65.1	75.0	86.0	116.9	131.3	161.2	14.4	29.9
Total Operating Outlays	**353.2**	**366.3**	**421.7**	**480.8**	**486.7**	**508.2**	**571.2**	**651.8**	**677.7**	**732.7**	**25.9**	**55.0**
Capital Outlays	**175.4**	**234.9**	**284.2**	**372.7**	**414.1**	**389.7**	**387.2**	**427.9**	**732.9**	**651.7**	**305.0**	**(81.2)**
Total Gross Outlays	528.6	601.2	705.9	853.5	900.8	897.9	958.4	1,079.7	1,410.6	1,384.4	330.9	(26.2)
Intra-District Reimbursements*	(72.0)	(77.9)	(87.4)	(97.3)	(107.2)	(116.8)	(121.3)	(131.7)	(128.6)	(142.5)	3.1	(13.9)
Net Total Outlays	**$ 456.6**	**$ 523.3**	**$ 618.5**	**$ 756.2**	**$ 793.6**	**$ 781.1**	**$ 837.1**	**$ 948.0**	**$ 1,282.0**	**$ 1,241.9**	**$ 334.0**	**$ (40.1)**

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

valleywater.org

Valley Water

1st Pass and Actuals – Operations Expenditures by Fund

Operations & Operating Budget *($ in millions)*	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
General Fund	$ 51.6	$ 58.6	$ 68.0	$ 74.3	$ 74.8	$ 77.3	$ 77.3	$ 90.9	$ 96.8	$ 97.9	$ 5.9	$ 1.1
Watershed Stream Stewardship Fund	53.4	51.7	59.2	62.5	69.3	75.4	82.3	95.1	98.3	105.1	3.2	6.8
Safe, Clean Water Fund	16.3	20.5	14.9	16.2	19.2	25.6	23.0	27.7	29.8	30.5	2.1	0.7
Water Enterprise Fund	164.9	165.3	197.6	235.3	224.0	213.6	257.6	269.6	267.3	280.0	(2.3)	12.7
Fleet Management Fund	4.4	3.8	3.9	3.8	5.0	5.2	5.3	6.6	6.6	7.1	-	0.5
Risk Management Fund	6.0	6.1	6.8	9.5	6.8	9.9	9.1	12.1	12.7	13.4	0.6	0.7
Information Technology Fund	14.0	14.0	19.9	21.1	22.4	26.2	30.6	32.9	34.7	37.6	1.8	2.9
Total	**$ 310.6**	**$ 320.0**	**$ 370.3**	**$ 422.7**	**$ 421.5**	**$ 433.2**	**$ 485.2**	**$ 534.9**	**$ 546.4**	**$ 571.5**	**$ 11.3**	**$ 25.4**

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

valleywater.org

Valley Water

1st Pass and Actuals – Capital Outlays by Fund

18

Capital Outlays ($ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 vs FY26	FY28 vs FY27
General Fund	$ 2.7	$ 1.5	$ 3.3	$ 3.2	$ 4.2	$ 2.6	$ 9.8	$ 13.3	$ 13.3	$ 4.2	$ -	$ (9.1)
Watershed Stream Stewardship Fund	27.6	19.0	63.5	66.2	44.5	26.3	15.0	31.3	11.1	58.3	(20.2)	47.2
Safe, Clean Water Fund	41.6	70.9	71.7	52.8	46.6	45.8	84.2	65.7	199.1	160.0	133.4	(39.1)
Water Enterprise Fund	97.9	132.2	136.0	238.0	311.9	307.5	268.6	312.0	492.6	409.4	180.6	(83.2)
Fleet Management Fund	1.8	1.9	2.5	2.8	2.2	0.8	3.2	2.0	3.4	4.7	1.4	1.3
Information Technology Fund	3.8	9.4	7.2	9.7	4.7	6.7	6.3	3.6	13.3	15.0	9.7	1.7
Total	**$ 175.4**	**$ 234.9**	**$ 284.2**	**$ 372.7**	**$ 414.1**	**$ 389.7**	**$ 387.2**	**$ 427.9**	**$ 732.9**	**$ 651.7**	**$ 305.0**	**$ (81.2)**

Note: 1st Pass Budget is based on preliminary FY27-31 Five-Year CIP

valleywater.org

Valley Water

Major Capital Project Appropriations for FY 27 and FY 28

Capital Outlays *($ in millions)*	Fund	FY25 Actuals	FY26 Adopted	FY27 1st Pass	FY28 1st Pass	FY27 + FY28 Combined	FY27 vs FY26	FY28 vs FY27
Anderson Dam Seismic Retrofit	WU	$25.0	$24.2	$157.4	$169.1	**$326.4**	$133.2	$11.7
RWTP Reliability Improvement	WU	74.7	120.8	112.5	62.6	**175.1**	(8.3)	(49.9)
Coyote Creek, Montage-Tully	SCW	10.4	21.7	80.9	79.7	**160.6**	59.3	(1.3)
Sunnyvale East & West Channel	SCW	4.2	0.0	45.2	54.0	**99.2**	45.2	8.9
PWTP Residuals Management	WU	2.4	15.8	34.4	41.2	**75.5**	18.6	6.8
Almaden Valley Pipeline	WU	2.2	3.1	44.4	11.5	**55.8**	41.2	(32.9)
Llagas Creek Phase 2B Construction	SCW	52.6	26.5	48.4	0.1	**48.5**	21.9	(48.3)
Pure Water Silicon Valley	WU	5.4	7.4	16.3	30.4	**46.6**	8.9	14.1
San Francisco Bay Shoreline	WSS	0.9	4.8	4.1	27.3	**31.4**	(0.7)	23.2
San Felipe Division Capital	WU	12.4	12.8	13.3	11.9	**25.1**	0.5	(1.4)
Almaden Calero Canal Rehab	WU	0.4	0.7	19.3	1.1	**20.3**	18.6	(18.2)
ERP Replacement Project	IT	0.0	0.0	8.3	11.6	**19.9**	8.3	3.3
Watersheds Asset Rehabilitatio	WSS	8.2	16.6	2.1	16.3	**18.4**	(14.5)	14.2
Calero Dam SeisRetrfit Des&Con	WU	3.1	6.3	5.2	12.3	**17.6**	(1.1)	7.1
WU Capital Prog Admin Support	WU	6.6	8.0	7.8	8.6	**16.4**	(0.2)	0.7
Small Caps, Water Treatment	WU	3.3	11.2	9.0	6.9	**15.9**	(2.2)	(2.1)
Anderson Dam Tunnel Project	WU	42.7	42.7	13.2	0.0	**13.2**	(29.5)	(13.2)
East Pipeline Inspection and Rehabilitation Prc	WU	0.0	2.0	11.5	1.0	**12.5**	9.5	(10.5)
Small Caps, San Felipe R1	WU	0.3	2.3	5.2	5.2	**10.4**	2.9	0.0
Guadalupe Dam SeisRetf Des&Con	WU	1.0	4.0	5.2	5.1	**10.3**	1.2	(0.1)
Total		**$255.6**	**$330.8**	**$643.5**	**$555.8**	**$1,199.2**	**$312.6**	**(87.7)**

Note: 1st Pass Budget is based on preliminary FY27-31 Five-Year CIP

THIS PAGE INTENTIONALLY LEFT BLANK