



FISCAL YEAR 2026-27

Water Charge Recommendations

Agricultural Water Advisory Committee

Presented by: Carmen Narayanan, Financial Planning & Revenue Manager
April 6, 2026

55th Annual Report Released

**Annual Protection and Augmentation of
Water Supplies Report provides
information & accountability**

Filed February 27, 2026

Available Online:

www.valleywater.org/ProposedWaterCharges



FEBRUARY 2026
55th Annual Report
FY 2026-27

**Protection and Augmentation
of Water Supplies**

FY 2026-27 Rate Setting Outlook

FY 27 Baseline Case Assumptions

- Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)
- Plan for slightly increased District-managed water use of 221,500 AF
 - Agricultural water use projected at 26,800 AF
- Anderson Dam Seismic Retrofit
- Master Plan projects: SCADA, Water Treatment Plants & Distribution
- Dam Safety Program: Almaden, Calero, Coyote, & Guadalupe
- Pure Water Silicon Valley *Demonstration Facility & Full-Scale Direct Potable Reuse (DPR) Facility*
- Delta Conveyance project participation *
- San Luis Reservoir: B.F. Sisk Dam Raise with up to 63 TAF Storage *
- Sites Reservoir project participation *
- SWP Tax pays for 100% of SWP costs *Excludes SWP portion of Delta Conveyance*

Note: Pacheco Reservoir Expansion Project has been eliminated from baseline case assumptions.

* Project costs are reflected as Operations & Maintenance costs.

SWP: State Water Project

Capital Investments in South County – FY27 through FY36

PROGRESS CONTINUES ON THE ANDERSON DAM SEISMIC RETROFIT PROJECT

The Anderson Dam Seismic Retrofit Project (ADSRP) in east Morgan Hill will rebuild the dam in compliance with today's seismic safety standards and regulations. The project will increase the dam's spillway and outlet capacities to allow rapid drawdown in an emergency.

Construction continues on the ADSRP, with crews progressing on the final concrete lining for the new 24-foot diameter outlet tunnel, which will feed into Coyote Creek when the project is complete. Improvements to Coyote Creek are progressing, including the completion of the Coyote Creek Flood Management Measures Project and the first phase of the new Coyote Creek Percolation Dam. Phase 2 of the Coyote Creek Percolation Dam project, which is designed to improve fish passage, is set to begin fall of 2026.

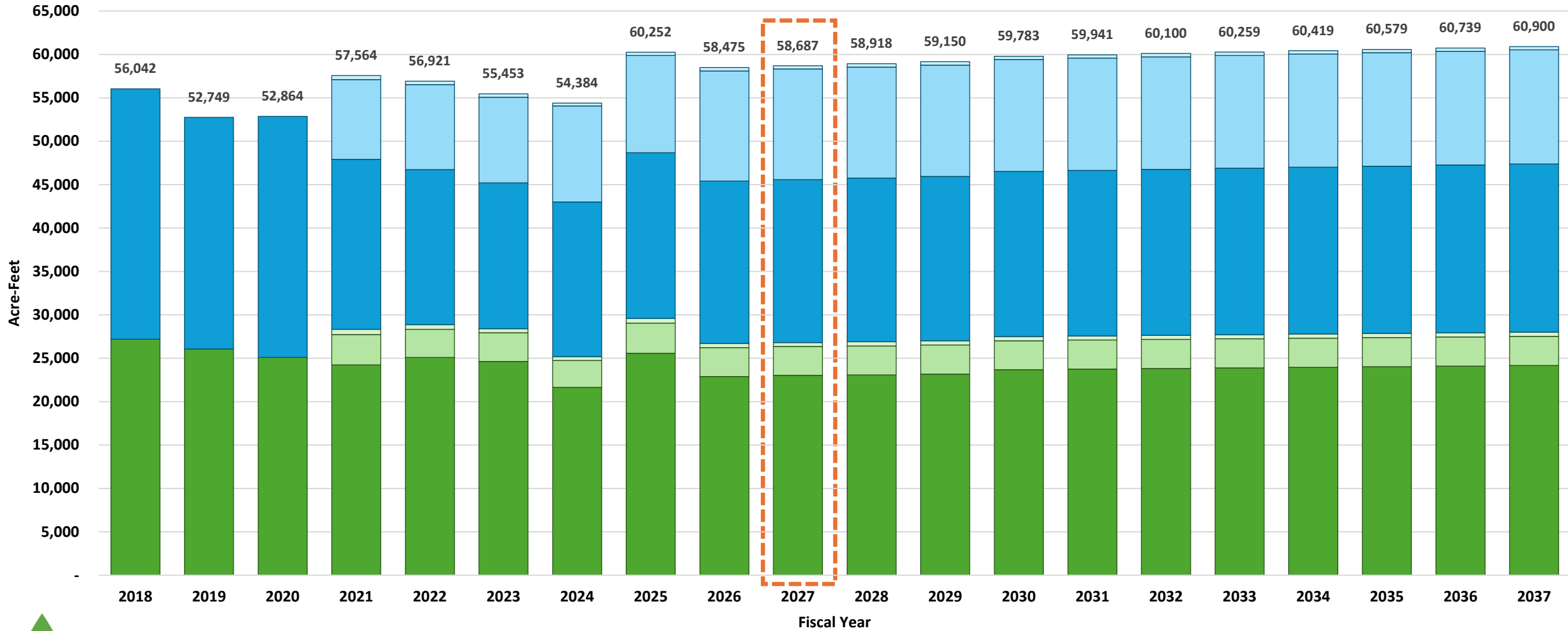
For further details please visit valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit.



Anderson Dam

Water Usage Trend in South County (Zone W-5, W-7 & W-8)

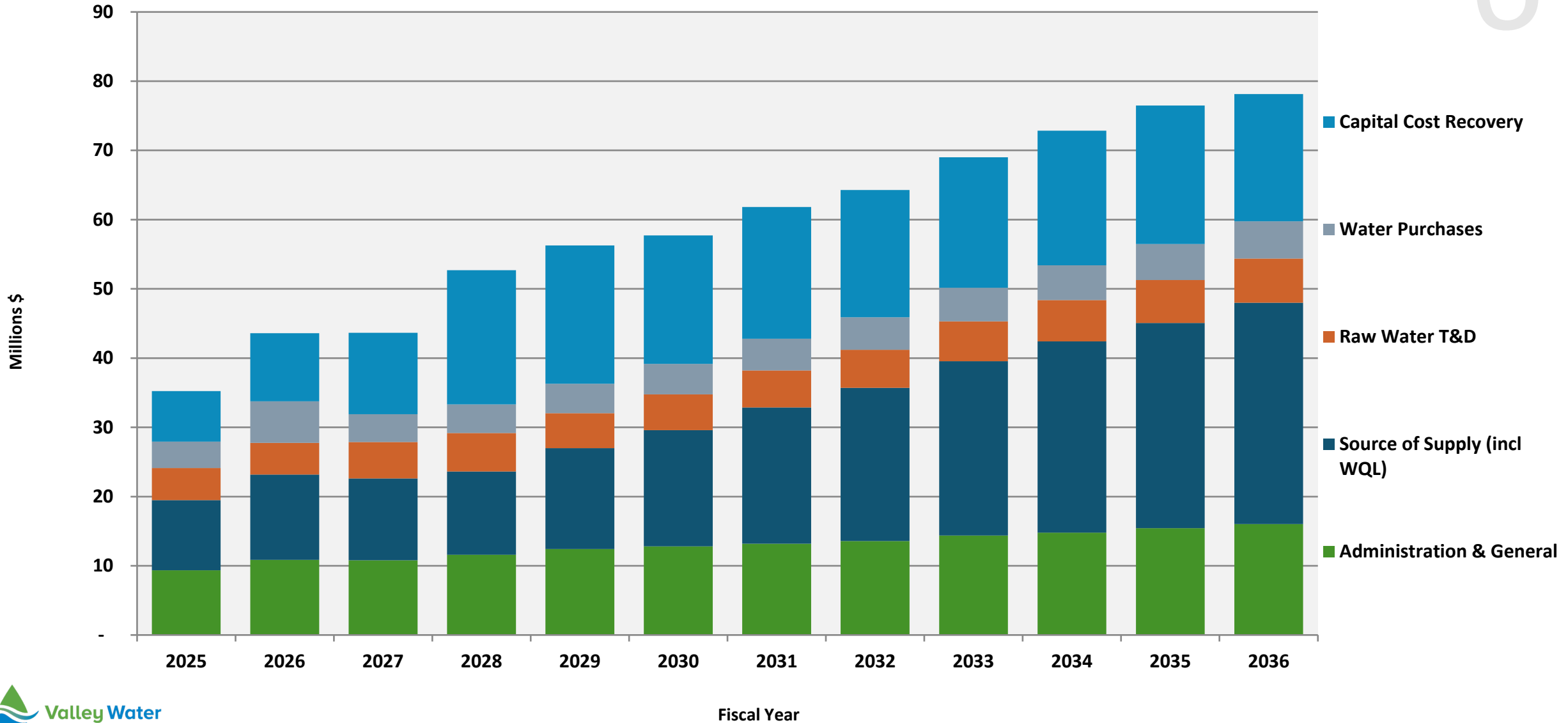
South County Water Use (Acre-Feet) by Fiscal Year & Zone



■ W-5 Agricultural
 ■ W-7 Agricultural
 ■ W-8 Agricultural
 ■ W-5 Non-Agricultural
 ■ W-7 Non-Agricultural
 ■ W-8 Non-Agricultural
 Total South GW Production

South County Long Term Cost Projection

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FY 2026-27 Groundwater Production Charge Projection

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Municipal & Industrial Rate by Zone	FY 2025-26 GW Production Charge	FY 2026-27 Recommended GW Production Charge	Preliminary % Increase	Increase to Average Monthly Bill (11 HCF/month)
North County W-2	\$2,450.00	\$2,673.00	9.9%* 9.1%	\$5.63
South County W-5	\$624.50	\$665.50	7.9%* 6.6%	\$1.04
South County W-7	\$834.50	\$913.00	11.2%* 9.4%	\$1.98
South County W-8	\$464.00	\$501.00	8.0%	\$0.93
Agricultural	\$43.00	\$46.50	8.0%	\$0.58**



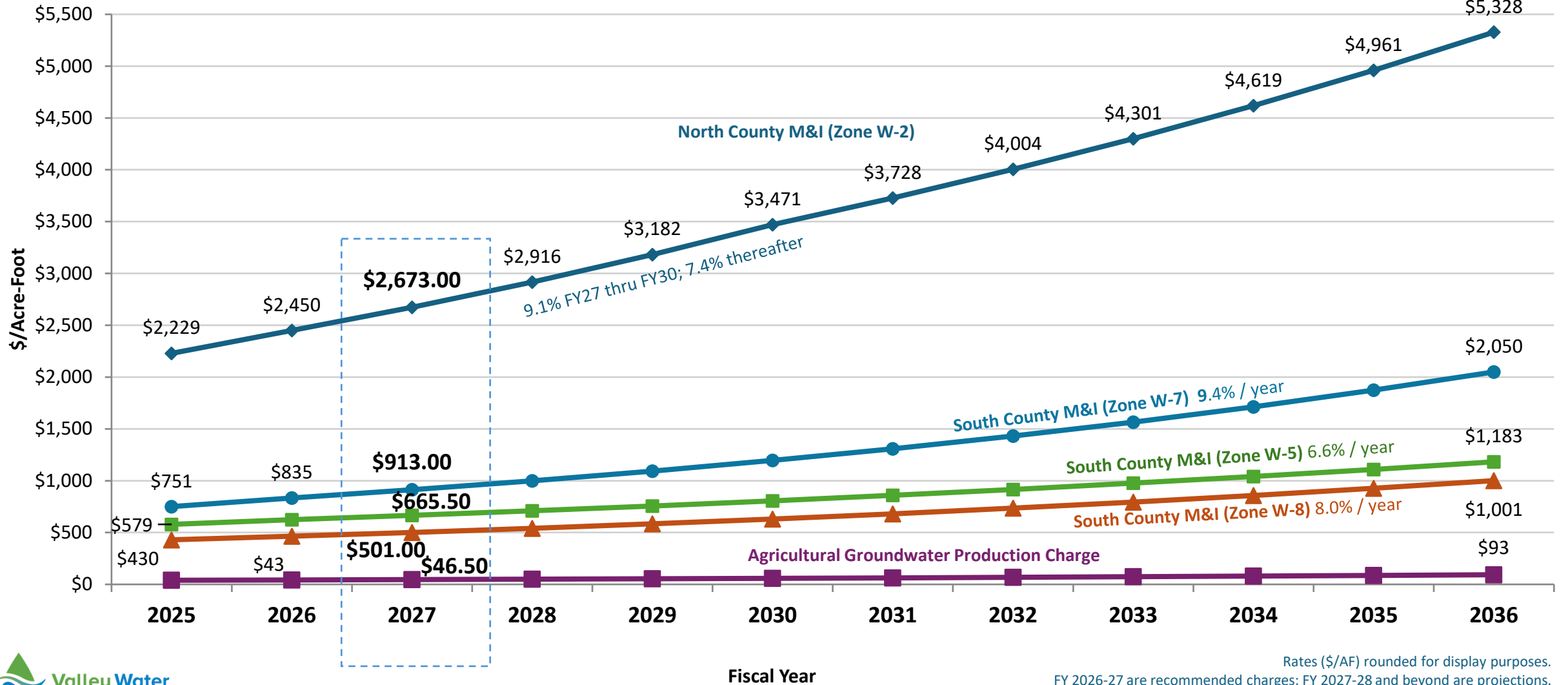
* Reflects prior rate increases (%) projected during the FY2025-26 planning cycle.

** Assumes Agricultural users who pump 2 AF of water, per acre, per year.

Groundwater Production Charge Recommendation

As published in the PAWS Report February 27, 2026

FY 2026-27 Groundwater Charge Recommendation (M&I and Ag)



Rates (\$/AF) rounded for display purposes.
FY 2026-27 are recommended charges; FY 2027-28 and beyond are projections.

FY 2026-27 South County Zone W-5 Proposed Charges

Zone W-5 (Llagas Subbasin)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	579.00	624.50	665.50
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	640.00	691.50	738.50
Total Surface Water, Agricultural*	100.80	110.00	119.50
Recycled Water Charges			
Municipal & Industrial	559.00	604.50	645.50
Agricultural	70.15	73.35	76.85



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$1.04 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2026-27 South County Zone W-7 Proposed Charges

Zone W-7 (Coyote Valley)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	750.50	834.50	913.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	811.50	901.50	986.00
Total Surface Water, Agricultural*	100.80	110.00	119.50



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$1.98 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top

FY 2026-27 South County Zone W-8 Proposed Charges

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Zone W-8 (Uvas / Chesbro)	Dollars Per Acre Foot		
	FY 2024–25	FY 2025-26	Proposed FY 2026–27
Basic User/Groundwater Production Charge			
Municipal & Industrial	430.00	464.00	501.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	491.00	531.00	574.00
Total Surface Water, Agricultural*	100.80	110.00	119.50



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge



M&I Increase approximately \$0.93 per month increase to the average household user.

Note: Does not include any increase that a retailer would layer on top

Agricultural Benchmarks

Agency (As of March 2026) ¹		Agricultural Rate (\$/AF)	Non-Agricultural Rate (\$/AF)	Ag as % of Non-AG
Modesto ID (\$/AF for first 2 AF)	Untreated SW	\$2.00 to \$40.00	N/A	
San Benito ²	Groundwater (Quality issues)	\$14.30	\$14.30	100%
SCVWD South	Groundwater		\$665.50	7%
	Zone W-5	\$46.50	\$913.00	5%
	Zone W-7		\$501.00	9%
Zone W-8				
Merced ID	Untreated SW	\$50.00	N/A	
SCVWD South	Untreated SW		\$738.50	16%
	Zone W-5	\$119.50	\$986.00	12%
	Zone W-7		\$574.00	21%
Zone W-8				
Westlands WD	Pressurized	\$178.59	\$908.72	20%
Lost Hills	Untreated SW	\$200.80 to \$335.53	N/A	
Zone 7	Untreated SW	\$287.00	N/A	
San Benito	Pressurized	\$263.00	\$554.00	47%
Merced ID	Groundwater ³	N/A	N/A	

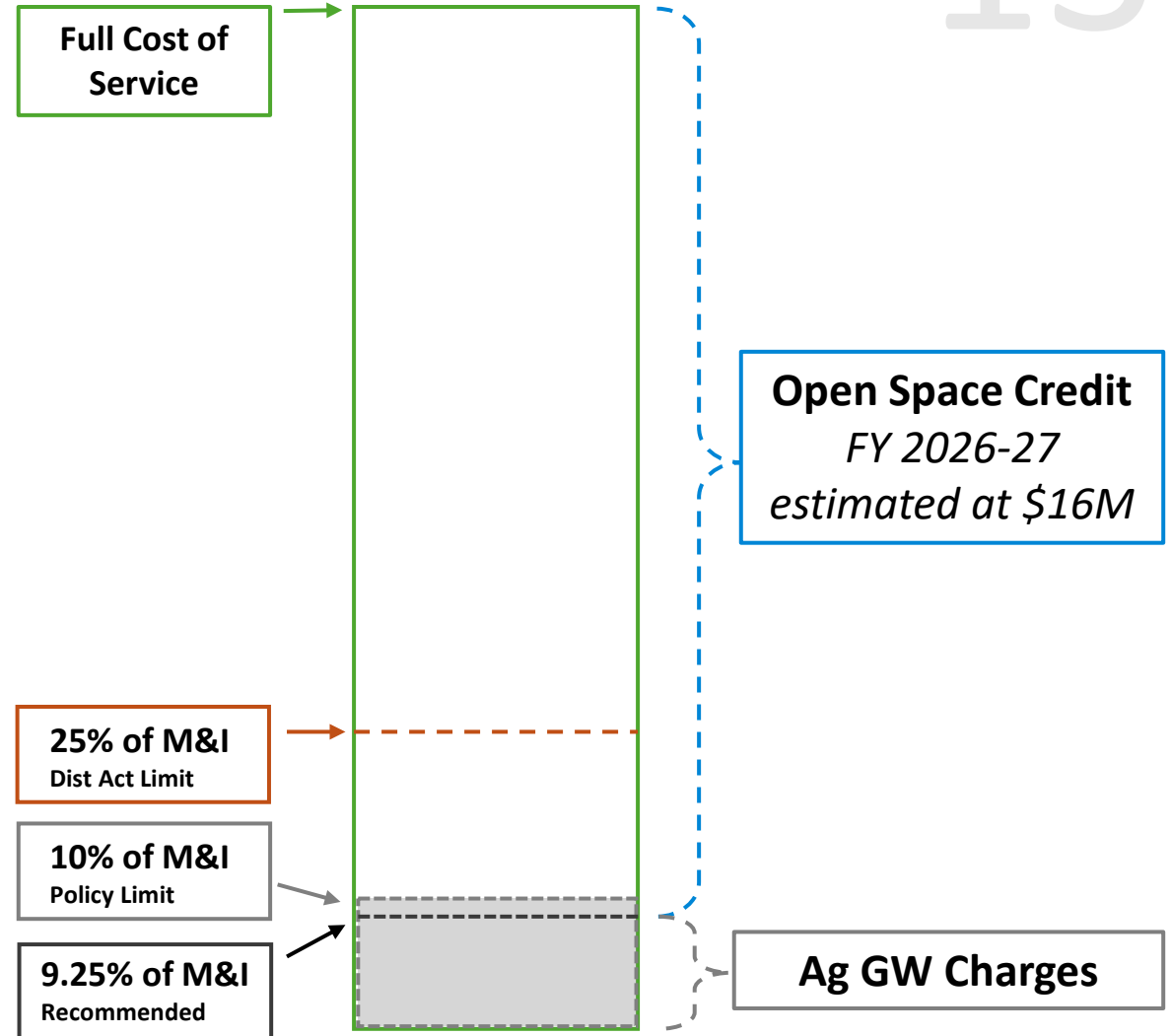
1. Reflects Valley Water proposed FY 2026-27 rates against current adopted rates for comparator agencies.

2. San Benito County Water District adopted groundwater charges for FY 2026-27 setting Non-Agricultural (M&) and Agricultural rates the same \$/AF.

3. Merced Irrigation District is not offering their Supplemental Water Supply Pool Program (Groundwater) for the 2025 irrigation season and is encouraging growers to conserve groundwater.

Benefits of the Open Space Credit (OSC)

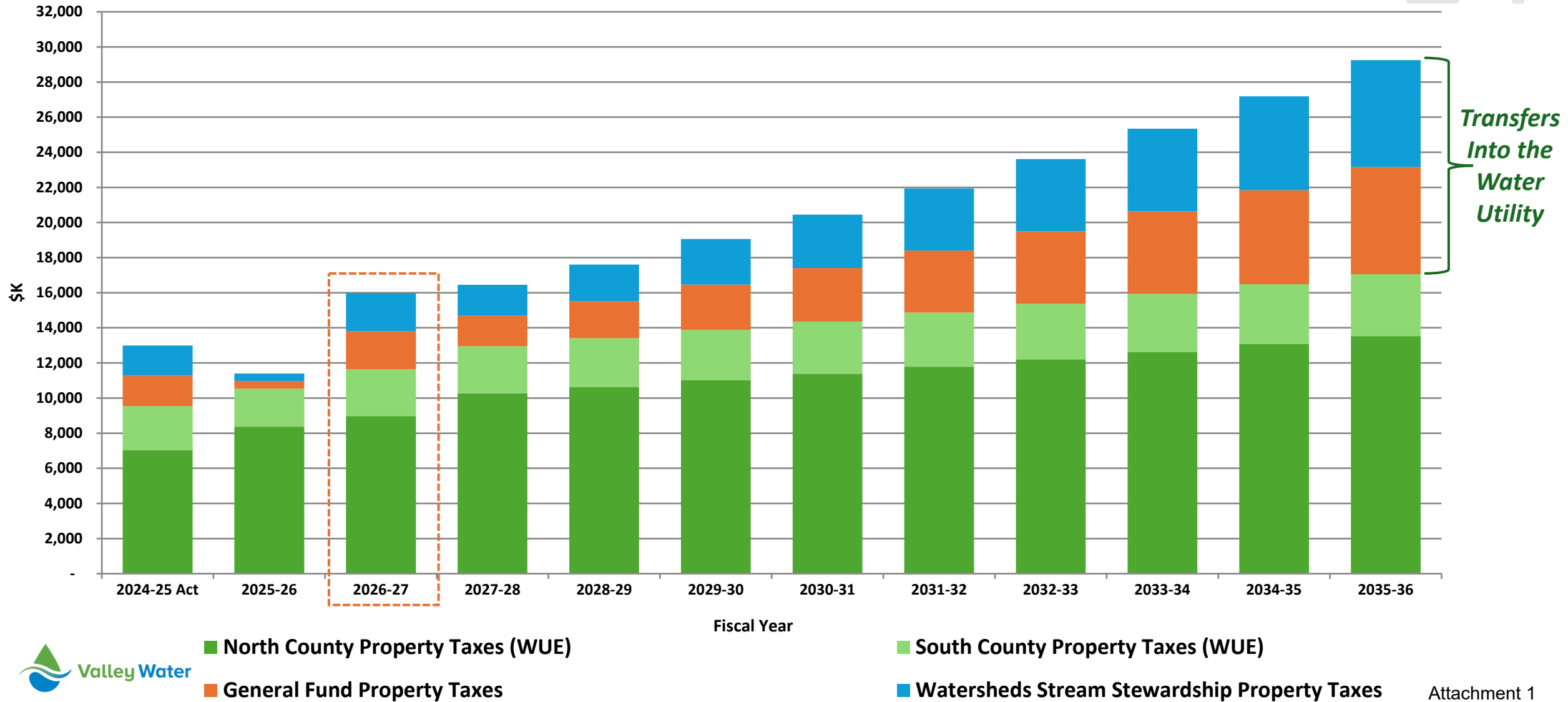
- **Formal definition: “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”**
- **Applies to agricultural water users only, not to all open space**
- **Open Space Credit covers 90% of full cost of service for Agricultural Water customers**



Open Space Credit Projection

10-year Total Benefit to Open Space Credit: \$217M

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Rate Setting Schedule FY 2026-27

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- Jan 5 Agricultural Water Advisory Committee
- Jan 13 Board Meeting: Preliminary Groundwater Charge Analysis
- Jan 21 Water Retailers Meeting: Preliminary Groundwater Charge Analysis
- Jan 28 Water Commission Meeting: Preliminary Groundwater Charge Analysis

- Feb 10 Board Meeting: Set time & place of Public Hearing
- Feb 27 Mail notice of public hearing and file PAWS report

- Mar 10 Board Meeting: Budget development update
- Mar 11 Water Retailers Meeting: FY 27 Groundwater Charge Recommendation

- **Apr 6 Agricultural Water Advisory Committee**
- **Apr 8 Water Commission Meeting**
- **Apr 14 Open Public Hearing**
- **Apr 22 Continue Public Hearing in South County (Morgan Hill)**
- **Apr 28 Conclude Public Hearing**
- **Apr 29-30 Board Meeting: Budget work study session**

- **May 12 Adopt budget, 5-Year CIP & groundwater production and other water charges**

Summary

- **Valley Water remains in an era of investment**
 - To upgrade, rehabilitate, replace existing water supply infrastructure that was built decades ago
 - To invest in new infrastructure in response to changing weather patterns
- **FY 2026-27 water rate case investment assumptions**
 - Maintain alignment with CIP FY 2027-31 Five-Year Plan & Water Supply Master Plan 2050 Low-Cost Portfolio
 - Reflects lower rate projections driven by August 26, 2025 decision by the Board to suspend development of the Pacheco Reservoir Expansion Project

Municipal & Industrial Rate by Zone	% Increase	FY 2026-27 GW Production Charge Recommendation	Increase to Average Monthly Bill (11 HCF/month)
North County W-2	9.1%	\$2,673.00	\$5.63
South County W-5	6.6%	\$665.50	\$1.04
South County W-7	9.4%	\$913.00	\$1.98
South County W-8	8.0%	\$501.00	\$0.93
Agricultural Water	8.0%	\$46.50	\$0.58 Per month per acre at 2 AF /year

Staff seeking Committee endorsement of FY 2026-27 groundwater production charge recommendations.



Valley Water

Clean Water • Healthy Environment • Flood Protection

FY 2026-27 North County Zone W-2 Proposed Charges

Zone W-2 (North County)	Dollars Per Acre Foot		
	FY 2024-25	FY 2025-26	Proposed FY 2026-27
Basic User/Groundwater Production Charge			
Municipal & Industrial	2,229.00	2,450.00	2,673.00
Agricultural	39.80	43.00	46.50
Surface Water Charge			
Surface Water Master Charge	61.00	67.00	73.00
Total Surface Water, Municipal & Industrial*	2,290.00	2,517.00	2,746.00
Total Surface Water, Agricultural*	100.80	110.00	119.50
Treated Water Charges			
Contract Surcharge	115.00	115.00	115.00
Total Treated Water Contract Charge**	2,344.00	2,565.00	2,788.00
Non-Contract Surcharge	200.00	200.00	200.00
Total Treated Water Non-Contract Charge***	2,429.00	2,650.00	2,873.00



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

** The total treated water contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the contract surcharge

*** The total treated water non-contract charge is the sum of the basic user charge (which equals the groundwater production charge) plus the non-contract surcharge



M&I Increase approximately \$5.63 per month increase to the average household user.

Note: Does not include any increase that a retailer would layer on top

Groundwater Charge Increase Projection

As published in the PAWS Report February 27, 2026

Municipal & Industrial Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
North County Zone W-2	9.1%	9.1%	9.1%	9.1%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
<i>Prior Year</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>7.0%</i>	
South County Zone W-5	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<i>Prior Year</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	<i>7.9%</i>	
South County Zone W-7	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%
<i>Prior Year</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>11.2%</i>	
South County Zone W-8	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Prior Year</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	

Groundwater Charge Increase Projection

As published in the PAWS Report February 27, 2026

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Municipal & Industrial Groundwater Charge Monthly Impact to Average Household (11 HCF/Month)

Baseline Scenario 1	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
North County Zone W-2	\$5.63	\$6.14	\$6.70	\$7.31	\$6.49	\$6.97	\$7.49	\$8.03	\$8.64	\$9.27
South County Zone W-5	\$1.04	\$1.11	\$1.19	\$1.26	\$1.34	\$1.43	\$1.53	\$1.63	\$1.73	\$1.84
South County Zone W-7	\$1.98	\$2.17	\$2.37	\$2.59	\$2.84	\$3.11	\$3.40	\$3.71	\$4.07	\$4.44
South County Zone W-8	\$0.93	\$1.01	\$1.09	\$1.19	\$1.26	\$1.36	\$1.49	\$1.62	\$1.74	\$1.87

Note: Does not include any increase that a retailer would layer on top

