Overview of Fiscal Year 2026-27 Rolling Biennial Budget Process

November 12, 2025

Valley Water

Agenda

- Authority and Governance
- Financial Planning Process
- Budget Calendar
- Major Themes and Inputs to Budget
- Next Steps

Overview of FY 27 Rolling Biennial Budget Process

Authority and Governance Policy

District Act

- **Section 13:** Taxation – Empowers the board, in any year, to levy taxes or assessments in the district, *including authority to seek voter approval to issue GO Bonds paid for by Ad Valorem Taxes.*
- **Section 20:** Adoption of Budget – Requires the board to adopt the budget not later than June 30 of each year.
- **Section 26:** Ground Water Charges - Empowers the board to levy and collect a ground water charge.

Board Governance Policies

- **EL- 4 Financial Management**
  Financial planning for any fiscal year shall be aligned with the Board's Ends, not risk fiscal jeopardy, and be derived from a multi-year plan. With respect to the actual, ongoing financial condition and activities, the BAOs shall provide for the development of fiscal sustainability.

- **Planning and Budgeting**
  EL- 4.3 Include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

  EL- 4.4 Plan the expenditure in any budget period within the funds that are conservatively projected to be received or appropriated from reserves in that period.

Overview of FY 27 Rolling Biennial Budget Process

Financial Planning Process Overview

Timing	Process Flow			Outcome
August – October	CIP Preparation	Operations Cost Forecast Exercise		• Multi-year cost projection by project
November	Financial Modeling & Budget Kickoff			• Overhead & benefits rates forecast • WU Rate Scenarios • Watershed Financial Model
December	Budget Process Continues	Chief Reviews		• Set operations budget target • Preliminary water rate analysis • Proposed CIP
January - June	**Budget Process** • Budget Passes • Board Work Study • Budget Doc Production	**GWP Charge Process** • PAWS Report • Well Owner Notices • Public Hearings	**CIP Process** • Draft CIP Document • 60-Day Review • Final CIP Document	• Adopt Groundwater Production Charges • Adopt Budget • Adopt CIP

Overview of FY 27 Rolling Biennial Budget Process

Proposed Board Review Dates

- **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

Overview of FY 27 Rolling Biennial Budget Process

Major Budget Themes

- **Water Utility**
  - Suspension of Pacheco Reservoir Expansion Project reduces projected water rates
  - Anticipate increases in capital and operating costs to put upward pressure on water rates
- **Watershed Stream Stewardship**
  - Future cost challenges exceed fund financial capacity
  - Project implementation will likely need to be deferred, phased, or reduced in scope to maintain fund solvency
- **Safe Clean Water**
  - Future cost challenges exceed fund financial capacity
  - Aggressive pursuit of grant funding continues; Award for $24M pending grant for Sunnyvale East not expected until 2028
  - Project implementation will likely need to be deferred, phased, or reduced in scope to maintain fund solvency

Overview of FY 27 Rolling Biennial Budget Process

Major Inputs to Budget

- **Positions**
  - 45 positions currently paused
  - Expect continuation of paused positions to extent possible
- **Salaries and Benefits**
  - New labor contracts will be incorporated once finalized
- **Supplies and Services**
  - Detailed Review to align with Board priorities
- **Capital Improvement Program**
  - Based on draft of 2027-31 Five-Year Capital Improvement Program (CIP)

Next Steps

Next Steps:

- Incorporate recently adopted Board Work Plan strategies into development of FY 2026-27 Rolling Biennial Operating and Capital Budget, and FY 2027-31 Five-Year CIP

- Check in with Board at various stages of process to confirm strategic direction and funding priorities are incorporated before final adoption scheduled for May 12, 2026